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China Parenting Network Holdings Limited
中國育兒網絡控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1736)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "Board") of directors (the "Directors") of China Parenting Network Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group" or "we") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2018.

KEY HIGHLIGHTS

- The listing of the shares of the Company has been successfully transferred from GEM to the Main Board and the dealings in the Shares on the Main Board have commenced on 8 October 2018, representing a new milestone of the Company.

- The Group's revenue increased by approximately 20.4% from approximately RMB91.1 million for the year ended 31 December 2017 to approximately RMB109.7 million for the year ended 31 December 2018.

- During the year of 2018, the monthly active users ("MAU") and daily active users ("DAU") of CI Web PC and the major mobile APPs (namely the "Pregnancy Reminder" APP and the "Mother Zone" APP) of the Company aggregated 121.10 million and 6.76 million respectively, representing an increase of 27.10% and 14.00%, respectively, as compared to that of last year.

- During the year of 2018, the Group focused on the establishment of a new mother-child ecosystem with diversified mother-child family services through expanding its business to various aspects such as healthcare, education, entertainment and new retail mode. The Group used big data and AI technologies to accurately identify potential users and enhanced its web content so as to enable the distribution of comprehensive content as well as expand its business coverage via strategic investments, with an aim to gradually upgrade its platform to become a comprehensive parenting platform, penetrating the mother-child industry and mother-child family life in all aspects.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a leading vertical online platform for the Children-Babies-Maternity ("CBM") market in China, aiming at providing users with value-added services like new media, contents, community, smart hardware, e-commerce and cross-border services with such platforms as the CI Web (育兒網), mobile CI Web, mobile APPs and the IPTV APP, creating a one-stop mother-child experience platform. During the year of 2018, the monthly active users ("MAU") and daily active users ("DAU") of CI Web of the Company reached 110.1 million and 4.38 million respectively, representing an increase of 30% and 21%, respectively, over last year. "Pregnancy Reminder" and "Mother Zone" are the two main APPs of the Company. For "Mother Zone", the MAU and DAU reached 7.73 million and 1.58 million, respectively, representing an increase of 6.2% and 8.2%, respectively, as compared to that of last year. For "Pregnancy Reminder", the MAU was 3.27 million, which was 0.3% higher than last year and the DAU was 0.8 million, which was the same as last year.

INDUSTRY REVIEW

According to the "Two-Child Family Market Insight Report in 2019" (《2019二胎家庭營銷洞察報告》) (the "Report") jointly published by CI Web and AdMaster in 2018, we summarized the lifestyle and consumption attitudes of two-child families into three new features.

Generated new opportunities to female-oriented entertainment games business under the trend of a woman being a full-time housewife in a two-child family

According to the research findings in the Report, 87% of mothers of two children needed to take care of their children alone and 52% of mothers became full-time housewives as they needed to take care of their children alone. With the increasing awareness of mother-child parenting, more and more mothers are responsible for looking after two children. As a result, full-time mothers may become the new driving force in the maternal and child industry. During the year, the Company has gradually established a new maternal and child industry environment with an aim to provide diversified family services. For the entertainment aspect, the Group refined its female-oriented games and continued to enrich the content of family leisure games. In view of the number of full-time mothers, there was a great potential for developing female-oriented games in family leisure games market.

Got a better understanding of the concept of scientific parenting resulting in rigid demand for the comprehensive family early education

Adhering to the concept of scientific parenting, the expenditure on early education became necessary for two-child families. According to the report data, 65% of families accepted the concept of early childhood education. The new generation of parents relied more on the timely and comprehensive platform for parenting knowledge. The effectiveness of early education for the first child directly affected the second child. CI Web continuously focuses on the early education sector through the provision of shared early education services, online education programs and chain early education institutions, enabling the exploration of new ways of smart family education through the cooperation with both online and offline premium partners.

Helped users to make decisions with in-depth and quality content as consumers tended to be rational in purchasing maternal and child products

Along with the increase in parenting expenses, two-child families became extremely rational when deciding about the purchase of maternal and child products and had strict requirements for maternal and child products/brands. As shown in the report, the process of deciding the purchase of milk powder was rational. Also, reliable and professional recommendations were the key factors to consider when choosing a product. Based on the mother and child platform with in-depth and professional information related to mother and child, the Group continued to provide vertical, quality and commercialized firsthand information for mother-child groups and help consumers in making rational decisions and reasonable consumptions.

The Group continued to hold the 4th CI Web's "Mummy, You Should Buy This": Mother's Selection. The selection covered all categories of mother-child products and conducted a brand assessment annually based on votes from millions of mothers and users' feedback. In the 2018 CI Web's "Mummy, You Should Buy This": Mother's Selection, the number of votes cast was 281,035 in total with 272,678 recommendations received. The number of participants and effective recommendations significantly increased as compared to last year, which would help mothers to solve problems in choosing mother-child products. As the Group values the power of word-of-mouth and interprets the brand value, the influence of this selection activity is gradually increased among the brands. It is expected that the number of votes cast will continue to increase in 2019. Our professionalism and sincerity are trusted by many mothers. According to our statistical analysis, we attracted new users by word-of-mouth and the percentage of users who had two children continued to increase.

BUSINESS REVIEW

Enhanced intellectual mother-child strategy system and established a full platform application scenario

Mother-child family service industry has entered a stage of post-differentiation. As shown in the iResearch Report, in 2018, mother-child family service industry in China has entered the development period, which led to a higher demand for segmentation services from mother-child family users, a vertical and specialized development in the industry and a differentiated service model. Based on the big data collected over ten years and the accumulated research and development knowledge of internet technology as well as the advantage of pageviews of our core products (such as Mother Zone APP, Pregnancy Reminder APP and CI Web PC), the Group fully utilized its forward-looking advantages and shared its resources of all platforms such as CI Web PC, WAP, Mobile APP and IPTV AP to achieve stable operation by using core measures such as quality content, technology and big data. During the year, CI Web has been officially upgraded to full platform with an aim to provide diversified mother-child family services and establish a new maternal and child industry environment, so as to expand its business to various aspects such as healthcare, education and entertainment and gradually develop a whole industry chain in the pan-maternal and child industry for providing comprehensive services to B-end brand organization and C-end.

Quantified users' nature and accurately identified their position with big data

The Group attracted the attention of our users by intelligent operations such as collecting users' data, using big data and AI. As mother-child users are inherent with drawbacks characterized by short cycle and quick replacement, the Company used smart technology to analyze users' nature in order to satisfy their extensive long-tail demands and significantly prolong their cycles. During the year, the Company has released the "BABY FACE Precision Big Data Marketing Platform" to assist the management of the mother-child data assets in the whole platform industry chain based on its big data of mother-child family users in the whole platform. The BABY FACE platform is used to analyze users' nature and identify users' behaviour and attitudes for improving data label. Combining its content and operation, the Group refined its own products and enhanced user's experience by managing its intelligent data, intelligent mother-child population and intelligent strategies.

Used in-depth and quality contents as its core competency

With the expansion of information access, there are various ways for parenting groups to obtain maternal and child information from different sources. The Group distributed its web contents via multiple channels and scenarios to extend our business to four areas, namely offline scenarios, new media matrices, micro-ecology and e-commerce MCN, which covered new media platforms including social, consulting and e-commerce, and to realize web content distribution and penetrate the mother-child industry and mother-child family life in all aspects. During the year, the Group entered into strategic partnerships with integrated online stores such as baby channel on JD.com (京東母嬰), Taobao and Suning to commence sustainable strategic cooperation in daily content export, IP co-construction and talent development.

OUTLOOK

Upgrade and consolidate its technology development and application to rebuild the technology structure of maternal and child industry

Based on its own information technologies such as data mining, the Company promotes product update and replacement and accelerates cross-disciplinary development in order to seize the new technology and artificial intelligence bonus. Facing the C-end, CI Web is currently providing contents of more than 30 subdivided time segments from pregnancy to baby's birth. After receiving all information from users, the Company analyzes users' profile through big data to gain a deep understanding of users. The Company also precisely reaches users by using customized and target oriented calculation methods in order to give intelligent recommendations based on the interworking of contents and pageviews and achieve wider coverage of users, creating differentiated user experiences in terms of social, content and services.

Adopt precision data marketing to effectively achieve external empowerment to brand customers

We use big data and technologies as our trump card for external empowerment and upgrade our brand customers member system by improving their user interface, interactive experience design and website features etc. to achieve accurate and efficient communication between our brand customers and their users. Leveraging on our excellent technology development capability, strong content production power and leading operational innovation capability, we will carry out co-operation projects with our brand customers in order to continuously strengthen the connection between our brand customers and their users, provide our brand customers with best solutions and create more value for the industry together with our brand customers in the future.

Transfer of Listing

The Shares of the Company were listed on GEM on 8 July 2015 and the listing of which has been successfully transferred from GEM to the Main Board (the "Transfer of Listing") on 8 October 2018. Transfer of Listing will enhance the corporate profile and public recognition of the Company. This will, in turn, enhance the business prospects of the Group and add to its competitive strength in attracting, retaining and augmenting the Group's qualified staff and client base and is beneficial to the future growth and development of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2018 was approximately RMB109.7 million, representing an increase of approximately 20.4% over approximately RMB91.1 million for the year ended 31 December 2017, primarily due to the rapid development in CBM industry which created a large demand for online advertising of CBM products and the enhanced traffic and reputation of users encouraged customers to put more budgets in brand displaying on the platform.

Cost of sales

The Group's cost of sales for the year ended 31 December 2018 was approximately RMB31.7 million, representing an increase of approximately 156.0 % over approximately RMB12.4 million for the year ended 31 December 2017, primarily due to the increase of bandwidth traffic cost caused by the increasing website popularity.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2018 was approximately RMB78.0 million, representing a decrease of approximately 0.9% over approximately RMB78.8 million for the year ended 31 December 2017. During the year, the Group's gross profit margin decreased slightly from approximately 86.4% to approximately 71.1% primarily due to higher bandwidth traffic cost.

Other income and gains

The Group's other income and gains for the year ended 31 December 2018 was approximately RMB8.3 million, representing an increase of approximately 5.3% compared to approximately RMB7.8 million for the year ended 31 December 2017, primarily due to the increase of government grants provided by the local government as development support funds.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2018 was approximately RMB22.5 million, representing an increase of approximately 101.3% over approximately RMB11.2 million for the year ended 31 December 2017, primarily attributable to the increase in marketing and promotion fee and average salary paid to the employees.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2018 was approximately RMB16.5 million, representing an increase of approximately 12.3% over approximately RMB14.6 million for the year ended 31 December 2017, primarily attributable to the increase of professional service fee and increasing average salary paid to the employees in the administrative department.

Research and development costs

The Group's research and development ("R&D") cost for the year ended 31 December 2018 was approximately RMB11.8 million, representing a decrease of approximately 30.4% over approximately RMB16.9 million for the year ended 31 December 2017, primarily attributable to the decrease in the number of R&D personnel.

Income tax expense

The Group's income tax expense for the year ended 31 December 2018 was approximately RMB3.8 million, representing a decrease of approximately 6.1% over approximately RMB4.1 million for the year ended 31 December 2017, primarily attributable to the increase in the Company's cost and the decrease in total profit.

Profit for the year

As a result of the factors described above, the Group's net profit for the year ended 31 December 2018 was approximately RMB31.6 million, representing a decrease of approximately 16.6% over approximately RMB37.9 million for the year ended 31 December 2017.

Earnings per Share

Earnings per Share reduced by 12.8% from RMB0.0337 in 2017 to RMB0.0294 in 2018.

Gearing ratio

As of 31 December 2018, the gearing ratio of the Group, calculated as total liabilities, divided by total assets, was 7.7% (31 December 2017: 4.7%).

Capital expenditure

Our capital expenditure was RMB0.5 million for the year ended 31 December 2018 (31 December 2017: RMB0.1 million). The Group's capital expenditures were mainly related to the purchases of servers, computers and office equipment.

Liquidity and capital resources

As at 31 December 2018, the net current assets of the Group was approximately RMB134.8 million (31 December 2017: approximately RMB260.5 million) and the cash and cash equivalents were approximately RMB86.3 million (31 December 2017: approximately RMB198.2 million).

As of 31 December 2018, the bank borrowing of the Group was approximately RMB11 million. The Group's bank borrowings as at 31 December 2018 were denominated in RMB and unsecured (31 December 2017: there was no bank borrowing of the Group). The table below sets forth selected cash flow data from the Group's consolidated statement of cash flows:

	2018	2017
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**9,106**	35,810
Net cash flows used in investing activities	**(134,745)**	(54,611)
Net cash flows generated from/(used in) financing activities	**9,595**	(2,068)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(116,044)**	(20,869)
Cash and cash equivalents at beginning of the year	**198,152**	230,447
Effect of foreign exchange rate changes, net	**4,143**	(11,426)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**86,251**	198,152

Operating activities

Net cash flows generated from operating activities decreased from approximately RMB35.8 million in 2017 to RMB9.1 million in 2018, which was primarily attributable to the slowdown in cash collection due to the income increase of major customers with long credit periods.

Investing activities

Net cash flows used in investing activities increased from approximately RMB54.6 million in 2017 to RMB134.7 million in 2018, which was primarily attributable to the increase in external investment in 2018. For details please refer to financial assets at fair value through other comprehensive income.

Financing activities

Net cash flows generated from financing activities was approximately RMB9.6 million in 2018 and net cash flows used in financing activities was approximately RMB2.1 million in 2017, which was primarily due to the net addition of bank loan with the amount of RMB11 million in 2018 (2017: loan repaid RMB2.0 million).

Foreign exchange exposure

The Group's transactions are mainly denominated in RMB. Part of the cash and bank deposits of the Group are denominated in Hong Kong dollars. During the year under review, the Group did not experience any material impact or liquidity problems in its operation resulting from the changes in exchange rate nor enter into hedging transaction or forward contract arrangement. However, the management closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this regard, the Group is exposed to any significant foreign currency exchange risk in its operation.

Capital structure

The shares of the Company were listed on the GEM of the Stock Exchange since 8 July 2015 and Transferred the Listing since 8 October 2018. The capital structure of the Company comprised ordinary shares.

Capital commitment

As at 31 December 2018, the Group had no capital commitment (31 December 2017: Nil).

Employees, training and remuneration policy

The remuneration committee of the Company will review and determine the remuneration and compensation packages of Directors with reference to their responsibilities, workload, and the time devoted to the Group and the performance of the Group. In general, the Group determines employees' salaries based on their performance and length of services. The Board believes the salaries and benefits provided to the employees are competitive with local market standards. The Group also contributes to the social insurance in the PRC.

The Group has implemented training for new employees during their course of employment in order to ensure that employees are able to meet the job requirements. In addition, the Group will occasionally arrange internal and external trainings for the Group's employees. For external trainings, external speakers who have extensive experience in information technology may be invited to attend the Group's office to perform the training, and for internal trainings, the topics may include finance, accounting, risk management or information technology and such trainings will be conducted by the relevant department. The Group considers these on job trainings are necessary for the employees to handle issues which may arise in their day to day operations and can enhance their ethic and morale.

As at 31 December 2018, the Group had a total of 181 employees including executive Directors (31 December 2017: 183 employees). Total staff costs were approximately RMB27.6 million for the year (31 December 2017: approximately RMB29.3 million).

Material acquisitions and disposals of subsidiaries

During the year, there was no material acquisition or disposal of subsidiaries by the Group.

Charges of assets

As at 31 December 2018, the Group did not make any pledged bank deposit (31 December 2017: Nil).

Contingent liabilities

As at 31 December 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (year ended 31 December 2017: a final dividend of HK$0.0015 per share and HK$1,538,493 in total).

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2017, the Group made investment of RMB15.0 million on the equity of Nanjing Hongdou Information Technology Company Limited* (南京紅豆信息技術有限公司) ("Hongdou Information"), a private company. As at 30 June 2018, the Group accounted for 12.3% of Hongdou Information's registered capital. H5 games "Her Majesty" (女皇陛下) and "National Palace" (全民宮斗) developed by Hongdou Information successfully launched on Tencent QQ Games and Qzone Gaming Platform.

As at 7 November 2017, the Group made investment of RMB10.0 million on the equity of Shanghai Baiyi Animation Cultural Broadcasting Company Limited* (上海百逸動漫文化傳播有限公司) ("Baiyi"). The change in industrial and administration registration was completed in April 2018. As at 30 June 2018, the Group accounted for 10.0% of Baiyi's registered capital. Baiyi has its own professional animation team and can develop, produce, and distribute 2D/3D cartoon and peripheral toy products. Sales channels have expanded to all 1st and 2nd tier of cities in PRC with more than 100 distributors, covering thousands of primary schools and terminal sales outlet.

In 2018, the Group has entered into the following investment agreements. The change of shareholder registration of the target companies has been approved, and the respective consideration, shareholding and business scopes of those companies are set out below:

In June 2018, the Group acquired 10% equity interest of Nanjing Depth Element Artificial Intelligence Technology Development Company Limited* (南京深度元素人工智能技術研發有限公司) ("Depth Element") from a third party at the consideration of RMB5.0 million. The principal activities of Depth Element are the provision of artificial intelligence-based technology: item identification, human body identification, path recognition, behavior recognition; and the provision of analysis services based on the above identification technologies: crowd analysis, business analysis, personalized recommendation and marketing, intelligent shopping guide.

In June 2018, the Group acquired 10% equity interest of Nanjing Shenkong Vision Artificial Intelligence Technology Development Company Limited* (南京深空視線人工智能技術研發有限公司) ("Shenkong Vision") from a third party at the consideration of RMB5.0 million. The principal activities of Shenkong Vision are the provision of auto-cruise, path planning and other functions for robots with the use of self-developed vSLAM system combined with artificial intelligence technology; and human tracking and educational interaction with natural language understanding with the use of monocular camera.

In June 2018 and December 2018, the Group invested in Nanjing Duozan Health Technology Company Limited* (南京多贊健康科技有限公司) ("Duozan Health") at the consideration of RMB5.0 million and RMB8.0 million, respectively. On 31 December 2018, the Group accounted for 17.20% of Duozan Health's registered capital. Duozan Health is committed to establish the best healthy pregnancy management and knowledge service platform in China. It provides the best paid knowledge and online medical services to Chinese families, enabling the provision of paid knowledge and medical services to more families by the national obstetricians and pediatricians with the removal of institutional constraints.

In June 2018, the Group acquired 10% equity interest of Nanjing Zhiren Cloud Information Technology Company Limited* (南京智人雲信息技術有限公司) ("Zhiren Cloud") from a third party at the consideration of RMB5.0 million. The principal activities of Zhiren Cloud are the provision of container cloud management platform, artificial intelligence cloud platform, public cloud and private cloud services based on microservices.

In June 2018 and December 2018, the Group invested in Nanjing Shen Jufeng Engine Information Technology Company Limited* (南京颶風引擎信息技術有限公司) ("Jufeng Engine") from a third party at the consideration of RMB5.0 million and RMB8.0 million, respectively. On 31 December 2018, the Group accounted for 18.10% of Jufeng Engine's registered capital. The principal activities of Jufeng Engine are the operation of emerging distributed applications with the support of new blockchain, and the provision of high-performance computing with low cost and high yield by establishing a distributed cloud infrastructure.

In June 2018, the Group acquired 10% equity interest of Nanjing Free Chain Information Technology Company Limited* (南京自由鏈信息技術有限公司) ("Free Chain") from a third party at the consideration of RMB5.0 million. The principal activities of Free Chain are the establishment of interconnections between internet devices in different regions with its unique solutions, construction of decentralized transmission network to achieve independent collaboration and the expansion of business scale. Such kind of internet is not subject to the limitation of computing power and storage, thus empowers the internet with strong expansion capabilities to achieve true decentralization, openness, self-motivation, privacy and security.

In May 2018 and December 2018, the Group invested in Nanjing Duomai Information Technology Company Limited* (南京多麥信息科技有限公司) ("Duomai Information") at the consideration of RMB8.0 million and RMB8.0 million, respectively. On 31 December 2018, the Group accounted for 18.16% of Duomai Information's registered capital. Duomai Information is a service company for mother-child businesses. It provides assistance for privatized customer assets during the Internet era, expanding the Internet customer base and improving operational efficiency through its products and services. In particular, through the provision of integrated solutions such as micromalls, new retailing and mini programs, it provides assistance for the transformation and upgrade towards smart business for small and medium-sized mother-child enterprises, thus helping those enterprises achieve smart business with technology-driven business innovation. Duomai Information is able to expand effectively the online and offline retailing channels of customers focusing big babies on the CI Web, therefore playing an important role in securing the existing business customer base on the CI Web.

In May 2018, the Group acquired 15% equity interest of Nanjing Luobo Information Technology Company Limited* (南京蘿播信息技術有限公司) ("Luobo Information") from a third party at the consideration of RMB12.0 million. The principal activities of Luobo Information are the provision of educational, marketing and social services to its customers across the network for baby-children businesses through the distribution of audio and video contents and the management capabilities of the communities, effectively expanding and making up for the service capabilities of major customers of CI Web under the pan-network conditions.

In May 2018 and December 2018, the Group invested in Nanjing Baicheng Medical Technology Company Limited* (南京柏橙醫療科技有限公司) ("Baicheng Medical") at the consideration of RMB8.0 million and RMB8.0 million, respectively. On 31 December 2018, the Group accounted for 17.20% of Baicheng Medical's registered capital. The principal activities of Baicheng Medical are the provision of one-stop integrated information system construction for hospitals, and the construction of end-to-end medical service platform covering pre-diagnosis, in-diagnosis and post-diagnosis stages. Having leading system capabilities and product advantages in cloud-based family medical and smart medical areas, Baicheng Medical is able to assist CI Web to better connect and serve the mother-child families through the internet.

In May 2018, the Group acquired 10% equity interest of Nanjing Suichuang Xiupu Information Technology Company Limited* (南京速創秀普信息科技有限公司) ("Suichuang Xiupu") from a third party at the consideration of RMB10.0 million. The principal activities of Suichuang Xiupu are the provision of micro-service cloud application platform, which is a one-stop PaaS platform service designed for mother-child enterprises, providing application cloud hosting solutions to assist enterprises simplify application lifecycle management such as deployment, control, operation and maintenance; and the provision of micro-service framework, compatible mainstream open source ecosystem, specific development framework and platform without binding. Suichuang Xiupu is able to assist the small and medium-sized mother-child enterprises that are connected to CI Web to speedily establish distributed applications based on micro-service structure.

In May 2018 and December 2018, the Group invested in Nanjing Yunqulu Network Technology Company Limited* (南京雲曲率網絡科技有限公司) ("Yunqulu") at the consideration of RMB5.0 million and RMB5.0 million, respectively. On 31 December 2018, the Group accounted for 17.20% of Yunqulu's registered capital. Yunqulu is a leading mother-child business incubator company with branches in Australia and the United States. Its core role is to provide effective incubator services for startup mother-child enterprises on the CI Web. Similar to the innovative factory in the mother-child industry, Yunqulu provides angel funding, technical support and staff training for the startup mother-child enterprises.

In May 2018, the Group acquired 10% equity interest of Nanjing Xinmenghui Education Technology Company Limited* (南京芯萌匯教育科技有限公司) ("Xinmenghui") from a third party at the consideration of RMB5.0 million. Xinmenghui is a leading service provider for online baby and children education. It provides interactive learning systems and contents to families with babies and children through a combination of unique contents, technology and system, effectively extending the online educational service capabilities of CI Web to those families.

In May 2018, the Group acquired 19.5% equity interest of Beijing Changsheng Clinic Company Limited* (北京昌盛門診部有限公司) ("Changsheng") from a third party at the consideration of RMB5.0 million. The principal activity of Changsheng is the provision of family and general medical services with an aim to serving patients in the city center.

In May 2018, the Group acquired 19.5% equity interest of Beijing Chengjiyuan Clinic* (北京誠濟源診所) ("Chengjiyuan") from a third party at the consideration of RMB5.0 million. The principal activity of Chengjiyuan is the provision of family and general medical services with an aim to serving patients in the new suburban residential areas.

In July 2018, the Group acquired 18.0% equity interest of CCLOUD TECH LIMITED from a third party at the consideration of HK$50.0 million. The principal activities of CCLOUD TECH LIMITED are the technology development and operation combining block chain technology with the entity economy and the provision of cross-border consumer service platform, cross-border global education platform, cross-border new retail business platform, block chain information service and technology trading platform, high-speed and cross-chain trading system based on intelligence contracts, system testing for block chain security system and block chain service platform.

In December 2018, the Group acquired 0.82% equity interest of Shanghai Shijiu Information Technology Co., Ltd.* (上海視九信息科技有限公司) ("Shanghai Shijiu") from a third party at the consideration of RMB0.65 million and entrusted Shanghai Tuanshang Enterprise Management Partnership (Limited Partnership)* (上海團尚企業管理合夥企業(有限合夥)), a third party, to hold the equity interest of Shanghai Shijiu on behalf of the Group. The principal activities of Shanghai Shijiu are the provision of system integration, application development and operation services for devices such as smart TV set-top boxes based on its leading browser technologies such as HTML5.

In December 2018, the Group has entered into an agreement to invest in the following 13 companies and the consideration was paid in December 2018. The change of shareholder registration is subject to approval and the respective consideration, shareholding and business scopes of those companies are set out below:

The Group acquired 18.0% equity interest of DEEPFOLIO PTY LTD from a third party at the consideration of RMB0.5 million. The principal activity of DEEPFOLIO PTY LTD is the provision of a professional investment solution for artificial intelligence empowerment. Investors can use the most advanced artificial intelligence technologies to develop quantitative investment strategies and manage their own investment.

The Group acquired 18.0% equity interest of DYNAMIC PIXEL WORKS PTY LTD from a third party at the consideration of RMB0.5 million. The principal activity of DYNAMIC PIXEL WORKS PTY LTD is to provide assistance in the animation production process with artificial intelligence technologies in order to make the process easier and faster and significantly reduce the cost of animation production.

The Group acquired 18.0% equity interest of DAILY ROBOTICS PTY LTD from a third party at the consideration of RMB0.5 million. The principal activities of DAILY ROBOTICS PTY LTD are the use of artificial intelligence technology to identify scenarios and objects with accuracy rate as high as 98% and achieves continuous improvement of accuracy by using machine learning technology under manual intervention, and the provision of API and output technical services for various businesses and industries.

The Group invested in Guangzhou Muyun Electronic Commerce Co., Ltd.* (廣州沐雲電子商務有限公司) ("Muyun Electronic") at the consideration of RMB4.0 million. On 31 December 2018, the Group accounted for 16.0% of Muyun Electronic's registered capital. The principal activity of Muyun Electronic is the provision of services relating to quickly set up a foreign trade independent website of global sales for vendors and offer technical support for corporate and individual online shop and operators and integrated solutions from website building to management and operation. The business is also divided into B2C cross-border e-commerce independent station and B2B export trade independent station.

The Group invested in Guangzhou Baxianguohai Information Technology Co., Ltd.* (廣州八仙過海信息科技有限公司) ("Baxianguohai") at the consideration of RMB5.0 million. On 31 December 2018, the Group accounted for 18.0% of Baxianguohai's registered capital. The principal activity of Baxianguohai is the establishment of an omnichannel marketing and ordering platform for enterprises. This platform helps enterprises to develop collaboration between upstream and downstream business and make real-time data decision in six aspects of order management, inventory management, fund settlement, customer operations, business reporting and procurement management.

The Group invested in Hangzhou Xianju Information Technology Co., Ltd.* (杭州先巨信息技術有限公司) ("Xianju Information") at the consideration of RMB10.0 million. On 31 December 2018, the Group accounted for 15.0% of Xianju Information's registered capital. The principal activity of Xianju Information is the provision of hospital management system platform in four aspects: hospital information and management open platform, mobile clinic, intelligent monitoring module and chronic disease management module. This platform provides all-round medical care from patient admission to discharge; from hospital diagnosis to home monitoring; from computer to mobile terminal; and from infant health monitoring to smart retirement.

The Group invested in Suzhou Youchao Information Technology Co., Ltd.* (蘇州優潮信息技術有限公司) ("Youchao Information") at the consideration of RMB7.0 million. On 31 December 2018, the Group accounted for 19.0% of Youchao Information's registered capital. The principal activity of Youchao Information is the provision of enterprise online education platform which focuses on the training of product managers. The business is divided into three aspects: enterprise orientation training, internal enterprise staff training and vocational skill training. A number of well-known internet enterprise product directors acted as lecturers. Using platform technology, users can take online open classes and participate one-on-one tutoring after school so as to achieve offline practical training, internet project practice and innovative teaching processes with internships in famous enterprises.

The Group invested in Zhengzhou Lishi Information Technology Co., Ltd.* (鄭州立時信息技術有限公司) ("Lishi Information") at the consideration of RMB6.0 million. On 31 December 2018, the Group accounted for 17.0% of Lishi Information's registered capital. The principal activity of Lishi Information is the provision of integrated platform system for digital currency exchanges based on block chain technology. This system provides services of issuance, management and trading of digital currencies. On the basis of fully supporting the Bitcoin trading system, this system further improves its digital currency trading mechanism with block chain query and management functions and continuously optimizes its core functions and increases the comprehensive functional advantages of the product by enhancing of security protection level, leveraged financial transaction system and platform promotion and operation mechanism.

The Group invested in Nanjing Qianguang Information Technology Co., Ltd.* (南京千光信息技術有限公司) ("Qianguang Information") at the consideration of RMB5.0 million. On 31 December 2018, the Group accounted for 10.0% of Qianguang Information's registered capital. The principal activity of Qianguang Information is the provision of user-centered system for enterprise intelligence marketing. Based on seven business modules of social business strategy, social experience management, social branding and traffic management, social sales promotion, loyalty operations management, social product innovation and social advertising services, a one-stop platform for enterprise mobile marketing is established to create a rich, open and intelligent mobile marketing ecosystem.

The Group invested in Nanjing Yuanhui Information Technology Co., Ltd.* (南京遠匯信息技術有限公司) ("Yuanhui Information") at the consideration of RMB5.0 million. On 31 December 2018, the Group accounted for 10.0% of Yuanhui Information's registered capital. The principal activity of Yuanhui Information is the provision of software development tool system based on artificial intelligence technology. For those who are not capable of programming, this system can help them to develop internet products easily through PC client, development tool website and mobile APP mode.

The Group invested in Nanjing Youke Workshop Information Technology Co., Ltd.* (南京優客工坊信息技術有限公司) ("Youke Workshop") at the consideration of RMB5.0 million. On 31 December 2018, the Group accounted for 10.0% of Youke Workshop's registered capital. The principal activity of Youke Workshop is the provision of knowledge sharing platform. This platform provides computer-related professional and technical knowledge for corporate employees and individual members and provides users with mutual learning modules, so that everyone can be a teacher. Members who obtained platform instructor certification can also organize courses to earn commissions.

The Group invested in Nanjing Mengmiao Education Technology Co., Ltd.* (南京萌苗教育科技有限公司) ("Mengmiao Education") at the consideration of RMB8.0 million. On 31 December 2018, the Group accounted for 18.0% of Mengmiao Education's registered capital. The principal activity of Mengmiao Education is the provision of IM system with complete solution customized for internet education industry. Products are in line with the education industry, suitable for practical educational scenarios, and truly meet the needs of the teachers. In the form of PAAS+SAAS service, the product itself serves as a platform to provide SDK for third parties. At the same time, it also provides services for different users to develop different functions based on its own platform.

The Group invested in Nanjing Suyun Xiupu Information Technology Co., Ltd.* (南京速雲秀普信息科技有限公司) ("Suyun Xiupu") at the consideration of RMB3.0 million. On 31 December 2018, the Group accounted for 10.0% of Suyun Xiupu's registered capital. The principal activity of Suyun Xiupu is the development of a CRM system for training institutions. This system also applies its self-developed face recognition technology to specific CRM scenarios, achieving an innovative combination of "Face Recognition + Education CRM System".

LOANS TO OTHER ENTITIES

The balance represents loans extended to unrelated third parties, bearing interest rates of 6.0% to 8.0% per annum for periods of 18 to 36 months. The aim of entering into these loan facility agreements with these third parties are for the long term interest of the Group. In future, by evaluating the performance of these third parties over a period, the Group has the option to invest in shares of these companies in priority.

In October 2017, Nanjing Xihui Information Technology Company Limited ("Nanjing Xihui"), a wholly-owned subsidiary of the Company, as lender entered into a loan facility agreement with a third party. The third party operates a platform for parentchild consumption. The amount of the loan facility agreement is up to RMB12.0 million, bearing interest at a rate of 6.0% per annum for a period of 36 months. The loan was guaranteed by a subsidiary of an A share listed company.

In October 2017, Xibai (Nanjing) Information Technology Company Limited, a wholly-owned subsidiary of the Company, as lender entered into a loan facility agreement with a third party. The main business for the third party is providing equipment support to medical institution and developing online platform for health consultation. The amount of the loan facility agreement is up to RMB5.0 million, bearing interest at a rate of 8.0% per annum for a period of 18 months. As at 31 December 2018, the loan made to the Borrower under the facility agreement amounted to RMB4.0 million.

In November 2017, Xibai (Nanjing) Information Technology Company Limited, a wholly-owned subsidiary of the Company, as lender entered into a loan facility agreement with a third party. The third party provides video stream media technology and service to other security organizations. The amount of the loan facility agreement is up to RMB2.0 million, bearing interest at a rate of 6.0% per annum for a period of 36 months. As at 31 December 2018, the loan made to the Borrower under the facility agreement amounted to RMB1.0 million.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	**2018**	2017
		RMB'000	*RMB'000*
Revenue	*5*	**109,713**	91,132
Cost of sales		**(31,672)**	(12,370)
Gross profit		**78,041**	78,762
Other income and gains	*5*	**8,251**	7,839
Other expenses		**(36)**	(1,811)
Administrative expenses		**(16,454)**	(14,648)
Selling and distribution expenses		**(22,474)**	(11,167)
Research and development costs		**(11,768)**	(16,899)
Finance costs	*7*	**(97)**	(68)
Profit before tax	*6*	**35,463**	42,008
Income tax expense	*8*	**(3,814)**	(4,061)
Profit for the year		**31,649**	37,947
Profit attributable to:			
Owners of the parent		**30,167**	34,584
Non-controlling interests		**1,482**	3,363
		31,649	37,947
		RMB cents	*RMB cents*
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted	*10*	**2.94**	3.37

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018 *RMB'000*	2017 *RMB'000*
Profit for the year	**31,649**	37,947
Other comprehensive income/(loss), net of tax:		
Items that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**8,280**	–
Income tax effect	**(1,928)**	–
	6,352	–
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**5,317**	(11,489)
Other comprehensive income/(loss) for the year, net of tax	**11,669**	(11,489)
Total comprehensive income for the year	**43,318**	26,458
Total comprehensive income for the year attributable to:		
Owners of the parent	**41,836**	23,095
Non-controlling interests	**1,482**	3,363
	43,318	26,458

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	11	**703**	556
Long-term receivables	12	**26,509**	33,129
Deposit for property, plant and equipment	13	**–**	60,101
Other financial assets	14	**262,192**	25,000
Deferred tax assets		**22**	–
		289,426	118,786
Current assets			
Inventories		**119**	123
Trade receivables	15	**22,495**	54,636
Contract assets	16	**54,561**	–
Prepayments, deposits and other receivables	17	**4,233**	3,434
Time deposits with original maturity over three months		**–**	23,000
Cash and cash equivalents		**86,251**	198,152
		167,659	279,345
Current liabilities			
Trade payables	18	**2,269**	463
Contract liabilities	19	**2,211**	–
Advances from customers	19	**–**	3,232
Other payables and accruals		**11,665**	11,373
Tax payable		**5,689**	3,763
Interest-bearing bank borrowings	20	**11,000**	–
		32,834	18,831
Net current assets		**134,825**	260,514
Total assets less current liabilities		**424,251**	379,300
Non-current liabilities			
Deferred tax liabilities		**2,269**	–
NET ASSETS		**421,982**	379,300

	2018	2017
	RMB'000	*RMB'000*
Equity		
Equity attributable to owners of the parent		
Share capital	**8,090**	8,090
Reserves	**413,904**	372,704
	421,994	380,794
Non-controlling interests	**(12)**	(1,494)
TOTAL EQUITY	**421,982**	379,300

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital *RMB'000*	Treasury shares* *RMB'000*	Share premium* *RMB'000*	Reserve funds* *RMB'000*	Other reserve* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Fair value reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2017	8,094	(4)	224,688	12,184	16,842	25,664	–	70,231	357,699	(4,857)	352,842
Profit for the year	–	–	–	–	–	–	–	34,584	34,584	3,363	37,947
Other comprehensive loss for the year:											
Exchange differences related to foreign operations	–	–	–	–	–	(11,489)	–	–	(11,489)	–	(11,489)
Total comprehensive income for the year	–	–	–	–	–	(11,489)	–	34,584	23,095	3,363	26,458
Cancellation of shares	(4)	4	–	–	–	–	–	–	–	–	–
Appropriation to statutory reserves	–	–	–	3,992	–	–	–	(3,992)	–	–	–
At 31 December 2017	8,090	–	224,688	16,176	16,842	14,175	–	100,823	380,794	(1,494)	379,300
Effect of adoption of IFRS 9 *(note 3(a))*	–	–	–	–	–	–	1,014	(342)	672	–	672
At 1 January 2018 (restated)	**8,090**	**–**	**224,688**	**16,176**	**16,842**	**14,175**	**1,014**	**100,481**	**381,466**	**(1,494)**	**379,972**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**30,167**	**30,167**	**1,482**	**31,649**
Other comprehensive income for the year:											
Exchange differences related to foreign operation	**–**	**–**	**–**	**–**	**–**	**5,317**	**–**	**–**	**5,317**	**–**	**5,317**
Change in fair value of equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**6,352**	**–**	**6,352**	**–**	**6,352**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**5,317**	**6,352**	**30,167**	**41,836**	**1,482**	**43,318**
Dividend declared and paid in respect of previous year *(note 9)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,308)**	**(1,308)**	**–**	**(1,308)**
Appropriation to statutory reserves	**–**	**–**	**–**	**3,014**	**–**	**–**	**–**	**(3,014)**	**–**	**–**	**–**
At 31 December 2018	**8,090**	**–**	**224,688**	**19,190**	**16,842**	**19,492**	**7,366**	**126,326**	**421,994**	**(12)**	**421,982**

* These reserve accounts comprise the consolidated reserves of RMB413,904,000 (2017: RMB372,704,000) in the consolidated statement of financial position.

1 CORPORATE AND GROUP INFORMATION

China Parenting Network Holdings Limited (the "Company" or "CI web") was incorporated in the Cayman Islands on 13 October 2014 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company were listed on the GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 July 2015 (the "Listing Date"). Upon approval by the Stock Exchange on 27 September 2018, the shares of the Company were listed on the Main Board on 8 October 2018 and delisted from the GEM since the last day of trading on 5 October 2018.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in (i) the provision of marketing and promotional services through the Group's platform, including CI Web, mobile CI Web, Mobile Application Software ("APPs") and IPTV APPs; and (ii) e-commerce business in China. There has been no significant change in the Group's principal activities during the year.

In the opinion of the directors of the Company, as of the date of approval of these financial statements, Ms. Li Juan, Mr. Cheng Li, Mr. Wu Haiming, Loyal Alliance Management Limited, Prime Wish Holdings Limited and Victory Glory Holdings Limited are the Company's controlling shareholders.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration	Issued registered share capital	Equity interest held		Principal activities and place of operation
			Direct	Indirect	
Directly held by the Company					
Shining World investments Limited ("Shining World") *(note (vi))*	British Virgin Islands/ 18 August 2014 ("BVI")	USD50,000	100%	–	Investment holding, BVI
Indirectly held by the Company					
Star Universal Holdings Limited	Hong Kong/ 5 September 2014	HKD10,000	–	100%	Investment holding, Hong Kong
Xibai (Nanjing) Information Technology Company Limited ("Nanjing Xibai") *(note (i)(vii))*	PRC/ 10 December 2014	HKD110,000,000	–	100%	Technical support and consultancy related services, the PRC
Nanjing Xinchuang Micro Electromechanical Technology Company Limited ("Nanjing Xinchuang") *(note (i))*	PRC/ 14 April 2005	RMB2,000,000	–	100%	Provision of marketing and promotional services and e-commerce business, the PRC
Nanjing Xihui Information Technology Company Limited ("Nanjing Xihui") *(note (i))*	PRC/ 24 May 2013	RMB5,000,000	–	100%	Provision of marketing and promotional services and technical support and consultancy related services, the PRC

Company name	Place of incorporation/ registration	Issued registered share capital	Equity interest held Direct	Equity interest held Indirect	Principal activities and place of operation
Nanjing Fuyuan Technology Company Limited ("Nanjing Fuyuan") *(note (i)(ii))*	PRC/ 30 March 2006	RMB3,000,000	–	66.7%	Provision of technical support and consultancy related services, the PRC
Nanjing Xile Information Technology Company Limited ("Nanjing Xile") *(note (i)(iii))*	PRC/ 6 March 2015	RMB100,000	–	51%	Provision of technical support and consultancy related services, the PRC
Nanjing Qianyi Animation Company Limited ("Nanjing Qianyi") *(note (i)(iv)(vii))*	PRC/ 31 January 2016	RMB1,000,000	–	– (2017: 60%)	Provision of cartoon design services and technical support and consultancy related services, the PRC
Khorgos Xizhi Information Technology Company Limited ("Khorgos Xizhi") *(note (vii))*	PRC/ 28 June 2017	HKD80,000,000	–	100%	Technical support and consultancy related services, the PRC
Hubei Xiyuan Information Technology Company Limited ("Hubei Xiyuan") *(note (i)(v)(vii))*	PRC/ 29 October 2018	RMB1,000,000	–	100% (2017: Nil)	Provision of marketing and promotional services and technical support and consultancy related services, the PRC

Note:

(i) The English names of companies incorporated in PRC referred to herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

(ii) Nanjing Fuyuan was established in PRC and is held as to 66.7% by Nanjing Xinchuang, 20% by independent third party, 江蘇東南大學資產經營有限公司 and 13.3% by independent third party, 江蘇漢博教育培訓中心.

(iii) Nanjing Xile was established in the PRC and is held as to 51% by Nanjing Xibai and 49% by independent third party, Mr. Zhao Hongwei.

(iv) Nanjing Qianyi was established in the PRC and was held as to 60% by Nanjing Xile, 30% by independent third party, Shanghai Baiyi Animation Cultural Broadcasting Company Limited and 10% by independent third party, Guangzhou Baiyi Animation Technology Company Limited. On 24 December 2018, the Group has completed the deregistration of Nanjing Qianyi.

(v) Hubei Xiyuan was established in the PRC on 29 October 2018 and is wholly owned by Nanjing Xibai.

(vi) As at 31 December 2018, the Group has unpaid portion of registered capital totalling USD50,000 (equivalent to approximately RMB307,000) (2017: USD50,000 (equivalent to approximately RMB307,000)) for injection into Shining World.

(vii) As at 31 December 2018, the Group has unpaid portion of registered capital totalling RMB114 million for injection into Nanjing Xibai, Khorgos Xizhi and Hubei Xiyuan (2017: totalling RMB68 million for injection into Khorgos Xizhi and Nanjing Qianyi) which are due from 31 December 2020 to 31 December 2031.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) approved by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain long-term receivables and other financial assets which have been measured at fair value. These financial statements are presented in RMB, and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 9 "Financial Instruments" ("IFRS 9")

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Under the transition method chosen, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	IAS 39 Measurement					**IFRS 9 Measurement**	
	Category	Carrying amount at 31 December 2017 *RMB'000*	Re-classification under IFRS 15 *(note 3(b))* *RMB'000*	Re-classification under IFRS 9 *RMB'000*	Re-measurement under IFRS 9 *RMB'000*	Category	Carrying amount at 1 January 2018 *RMB'000*
Financial assets							
Long-term receivables							
— Loans to employees	AC	12,360	–	–	–	AC	12,360
— Loans to others *(note (i))*	AC	20,015	–	(12,000)	(342)	AC	7,673
— Loans to others *(note (i))*	–	–	–	12,000	2,647	FVOCI	14,647
Other financial assets							
— Equity investments designated at FVOCI *(note (ii))*	–	–	–	25,000	(1,295)	FVOCI	23,705
Trade receivables	L&R	54,636	(35,084)	–	(19)	AC	19,533
Contract assets	–	–	35,084	–	(38)	AC	35,046
Financial assets included in prepayments, deposits and other receivables	AC	2,898	–	–	–	AC	2,898
Time deposits with original maturity over three months	L&R	23,000	–	–	–	AC	23,000
Cash and cash equivalents	L&R	198,152	–	–	–	AC	198,152
		311,061	–	25,000	953		337,014

	IAS 39 Measurement					IFRS 9 Measurement	
	Category	Carrying amount at 31 December 2017	Re-classification under IFRS 15 *(note 3(b))*	Re-classification under IFRS 9	Re-measurement under IFRS 9	Category	Carrying amount at 1 January 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
Other assets							
Property, plant and equipment	–	556	–	–	–	–	556
Long-term receivables							
— Rental deposit	–	754	–	–	–	–	754
Deposit for property, plant and equipment	–	60,101	–	–	–	–	60,101
Other financial assets							
— Available-for-sale investments *(note (ii))*	AFS	25,000	–	(25,000)	–	–	–
Inventories	–	123	–	–	–	–	123
Non-financial assets included in prepayments, deposits and other receivables	–	536	–	–	–	–	536
Deferred tax assets	–	–	–	–	14		14
		87,070	–	(25,000)	14		62,084
Total assets		398,131	–	–	967		399,098
Financial liabilities							
Trade payables	AC	463	–	–	–	AC	463
Financial liabilities included in other payables and accruals	AC	1,240	–	–	–	AC	1,240
		1,703	–	–	–		1,703
Other liabilities							
Contract liabilities	–	–	–	–	3,232	–	3,232
Advances from customers	–	3,232	–	–	(3,232)	–	–
Non-financial liabilities included in other payables and accruals	–	10,133	–	–	–	–	10,133
Tax payables	–	3,763	–	–	–	–	3,763
Deferred tax liabilities	–	–	–	–	295	–	295
		17,128	–	–	295		17,423
Total liabilities		18,831	–	–	295		19,126

Abbreviations for category:

FVOCI:	Financial assets at fair value through other comprehensive income
AFS:	Available-for-sale investments
L&R:	Loans and receivables
AC:	Financial assets or financial liabilities at amortised cost

Note:

(i) The Group has reclassified certain of its loans to others previously measured at amortised costs under IAS 39 as debt instruments designated at fair value through other comprehensive income upon the adoption of IFRS 9 (see note 12(ii)).

(ii) The Group has elected the option to irrevocably designate certain of its previous available-for-sale investments as equity investments designated at fair value through other comprehensive income.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in notes 15 and 16 to the financial statements.

	Impairment allowances under IAS 39 at 31 December 2017	Remeasurement	ECL allowance under IFRS 9 at 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	–	19	19
Contract assets	–	38	38
	–	57	57

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is as follows:

	RMB'000
Fair value reserve under IFRS 9	
Balance as at 31 December 2017 under IAS 39	–
Remeasurement of equity investments designated at fair value through other comprehensive income previously measured at cost under IAS 39	(1,295)
Remeasurement of certain long-term receivables designated at fair value through other comprehensive income previously measured at amortised cost under IAS 39	2,647
Deferred tax in relation to the above	(338)
Balance as at 1 January 2018 under IFRS 9	1,014
Retained profits	
Balance as at 31 December 2017 under IAS 39	100,823
Remeasurement of certain loan-term receivables measured at amortised cost under IFRS 9	(342)
Recognition of ECLs for trade receivables under IFRS 9	(19)
Recognition of ECLs for contract assets under IFRS 9	(38)
Deferred tax in relation to the above	57
Balance as at 1 January 2018 under IFRS 9	100,481

(b) IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15")

IFRS 15 and its amendments replace IAS 11 "Construction Contract", IAS 18 "Revenue" and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in the financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

The Group provides marketing and promotional services on its own website or APPs in the PRC. The majority of the online advertising contracts are entered into with a lump-sum consideration covering multiple deliverables of marketing and promotional services for a fixed period of time with no guaranteed minimum number of clicks. The lump-sum consideration for and timing of rendering each deliverable have been pre-agreed and evidenced by written contracts entered into between the Group and its customers. The consideration is allocated into each deliverable based on their relative stand-alone selling prices, and the related revenue is recognised over the period during which the service for the relevant deliverable is provided.

Before the adoption of IFRS 15, the Group recognise revenue for these service contracts over that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade receivables. Upon adoption of IFRS 15, the Group continues to recognise revenue for these service contracts over time, but these conditional receivables are reclassified to contract assets. Accordingly, the Group reclassified RMB35,084,000 from trade receivables to contract assets as at 1 January 2018.

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as advances from customers. Under IFRS 15, the amount is classified as contract liabilities.

Except for the consolidated statement of financial position, the adoption of IFRS 15 has had no impact on the consolidated statement of profit and loss, the consolidated statement of comprehensive income and the consolidated statement of cash flows. The amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15 are set out in note 3(a).

(c) IFRIC 22 "Foreign Currency Transactions and Advance Consideration" ("IFRIC 22")

IFRIC 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

4 OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of marketing and promotional services through the Group's platform and e-commerce business.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the year, the Group operated within one geographical segment because nearly all of its revenue was generated in the Mainland China and all of its long-term assets/capital expenditure were located/incurred in the Mainland China. Accordingly, no geographical information is presented.

Information about major customers

Revenue of approximately RMB11,775,000 (2017: RMB11,550,000) was derived from provision of marketing and promotional services to a subsidiary of a listed media group listed on the New York Stock Exchange which accounted for more than 10% of the total revenue.

During the year ended 31 December 2017, revenue also included approximately RMB11,635,000 derived from provision of marketing and promotional services to entities under common control by a listed media group listed on the London Stock Exchange which accounted for more than 10% of the total revenue.

5 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue		
Marketing and promotional services	**108,155**	90,175
E-commerce	**1,558**	957
	109,713	91,132
Other income and gains		
Bank interest income	**1,211**	848
Other interest income	**2,868**	1,200
Foreign exchange gain, net	**–**	90
Government grants — related to expense *(note)*	**4,170**	5,375
Other income	**2**	326
	8,251	7,839

Note:

Government grants were received from the government of the Mainland China mainly to encourage the Group's efforts on development and innovation or as listing incentives. There are no unfulfilled conditions or contingencies relating to the grants.

6 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		2018	2017
	Note	***RMB'000***	*RMB'000*
Cost of inventories sold		**4**	44
Cost of services provided		**22,676**	6,288
Depreciation		**371**	279
Research and development costs:			
Current year expenditure		**11,768**	16,899
Minimum lease payments under operating leases		**2,460**	2,325
Auditor's remuneration		**1,700**	1,400
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**26,560**	27,992
Pension scheme contributions (defined contribution scheme)		**1,014**	1,350
Loss on disposal of items of property, plant and equipment		**2**	–
Foreign exchange differences, net		**351**	(90)
Impairment of trade receivables	*15*	**4**	10
Impairment of contract assets	*16*	**29**	–
Bank interest income	*5*	**(1,211)**	(848)
Other interest income	*5*	**(2,868)**	(1,200)
Government grants	*5*	**(4,170)**	(5,375)

7 FINANCE COSTS

Finance costs represent the interest-bearing bank borrowing of RMB97,000 (2017: RMB68,000).

8 INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Under the relevant income tax law, the Mainland China subsidiaries are subject to income tax at a statutory rate of 25% on their respective taxable income, except for Nanjing Xibai, Nanjing Xile and Khorgos Xizhi.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《財政部、國家稅務總局關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》) promulgated by the State Council on 20 April 2012, if a corporate enterprise is recognised as a software enterprise, from tax filing at its first profitable year, the corporate enterprise can enjoy a preferential treatment (i.e., 2-year exemption and 3-year half payment). Nanjing Xibai and Nanjing Xile have been recognised as software enterprises since 27 May 2016 and filed in local tax bureau. Therefore, Nanjing Xibai would be exempted from income tax for their first two profitable years (i.e., 2015 and 2016) followed by a preferential income tax rate of 12.5% from 2017 to 2019. Nanjing Xile would be exempted from income tax for their first two profitable years (i.e., 2017 and 2018) followed by a preferential income tax rate of 12.5% from 2019 to 2021.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Xinjiang Uygur Autonomous Region and Xinjiang Kashgar Autonomous Region (《財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》) promulgated by the State Council on 29 November 2011, if a corporate enterprise is newly established within calendar years 2010 to 2020 in two specific regions with business fallen in the scope of the Catalogue of Preferred Enterprise Income Tax for Key Encouraged Industries in Poor Areas of Xinjiang (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》), the corporate enterprise can enjoy a preferential treatment (i.e., 5-year exemption) from the first year when the entity begins to generate revenue. Khorgos Xizhi is exempted from income tax from calendar years 2017 to 2020 upon an approval by the State Taxation Bureau of the Xinjiang Uygur Autonomous Region in October 2017.

The income tax expenses of the Group for the year are analysed as follows:

	2018	2017
	RMB'000	*RMB'000*
Current tax — Mainland China		
Provision for the year	**3,744**	4,061
Under-provision in respect of prior years	**32**	–
	3,776	4,061
Deferred tax		
Origination of temporary differences	**38**	–
Total tax charge for the year	**3,814**	4,061

9 DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Final dividend declared and paid in respect of the year ended 31 December 2017 (HKD0.0015 (2017: Nil) per ordinary share)	**1,308**	–

As mentioned in the announcement of the Company dated 2 April 2018, a final dividend of HKD0.0015 per ordinary share in respect of the year ended 31 December 2017, totalling HKD1,538,493 (equivalent to approximately RMB1,308,000) was declared and paid during the current year.

10 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares of 1,025,662,000 (2017: 1,025,684,000) in issue during the year.

There were no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017, and therefore the diluted earnings per share amount is equivalent to the basic earnings per share.

The calculations of basic and diluted earnings per share are based on:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**30,167**	34,584

	Number of shares	
	2018	2017
		(Restated)
Shares		
Weighted average number of ordinary shares in issue	**1,025,662,000**	1,025,684,000

	2018	2017
	RMB cents	*RMB cents*
Earnings per share attributable to ordinary equity holders of the parent — Basic and diluted	**2.94**	3.37

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2018, the Group acquired assets with cost of approximately RMB518,000 (2017: RMB65,000) on additions of property, plant and equipment. Assets with cost of approximately RMB2,000 (2017: Nil) were disposed by the Group during the year ended 31 December 2018.

12 LONG-TERM RECEIVABLES

	2018 *RMB'000*	2017 *RMB'000*
Rental deposits	**944**	754
Loans to employees *(note (i))*	**6,046**	12,360
Loans to others *(note (ii))*	**19,519**	20,015
	26,509	33,129

Note:

(i) Since September 2016, the Group had begun to offer certain employees interest-free loans which amounted to no more than RMB15.0 million in aggregate. The employees, including key management personnel, who have served the Group for more than three years can apply for such interest-free loans to purchase home properties. The balance, including interest-free loans to key management personnel of RMB1,847,000 (2017: RMB7,350,000), represents the interest-free loans to employees which will be repaid within two to five years. The current portion which will be repaid within one year is presented in note 17.

(ii) As at 31 December 2018, included in the balances was a loan measured at fair value of RMB14,113,000 (2017: at amortised cost of RMB12,000,000), made to a private company, Nanjing Qianyu Information Technology Company Limited (「南京千魚信息技術有限公司」) ("Nanjing Qianyu"), at interest rate of 6.0% per annum for a period of 36 months. The directors of the Company are of the opinion that this loan facility agreement is for the long-term interest of the Group. In future, by evaluating the performance of Nanjing Qianyu over a period, the Group has the option to invest in shares of Nanjing Qianyu in priority. Therefore, this loan classified as loans and receivables and measured at amortised cost prior to 1 January 2018 is reclassified as financial assets at FVOCI upon the adoption of IFRS 9 on 1 January 2018 (see note 3(a)). The loan was guaranteed by a subsidiary, Jiangsu Wansheng Weiye Network Technology Company Limited (「江蘇萬聖偉業網絡科技有限公司」) of an A share company.

The balance as at 31 December 2018 also included loans with interest of RMB4,349,000 (2017: RMB2,000,000) and RMB1,057,000 (2017: RMB1,000,000) extended to two third parties, Beijing Hongwei Technology Company Limited (「北京宏偉科技有限公司」) and Shenzhen Feishikang Technology Company Limited (「深圳飛視康科技有限公司」), respectively, bearing interest rates of 6.0% to 8.0% per annum for periods of 18 to 36 months.

The balance as at 31 December 2017 included a loan extended to an unrelated third party, Yueyi Group (「悅益集團有限公司」), amounting to HKD6,000,000 with annual interest of 6% for period of 36 months which was early repaid on 2 March 2018 and the interest was waived.

13 DEPOSIT FOR PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	RMB'000	*RMB'000*
Deposit for acquisition of property, plant and equipment	**–**	60,101

On 15 December 2017, the Group entered into a Commodity Property Purchase Agreement ("Preliminary Agreement") with an independent property developer ("the Vendor") , Nanjing Shimao New Development Property Company Limited (「南京世茂新發展置業有限公司」) for the acquisition of certain commodity properties at a consideration of RMB60,101,000. In accordance with the Preliminary Agreement, a pre-sale contract will be entered into between the Group and the Vendor before 31 December 2017, the Vendor was expected to deliver the ownership of properties to the Group on 30 June 2019 and if the Vendor was not able to obtain the permit for pre-sale before 31 December 2017, the Preliminary Agreement will expire automatically.

As the Vendor failed to obtain the permit for pre-sale, the Group announced to terminate the acquisition of the commodity properties with the Vendor on 27 March 2018 and the deposit of RMB60,101,000 was refunded to the Group on 28 March 2018.

14 OTHER FINANCIAL ASSETS

		2018	2017
	Note	***RMB'000***	*RMB'000*
Equity investments designated at FVOCI			
Unlisted equity securities	*(i), (ii)*	**203,502**	–
Prepayment for unlisted equity securities	*(ii), (iii)*	**58,690**	–
		262,192	–
Available-for-sale investments			
An unlisted equity security	*(iv)*	**–**	15,000
Prepayment for an unlisted equity security	*(iii), (iv)*	**–**	10,000
		–	25,000
Total other financial assets		**262,192**	25,000

Upon the initial application of IFRS 9 at 1 January 2018 (see note 3(a)), the above unlisted equity securities and the relevant prepayment were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature. No dividends were received on these equity securities during the year (2017: Nil).

(i) The balances include RMB114,052,000 of unlisted equity securities with derivative embedded which represents the Company's options to request for investees to repurchase the equity shares in certain situations including the investees' failure in meeting specific profits guarantee or developing specific techniques, fundamental change in investees' principal activities and/or investees and original shareholders violated integrity and damaged the investees' interests.

(ii) The fair value of unlisted equity securities and prepayment for unlisted equity securities were measured at the end of the reporting period by an independent qualified appraiser, Messer. 沃克森(北京)國際資產評估有限公司 (the "Appraiser").

(iii) As at 31 December 2018 and 2017, the prepayment for unlisted equity securities were made in December 2018 and November 2017, respectively, with changes of shareholders registration completed subsequent to the end of the reporting period.

(iv) As at 31 December 2017, an unlisted equity security and prepayment for an unlisted equity security were stated at cost less impairment because the range of reasonable fair value estimates was so significant that the directors were of the opinion that its fair value could not be measured reliably. The Group did not intend to dispose of them in the near future.

15 TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**22,517**	54,636
Impairment	**(22)**	–
	22,495	54,636

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 to 180 days after date of invoices, depending on contracts with individual customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to customers with a good track record, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the date of invoices (2017: date of services rendered) and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**12,099**	46,249
3 to 6 months	**4,628**	4,818
6 months to 1 year	**1,941**	3,183
1 to 2 years	**3,687**	230
2 to 3 years	**140**	156
	22,495	54,636

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**–**	–
Effect of adoption of IFRS 9	**19**	–
At 1 January (restated)	**19**	–
Impairment losses recognised *(note 6)*	**4**	10
Amount written off as uncollectible	**(1)**	(10)
At 31 December	**22**	–

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Expected credit loss rate %	Gross carrying amount *RMB'000*	Expected credit loss *RMB'000*	Net carrying amount *RMB'000*
Current (not past due)	**0.1%**	**16,743**	**(16)**	**16,727**
Within six months past due	**0.1%**	**1,943**	**(2)**	**1,941**
More than six months past due	**0.1%**	**3,831**	**(4)**	**3,827**
		22,517	**(22)**	**22,495**

Impairment under IAS 39 for the year ended 31 December 2017

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 *RMB'000*
Neither past due nor impaired	51,067
Within six months past due	3,183
More than six months past due	386
	54,636

Receivables that were neither past due nor impaired related to customers with a good track record for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

16 CONTRACT ASSETS

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from marketing and promotional services	**54,628**	35,084	–
Impairment	**(67)**	(38)	–
	54,561	35,046	–

Contract assets are initially recognised for revenue earned from the marketing and promotional services as the receipt of consideration is conditional on successful completion of services. Included in contract assets for marketing and promotional services are retention receivables. Upon completion of services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2018 was the result of the increase in the provision of marketing and promotional services at the end of the year.

During the year ended 31 December 2018, RMB29,000 was recognised as an allowance for expected credit losses on contract assets.

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

	RMB'000
Within one year	54,561

The movements in the loss allowance for impairment of contract assets are as follows:

	RMB'000
At 1 January 2018	–
Effect of adoption of IFRS 9	38
At 1 January 2018 (restated)	38
Impairment losses *(note 6)*	29
At 31 December 2018	67

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates for the measurement of the ECLs of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

As at 31 December 2018

Expected credit loss rate	0.12%
	RMB'000
Gross carrying amount	**54,628**
Expected credit losses	**67**

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Prepaid expenses	**1,222**	299
Employee advances	**661**	781
Deposits	**29**	9
Other receivables	**637**	1,055
Current portion of loans to employees *(note 12(i))*	**1,684**	1,290
	4,233	3,434

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

18 TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within three months	**2,269**	463

The trade payables are non-interest-bearing and are normally settled within terms of 30 to 120 days.

19 CONTRACT LIABILITIES/ADVANCES FROM CUSTOMERS

	2018	2017
	RMB'000	*RMB'000*
Short-term advances received from customers		
— Marketing and promotional services classified as:		
Contract liabilities	**2,211**	–
Advances from customers	**–**	3,232

Upon the adoption of IFRS 15 on 1 January 2018, these amounts were reclassified from advances from customers to contract liabilities.

Contract liabilities include short-term advances received to deliver marketing and promotional services. There is no significant change in contract liabilities in 2018.

Advances from customers are non-interest-bearing and are normally recognised in the statement of profit or loss within 90 days.

20 INTEREST-BEARING BANK BORROWINGS

	2018			2017		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans unsecured	**4.35%**	**2019**	**11,000**	–	–	–

	2018	2017
	RMB'000	*RMB'000*
Analysed into:		
Bank loans:		
Within one year or on demand	**11,000**	–

The Group's bank facilities amounted to RMB11,000,000, all of which had been utilised as at 31 December 2018 and will be settled within one year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company believes that good corporate governance practices are very essential for maintaining and promoting investor confidence as well as the sustainable growth of the Company. The Board sets appropriate policies and implements relevant corporate governance practices with a view to further develop our business and achieve business growth. The Board is committed to strengthening the Company's corporate governance practices, to ensure transparency and accountability of the Company's operations.

The Group has adopted the code provisions set out in the corporate governance code (the"CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules") and the CG Code set out in Appendix 15 of the Rules Governing the Listing of Securities on the GEM of the Hong Kong Stock Exchange (the "GEM Listing Rules"), which were respectively applicable during the relevant periods after and prior to the Transfer of Listing. In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code for the year ended 31 December 2018.

The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in Rules 5.48 and 5.67 of the GEM Listing Rules (applicable to prior to the Transfer of Listing) and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules (applicable to after the Transfer of Listing) as its code of conduct regarding the Directors' securities transactions. Having made specific enquiry to all the Directors of the Company, the Directors confirm that for the year ended 31 December 2018, they have complied with the required standards regarding directors' securities transactions.

WRITTEN GUIDELINES FOR RELEVANT EMPLOYEES IN RESPECT OF THEIR DEALINGS IN SECURITIES

The Company has established written guidelines on the employees' securities transactions on no less exacting terms than the Model Code (the "Employees Written Guidelines") to regulate securities transactions by employees (including the Directors or employees of the subsidiaries or holding company of the Company) who are likely to possess inside information of the Company and/or its securities. The Company is not aware of any non-compliance of the Employees Written Guidelines by the employees during the year ended 31 December 2018.

Should the Company becomes aware of any restricted period for dealings in the Company's securities, the Directors and relevant employees shall be notified in advance.

AUDIT COMMITTEE

The primary duties of the audit committee of the Company are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of the financial reporting matters; and oversee internal control procedures of our Company. At present, the audit committee of our Company consists of three members, namely the independent non-executive Director Mr. Wu Chak Man, the non-executive Director Ms. Li Juan and the independent non-executive Director Mr. Ge Ning. Mr. Wu Chak Man is the chairman of the audit committee of the Company. Members of the audit committee of the Company comply with Rule 3.21 of the Listing Rules. The written terms of reference of the audit committee of the Company are posted on the Hong Kong Stock Exchange's website and the Company's website.

The audit committee of the Company had reviewed the Company's audited annual results for the year ended 31 December 2018, and was of the opinion that the relevant financial statements have been prepared in accordance with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee of the Company has also reviewed the accounting principles and practices adopted by the Group, and the selection and appointment of the external auditor. In addition, the audit committee of the Company have reviewed the risk management and internal control system of the Company for the year 2018.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "AGM") will be held on Friday, 14 June 2019. The notice of the AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from 11 June 2019 (Tuesday) to 14 June 2019 (Friday), both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the AGM, all shares transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 22th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 10 June 2019 (Monday).

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.ci123.com), and the annual report of the Company containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
China Parenting Network Holdings Limited
Li Juan
Chairperson

Hong Kong, 29 March 2019

As at the date of this announcement, the executive directors are Mr. Cheng Li, Mr. Hu Qingyang and Mr. Zhang Lake Mozi; the non-executive directors are Mr. Wu Haiming, Ms. Li Juan and Mr. Hsieh Kun Tse; and the independent non-executive directors are Mr. Wu Chak Man, Mr. Zhao Zhen and Mr. Ge Ning.