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China Chuanglian Education Group Limited
中國創聯教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2371)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

RESULTS HIGHLIGHTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Reported financial information		
Revenue	38,295	35,086
Gross profit	18,318	17,347
Loss before tax	(36,881)	(30,887)
Loss attributable to owners of the Company	(37,206)	(32,653)
Basic loss per share <i>(RMB'cent)</i>	(0.80)	(0.76)
Adjusted financial information[#]		
Loss before tax	(26,954)	(9,095)
Loss attributable to owners of the Company	(27,279)	(10,861)
Basic loss per share <i>(RMB'cent)</i>	(0.59)	(0.25)

[#] Adjusted financial information refers to activities for the period excluding share-based payments.

RESULTS

The board (the “Board”) of directors (the “Directors”) of China Chuanglian Education Group Limited (the “Company”) hereby announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2016 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	38,295	35,086
Cost of sales and services		<u>(19,977)</u>	<u>(17,739)</u>
Gross profit		18,318	17,347
Other income	4	1,126	921
Selling and marketing expenses		(7,231)	(11,571)
Administrative expenses		(30,133)	(37,380)
Unrealised loss on fair value changes of held for trading investments		(18,561)	–
Share of result of associates		(197)	(5)
Finance costs	5	<u>(203)</u>	<u>(199)</u>
Loss before tax		(36,881)	(30,887)
Income tax expenses	6	<u>(766)</u>	<u>(859)</u>
Loss for the period	7	(37,647)	(31,746)
Other comprehensive income			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation and other comprehensive income for the period		<u>596</u>	<u>129</u>
Total comprehensive expense for the period		<u><u>(37,051)</u></u>	<u><u>(31,617)</u></u>
Loss for the period attributable to:			
Owners of the Company		(37,206)	(32,653)
Non-controlling interests		<u>(441)</u>	<u>907</u>
		<u><u>(37,647)</u></u>	<u><u>(31,746)</u></u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(36,610)	(32,524)
Non-controlling interests		<u>(441)</u>	<u>907</u>
		<u><u>(37,051)</u></u>	<u><u>(31,617)</u></u>
Loss per share	9		
Basic and diluted (RMB cent)		<u><u>(0.80)</u></u>	<u><u>(0.76)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current assets			
Plant and equipment	10	6,910	4,936
Intangible assets		90,960	92,599
Goodwill		88,292	83,419
Interests in associates		947	1,195
Deposit paid for acquisition of investment		20,000	–
Deposit paid for acquisition of a subsidiary		1,500	–
Prepayment for acquisition of plant and equipment		26,110	10,651
Available-for-sale investments		3,348	–
		<u>238,067</u>	<u>192,800</u>
Current assets			
Loan receivables		3,000	–
Trade and other receivables	11	85,784	102,632
Held for trading investments		18,915	28,000
Bank balances and cash		141,362	191,776
		<u>249,061</u>	<u>322,408</u>
Current liabilities			
Trade and other payables	12	43,991	43,705
Amount due to a shareholder		141	188
Income tax payable		10,998	12,433
Bank borrowing		4,990	4,990
		<u>60,120</u>	<u>61,316</u>
Net current assets		<u>188,941</u>	<u>261,092</u>
Total assets less current liabilities		<u>427,008</u>	<u>453,892</u>
Capital and reserves			
Share capital	13	38,786	38,786
Reserves		351,768	386,969
Equity attributable to owners of the Company		390,554	425,755
Non-controlling interests		14,553	5,334
Total equity		<u>405,107</u>	<u>431,089</u>
Non-current liability			
Deferred tax liability	14	21,901	22,803
		<u>427,008</u>	<u>453,892</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

China Chuanglian Education Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Rooms 905-6, 9th Floor, Massmutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.

The Company is principally engaged in investment holding and securities trading. Other than those major operating subsidiaries established in the People’s Republic of China (the “PRC”) whose functional currency is Renminbi (“RMB”), the functional currency of the remaining subsidiaries is Hong Kong dollars (“HK\$”).

The functional currency of the Company is HK\$, which is different from the presentation currency, RMB. As the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) mainly operate in the PRC, the directors of the Company consider that it is appropriate to present the condensed consolidated financial statements in RMB.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rule”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015 except as described below.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretation (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2016.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the new and revised HKFRSs in the current period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Advertising media – provision of advertising services in respect of placing advertisements on the outdoor billboards and light-emitting diode (“LED”) screens of the Group to advertisers and advertising agencies;
2. Other media – provision of consultancy and media business operation services and TV programmes distribution services;
3. Securities trading – trading of financial assets at fair value through profit or loss; and
4. Educational consultancy and online training and education – provision of educational consultancy services and online training and education services.

Segment revenue and results

The following table presents revenue and loss information regarding the Group's operating segments for the six months ended 30 June 2016 and 2015 respectively:

Six months ended 30 June 2016

	Advertising media RMB'000 (Unaudited)	Other media RMB'000 (Unaudited)	Securities trading RMB'000 (Unaudited)	Educational consultancy and online training and education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE					
External sales	<u>–</u>	<u>773</u>	<u>–</u>	<u>37,522</u>	<u>38,295</u>
Segment (loss) profit	<u>(473)</u>	<u>(2,416)</u>	<u>(17,878)</u>	<u>1,903</u>	<u>(18,864)</u>
Unallocated other income					448
Unallocated corporate expenses					<u>(18,465)</u>
Loss before tax					<u>(36,881)</u>

3. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2015

	Advertising media RMB'000 (Unaudited)	Other media RMB'000 (Unaudited)	Securities trading RMB'000 (Unaudited)	Educational consultancy and online training and education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE					
External sales	<u>—</u>	<u>3,971</u>	<u>—</u>	<u>31,115</u>	<u>35,086</u>
Segment (loss) profit	<u>(1,341)</u>	<u>3,352</u>	<u>—</u>	<u>(5,239)</u>	<u>(3,228)</u>
Unallocated other income					281
Unallocated corporate expenses					(27,741)
Finance costs					<u>(199)</u>
Loss before tax					<u>(30,887)</u>

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Segment assets		
Advertising media	50	86
Other media	69,013	75,572
Securities trading	20,637	39,054
Educational consultancy and online training and education	<u>244,714</u>	<u>191,984</u>
Total segment assets	334,414	306,696
Unallocated corporate assets	<u>152,714</u>	<u>208,512</u>
Consolidated assets	<u>487,128</u>	<u>515,208</u>
Segment liabilities		
Advertising media	12,012	11,759
Other media	6,214	11,094
Securities trading	—	—
Educational consultancy and online training and education	<u>29,463</u>	<u>23,892</u>
Total segment liabilities	47,689	46,745
Unallocated corporate liabilities	<u>34,332</u>	<u>37,374</u>
Consolidated liabilities	<u>82,021</u>	<u>84,119</u>

4. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reversal of impairment loss in respect of trade and other receivables	–	531
Bank interest income	448	281
Other interest income	49	109
Government subsidies	120	–
Net foreign exchange gain	439	–
Others	70	–
	<u>1,126</u>	<u>921</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	<u>203</u>	<u>199</u>

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax – current period	1,405	1,776
Hong Kong Profits Tax– under provision in prior years	263	–
Deferred tax	<u>(902)</u>	<u>(917)</u>
	<u>766</u>	<u>859</u>

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of plant and equipment	1,271	3,919
Amortisation of intangible assets (included in cost of services)	3,937	4,122
Net foreign exchange losses	–	109
Share-based payment expenses		
(excluding directors' and chief executive's emoluments)	9,927	16,735
Operating lease rentals in respect of rented premises	<u>4,570</u>	<u>3,545</u>

8. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

9. LOSS PER SHARE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(37,206)</u>	<u>(32,653)</u>
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>4,652,523</u>	<u>4,274,153</u>

Diluted loss per share is same as basic loss per share for both periods. During the six months ended 30 June 2016, the computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options were higher than the average market price for shares. During the six months ended 30 June 2015, the computation of diluted loss per share does not assume the conversion of the Company's outstanding share options since their exercise would result in an decrease in loss per share.

10. MOVEMENTS IN PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired assets with a cost of approximately RMB3,194,000 (six months ended 30 June 2015: approximately RMB4,741,000), excluding plant and equipment acquired through acquisition of a subsidiary.

11. TRADE AND OTHER RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables	21,746	21,070
Less: impairment loss recognised	(903)	(903)
	<u>20,843</u>	<u>20,167</u>
Deposits for TV programmes production	46,460	52,739
Other receivables	3,307	12,341
Less: impairment loss recognised	(93)	(143)
	<u>49,674</u>	<u>64,937</u>
Deposits	1,876	1,759
Prepayments	13,391	15,769
	<u>85,784</u>	<u>102,632</u>

The Group does not hold any collateral over these receivables.

Trade receivables are due according to the terms on the relevant contract. The following is an ageing analysis of trade receivables net of accumulated impairment losses presented based on the invoice date at the end of reporting period which approximate the respective revenue recognition date.

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 30 days	10,074	13,859
31 to 60 days	1,440	–
61 to 180 days	–	1,188
181 to 365 days	9,288	5,120
Over 365 days	41	–
	<u>20,843</u>	<u>20,167</u>

12. TRADE AND OTHER PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	2,164	1,000
Other payables	8,041	6,556
Fund advance for TV programmes production	–	4,790
Payable of litigation claim (note)	11,858	11,602
Receipts in advance	15,742	16,728
Accruals	6,186	3,029
	<u>43,991</u>	<u>43,705</u>

Note: Payable of litigation claim represents payable to a supplier regarding to the dispute over the contractual undertakings in relation to the construction of a light-emitting diode (“LED”) display panel at cash consideration of approximately RMB12,378,000 located in the PRC. As at 30 June 2016, the carrying value of such LED display panel recognised as construction in progress was nil (31 December 2015: nil), net of accumulated impairment loss of approximately RMB1,587,000 (31 December 2015: RMB1,587,000).

On 9 April 2014, 河北省高級人民法院 (the “High Court”) promulgated the final decision which is final and conclusive, that the indirectly-owned subsidiary of the Company has to pay an amount of approximately RMB10,342,000 plus the accrued interest with reference to the loan interest rate determined by the People’s Bank of China as from 16 April 2008 until payment thereon to the plaintiff and borne the related court expenses of approximately RMB206,000.

The total payable for the litigation claims in the condensed consolidated financial statement of the Group as at 30 June 2016 was approximately RMB11,858,000 (31 December 2015: RMB11,602,000), which including litigation claim of approximately RMB10,342,000 (31 December 2015: RMB10,342,000) plus the estimated accrued interest of approximately RMB1,393,000 (31 December 2015: RMB1,137,000) and the related court expenses of approximately RMB123,000 (31 December 2015: RMB123,000).

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period.

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 30 days	1,837	1,000
Over one year	327	–
	<u>2,164</u>	<u>1,000</u>

The trade payables were due according to the terms on the relevant contracts. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

13. SHARE CAPITAL

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	30 June 2016 '000 (Unaudited)	31 December 2015 '000 (Audited)	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Ordinary shares of HK\$0.01 each						
as at 30 June 2016						
(31 December 2015: HK\$0.01 each)						
Authorised:						
At beginning of the period and end of the period/ year	<u>100,000,000</u>	<u>100,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>879,100</u>	<u>879,100</u>
Issued and fully paid:						
At beginning of the period/year	4,652,523	4,169,023	46,525	41,690	38,786	34,920
Issue of shares						
upon exercise of share options	–	9,700	–	97	–	77
Issue of shares upon placing	<u>–</u>	<u>473,800</u>	<u>–</u>	<u>4,738</u>	<u>–</u>	<u>3,789</u>
At end of the period/year	<u>4,652,523</u>	<u>4,652,523</u>	<u>46,525</u>	<u>46,525</u>	<u>38,786</u>	<u>38,786</u>

14. DEFERRED TAX LIABILITY

The movements in the deferred tax liability during the period were as follows:

	<i>RMB'000</i>
At 1 January 2015	24,863
Credit to profit or loss	<u>(2,060)</u>
At 31 December 2015 and 1 January 2016	22,803
Credit to profit or loss	<u>(902)</u>
At 30 June 2016	<u><u>21,901</u></u>

15. EVENT AFTER THE REPORTING PERIOD

On 16 May 2016, the Group entered into an investment agreement with independent third parties to contribute capital in 北京國亞通寶科技有限公司 (“Guoya Tongbao”). Guoya Tongbao was incorporated in the PRC with limited liability which engages in mobile payment platform development. The Group injected RMB20,000,000 representing 10% interest of Guoya Tongbao. On 23 August 2016, the capital injection has been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the Reporting Period, the Group recorded a revenue of approximately RMB38,295,000 (six months ended 30 June 2015: approximately RMB35,086,000), representing an increase of 9.1% as compared to the last corresponding period. The loss attributable to owners of the Company for the Reporting Period was approximately RMB37,206,000 (six months ended 30 June 2015: approximately RMB32,653,000), representing an increase of approximately 13.9% as compared to the last corresponding period. The basic loss per share for the Reporting Period was RMB0.80 cent (six months ended 30 June 2015: basic loss per share RMB0.76 cent), representing an increase of approximately 5.3% as compared to the last corresponding period.

Of these, revenue derived from educational consultancy and online training and education, other media, securities trading and advertising media were approximately RMB37,522,000, RMB773,000, RMB0 and RMB0 respectively (six months ended 30 June 2015: approximately RMB31,115,000, RMB3,971,000, RMB0 and RMB0 respectively). The revenue derived from educational consultancy and online training and education is usually subject to certain seasonality as more users would prefer to undertake the trainings closer to the end of the year. As an illustration, the revenue derived from educational consultancy and online training and education for the six months ended 30 June 2015 only accounted for approximately 35.8% of the annual revenue for the year ended 31 December 2015.

Cost of sales and services for the Reporting Period was approximately RMB19,977,000 (six months ended 30 June 2015: approximately RMB17,739,000), representing an increase of approximately 12.6% as compared to the last corresponding period. Gross profit margin for the Reporting Period decreased slightly to approximately 47.8% (six months ended 30 June 2015: approximately 49.4%). The increase in cost of sales and services was mainly due to the increase in cost of shooting as well as research and development expenses.

Selling and marketing expenses for the Reporting Period was approximately RMB7,231,000 (six months ended 30 June 2015: approximately RMB11,571,000), representing a decrease of approximately 37.5% as compared to the last corresponding period. The decrease in selling and marketing expenses was mainly due to decrease in project co-operation expenses, meeting expenses and consulting expenses. Administrative expenses for the Reporting Period was approximately RMB30,133,000 (six months ended 30 June 2015: approximately RMB37,380,000), representing a decrease of 19.4% as compared to the last corresponding period. The decrease in administrative expenses was mainly due to decrease in the share-based expense from approximately RMB21,792,000 for the six months ended 30 June 2015 to approximately RMB9,927,000 for the Reporting Period arising from the share options granted to employees and consultants. Such expense does not have any impact on the Group's cash flow.

For the Reporting Period, the overall operating performance of the Group was better than the last corresponding period. The higher amount of loss attributable to owners of the Company for the Reporting Period was mainly due to the unrealised loss on fair value changes of held for trading investments of approximately RMB18,561,000 which is non-operational. Without considering such unrealised investment loss, the Group's operating loss for the Reporting Period would be approximately RMB19,086,000 (six months ended 30 June 2015: approximately: RMB31,746,000), representing a decrease of approximately 39.9%.

Business Review

The Group is principally engaged in the provision of the online training and education services in the PRC. As one of the very few pioneers of online education providers in the PRC, our existing business mainly focus on providing vocational training in relation to job adaption and skill enhancement to civil servants and professional technical personnel, including but not limited to lawyers, accountants, doctors, teachers, etc., in the PRC. According to the PRC laws and the requirements under relevant provisions, civil servants and professional technical personnel in the PRC are required to undertake an annual required minimum continuing professional training in both public required subjects and relevant professional subjects in order to satisfy their corresponding job requirements and professional development needs. The Group is principally engaged in providing online training on public required subjects and has accumulated over 7,000 hours of video contents in public related subjects over the past few years. We are committed to provide online vocational training to civil servants and professional technical personnel and strive to become their life-long and comprehensive online learning partner.

For the Reporting Period, the revenue from the online training and education services business is the major contributor of the Group's revenue and accounted for approximately 98.0% (six months ended 30 June 2015: approximately 88.7%) of the Group's revenue. The Directors expect that the online training and education services business will continue to dominate the revenue mix of the Group in the second half of the year.

Leveraging on our self-developed core network service management platform to link up internet learning service, training management, educational resources and the capability to support large-scale simultaneous online training, we are providing online training to around 7 million civil servants and professional technical personnel in the PRC.

Business Outlook

Business segments for lifelong education

In addition to the existing business of providing vocational training on public required subjects to civil servants and professional technical personnel, the Group is keen to extend its education related business into the arena of preschool education, K-12 education and vocational training on professional subjects. The Group intends to provide the users with the high quality educational resources through cable television networks, internet and telecommunications networks on a tri-networks integration basis so that the users can get access to the different education content anywhere and anytime.

Through our subsidiary, Shenzhen ChuanglianXinghui Technology Company Limited* (深圳市創聯星匯科技有限公司), the Group recently launched Preschool Education Cloud* (幻教雲). Preschool Education Cloud is a customized tri-networks platform which integrated education management, tuition and entertainment for kindergartens, parents and children. On the Business end, this platform provides kindergartens with comprehensive electronic information solution to enhance better education management for kindergartens. This platform will also become the communication channel between kindergartens, teachers, parents and children through its cable television, internet and telecommunications connections.

On the K-12 education sector, the Group intends to launch its OFPU Education (Observe, Finding, Practice, Use). The OFPU Education is a scientific education system which focus on providing children with customized educational content and extracurricular activities in order to inspire their power of observation, allow them to find the delight in learning, let them have the chance to practice and use the knowledge gained during the learning process.

There are approximately 68 million professional technical personnel in the PRC. Apart from providing the professional technical personnel with vocational training on public required subjects, the Group is eager to extend its vocational training to professional subjects in order to increase its average revenue per user. The Group intends to cooperate with different prestige professional subjects providers through its tri-networks platform to provide the users with top class professional knowledge so as to tailor for their career needs and assist them to advance in their career.

Different networks across the entire ecological environment

The Group intends to create a new ecology of education on a full media basis with cable television, internet and mobile communications.

The Group is currently operating around 260 online education platforms which allows our users to get access through the computer ends.

In view of the increasing popularity of mobile applications, the Group has launched its mobile application in Rongxue App* (融學 App) in selective area in the PRC since early 2016. The Rongxue App allows the users to access to the training materials without territory and time limits. The Group believes that the launch of Rongxue App will increase the existing online users' adhesive to our platform and attract more online users at the same time.

In addition to the internet and telecommunications networks, the Group has commenced its cable television channel in ECTV* (考試在線) in 2016. ECTV covers 28 provinces and cities with access to over 60 million digital television users.

Future business opportunities extended from the education business

Through the various education business segments via the different networks operated by the Group, the Group is going to accumulate a massive amount of precise and useful big data and the Group believes that there will be other future business opportunities extended from the big data accumulated through the Group's education businesses such as financial insurance, mobile payment and headhunting service, etc. The Group has already taken steps in the financial insurance sector with a view to take benefit from the application of the massive pool of big data.

The Group has participated to establish the first mutual life insurance agency in the PRC, 信美人壽相互保險社 ("Xinmei Mutual Life Insurance Agency"). The Group believes that the Group's horizontal development into insurance business can well utilize the big data in promoting the different insurance products to our educational contents users to tailor for their different needs and requirements. Furthermore, the Group believes that the additional interaction with the users apart from education will enhance the bonding between our education platform and the users.

Liquidity and Financial Resources

As at 30 June 2016, the Group had bank balances and cash of approximately RMB141,362,000 (at 31 December 2015: approximately RMB191,776,000).

As at 30 June 2016, the Group's net current assets totalled approximately RMB188,941,000 (at 31 December 2015: approximately RMB261,092,000).

The Group's current ratio was approximately 4.14 times as at 30 June 2016 as compared with 5.26 times as at 31 December 2015.

Gearing Ratio

The gearing ratio of the Group (measured as total liabilities to total assets) was 16.8% as at 30 June 2016 (at 31 December 2015: 16.3%).

Capital Structure

As at 30 June 2016, the Company's issued share capital was approximately HK\$46,525,226 and the number of its issued ordinary shares was 4,652,522,578 shares of HK\$0.01 each.

Foreign Exchange Exposure

Substantially all of the business transactions of the Group are denominated in Renminbi and Hong Kong dollars. The Group adopts a conservative financial policy. During the Reporting Period, the Group did not have any bank liabilities, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

Charge on Group Assets

As at 30 June 2016 and 31 December 2015, the Group did not have any charges on its assets.

Capital Commitment

As at 30 June 2016, the Group had outstanding capital commitment in respect of the acquisition of plant and equipment of approximately RMB700,000 (31 December 2015: RMB1,683,000), the investment of 35% of the issued share capital of an associate Guangxi Beibu Gulf Guolian Jichuang Education Investment Company Limited* (廣西北部灣國聯集創教育投資有限公司), of approximately RMB1,050,000 (31 December 2015: RMB1,050,000) and the investment of 40% of the issued share capital of a subsidiary Beijing Kejiao Ronghe Culture Media Company Limited* (北京科教融合文化傳播有限公司), of approximately RMB1,500,000 (31 December 2015: Nil).

Employee Information and Remuneration Policy

As at 30 June 2016, the Group had 187 employees (31 December 2015: 151 employees) in Hong Kong and the PRC and the total staff costs (including all Directors' remuneration and fees) are approximately RMB22,490,000 for the Reporting Period (six months ended 30 June 2015: approximately RMB31,025,000).

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. In order to attract, retain and motivate eligible employees, including the Directors, the Company had adopted share option schemes (the "Share Option Schemes"). As at 30 June 2016, there were 327,634,000 share options remained outstanding which can be exercised by the grantees of the Share Option Schemes.

We are confident that our employees will continue to provide a firm foundation for the success of the Group and will maintain high standard of service to our clients.

SHARE OPTION SCHEMES

The Company operated the equity-settled Share Option Scheme on 31 October 2004 under which the Board might, at its discretion, offer any employees (whether full time or part time), executives or officers of the Company or any of its subsidiaries (including any executive director), consultants, agents or legal and financial advisers to the Company or its subsidiaries whom the Board considered, in its sole discretion, as having contributed to the Company or any of its subsidiaries.

The share option scheme was adopted for a period of 10 years commencing from 31 October 2004 (the "Share Option Scheme 2004"). Shareholders of the Company in the annual general meeting of the Company dated 28 May 2014 resolved to terminate the Share Option Scheme 2004 and to adopt the new share option scheme (the "Share Option Scheme 2014"). The Share Option Scheme 2014 was adopted for a period of 10 years commencing from 28 May 2014.

During the Reporting Period, no share options were granted, exercised, lapsed and cancelled under the Share Option Scheme 2004. Movements of share options in the Reporting Period under the Share Option Scheme 2004 are summarised as follows:

List of Grantees	Balance as at 1 January 2016	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Balance as at 30 June 2016	Exercise Price HK\$	Date of Grant	Exercise Period
Directors									
Wang Shuping	500,000	-	-	-	-	500,000	0.37	11/09/2013	11/09/2013- 10/09/2016
Wu Xiaodong	2,000,000	-	-	-	-	2,000,000	0.37	11/09/2013	11/09/2013- 10/09/2016
Wang Cheng	1,050,000	-	-	-	-	1,050,000	0.37	11/09/2013	11/09/2013- 10/09/2016
Subtotal	3,550,000	-	-	-	-	3,550,000			
Employees									
In aggregate	27,400,000	-	-	-	-	27,400,000	0.37	11/09/2013	11/09/2013- 10/09/2016 (Note 2)
Subtotal	27,400,000	-	-	-	-	27,400,000			
Consultants									
In aggregate	5,000,000	-	-	-	-	5,000,000	0.37	11/09/2013	11/09/2013- 10/09/2016
Subtotal	5,000,000	-	-	-	-	5,000,000			
Total	35,950,000	-	-	-	-	35,950,000			

Notes:

- Share options will automatically lapsed after the period of 6 months following the date of such cessation or termination.
- Not more than 30% of the share options were vested on 11 September 2014. Not more than 60% of the share options were vested on 11 September 2015. Not more than 100% of the share options will be vested on 10 September 2016.

During the Reporting Period, 17,700,000 share options were granted, 1,200,000 share options were lapsed and no share options were exercised or cancelled under the Share Option Scheme 2014. Movements of share options in the Reporting Period under the Share Option Scheme 2014 are summarised as follows:

List of Grantees	Balance as at 1 January 2016	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Balance as at 30 June 2016	Exercise Price HK\$	Date of Grant	Exercise Period
Directors									
Lu Xing	2,000,000	-	-	-	-	2,000,000	0.4	04/05/2015	04/05/2015- 03/05/2018
Li Jia	10,000,000	-	-	-	-	10,000,000	0.4	04/05/2015	04/05/2015- 03/05/2018
Wu Xiaodong	2,000,000	-	-	-	-	2,000,000	0.4	04/05/2015	04/05/2015- 03/05/2018
Leung Siu Kee	1,000,000	-	-	-	-	1,000,000	0.4	04/05/2015	04/05/2015- 03/05/2018
Han Bing	1,000,000	-	-	-	-	1,000,000	0.4	04/05/2015	04/05/2015- 03/05/2018
Wang Shuping	1,000,000	-	-	-	-	1,000,000	0.4	04/05/2015	04/05/2015- 03/05/2018
Subtotal	17,000,000	-	-	-	-	17,000,000			
Employees									
In aggregate	44,474,000	-	-	(1,200,000)	-	43,274,000	0.4	04/05/2015	04/05/2015- 03/05/2018 (Note 2)
	2,510,000	-	-	-	-	2,510,000	0.684	02/07/2015	02/07/2015- 01/07/2019 (Note 3)
	-	10,700,000 (Note 5)	-	-	-	10,700,000	0.29	18/05/2016	18/05/2016- 17/05/2021 (Note 4)
Subtotal	46,984,000	10,700,000	-	(1,200,000)	-	56,484,000			
Consultants									
In aggregate	159,200,000	-	-	-	-	159,200,000	0.4	04/05/2015	04/05/2015- 03/05/2018
	48,000,000	-	-	-	-	48,000,000	0.684	02/07/2015	02/07/2015- 01/07/2018
	4,000,000	-	-	-	-	4,000,000	0.261	20/10/2015	20/10/2015- 19/10/2018
	-	7,000,000 (Note 5)	-	-	-	7,000,000	0.29	18/05/2016	18/05/2016- 17/05/2021 (Note 4)
Subtotal	211,200,000	7,000,000	-	-	-	218,200,000			
Total	275,184,000	17,700,000	-	(1,200,000)	-	291,684,000			

Notes:

1. Share options will automatically lapsed after the period of 6 months following the date of such cessation or termination.
2. Not more than 30% of the share options will be vested on 4 May 2016. Not more than 60% of the share options will be vested on 4 May 2017. Not more than 100% of the share options will be vested on 3 May 2018. (Such vesting period is not applicable for the chief financial officer, chief operating officer, company secretary, human resources manager and assistant to the chairman of the Company.)
3. Not more than 30% of the share options will be vested on 2 July 2016. Not more than 60% of the share options will be vested on 2 July 2017. Not more than 100% of the share options will be vested on 1 July 2018.
4. Not more than 30% of the share options will be vested on 18 May 2017. Not more than 60% of the share options will be vested on 18 May 2018. Not more than 100% of the share options will be vested on 18 May 2019.
5. The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$0.3.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the following Directors or chief executives of the Company had held the following interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the “SFO”)) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules:

Long positions in the Company:

Name of Directors	Nature of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Lu Xing (“Mr. Lu”)	Beneficial owner	28,136,000	2,000,000	819,764,323	17.61%
	Held by controlled corporation	789,628,323 (Note 1)	–		
Li Jia	Beneficial owner	7,936,000	10,000,000	17,936,000	0.38%
Wu Xiaodong	Beneficial owner	10,003,000	4,000,000	14,003,000	0.30%
Wang Cheng	Beneficial owner	12,166,000	1,050,000	13,216,000	0.28%
Han Bing	Beneficial owner	1,900,000	1,000,000	2,900,000	0.06%
Wang Shuping	Beneficial owner	–	1,500,000	1,500,000	0.03%
Leung Siu Kee	Beneficial owner	–	1,000,000	1,000,000	0.02%

Note:

- Of these 789,628,323 shares, 109,628,323 shares are held by Ascher Group Limited; and 680,000,000 shares are held by Headwind Holdings Limited. Ascher Group Limited and Headwind Holdings Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu.

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executives of the Company held any interests or short positions in the shares, underlying shares (as defined in the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code.

DIRECTOR’S RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above sections headed “Directors’ and Chief Executives’ Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or its Associated Corporations” and “Share Option Schemes”, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable any of the Directors or the Company’s members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Reporting Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, the following persons (other than Directors or chief executives of the Company) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Company:

Name of substantial shareholders of the Company	Nature of interests	Number of issued ordinary shares/ underlying shares held	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Headwind Holdings Limited	Beneficial owner	680,000,000 (Note 1)	680,000,000	14.61%
Guo Zhen Bao	Beneficial owner	172,746,032	328,042,032	7.05%
	Held by spouse	155,296,000 (Note 2)		
Ho Wai Kong ("Mr. Ho")	Beneficial owner	500,000	500,000	0.01%
	Held by controlled corporation	241,639,306 (Note 3)	292,359,306	6.28%
	Held by spouse	50,220,000 (Note 4)		
Guo Binni	Beneficial owner	50,220,000 (Note 4)	292,359,306	6.28%
	Held by spouse	242,139,306 (Note 3)		
Rotaland Limited	Beneficial owner	247,139,306 (Note 3)	247,139,306	5.31%

Notes:

- These 680,000,000 shares are held by Headwind Holdings Limited, which is incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu.
- These 155,296,000 shares are held by Ms. Ren Jiying who is the spouse of Mr. Guo Zhen Bao.
- Of these 241,639,306 shares, 240,139,306 shares are held by Rotaland Limited; and 1,500,000 shares are held by Similan Limited. Rotaland Limited and Similan Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ho.
- These 50,220,000 shares are held by Ms. Guo Binni who is the spouse of Mr. Ho.

Save as disclosed above, as at 30 June 2016, the Company had not been notified of any interests or short position being held by any substantial shareholder in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE CODE

Throughout the Reporting Period, the Company has applied and complied with the code provisions in the Corporate Governance Code (the “CG Code”) set out in Appendix 14 of the Listing Rules except the following deviations:

Code Provision A.2.1

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the Reporting Period, the chairman of the Board was performed by Mr. Lu Xing and the Company did not have a chief executive. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

Code Provision E.1.2

Under the code provision E.1.2 in respect of the communication with shareholders of the Company as absence of the chairman of the Board at the annual general meeting of the Company (the “AGM”) on 15 June 2016 because the respective chairman had commitments on other business occasions on the same day. An executive director had chaired the AGM and answered questions from the shareholders.

COMPLIANCE WITH MODEL CODE

During the Reporting Period, the Company has adopted the Model Code as its code of conduct regarding securities transactions by its Directors. The Company had made specific enquiries of all Directors, and the Company was not aware of any non-compliance with the required standard in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently consists of three independent non-executive Directors, namely, Mr. Leung Siu Kee, Mr. Han Bing and Ms. Wang Shuping. The unaudited financial interim results and the interim report of the Group for the Reporting Period have been reviewed by the Audit Committee.

By Order of the Board
China Chuanglian Education Group Limited
Lu Xing
Chairman

Hong Kong, 30 August 2016

As at the date of this announcement, the Board comprises Mr. Lu Xing (Chairman), Mr. Li Jia, Mr. Wu Xiaodong, Mr. Wang Cheng and Mr. Li Dongfu as executive directors of the Company; and Mr. Leung Siu Kee, Mr. Han Bing and Ms. Wang Shuping as independent non-executive directors of the Company.

** For identification purposes only*