# 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)**

## RESULTS ANNOUNCEMENT
## UNAUDITED ANNUAL RESULTS
## FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of China Chuanglian Education Financial Group Limited (the "**Company**") hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**"), together with the comparative audited figures for the year ended 31 December 2018.

### RESULTS HIGHLIGHTS

| | **For the year ended 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(audited)* |
| **Reported financial information** | | |
| Turnover | **164,940** | 152,084 |
| Gross profit | **101,156** | 82,412 |
| (Loss) profit before tax | **(9,633)** | 10,503 |
| (Loss) profit for the year | **(19,640)** | 6,232 |
| (Loss) profit for the year attributable to owners of the Company | **(20,199)** | 7,588 |
| Basic (loss) earnings per share *(RMB' cent)* | **(0.37)** | 0.15 |
| **Adjusted financial information#** | | |
| Profit before tax | **3,047** | 17,363 |
| (Loss) profit for the year | **(6,960)** | 13,092 |
| (Loss) profit for the year attributable to owners of the Company | **(7,519)** | 14,448 |
| Basic (loss) earnings per share *(RMB' cent)* | **(0.14)** | 0.29 |

# Adjusted financial information refers to activities for the period excluding share-based payments and impairment losses charged/reversed.

## RESULTS

For the year ended 31 December 2019, the Group recorded a turnover of approximately RMB164,940,000 (2018: approximately RMB152,084,000), representing an increase of approximately 8.5% as compared to that of last year. Out of the total turnover, approximately RMB160,073,000 (2018: approximately RMB142,562,000) was derived from the educational consultancy and online training and education segment which accounted for approximately 97.0% of the total turnover for the year ended 31 December 2019 and approximately RMB4,867,000 (2018: approximately RMB9,522,000) was derived from the financial services business segment which amounted for approximately 3.0% of the total turnover for the year ended 31 December 2019. The Group recorded a change from profit to loss in the current year. The loss attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB20,199,000, as compared to a profit of approximately RMB7,588,000 in the past year.

## INDUSTRY REVIEW

The popularity of the internet in the People's Republic of China (the "**PRC**") has continued to grow in the recent years as a result of the rapid development of internet under the government support. According to the data published by the National Bureau of Statistics of China, the population of local internet users in the PRC steadily increased from approximately 688 million in 2015 to approximately 828.5 million in 2018, representing compound annual growth rate of approximately 6.2%. The number of mobile internet subscribers in the PRC increased from approximately 964 million in 2015 to approximately 1,275 million in 2018, representing a compound annual growth of approximately 10.5%. This demonstrates the significance and importance of mobile internet in the internet industry. The Group believes the rapid growth of mobile broadband user base would be beneficial to the development of online education and training in the PRC as the higher speed of data transmission e.g. the technology of 5G would enable smoother streaming of videos and more interactive functions within the online education and training session.

The market value of China's online education industry is enormous. According to official data, the proportion of China 's fiscal education expenditures to GDP has been increasing year by year. Since 2012, the proportion of state fiscal education and training expenditures to GDP has continued to exceed 4% for many years. China's online education market increased from approximately RMB 122.5 billion in 2015 to a breakthrough of RMB 300 billion in 2019, with a compound annual growth rate of more than 20%. At the same time, the development of new technologies such as blockchain, big data, 5G will also drive changes in user experience, service content and consumption scenarios, injecting new vitality into the development of the online education industry. In addition, the online penetration rate of China education industry is also reported lower than that of other industries, such as e-commerce, journalism, and financial management. Therefore, there is still huge room for expansion of online education.

The Group expects the market of education industry in the PRC will continue to grow, especially the online education. The increasing popularity of the internet, the changes in the economy structure and the corresponding increase in the demand for talented personnel in the PRC have created the increasing demand for online education from a macro perspective. The increasing coverage of broadband, advancing technology and increasing popularity and accessibility of online education tools have also enhanced the prominence and advantages of online education from a micro perspective. The Group believes that there are plenty rooms for expansion and development of the Group's online education and training businesses.

Since 2017, the Group has entered into financial services business by acquiring an insurance brokerage firm both in Mainland China and Hong Kong. According to the statistical data provided by China Banking and Insurance Regulatory Commission, the total insurance premium revenue in 2018 and 2019 were approximately RMB 38,017 billion and RMB42,645 billion respectively, representing a growth rate of 12.2% for 2019. Such growth is expected to be sustainable in 2020 and in future.

**BUSINESS REVIEW**

The Group's vision is to take root in new vocational education and build a national level platform for vocational education in China. With strong foundation on the field of vocational education and continuing education, the Group mainly provides online / offline training services for millions of civil servants and professional technical personnel in various provinces and cities across China to adapt to job requirements and improve their job skills. 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 now providing comprehensive online training and education services to a wide range of users, including national civil servants, professional technical personnel and employees of enterprises and institutions, through the Internet and mobile Internet. The Group is operating more than 150 large-scale online training and education service platforms for institutional B-end users and an online education platform (Rongxue Cloud) for mobile Internet C-end users. The Group currently has more than 6 million paying users. In the past few years, the Group's online training platform has provided training for more than 30 million people.

During the year ended 31 December 2019, the Group has provided its online training and education business to different geographical areas in the PRC. The Group's online training and education business currently covers 18 provinces, autonomous regions and municipalities as well as 40 cities in the PRC.

Furthermore, the Group has launched a multi-level, multi-dimensional online / offline combination of internet training services. By providing a large-scale online training cloud platform (Rongxue Cloud) combined with offline training centres currently established in Guangxi Zhuang Autonomous Region and Sichuan Province, various forms of training are provided to users with a full range of training services to meet the growing training needs of both online and offline services.

In 2019, the Group has formed a strategic alliance with Beijing People's Online Network Company Limited*（北京人民在綫網絡有限公司）, a famous internet company engaging in media and big data business and running the reputable website: www.peopleyun.com, to strengthen the co-operation and achieve synergies in area not limited to online education.

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 promotors 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 by acquiring an insurance brokerage firm both in Mainland China and Hong Kong which aims to utilize the accurate big data accumulated from the Group's educational consultancy and online training business. Up to the year ended 31 December 2019, the Group has set up branches in nearly ten provinces or cities in China including Shanghai, Shandong, Tianjin and Sichuan.

Striving to strengthen its business portfolio and broaden its income stream, the Group expanded its business scope into securities brokerage and asset management services by acquiring Premier Management Limited, a licensed corporation under the Securities and Futures Ordinance ("**SFO**") to engage in Type 1 (dealing in securities) , Type 4 (advising on securities) and Type 9 (asset management) regulated activities, in 2018. During the year ended 31 December 2019, the Group concentrated to build up and improve the trading platform for securities brokerage and asset management business by undergoing certain management and business changes including recruiting talented management and uplifting the licensed conditions to increase the business scope.

To further diversify the Group's financial services, in November 2019, the Group has acquired Wellstone Credit Finance Limited ("**Wellstone Credit**"). Wellstone Credit is the holder of a valid Money Lenders Licence under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out its business in Hong Kong. The Group believed that the acquisition of Wellstone Credit was in-line with the Group's plan to seek other investment and business opportunities and to broaden revenue sources of the Group.

## FUTURE PLANS

In recent years, the Group has continuously invested to increase the coverage of the Group's online training and education services business in China. The Group plans to continue to deepen the Group's combination of online and offline service solutions in the field of continuing education of professional technical personnel in 2020, and continue to increase the market share.

Therefore, in 2020, the Group will, base on the strong foundation and growth of the continuing education for professional technical personnel, wider the scope of vocational skills training and the training for staff in public institutions. In the future, the Group will do its best to continuously expand its business in the foreseeable future in accordance with changes in policies and markets coverage to new business areas, and promote online training and education penetration in existing business areas.

In addition to the business-to-business model which 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.

With the success of launching of online to offline training model by opening the training centers geographically, the Group will continue to seek suitable area to set up more training centers for better improvement of its post-sales services and 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.

Leveraging on the solid foundation of our training and education business, the Group continued to establish its financial services business in the past few years. In future, the Group will continue 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. In addition, the Group will study the feasibility to set up an online platform to deliver its insurance services in order to provide better pre-sales and post-sales services to its potential and existing customers.

Apart from insurance business, the Group will also continue to develop the securities trading, asset management and money lending business to further satisfy the potential financial needs of our customers. After completion of the optimization of its trading platform and restructuring, the Group believes the business could start generate promising returns in the coming year as 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 its customers.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2019*

| | *Notes* | **2019**<br>***RMB'000***<br>***(unaudited)*** | 2018<br>*RMB'000*<br>*(audited)* |
|---|---|---|---|
| **Revenue** | *3* | **164,940** | 152,084 |
| Cost of services | | **(63,784)** | (69,672) |
| Gross profit | | **101,156** | 82,412 |
| Other income and gains | *5* | **1,240** | 747 |
| Selling and marketing expenses | | **(26,505)** | (28,404) |
| Administrative expenses | | **(67,784)** | (52,846) |
| Gain on deconsolidation of subsidiaries | | — | 13,619 |
| Impairment on goodwill | | **(12,027)** | (5,025) |
| Finance cost | *6* | **(5,713)** | — |
| (Loss) profit before tax | | **(9,633)** | 10,503 |
| Income tax expense | *7* | **(10,007)** | (4,271) |
| (Loss) profit for the year | *8* | **(19,640)** | 6,232 |
| **Other comprehensive (expense) income** | | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| *Change in fair value of equity investments at fair value through other comprehensive income* | | **(9,600)** | (23,500) |
| *Income tax relating to change in fair value of equity investments at fair value through other comprehensive income* | | — | 1,400 |
| | | **(9,600)** | (22,100) |

| | Notes | **2019** **_RMB'000_** **_(unaudited)_** | 2018 *RMB'000* *(audited)* |
|---|---|---|---|
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of financial statements of foreign operations | | **361** | 985 |
| Total other comprehensive expense for the year | | **(9,239)** | (21,115) |
| Total comprehensive expense for the year | | **(28,879)** | (14,883) |
| (Loss) profit for the year attributable to: | | | |
| Owners of the Company | | **(20,199)** | 7,588 |
| Non-controlling interests | | **559** | (1,356) |
| | | **(19,640)** | 6,232 |
| Total comprehensive (expense) income for the year attributable to: | | | |
| Owners of the Company | | **(29,438)** | (13,527) |
| Non-controlling interests | | **559** | (1,356) |
| | | **(28,879)** | (14,883) |
| **(Loss) earnings per share** | *10* | | |
| Basic and diluted (RMB cent) | | **(0.37)** | 0.15 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

| | Notes | 2019<br>RMB'000<br>(unaudited) | 2018<br>RMB'000<br>(audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Plant and equipment | | **63,294** | 39,939 |
| Right-of-use assets | | **108,317** | — |
| Intangible assets | | **53,941** | 59,828 |
| Goodwill | | **38,290** | 50,317 |
| Financial assets at fair value through other comprehensive income | | **41,500** | 51,100 |
| Financial asset at fair value through profit or loss | | **3,479** | 3,415 |
| Loan receivable | | **5,000** | — |
| Term deposit | | **5,000** | — |
| | | **318,821** | 204,599 |
| **Current assets** | | | |
| Trade and other receivables | *11* | **15,936** | 14,785 |
| Loan receivables | | **4,330** | 7,740 |
| Bank balances and cash | | **103,628** | 85,088 |
| | | **123,894** | 107,613 |
| **Current liabilities** | | | |
| Contract liabilities | | **10,752** | 15,318 |
| Trade and other payables | *12* | **24,974** | 21,221 |
| Amount due to a director | | — | 4,830 |
| Amount due to a shareholder | | **57** | 57 |
| Lease liabilities | | **10,806** | — |
| Income tax payable | | **15,692** | 5,641 |
| | | **62,281** | 47,067 |
| Net current assets | | **61,613** | 60,546 |
| Total assets less current liabilities | | **380,434** | 265,145 |

| | Notes | **2019** | 2018 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| | | ***(unaudited)*** | *(audited)* |
| Capital and reserves | | | |
| Share capital | | **50,135** | 41,385 |
| Reserves | | **206,153** | 208,863 |
| Equity attributable to owners of the Company | | **256,288** | 250,248 |
| Non-controlling interests | | **4,212** | 2,918 |
| Total equity | | **260,500** | 253,166 |
| Non-current liabilities | | | |
| Deferred tax liability | | **10,978** | 11,979 |
| Lease liabilities | | **108,956** | — |
| | | **119,934** | 11,979 |
| | | **380,434** | 265,145 |

**NOTES:**

## 1. GENERAL

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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is principally engaged in investment holding and securities trading. The principal activities of its principal subsidiaries are securities trading, educational consultancy and online training and education, and financial services.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

| | |
|---|---|
| HKFRS 16 | Leases |
| 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 |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments |

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarises below.

The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in the 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. Comparative information has not been restated and continues to be reported 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. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or modified on or after 1 January 2019.

*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 5.32%.

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

| | *Notes* | **Carrying amount previously reported at 31 December 2018**<br>*RMB'000*<br>*(audited)* | **Impact on adoption of HKFRS 16**<br>*RMB'000* | **Carrying amount as restated at 1 January 2019**<br>*RMB'000*<br>*(unaudited)* |
|---|---|---|---|---|
| Right-of-use assets | (a)-(c) | — | 94,311 | 94,311 |
| Trade and other receivables | (b) | 14,785 | (491) | 14,294 |
| Trade and other payables | (c) | 21,221 | (3,473) | 17,748 |
| Lease liabilities | (a) | — | 97,293 | 97,293 |

*Notes:*

(a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately RMB97,293,000.

(b) Prepaid rental of approximately RMB491,000 as at 31 December 2018 was reclassified to right-of-use assets.

(c) It represents the accrued lease liabilities for leases where the lessors have provided rent-free period, and were adjusted to right-of-use assets on transition to HKFRS 16.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

| | *RMB'000* |
|---|---|
| **Operating lease commitment disclosed as at 31 December 2018** | 9,594 |
| Less: Short-term leases and other leases with remaining lease term ended on or before 31 December 2019 | (2,127) |
| Add: Termination options reasonably certain not to be exercised | 130,936 |
| | 138,403 |
| Discounted using the incremental borrowing rate and lease liabilities recognised as at 1 January 2019 | 97,293 |
| Analysed as | |
| *Current portion* | 4,946 |
| *Non-current portion* | 92,347 |
| | 97,293 |

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

— the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

— the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

— the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

## 3. REVENUE

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

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(audited)* |
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Disaggregated by major services lines | | |
| Online training services | **138,848** | 129,449 |
| Certification services | **10,076** | 801 |
| On-site training services | **8,263** | 8,957 |
| Consultancy services | **2,886** | 3,355 |
| Financial services | **4,867** | 9,522 |
| | **164,940** | 152,084 |

Disaggregation of revenue by timing of recognition

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(audited)* |
| Timing of revenue recognition | | |
| At a point of time | **23,206** | 19,280 |
| Over time | **141,734** | 132,804 |
| Total revenue from contracts with customers | **164,940** | 152,084 |

## 4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of 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 is an analysis of the Group's revenue and results by reportable and operating segments.

*For the year ended 31 December 2019*

| | **Securities trading** *RMB'000 (unaudited)* | **Educational consultancy and online training and education** *RMB'000 (unaudited)* | **Financial services** *RMB'000 (unaudited)* | **Total** *RMB'000 (unaudited)* |
|---|---|---|---|---|
| REVENUE | | | | |
| External sales | — | 160,073 | 4,867 | 164,940 |
| Segment profit (loss) | — | 24,941 | (19,346) | 5,595 |
| Unallocated other income and gains | | | | 786 |
| Unallocated corporate expenses | | | | (16,014) |
| Loss before tax | | | | (9,633) |

*For the year ended 31 December 2018*

| | Securities trading *RMB'000* *(audited)* | Educational consultancy and online training and education *RMB'000* *(audited)* | Financial services *RMB'000* *(audited)* | Total *RMB'000* *(audited)* |
|---|---|---|---|---|
| REVENUE | | | | |
| External sales | — | 142,562 | 9,522 | 152,084 |
| Segment profit (loss) | — | 19,570 | (7,010) | 12,560 |
| Gain on deconsolidation of subsidiaries | | | | 13,619 |
| Unallocated other income and gains | | | | 747 |
| Unallocated corporate expenses | | | | (16,423) |
| Profit before tax | | | | 10,503 |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' emoluments, certain other income and gains, gain on deconsolidation of subsidiaries, depreciation of certain plant and equipment and right-of-use assets and certain finance cost. This is the measure reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

## 5. OTHER INCOME AND GAINS

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(audited)* |
| Bank interest income | **579** | 522 |
| Value-added-tax refund | **452** | — |
| Other interest income from loan receivables | **171** | 48 |
| Net foreign exchange gain | **—** | 34 |
| Gain on disposal of plant and equipment | **2** | — |
| Others | **36** | 143 |
| | **1,240** | 747 |

## 6. FINANCE COST

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(audited)* |
| Interest expense on lease liabilities | **5,713** | — |

## 7. INCOME TAX EXPENSE

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(audited)* |
| PRC Enterprise Income Tax | | |
| — current year | **11,008** | 5,342 |
| Deferred tax | **(1,001)** | (1,071) |
| | **10,007** | 4,271 |

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. During the year ended 31 December 2019, two (2018: two) of the PRC subsidiaries of the Group were recognised as high new technology enterprises and entitled to a preferential tax rate of 15%.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2019 and 2018 as the Group did not have any assessable profit subject to Hong Kong Profits Tax for both years.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

## 8. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging/(crediting):

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(audited)* |
| Directors' and chief executive's emoluments | **3,091** | 2,785 |
| Other staff costs (excluding directors' and chief executive's emoluments) | **51,129** | 37,512 |
| Share-based payment expenses (excluding directors' and chief executive's emoluments) | **482** | 1,362 |
| Retirement benefits scheme contributions (excluding directors' and chief executive's emoluments) | **3,253** | 3,023 |
| Total staff costs | **57,955** | 44,682 |
| Auditor's remuneration | **1,279** | 1,268 |
| Share-based payment expenses granted to consultants (note a) | **74** | 221 |
| Depreciation of plant and equipment | **8,665** | 8,774 |
| Depreciation of right-of-use assets | **11,456** | — |
| Amortisation of intangible assets (included in cost of services) | **7,399** | 7,242 |
| Research and development expenses | **15,364** | 21,317 |
| (Gain) loss on disposal of plant and equipment | **(2)** | 7 |
| Write-off of plant and equipment | **4,302** | — |
| Operating lease rentals in respect of rented premises (note b) | **N/A** | 10,490 |

*Note:*

(a) It represents share options granted to external consultants in exchange for consultancy services rendered to the Group.

(b) Operating lease in respect of premises for the year ended 31 December 2018 represent payments made and accounted for under HKAS 17.

## 9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

## 10. (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:

**(Loss) earnings**

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(audited)* |
| (Loss) profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share | **(20,199)** | 7,588 |

**Number of shares**

| | **2019** | 2018 |
|---|---|---|
| | ***'000*** | *'000* |
| | ***(unaudited)*** | *(audited)* |
| Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share | **5,390,493** | 4,955,078 |

The computation of diluted (loss) earnings per share for the year ended 31 December 2019 and 2018 did not assume the exercise of the Company's share options because the exercise prices of those share options were higher than the average market price for shares.

## 11. TRADE AND OTHER RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(audited)* |
| Trade receivables | **5,409** | 11,218 |
| Less: impairment loss recognised | **(2,417)** | (6,598) |
| | **2,992** | 4,620 |
| Other receivables | **2,930** | 2,779 |
| Less: impairment loss recognised | **(97)** | (95) |
| | **2,833** | 2,684 |
| Prepayments | **3,366** | 3,212 |
| Deposits | **3,422** | 2,481 |
| Value added tax recoverable | **3,323** | 1,788 |
| | **15,936** | 14,785 |

The Group does not hold any collateral over these receivables.

At as 31 December 2019, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB5,409,000 (2018: RMB11,218,000).

Trade receivables are due according to the terms on the relevant contracts as at 31 December 2019 and 2018. The following is an aged analysis of trade receivables net of accumulated impairment losses presented based on the invoice date at the end of reporting period.

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(unaudited)*** | *(audited)* |
| Within 30 days | **2,431** | 3,560 |
| 31 to 60 days | **211** | 917 |
| 61 to 180 days | **170** | 143 |
| 181 to 365 days | **33** | — |
| Over 365 days | **147** | — |
| | **2,992** | 4,620 |

## 12. TRADE AND OTHER PAYABLES

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(audited)* |
| Trade payables | **7,652** | 6,303 |
| Other payables | **6,026** | 349 |
| Other tax payables | **2,044** | 1,713 |
| Accruals | **9,252** | 12,856 |
| | **24,974** | 21,221 |

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

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | *(unaudited)* | *(audited)* |
| Within 30 days | **4,322** | 2,809 |
| 31 to 60 days | — | 295 |
| 61 to 90 days | — | 320 |
| 91 to 150 days | **2,340** | 2,039 |
| Over 365 days | **990** | 840 |
| | **7,652** | 6,303 |

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 timeframe.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the year ended 31 December 2019, the Group recorded a turnover of approximately RMB164,940,000 (2018: approximately RMB152,084,000), representing an increase of approximately 8.5% as compared to that of last year. Approximately RMB141,734,000, RMB18,339,000 and RMB4,867,000 were generated from the educational consultancy and online training services segment, on-site training and certification services segment and financial services segment respectively (2018: approximately RMB131,471,000, RMB11,091,000 and RMB9,522,000). The increase of revenue from the educational consultancy and online training and education business was mainly due to the increased geographical coverage of the Group's business in the current year and it is expected that the educational consultancy and online training and education segment will continue to be the major contributor of the Group's turnover in the near future. The Group will continue with the expansion of its geographical coverage to other new business areas and promote the online training and education penetration rate in the existing business areas in the near future.

There was a decrease in the Group's revenue generated from the financial services business for the year ended 31 December 2019 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. The Group remains 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 sales and services of continuing operations for the year ended 31 December 2019 was approximately RMB63,784,000 (2018: approximately RMB69,672,000), representing an decrease of approximately 8.5% as compared to that of last year. The decrease in cost of sales and services was mainly due to the decrease in project cooperation costs and rental expense.

Selling and marketing expenses for the year ended 31 December 2019 was approximately RMB26,505,000 (2018: approximately RMB28,404,000), representing a decrease of approximately 6.7% as compared to that of last year. The decrease in selling and marketing expenses was mainly due to the decrease in meeting expenses and consultancy fee.

Administrative expenses for the year ended 31 December 2019 was approximately RMB67,784,000 (2018: approximately RMB52,846,000), representing a increase of approximately 28.3% as compared to that of last year. The increase in administrative expenses was mainly due to the increase in staff costs as well as depreciation of right-of-use assets.

The Group recorded a change from profit to loss in the current year. The loss attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB20,199,000 (2018: profit of approximately RMB7,588,000).

## Significant Investments

As at 31 December 2019, the Group has three financial assets at fair value through other comprehensive income and one financial asset at fair value through profit or loss with details as follows:

| | Note | Number of shares held | Investment cost (RMB'000) | Percentage of interest held | Measured at fair value as at 1 January 2019 (RMB'000) | Fair value change (RMB'000) | Exchange realigment (RMB'000) | Measured at fair value as at 31 December 2019 (RMB'000) |
|---|---|---|---|---|---|---|---|---|
| Investment A | (a)(e) | N/A | 38,000 | 19.8% | 24,100 | (6,600) | — | 17,500 |
| Investment B | (b)(e) | N/A | 25,000 | 2.5% | 25,000 | (2,000) | — | 23,000 |
| Investment C | (c)(e) | N/A | 2,000 | 4% | 2,000 | (1,000) | — | 1,000 |
| Investment D | (d)(e) | 50,000 | 3,243 | 12.35% | 3,415 | — | 64 | 3,479 |
| Total: | | | 68,243 | | 54,515 | (9,600) | 64 | 44,979 |

*Notes:*

(a) Investment A is a private company namely 北京國亞通寶科技有限公司 ("Guoya Tongbao") incorporated in the PRC and is principally engaged in the operation of a technology platform and offering online payment solutions. During the year ended 31 December 2019, Guoya Tongbao was loss-making according to the management accounts. The management decided to hold the investment for medium or long-term strategic purpose.

(b) Investment B is a mutual insurance agency namely Xinmei Mutual incorporated in the PRC and is principally engaged in the provision of life insurance products in the PRC. During the year ended 31 December 2019, Xinmei Mutual was loss-making according to the management accounts. The management decided to hold the investment for medium or long-term strategic purpose.

(c) Investment C is a private company namely 北京亞格斯科技發展有限公司 ("Yagus") incorporated in the PRC and is principally engaged in the operation of a technology platform and offering online payment solutions. During the year ended 31 December 2019, Yagus was loss-making according to the management accounts. The management decided to hold the investment for medium or long-term strategic purpose.

(d) Investment D is a fund investment namely Flyover Fund SPC Limited ("Flyover") incorporated in the Cayman Islands and is principally engaged in investing in cultural innovation industry in Greater China region. The financial performances of Flyover as at 31 December 2018 and 31 December 2019 were referenced to the respective reports from the manager of Flyover. The change in carrying value of Flyover for the year ended 31 December 2019 represented the exchange realignment. The management will continue to hold the investment and expect a high yield in the new future.

(e) Investment A, Investment B and Investment C are collectively referred to as the "Investments". As at 1 January 2019 and 31 December 2019, the Investments were measured at fair values. The Group engaged an independent external expert to determine the fair values of the Investments as at 1 January 2019 and 31 December 2019. The fair values of the Investments were determined using the market approach by applying market multiples from comparable companies and adjusted by marketability discount.

Save as disclosed above, the Group had no significant investments held during the year ended 31 December 2019.

## Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 1 November 2019, Top Succeed Holdings Limited ("**Top Succeed**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Team Effort Investments Limited, an independent third party pursuant to which Top Succeed agreed to acquire 100% of the issued share capital in Wellstone Credit, a company established in Hong Kong with limited liability. Wellstone Credit is the holder of a valid Money Lenders Licence under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out its business in Hong Kong.

Saved as disclosed herein, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2019.

## Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flows, the bank balances and proceeds from placing of new shares.

As at 31 December 2019, the Group had bank balances and cash of approximately RMB103,628,000 as compared to the bank balances and cash of approximately RMB85,088,000 as at 31 December 2018.

The Group's net current assets totalled approximately RMB61,613,000 as at 31 December 2019, against approximately RMB60,546,000 as at 31 December 2018. The Group's current ratio was approximately 1.99 as at 31 December 2019 as compared with 2.29 as at 31 December 2018.

## Gearing Ratio

The gearing ratio of the Group (measured as total liabilities to total assets) was approximately 41.2% as at 31 December 2019 (2018: 18.9%).

**Capital Structure**

As at 31 December 2019, the Company's issued share capital was approximately HK$59,622,000 (2018: approximately HK$49,685,000) and the number of its issued shares was 5,962,210,578 (2018: 4,968,510,578) ordinary shares of HK$0.01 each.

**Placing of New Shares**

On 10 July 2019, the Company and Sun Securities Limited (the "**Placing Agent**") entered into the placing agreement (the "**Placing Agreement**") pursuant to which the Placing Agent conditionally agreed to place, on a best effort basis, placees for up to 993,700,000 new ordinary shares of the Company (the **Placing Shares**") at a price of HK$0.04 per Placing Share (the "**Placing**").

The Placing was completed on 30 July 2019 in accordance with the terms and conditions of the Placing Agreement dated 10 July 2019. A total of 993,700,000 Placing Shares had been successfully placed to not less than six (6) placees, who and whose ultimate beneficial owners were independent third parties, at the placing price of HK$0.04 per Placing Share. A discount of approximately 6.98% to the closing price of HK$0.043 per Placing Share as quoted on the Stock Exchange on 10 July 2019. The net proceeds were approximately HK$39.4 million, representing a net issue price of approximately HK$0.0397 per Placing Share. The Company intends to apply the net proceeds as the general working capital and for any possible business development and investment of the Group when appropriate opportunities arise.

The equity fund raising activity conducted by the Company during the Reporting Period is set out below:

| | **Intended use of net proceeds from Placing** (Approximate) | **Utilised net proceeds from Placing for the year ended 31 December 2019** (Approximate) | **Unutilised net proceeds from Placing as at 31 December 2019** (Approximate) | **Expected timeline for unutilised net proceeds from Placing** |
|---|---|---|---|---|
| The Company intends to apply the net proceeds as the general working capital and for business development and investment of the Group. | HK$39.4 million | (i) HK$14 million for settlement of amount due to a director and shareholder;<br>(ii) HK$5.7 million for staff costs;<br>(iii) HK$1.9 million for professional fees;<br>(iv) HK$1.2 million for capital expenditure; and<br>(v) HK$2.5 million for rental and other operating costs; | HK$14.1 million | HK$14.1 million to be utilised by 2021 |

**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. As at 31 December 2019, 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.

**Charges on Group Assets**

As at 31 December 2019, the Group did not have any charges on its assets (2018: Nil).

**Capital Commitment**

As at 31 December 2018, the Group had outstanding capital commitment in respect of the acquisition of plant and equipment of RMB19,511,000 (2019: nil).

### Event after the Reporting Period

The wide spread of the novel Coronavirus in the PRC since the beginning of 2020 is fluid and challenging and poses challenges to all the industries of the society. The directors of the Company are monitoring the operation and continue to assess and react actively to the impact of Novel Coronavirus outbreak on the Group's operations, financial position and financial performance accordingly.

### Employee Information and Remuneration Policy

As at 31 December 2019, the Group had 315 employees (2018: 179 employees) in Hong Kong and the PRC and the total staff costs (including all Directors' remuneration and fees) are approximately RMB57,955,000 for the year ended 31 December 2019 (2018: approximately RMB44,682,000).

The Group offers 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 has adopted share option schemes (the "**Share Option Schemes**"). As at 31 December 2019, there were 57,000,000 share options remained outstanding which can be exercised by the grantees of the Share Option Schemes.

The Group is 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.

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

Save for the Placing completed in July 2019, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2019.

## FINAL DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2019.

## CORPORATE GOVERNANCE CODE

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. Before the appointment of Mr. Hu Dingdong as the chief executive officer of the Company on 2 October 2019, the chairman of the Board was performed by Mr. Lu Xing and the Company did not have a chief executive. After the appointment of Mr. Hu, the Company has complied with this code provision accordingly.

Save as disclosed herein, throughout the year ended 31 December 2019, the Company has applied and complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2019.

## COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") as the code of conduct regarding securities transactions by its Directors and other relevant employees on terms no less exacting than the required standards in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, each of the Directors confirmed that they have complied with the required standards in the Model Code throughout the year ended 31 December 2019.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently consists of all three independent non-executive Directors, namely, Mr. Leung Siu Kee, Mr. Wu Yalin and Ms. Wang Shuping.

## REVIEW OF UNAUDITED ANNUAL RESULTS

The annual results set out in this announcement have not been reviewed and verified by the Group's auditor, SHINEWING (HK) CPA Limited.

The annual results audit process for the year ended 31 December 2019 has not been completed due to the global outbreak of Novel Coronavirus Pneumonia (COVID-19), which has prevented external auditor from obtaining some of the required information in time.

The Company will issue an announcement of audited results after the auditor has completed the audit process in accordance with the audit criteria.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group; discussed auditing, risk management, internal control systems and financial reporting matters; and reviewed the Group's unaudited annual results for the year ended 31 December 2019.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on 12 June 2020 and the notice thereof will be published and despatched to shareholders of the Company (the "**Shareholders**") in due course.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 8 June 2020 to Friday, 12 June 2020, both days inclusive, during which period no transfers of shares shall be registered. The holder of shares whose name appears on the register of members of the Company on Friday, 12 June 2020 will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrar (HK) Limited, Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Friday, 5 June 2020.

## PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.chinahrt.com. The Annual Report 2019 of the Company will also be published on the aforesaid websites in due course.

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

Hong Kong, 31 March 2020

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

* *For identification purposes only*