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China Chuanglian Education Financial Group Limited

中國創聯教育金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2371)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS HIGHLIGHTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reported financial information		
Revenue	46,264	85,255
Gross profit	20,677	52,742
(Loss) profit before tax	(31,442)	13,158
(Loss) profit attributable to owners of the Company	(31,841)	7,500
Basic (loss) earnings per share (RMB cent)	(0.64)	0.15
Adjusted financial information[#]		
(Loss) profit before tax	(30,909)	14,511
(Loss) profit attributable to owners of the Company	(31,308)	8,853
Basic (loss) earnings per share (RMB cent)	(0.63)	0.18

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

RESULTS

The board (the “Board”) of directors (the “Directors”) of China Chuanglian Education Financial Group Limited (the “Company”) hereby announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2019 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	46,264	85,255
Cost of services		<u>(25,587)</u>	<u>(32,513)</u>
Gross profit		20,677	52,742
Other income and gain	5	512	202
Selling and marketing expenses		(12,670)	(11,284)
Administrative expenses		(36,798)	(28,502)
Interest expense on lease liabilities		<u>(3,163)</u>	<u>—</u>
(Loss) profit before tax		(31,442)	13,158
Income tax expense	6	<u>(152)</u>	<u>(6,462)</u>
(Loss) profit for the period	7	<u>(31,594)</u>	<u>6,696</u>

		Six months ended 30 June	
		2019	2018
Notes		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		<u>1,254</u>	<u>(864)</u>
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of equity investments at fair value through other comprehensive income		<u>(6,000)</u>	<u>(7,600)</u>
Total other comprehensive expense for the period		<u>(4,746)</u>	<u>(8,464)</u>
Total comprehensive expense for the period		<u><u>(36,340)</u></u>	<u><u>(1,768)</u></u>
(Loss) profit for the period attributable to:			
— owners of the Company		(31,841)	7,500
— non-controlling interests		<u>247</u>	<u>(804)</u>
		<u><u>(31,594)</u></u>	<u><u>6,696</u></u>
Total comprehensive (expense) income for the period attributable to:			
— owners of the Company		(36,587)	(964)
— non-controlling interests		<u>247</u>	<u>(804)</u>
		<u><u>(36,340)</u></u>	<u><u>(1,768)</u></u>
(Loss) earnings per share	9		
Basic and diluted (RMB cent)		<u><u>(0.64)</u></u>	<u><u>0.15</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019	31 December 2018
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Plant and equipment	10	57,176	39,939
Right-of-use assets		124,374	—
Intangible assets		57,343	59,828
Goodwill		50,317	50,317
Financial assets at fair value through other comprehensive income		45,100	51,100
Financial asset at fair value through profit or loss		3,420	3,415
Loan receivable	11	5,000	—
		<u>342,730</u>	<u>204,599</u>
Current assets			
Trade and other receivables	11	26,301	22,525
Bank balances and cash		58,324	85,088
		<u>84,625</u>	<u>107,613</u>
Current liabilities			
Contract liabilities		27,409	15,318
Trade and other payables	12	11,033	21,221
Amount due to a director		4,840	4,830
Amount due to a shareholder		7,534	57
Lease liabilities		8,720	—
Income tax payable		6,057	5,641
		<u>65,593</u>	<u>47,067</u>
Net current assets		<u>19,032</u>	<u>60,546</u>
Total assets less current liabilities		<u>361,762</u>	<u>265,145</u>
Capital and reserves			
Share capital	13	41,385	41,385
Reserves		172,809	208,863
Equity attributable to owners of the Company		214,194	250,248
Non-controlling interests		3,900	2,918
Total equity		<u>218,094</u>	<u>253,166</u>
Non-current liabilities			
Deferred tax liability	14	11,431	11,979
Lease liabilities		132,237	—
		<u>143,668</u>	<u>11,979</u>
		<u>361,762</u>	<u>265,145</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

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

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the provision of the online training and education services and financial services. Other than those major operating subsidiaries established in the People’s Republic of China (the “PRC”) whose functional currency is Renminbi (“RMB”), the functional currency of the remaining subsidiaries is Hong Kong dollars (“HK\$”).

The functional currency of the Company is HK\$, which is different from the presentation currency, RMB. As the Group mainly operates in the PRC, the directors of the Company consider that it is appropriate to present the condensed consolidated financial statements in RMB.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2019.

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 — 2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 3 below. The application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/ or on the disclosures set out in the condensed consolidated financial statements.

2.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The major impacts of the adoption of HKFRS 16 on the Group's condensed consolidated financial statements are described below.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.9%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The following table summarises the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

		Carrying amount previously reported at 31 December 2018 RMB'000	Impact on adoption of HKFRS 16 RMB'000	Carrying amount as restated at 1 January 2019 RMB'000
	Notes			
Right-of-use assets	(a), (b)	—	131,226	131,226
Trade and other payables	(b)	(21,221)	9,651	(11,570)
Lease liabilities	(a)	—	(140,877)	(140,877)

Notes:

- (a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liabilities of approximately RMB140,877,000, adjusted by the amount of accrued lease payments of approximately RMB9,651,000 relating to the relevant leases at the date of initial application.
- (b) It represents the accrued lease liabilities for leases under rent-free period and was reclassified to right-of-use assets on transition to HKFRS 16.

2.2 Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the practical expedients permitted by the standard to account for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

3. CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position, the same line item as that within which the corresponding underlying assets would be presented if they were owned.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Impairment losses on tangible and intangible assets other than goodwill” policy as stated in the Group’s annual consolidated financial statements for the year ended 31 December 2018.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for services rendered net of sales related taxes for the period. An analysis of the Group’s revenue for the period is as follows:

	30 June 2019	30 June 2018
	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue from contracts with customers		
Educational consultancy and online training services	40,175	72,247
On-site training services	3,572	5,570
Financial services	<u>2,517</u>	<u>7,438</u>
	<u>46,264</u>	<u>85,255</u>

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

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

1. Securities trading — trading of financial assets at fair value through profit or loss;
2. Educational consultancy and online training and education — provision of educational consultancy services and online training and education services; and
3. Financial services — provision of insurance brokerage services and investments advisory services.

Segment revenue and results

The following table presents the Group's revenue and results by reportable and operating segments for the six months ended 30 June 2019 and 2018 respectively:

Six months ended 30 June 2019

	Securities trading <i>RMB'000</i> (Unaudited)	Educational consultancy and online training and education <i>RMB'000</i> (Unaudited)	Financial services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
REVENUE				
External sales	<u>—</u>	<u>43,747</u>	<u>2,517</u>	<u>46,264</u>
Segment loss	<u>—</u>	<u>(12,127)</u>	<u>(6,512)</u>	(18,639)
Unallocated other income				512
Unallocated corporate expenses				<u>(13,315)</u>
Loss before tax				<u>(31,442)</u>

Six months ended 30 June 2018

	Securities trading	Educational consultancy and online training and education	Financial services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE				
External sales	<u>—</u>	<u>77,817</u>	<u>7,438</u>	<u>85,255</u>
Segment profit	<u>—</u>	<u>20,212</u>	<u>2,727</u>	22,939
Unallocated other income				202
Unallocated corporate expenses				<u>(9,983)</u>
Profit before tax				<u>13,158</u>

Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of central administration costs, directors' emoluments, other income and gain and depreciation of certain plant and equipment. This is the measure reported to the executive directors of the Company, being the chief operating decision maker, for purposes of resources allocation and performance assessment.

Segment assets and liabilities

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Segment assets		
Securities trading	70	69
Educational consultancy and online training and education	287,399	142,061
Financial services	30,338	26,642
Total segment assets	317,807	168,772
Unallocated corporate assets	109,548	143,440
Consolidated assets	427,355	312,212
Segment liabilities		
Educational consultancy and online training and education	183,856	33,576
Financial services	1,753	934
Total segment liabilities	185,609	34,510
Unallocated corporate liabilities	23,652	24,536
Consolidated liabilities	209,261	59,046

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, financial assets at FVTOCI, financial asset at FVTPL, certain other receivables and bank balances and cash; and
- all liabilities are allocated to operating segments other than certain other payables, amount due to a director/a shareholder, income tax payable and deferred tax liability.

Upon application of HKFRS 16, the Group's right-of-use assets and lease liabilities are now included in the measure of segment assets and segment liabilities respectively at 30 June 2019. In respect of segment result, depreciation of right-of-use assets and interest expense on lease liabilities are included in the measurement of segment results. Comparative information is not restated.

5. OTHER INCOME AND GAIN

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	303	165
Loan interest income	183	—
Net foreign exchange gain	—	34
Others	26	3
	<u>512</u>	<u>202</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax — current period	700	6,977
Deferred tax	(548)	(515)
	<u>152</u>	<u>6,462</u>

7. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of plant and equipment	3,799	4,461
Depreciation of right-of-use assets	6,852	—
Amortisation of intangible assets	4,180	3,679
Impairment loss on trade receivables	—	528
Loss on disposal of plant and equipment	—	32
Share-based payment expenses	533	1,353
Expense relating to short-term leases	<u>1,410</u>	<u>6,381*</u>

* The amount for the six months ended 30 June 2018 was recognised under HKAS 17.

8. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	<u>(31,841)</u>	<u>7,500</u>
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>4,968,511</u>	<u>4,939,693</u>

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

Diluted (loss) earnings per share is same as basic (loss) earnings per share for both periods. The computation of diluted (loss) earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of those options was higher than the average market price for shares for both six months ended 30 June 2019 and 2018.

10. MOVEMENTS IN PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired assets with a cost of approximately RMB21,036,000 (six months ended 30 June 2018: RMB1,946,000, excluding plant and equipment acquired through acquisition of a subsidiary).

11. TRADE AND OTHER RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables (note b)	10,480	11,218
Less: impairment loss recognised	(6,598)	(6,598)
	<u>3,882</u>	<u>4,620</u>
Other receivables	5,802	2,779
Less: impairment loss recognised	(95)	(95)
	<u>5,707</u>	<u>2,684</u>
Loan receivables (note a)	11,835	7,740
Deposits	2,604	2,481
Prepayments	6,446	3,212
Value added tax recoverable	827	1,788
	<u>31,301</u>	<u>22,525</u>
Current	26,301	22,525
Non-current	5,000	—
	<u>31,301</u>	<u>22,525</u>

The Group does not hold any collateral over these receivables.

Notes:

- (a) As at 30 June 2019, loan receivables were provided to two independent third parties representing (i) unsecured loans of RMB10,000,000 (31 December 2018: RMB5,000,000), of which RMB5,000,000 (31 December 2018: RMB5,000,000) was repayable within one year, carried interest at RMB Benchmark Interest Rate quoted by the People's Bank of China and (ii) an unsecured interest-free loan of RMB1,835,000 (31 December 2018: RMB2,740,000) and repayable within one year respectively.

- (b) Trade receivables are due according to the terms on the relevant contract. The following is an ageing analysis of trade receivables net of accumulated impairment losses presented based on the invoice date at the end of reporting period:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 30 days	1,258	3,560
31 to 60 days	658	917
61 to 180 days	164	143
181 to 365 days	1,802	—
	<u>3,882</u>	<u>4,620</u>

12. TRADE AND OTHER PAYABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	6,049	6,303
Other payables	668	349
Other tax payables	302	1,713
Accruals	4,014	12,856
	<u>11,033</u>	<u>21,221</u>

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 30 days	5,138	2,809
31-60 days	576	295
61-90 days	6	320
91-150 days	2	2,039
Over one year	327	840
	<u>6,049</u>	<u>6,303</u>

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

13. SHARE CAPITAL

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	30 June 2019 '000 (Unaudited)	31 December 2018 '000 (Audited)	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Ordinary shares of HK\$0.01 each						
Authorised:						
At the beginning and end of the period/year	<u>100,000,000</u>	<u>100,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>879,100</u>	<u>879,100</u>

	Number of shares		Share capital		Equivalent nominal value of ordinary shares	
	30 June 2019 '000 (Unaudited)	31 December 2018 '000 (Audited)	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Issued and fully paid:						
At the beginning of the period/year	4,968,511	4,642,511	49,685	46,425	41,385	38,703
Issue of shares (note)	—	326,000	—	3,260	—	2,682
At the end of the period/year	<u>4,968,511</u>	<u>4,968,511</u>	<u>49,685</u>	<u>49,685</u>	<u>41,385</u>	<u>41,385</u>

Note: The Company had allotted and issued a total of 326,000,000 new ordinary shares of HK\$0.01 each in the share capital of the Company at the subscription price of HK\$0.092 per subscription share, raising gross proceeds of approximately HK\$29,992,000 (equivalent to approximately RMB24,676,000). The subscription of shares was completed on 16 January 2018.

14. DEFERRED TAX LIABILITY

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

	<i>RMB'000</i>
At 1 January 2019	11,979
Credited to profit or loss	<u>(548)</u>
At 30 June 2019	<u>11,431</u>

15. EVENT AFTER THE REPORTING PERIOD

On 10 July 2019, the Company entered into a placing agreement with a placing agent to which the placees have agreed to subscribe for, and the Company has agreed to allot and issue a total of 993,700,000 new ordinary shares of HK\$0.01 each in the share capital of the Company at the subscription price of HK\$0.04 per subscription share. The proceeds from the subscription would be used for general working capital of the Group and for any possible business development or investment of the Group when appropriate opportunities arise. These new shares rank pari passu with other shares in all respects. Details of the placing are set out in the announcements of the Company dated 10 July 2019 and 30 July 2019. The placing of shares was completed on 30 July 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the Reporting Period, the Group recorded a revenue of approximately RMB46.3 million (six months ended 30 June 2018: approximately RMB85.3 million), representing a significant decrease of 45.7% as compared to the last corresponding period.

Out of the total revenue, approximately RMB43.8 million (six months ended 30 June 2018: approximately RMB77.8 million) was generated from educational consultancy and online training and education business, and approximately RMB2.5 million (six months ended 30 June 2018: approximately RMB7.4 million) was generated from the financial services business for the Reporting Period. The educational consultancy and online training and education business continued to be the major contributor of revenue to the Group which accounted for 94.6% of the total revenue for the Reporting Period. The revenue derived from educational consultancy and online training and education business is usually subject to certain seasonality as more users would prefer to undertake the trainings closer to the end of the year.

There was a significant decrease in the Group's revenue from the educational consultancy and online training and education business for the six months ended 30 June 2019 as a result of: (i) the Group did not get the tender for the provision of online training and education service to the professional technical personnel in Hebei province in 2019, which the Group got such tender during 2016 to 2018 and (ii) due to the change in local policies in Hainan province, the Group's online training and education business in Hainan province was not able to achieve the same level of revenue in 2019 as compared to the previous period.

In view of the huge market of the online training and education in the PRC, the management expects that there are still plenty rooms of growth for the Group's educational consultancy and online training and education business. Although the progress of the Group's educational consultancy and online training and education business during the Reporting Period was relatively slow due to the certain changes of government policies, the Group is currently in contact with a few new geographical areas in the PRC over the provision of online training services in these areas in the second half of 2019. The management is optimistic that the growth of the Group's educational consultancy and online training and education business in the second half of 2019 would resume.

There was a decrease in the Group's revenue generated from the financial services business during the Reporting Period as the Group is undergoing certain business realignment in relation to the insurance brokerage business in order to enhance more synergy with the Group's educational consultancy and online training and education business in the foreseeable future. We remain to be optimistic about the potential growth of the Group's financial services business and its potential synergy with the Group's educational consultancy and online training and education business.

Cost of services for the Reporting Period was approximately RMB25.6 million (six months ended 30 June 2018: approximately RMB32.5 million), representing a decrease of approximately 21.2% as compared to the last corresponding period. The decrease in cost of services was mainly due to the decrease in salaries, project co-operation fee and consultancy fee as a result of the decrease in revenue from the Group's educational consultancy and online training and education business.

Gross profit margin for the Reporting Period decreased to approximately 44.7% (six months ended 30 June 2018: approximately 61.9%). For the educational consultancy and online training and education business, its gross profit margin decreased from approximately 63.3% for the six months ended 30 June 2018 to approximately 43.1% for the Reporting Period as a result of less economy of scale achieved. For the financial services business, the gross profit margin for the Reporting Period was approximately 71.6% (six months ended 30 June 2018: approximately 46.9%).

Selling and marketing expenses for the Reporting Period was approximately RMB12.7 million (six months ended 30 June 2018: approximately RMB11.3 million), representing an increase of approximately 12.4% as compared to the last corresponding period. The increase in selling and marketing expenses was mainly due to the increase in salaries.

Administrative expenses for the Reporting Period was approximately RMB36.8 million (six months ended 30 June 2018: approximately RMB28.5 million), representing an increase of 29.1% as compared to the last corresponding period. The increase in administrative expenses was mainly due to the increase in salaries and depreciation of right-of-use assets.

As a result of the above, there was a change to the loss attributable to owners of the Company of approximately RMB31.8 million during the Reporting Period, compared to the profit attributable to owners of the Company of approximately RMB7.5 million for the six months ended 30 June 2018. The basic loss per share for the Reporting Period was approximately RMB0.64 cent compared to a basic earnings per share of approximately RMB0.15 cent for the six months ended 30 June 2018.

Business Review

The Group is principally engaged in the provision of the online training and education services in the PRC. Being one of the very few pioneers of online education providers in the PRC, we mainly provide vocational training in relation to job adaption and skill enhancement to civil servants and professional technical personnel, such as lawyers, accountants, doctors, teachers, etc., in the PRC. The current population of civil servants and professional technical personnel in the PRC is over 82 million. There are certain requirements under the PRC laws and relevant provisions that, civil servants and professional technical personnel in the PRC are required to undertake an annual required minimum continuing professional training in

both public required subjects and relevant professional subjects in order to satisfy their corresponding job requirements and professional development needs.

The Group is currently providing online training and education services to its users through internet and telecommunication networks. The Group is operating over 120 online training and education platforms and a mobile terminal learning platform, Rongxue App* (融學App). Currently, we have over 5 million of paid users. Over the past few years, our online training platforms had provided training to an accumulated person-times of over 25 million. The Rongxue App currently has approximately 2.1 million users.

During the Reporting Period, we are providing our online training and education business to different geographical areas in the PRC. Our online training and education business currently covers 17 provinces, autonomous regions and municipalities as well as 40 cities in the PRC.

Leveraging on the accurate big data accumulated from the online training, the Group has taken certain steps to expand into financial business. The Group is one of the promoters of Xinmei Mutual Life Insurance Agency* (“Xinmei Mutual”) (信美人壽相互保險社), the first mutual life insurance agency in the PRC.

In addition to the investment in Xinmei Mutual, the Group has established its own financial services business which aims to utilize the accurate big data accumulated from the Group’s educational consultancy and online training business.

Future Plans

Over the past few years, our online training and education business has gradually increased its geographical coverage in the PRC. Although the progress of the Group’s educational consultancy and online training business during the Reporting Period was relatively slow due to the certain changes of government policies, we will strive to expand our geographical coverage to new business areas and promote the online training and education penetration rate in the existing business areas in the foreseeable future.

In addition to the business-to-business model the Group has adopted over the past few years, the Group has allocated more resources in developing the business-to-consumer model in the foreseeable future in order to increase the consumers’ adherence and loyalty to our training and education platforms.

Furthermore, the Group has launched its online to offline model (“O to O”) so that our customers can enjoy the convenience of selecting and paying for the suitable training courses online as well as enjoying the better post-sales servicing and interaction with our local offices and staff. The Group currently has two training centers in Nanning of Guangxi Zhuang Autonomous Region and Chengdu of Sichuan Province which enable the Group to accommodate the increasing need of O to O training. Also, the increase of O to O training can also help to increase the average revenue per user in the future.

As most civil servants and professional technical personnel would need to pass certain examinations before admission as civil servants and achievement of corresponding professional qualifications, the Group believes that the market potential of pre-examination preparation courses is huge. In view of this, the Group has launched a new line of business of the provision of pre-examination preparation courses in 2019.

The Group also launched its international training and education business with the “Innovation Entrepreneurship” program in 2018. We will continue to seek to increase our co-operation with more foreign reputable education institutions to provide other programs of high quality international curriculum to suit the different needs and requirements of the different profession in the PRC. We believe the introduction of more high quality international curriculum to the PRC market can help to improve the overall quality of education in the PRC as well as the international vision of the professionals in the PRC.

Leveraging on the solid foundation of our training and education business, we continued to establish our financial services business in the past few years. During the Reporting Period, we commenced to establish local offices of our insurance brokerage business in major cities in the PRC in order to capture the nationwide demand for insurance products and provide high quality post- sales services to the customers. Apart from insurance related business, we have taken steps to enter into the securities trading and asset management business to further satisfy the potential financial needs of our customers. We believe the potential of financial services business is huge, given our possession of huge amount of occupation-specific data which can help to conduct comprehensive analysis of unique needs and requirements of our customers.

Liquidity and Financial Resources

As at 30 June 2019, the Group had bank balances and cash of approximately RMB58.3 million (31 December 2018: approximately RMB85.1 million).

As at 30 June 2019, the Group’s net current assets totalled approximately RMB19.0 million (31 December 2018: approximately RMB60.5 million).

The Group’s current ratio was approximately 1.29 times as at 30 June 2019 as compared with 2.29 times as at 31 December 2018.

Gearing Ratio

The gearing ratio of the Group (measured as total liabilities to total assets) was 49.0% as at 30 June 2019 (31 December 2018: 18.9%).

Capital Structure

As at 30 June 2019, the Company’s issued share capital was approximately HK\$49,685,106 and the number of its issued ordinary shares was 4,968,510,578 shares of HK\$0.01 each.

Foreign Exchange Exposure

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

Charge on Group Assets

As at 30 June 2019 and 31 December 2018, the Group did not have any charges on its assets.

Capital Commitment

As at 30 June 2019, the Group had outstanding capital commitment in respect of the acquisition of plant and equipment of RMB4.7 million (31 December 2018: approximately RMB19.5 million).

Employee Information and Remuneration Policy

As at 30 June 2019, the Group had 175 employees (31 December 2018: 179 employees) in Hong Kong and the PRC and the total staff costs (including all Directors' remuneration and fees) are approximately RMB23.3 million for the Reporting Period (six months ended 30 June 2018: approximately RMB19.7 million).

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. In order to attract, retain and motivate eligible employees, including the Directors, the Company had adopted share option schemes (the "Share Option Schemes"). As at 30 June 2019, there were 62,510,000 share options remained outstanding which can be exercised by the grantees of the Share Option Schemes.

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

SHARE OPTION SCHEMES

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

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

During the Reporting Period, no share options were granted, exercised, lapsed or cancelled and no shares are available for issue under the Share Option Scheme 2004.

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

List of Grantees	Balance as at 1 January 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Balance as at 30 June 2019	Exercise Price HK\$	Date of Grant	Exercise Period
Directors									
Wu Xiaodong	3,000,000	—	—	—	—	3,000,000	0.127	29/06/2017	29/06/2017- 28/06/2022 (Note 4)
Wang Cheng	3,000,000	—	—	—	—	3,000,000	0.127	29/06/2017	29/06/2017- 28/06/2022 (Note 4)
Xu Dayong (appointed on 8 January 2019)	1,200,000	—	—	—	—	1,200,000	0.127	29/06/2017	29/06/2017- 28/06/2022
Li Dongfu (Resigned on 29 March 2019)	3,000,000	—	—	—	—	3,000,000	0.127	29/06/2017	29/06/2017- 28/06/2022 (Note 4)
Wu Yalin	1,000,000	—	—	—	—	1,000,000	0.127	29/06/2017	29/06/2017- 28/06/2022 (Note 4)
Wang Shuping	500,000	—	—	—	—	500,000	0.127	29/06/2017	29/06/2017- 28/06/2022 (Note 4)
Subtotal	<u>11,700,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,700,000</u>			

List of Grantees	Balance as at 1 January 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Balance as at 30 June 2019	Exercise Price HK\$	Date of Grant	Exercise Period
Employees									
In aggregate	2,510,000	—	—	—	—	2,510,000	0.684	02/07/2015	02/07/2015- 01/07/2019 (Note 2)
	10,700,000	—	—	—	—	10,700,000	0.29	18/05/2016	18/05/2016- 17/05/2021 (Note 3)
	27,600,000	—	—	—	—	27,600,000	0.127	29/06/2017	29/06/2017- 28/06/2022 (Note 4)
	—————	—————	—————	—————	—————	—————			
Subtotal	<u>40,810,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>40,810,000</u>			
Consultants									
In aggregate	7,000,000	—	—	—	—	7,000,000	0.29	18/05/2016	18/05/2016- 17/05/2021 (Note 3)
	3,000,000	—	—	—	—	3,000,000	0.127	29/06/2017	29/06/2017- 28/06/2022 (Note 4)
	—————	—————	—————	—————	—————	—————			
Subtotal	<u>10,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,000,000</u>			
Total	<u><u>62,510,000</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>62,510,000</u></u>			

Notes:

- Share options will automatically lapsed after the period of 6 months following the date of such cessation or termination.
- Not more than 30% of the share options will be vested on 2 July 2016. Not more than 60% of the share options will be vested on 2 July 2017. Not more than 100% of the share options will be vested on 1 July 2018. (Such vesting period is not applicable for the consultants of the Company.)
- Not more than 30% of the share options will be vested on 18 May 2017. Not more than 60% of the share options will be vested on 18 May 2018. Not more than 100% of the share options has been vested on 18 May 2019.
- Not more than 30% of the share options will be vested on 29 June 2018. Not more than 60% of the share options will be vested on 29 June 2019. Not more than 100% of the share options will be vested on 29 June 2020.

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

As at 30 June 2019, the following Directors or chief executives of the Company had held the following interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the “SFO”)) and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”):

Long positions in the Company:

Name of Directors	Nature of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Lu Xing (“Mr. Lu”)	Beneficial owner	134,320,000	—	923,948,323	18.60%
	Held by controlled corporation	789,628,323 (Note 1)	—		
Li Jia	Beneficial owner	7,936,000	—	7,936,000	0.16%
Wu Xiaodong	Beneficial owner	15,103,000	3,000,000	18,103,000	0.36%
Wang Cheng	Beneficial owner	12,166,000	3,000,000	15,166,000	0.31%
Li Dongfu (resigned on 29 March 2019)	Beneficial owner	—	3,000,000	3,000,000	0.06%
Xu Dayong (appointed on 8 January 2019)	Beneficial owner	—	1,200,000	1,200,000	0.02%
Wang Shuping	Beneficial owner	—	500,000	500,000	0.01%
Wu Yalin	Beneficial owner	—	1,000,000	1,000,000	0.02%

Note:

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

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executives of the Company held any interests or short positions in the shares, underlying shares (as defined in the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code.

DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 June 2019, the following persons (other than Directors or chief executives of the Company) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Company:

Name of substantial shareholders of the Company	Nature of interests	Number of issued ordinary shares/ underlying shares held	Aggregate number of shares held	Approximate aggregate percentage of the issued share capital
Headwind Holdings Limited	Beneficial owner	680,000,000 (Note 1)	680,000,000	13.69%
Guo Zhen Bao	Beneficial owner	184,622,032	381,030,032	7.67%
	Held by spouse	196,408,000 (Note 2)		
Sheng Yuan Asset Management Limited	Beneficial owner	354,972,000	354,972,000	7.14%
Ho Wai Kong (“Mr. Ho”)	Beneficial owner	500,000	292,359,306	5.88%
	Held by controlled corporation	241,639,306 (Note 3)		
	Held by spouse	50,220,000 (Note 4)		
Guo Binni	Beneficial owner	50,220,000	292,359,306	5.88%
	Held by spouse	242,139,306 (Note 3)		
HTHTIMES Limited	Beneficial owner	394,700,000	394,700,000	7.94%
He Yingzhou	Beneficial owner	394,700,000	394,700,000	7.94%

Notes:

1. These 680,000,000 shares are held by Headwind Holdings Limited, which is incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lu.
2. These 196,408,000 shares are held by Ms. Ren Jiying who is the spouse of Mr. Guo Zhen Bao.
3. Of these 241,639,306 shares, 240,139,306 shares are held by Rotaland Limited; and 1,500,000 shares are held by Similan Limited. Rotaland Limited and Similan Limited are companies incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ho.
4. These 50,220,000 shares are held by Ms. Guo Binni who is the spouse of Mr. Ho.

Save as disclosed above, as at 30 June 2019, the Company had not been notified of any interests or short position being held by any substantial shareholder in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE CODE

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

Code Provision A.2.1

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

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

Code Provision A.6.7

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some non-executive Directors were not able to attend the annual general meeting held on 14 June 2019 due to their respective business engagements. Other Board members who attended that general meeting were already of sufficient calibre and number for answering questions raised by the shareholders of the Company at that general meeting.

COMPLIANCE WITH MODEL CODE

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently does not have any future plans for material investments or capital assets.

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

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

SIGNIFICANT INVESTMENTS

Save as disclosed herein, the Group had no significant investments held during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period.

EVENT AFTER THE REPORTING PERIOD

Placing of new shares under general mandate

On 10 July 2019, the Company entered into a placing agreement with Sun Securities Limited (the "Placing Agreement"), as the placing agent in relation to a placement of 993,700,000 placing shares at a price of HK\$0.04 per placing share on best effort basis (the "Placing"). The maximum net proceeds from the Placing of approximately HK\$39.4 million are intended to be used for general working capital and for any possible business development or investment of the Group when appropriate opportunities arise. The Placing was completed on 30 July 2019 in accordance with the terms and conditions of the Placing Agreement dated 10 July 2019.

AUDIT COMMITTEE

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

DISCLOSURE OF INFORMATION OF DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the change of information on the Director is as follows:

The independent non-executive Director, Ms. Wang Shuping, has entered into a service contract with the Company for a term of three years commencing from 11 January 2019 to 10 January 2022. The specific term of the independent non-executive Director has been renewed for a term of three years commencing from 11 January 2019 to 10 January 2022.

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

Hong Kong, 30 August 2019

As at the date of this announcement, the Board comprises Mr. Lu Xing (Chairman), Mr. Li Jia, Mr. Wu Xiaodong, Mr. Wang Cheng and Mr. Xu Dayong as executive Directors and Mr. Leung Siu Kee, Mr. Wu Yalin and Ms. Wang Shuping as independent non-executive Directors.

** For identification purposes only*