2017 年報

ANNUAL REPORT

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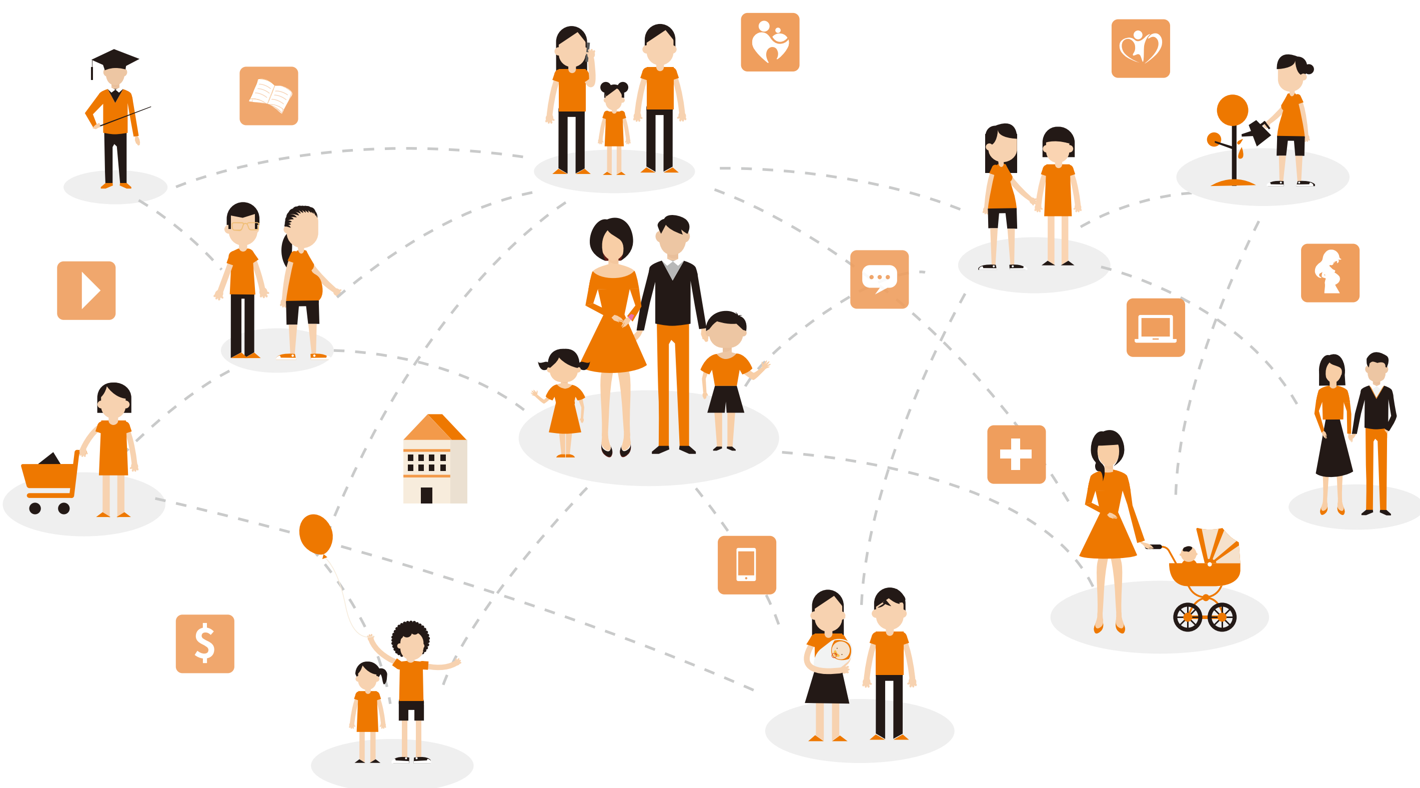
China Parenting Network Holdings Limited
中國育兒網絡控股有限公司
(Incorporated in the Cayman Islands with limited liability)
STOCK CODE: 8361



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of China Parenting Network Holdings Limited (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading and deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at http://www.ci123.com.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Li
Mr. Hu Qingyang
Mr. Zhang Lake Mozi

Non-Executive Directors

Ms. Li Juan *(Chairperson)*
Mr. Wu Haiming
Mr. Hsieh Kun Tse

Independent Non-Executive Directors

Mr. Wu Chak Man
Mr. Zhao Zhen
Mr. Ge Ning

BOARD COMMITTEES

Audit Committee

Mr. Wu Chak Man *(Chairperson)*
Ms. Li Juan
Mr. Ge Ning

Nomination Committee

Mr. Li Juan *(Chairperson)*
Mr. Zhao Zhen
Mr. Ge Ning

Remuneration Committee

Mr. Ge Ning *(Chairperson)*
Mr. Zhao Zhen
Mr. Cheng Li

COMPLIANCE OFFICER

Mr. Cheng Li

JOINT COMPANY SECRETARIES

Mr. Zhang Lake Mozi
Ms. Ng Wing Shan

AUTHORISED REPRESENTATIVES

Mr. Cheng Li
Ms. Ng Wing Shan

AUDITOR

Ernst & Young

COMPLIANCE ADVISER

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Innovax Capital Limited (start from 1 February 2017)
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178 Gloucester Road
Wanchai, Hong Kong

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CORPORATE INFORMATION

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Wanchai
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Nanjing, Jiangsu Province, PRC

STOCK CODE

8361

COMPANY WEB-SITE

www.ci123.com

INVESTOR RELATIONS CONSULTANT

Good News Consulting Company Limited
Room 2303
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Hong Kong

HIGHLIGHTS

The following table sets forth the consolidated statements of profit or loss and other comprehensive income of our Group for the year ended 31 December 2017.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**91,132**	84,913
Gross profit	**78,762**	74,180
Profit for the year	**37,947**	41,956
Attributable to:		
Owners of the parent	**34,584**	44,867
Non-controlling interests	**3,363**	(2,911)

PROPOSED FINAL DIVIDEND

The Board recommended a final dividend of HK$0.0015 per Share in respect of the year ended 31 December 2017, totaling HK$1,538,493 to be distributed out of share premium account, which is subject to the approval of Shareholders at the Annual General Meeting.

The final dividend, if approved by the Shareholders at the Annual General Meeting, will be paid on 18 July 2018 to Shareholders whose name appear on the register of members of the Company on 26 June 2018.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of directors of China Parenting Network Holdings Limited (the "Company", "we" or "CI Web") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present to you the annual results of the Group for the year ended 31 December 2017 (the "Year").

China witnessed a significant increase in birth rate after adopting tho two-child policy. According to the statistics released by National Bureau of Statistics in 2018, the number of newborns in 2017 reached 17.23 million – the second highest since 2000. The number of second-child further increased to 8.83 million, accounted for 51.2% of the total newborn population. With the continuous development and upgrading of child-education concept and consumption concept, mother-child family needs are no longer confined to traditional consumer segments like food and clothing. Centering on mother-child and parenting family, multiple life settings have radiated such services as like family tour, health care and family events, in which they will become a new focus among parenting families. Mother-child users are inherent with drawbacks characterised by short cycle and quick replacement, while mother-child professional service can meet users' extensive long-tail demands to significantly prolong their cycles. New mother-child ecology driven by diversified family services has begun to take shape, and mother-child industry potential is tremendous. Looking back into 2017, we continued to focus on providing smart family lifestyle. We regard demand of modern families as the core, extended traditional and single maternal and child services to several cross-sector segments including health, education, finance and entertainment. We continued to expand the types of family services to meet the increasing long-tail demands for mother-child groups.

During 2017, our sustainable coverage of online mother-child users continued to hike. Leveraging on core products, we had stable and sustainable sources for online mother-child enrollment. We constantly achieved breakthroughs in industry boundary and built connections between online-offline scenarios to expand mother-child segment and broadened our range of services. We continuously enhanced our competence to secure mother-child enrollment, communicated with users and produced and promoted our contents. We endeavoured to precisely locate and reach users through improving big data analysis capacity. We were consistent in disseminating our advanced, scientific and trendy parenting family lifestyle to users to satisfy diversified demands of mother-child groups for better life. Our users kept on growing with high dependency, high fidelity and high quality.

Under the leadership of the Board and efforts of all employees, for the year ended 31 December 2017, the Group realized a revenue of RMB91.1 million, representing an increase of 7.3% compared to last year. During 2017, the monthly active users ("MAU") of CI Web of the Company and daily active users ("DAU") reached 84.66 million and 3.62 million respectively, representing an increase of 62% and 48.5% respectively as compared to that of 2016. The MAU and DAU of the Company's mobile APPs altogether (total data volume of mobile APPs is the sum of the two APPs under CI Web, namely "Pregnancy Reminder" and "Mother Zone",) were 10.62 million and 2.31 million respectively, representing an increase of 35.8% and 27.2% respectively as compared to that of last year.

CHAIRMAN'S STATEMENT

Focusing on sound environment management, the Group is deeply aware of the importance of sustainable development of the environment to the continuous operation of our business. We integrate environmental protection concept into our course of business and strive to perform our corporate social responsibility to protect the environment. By complying with employment and labour practices, managing supply chain, maintaining customer relationship and helping local communities through investment and human labour supply, we greatly promote harmony and prosperity between the Group and every stakeholders including investors, staff, users, customers, suppliers, community, the public and the government, achieving overall social benefits and maximising our business revenue. The Group is committed to both love and responsibility. During the year, we promoted charitable projects with our owned resources and made donations together with Asia Children's Charity Foundation (亞洲兒童慈善基金會), established by the Group, for the charitable programmes of Beijing Health Promotion Association, provided support, such as health care, education and vocational skills, to children and families in Mainland China that are in need.

In 2017, China Parenting Network was granted an award of Social Responsibility for Caring about Chinese Mother-Child's Health by China National Committee For The Wellbeing Of The Youth, Child Development Center (中國關心下一代工作委員會兒童發展研究中心).

FUTURE PROSPECTS

At the opening ceremony of the 19th National Congress of the CPC, Xi Jinping, the Chinese president, delivered his completely new vision: in entering the new era of socialism with Chinese characteristics, the principal contradiction in Chinese society evolved into one between unbalanced and inadequate development and the people's ever-growing needs for a better life. The conditions from "material and cultural needs" to "aspirations for better life" is a historical change, which has set a more precise direction and objective for China's future development. Achieving a better life is gaining importance in the development in China and the Group will keep up with the pace of change in this development and strive to meet the increasing needs of Chinese families for a better life.

In future, we will improve the interactive experience with our users multi-dimensionally and continue to intensify our efforts to integrate high-quality and smart services into users' life. Moreover, we will continue to strengthen connections between brands and users and empower our brand owners by giving full play to our unparalleled tech-development capacity, powerful manufacturing competence and leading operating innovation ability. We will keep on making breakthroughs in business boundaries, accelerate the integration of online with offline and create enormous values for the industry and users together with brand owners.

Chairperson
Li Juan

29 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a leading vertical online platform for the Children-Babies-Maternity ("CBM") market in China, aiming at providing users with value-added services like new media, contents, community, smart hardware, e-commerce and cross-border services with such platforms as the CI Web (育兒網), mobile CI Web, mobile APPs and the IPTV APP, creating a one-stop mother-child experience platform. Currently, our user coverage are families ranging from those preparing for new born babies to those with 12 years-old kids. Looking back into 2017, we continued to focus on providing smart family lifestyle. We regard demand of modern families as the core, extended traditional and single maternal and child services to several cross-sector segments including health, education, finance and entertainment. We continued to expand the types of family services to meet the increasing long-tail demands for mother-child groups.

During 2017, the monthly active users ("MAU") of CI Web of the Company and daily active users ("DAU") reached 84.66 million and 3.62 million respectively, representing an increase of 62% and 48.5% respectively as compared to that of 2016. The MAU and DAU of the Company's mobile APPs altogether (total data volume of mobile APPs is the sum of the two APPs under CI Web, namely "Pregnancy Reminder" and "Mother Zone",) were 10.62 million and 2.31 million respectively, representing an increase of 35.8% and 27.2% respectively as compared to that of last year.

INDUSTRY REVIEW

In 2017, the Group and the social media, GroupM, jointly released "The Children-Babies-Maternity population research report 2017", Based on a precise big data analysis through online and offline research in different aspects such as the consuming behavior of mother-child groups and other dimensions, three new trends of the development in mother-child industry are identified.

- **A new trend in mother-child industry in formed with the upgrade parenting concept**

  According to the statistics of "The Children-Babies-Maternity population research report 2017", the mother-child groups born in 1985-1995 represent the highest proportion. Receiving higher education in general, they can manage their families and career equally well and have their own independent opinions. With their parenting concept improved, maternal and infant demand is no longer confined to traditional sectors. Tourism, health, parent-child and other services radiated from various life scenes surrounding mother, children and mother-child families will become the new focus of mother-child groups. A new trend which is driven by the diversification of family services is formed in the mother-child industry.

- **Mother-child groups consumption upgrade and "ruled by" word of mouth and quality**

  In selecting maternal and child products, the new mother-child groups attached more importance to quality and service experience and are less price sensitive. The research further revealed that word of mouth exerts important influence on consumers' purchasing decisions, and those from professional and competent people also gain more recognition. Those new mother-child groups of the post-85s to post-95s generations who value quality and word of mouth are very likely pushing forward the scale development of high-end products in mother-child industry.

- **More media usage and mobile Internet wave was overwhelming**

  Mobile Internet is taking precedence over Internet for web surfing. The web browsing habit of mother-child groups is shifting from internet to mobile Internet. The report reveals that among the most commonly used web surfing platforms by mother-child groups, mobile internet takes an overwhelming proportion. Vertical type mother-child APP is currently the most primary means for mother-child groups in collecting mother-child information with an over 80% proportion. The report also shows that users' tolerance and trust forwards these information are increasing.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

- **Panoramic maternal and child life coverage in constructing a high viscosity and high retention platform**

  During the Year, our sustainable online mother-child group coverage ratio continued to increase. We have stable and sustainable source of online visitors. We kept on making industry boundary breakthroughs and connected online and offline experience to expand our mother-child industry coverage and services. We continued to upgrade the mother-child groups access capability, communication skills as well as contents generation and distribution capacities. We reached our users strategically by improving our big data analysis capability and innovation ability. We kept on transmitting advanced, scientific and fashionable parenting concepts to users to meet the diversified needs of mother-child families for better life. Our users are becoming high viscosity, high retention and high quality.

- **Multi-screen products upgrade from multiple dimensions to provide precise services to mother-child groups through segmented scenarios**

  During the Year, we upgraded our products in many aspects, namely interactivity, specialization, precision and differentiation. For our social platform products, we kept on improving user interaction and participation, and applying online resources to connect offline services to upgrade mother-child community into socialized mother-child service platform. For our tool-typed products, we built a more professional knowledge system and provided customized services to establish a highly viscous smart management tool for healthy pregnancy. With innovative technology as our basic driving force. We used big data to analyze user portraits, discerned user behavior, and achieved precise access to users through thousand-faced orientation algorithm. We created a differentiated experience in social, content and other services for users by providing them with more than 30 segmented age scenarios from preparing for new born to pregnancy and childbirth.

- **Intensified contents generation and distribution ability to create multi-channel network in mother-child industry**

  Due to the strong attachment to social network, the relationship between contents, platforms, and users is closer. Content is important for user accumulation and user communication. We started from matching the most suitable contents to users according to mother-child groups requirements and took the form of "PGC (Professionals-Generated Contents) + OGC (Occupation-Generated Contents) + UGC (Users-Generated Contents)". Also, we joined hands with maternity and child celebrities, active users, brand accounts, e-commerce platforms, video platforms and media alliances to form an extremely influential MCN (multi-channel network) and contents could be distribute vertically, more quality-oriented and commercialised. In 2017, we aimed to develop contents in a more professional interactive and interesting way to cater for the needs of young mother-child groups looking for knowledge, recreation and relaxation. Our short original mother-child cartoon videos series are serialized for four seasons and have become the first short mother-child videos watched by post-90s generation parents. We continued to provide quality contents, apart from contents cooperating with a number of renowned e-commerce platforms, we also accelerated network distribution channels expansion to increase user coverage.

- **Expand the voting coverage of "Mummy, You Should Buy This" to offline**

  The "Mummy, You Should Buy This" of the Group is in its third season since the first launch. The selection covered all categories of mother-child products and conducted brand assessment annually by user feedback and votes from million of mothers. The "Mummy, you should buy: wise consumption guide" is compiled by our senior editorial team according to the voting results and is a popular consumption guide among novice mothers. As we continued to connect online and offline experiences, the inclusion of offline voting channel fueled the number of votes in 2017, which aimed to witness the power of word-of-mouth among mothers and interpret the brand value through all-round visual-auditory interaction and physical experience. The number of votes cast during the year was 220,000, representing an increase of 100,000 as compared to last year. Of which, 36,000 were offline participants. It is estimated that the proportion of offline votes in 2018 will continue to increase. The Group values the power of word-of-mouth, our professional and sincere attitude was trusted by the majority. According to our analysis the number of users with second-child continued to increase shows that more and more of our users were influenced by the word-of-mouth.

OUTLOOK

- **Looking for diversified extension to continuously Enlarge mother-child territory**

  Since our listing, the Group has been exploring opportunities with its working partners to maximize synergies. From families' perspective, we extended mother-child services to broader areas including finance, health care, tourism, insurance, early childhood education and home entertainment. We also marched into Hong Kong market and gradually developed cross-boarder services in order to bring excellent services into domestic mother-child industry. We launched an mobile application for pregnancy reminder in traditional Chinese, through which we could provide services for users in Hong Kong at the available and appropriate overseas platforms. During the year, the Group established a strategic partnership with Kingdom Music Education Group Limited ("Kingdom Music"), which is the only company authorized by the Royal College of Music to provide music education training to students aged 18 years old and under in China. The CI Web will be intended to serve as the platform for educational support services and recruitment of students for the international music training centres operated by Kingdom Music. It is expected to further diversify the business in the Group.

- **Connect brands and users more closely to continue achieving of BBV (maternal and child vertical platform) external empowerment**

  Under the new retail trends, our unparalleled reach of mother-child groups and twelve years of cemented high-quality resources are particularly attractive to brand retailers. In 2017, we have already applied our outstanding technology development capabilities, strong content production capabilities and leading operational and innovative capabilities to work with brands to further manage brand users and members and achieve BBV (Mother-Baby Vertical Platform) external empowerment. We also continue to connect online and offline experience to enhance high-frequency interaction between offline merchants and users. In future, we will further strengthen the connection between brands and users and build diversified user scenarios to provide brands with optimal solutions to create more value for the industry and users together with brand owners.

- **More intelligent communication with users to integrate high quality and intelligence services into future life scenarios**

  The Group provides differentiated service experience for users through precise technical analysis of user groups. In future, we will further integrate intelligence services into users' life scenarios and enhance interactive experience with users in order to to continuously improve the performance of the group in providing smart family lifestyle services.

The Company resubmitted the application for the proposed transfer of listing of the shares of the Company from GEM to the main board of Stock Exchange pursuant to Chapter 9A of the Listing Rules ("Transfer of Listing") on 10 October 2017. The board of the Company ("Board") would like to emphasise that the definitive timetable for the Transfer of Listing has yet to be finalised. Further announcement(s) will be made by the Company to keep the shareholders and potential investors of the Company informed on the progress of the Transfer of Listing as and when appropriate.

The business target and actual business progress comparison

The following table shows the comparison between the actual business progress during the twelve months ended 31 December 2017 and the plans in the prospectus as at 30 June 2015:

Business Target	Particulars	Actual business progress during the period from 1 January 2017 to 31 December 2017
Strengthening research and development capabilities of contents and service products	Increase original contents on platforms and improve user interface; Develop new web-based and mobile apps of mother-child products in order to maintain market share; Develop interactive family entertainment system product, early learning and early education centers management system.	• The Group continued to strengthen its capability of producing original content and increasing content volume and quality output. Particularly, its original cartoon series "All about parenting (育兒你造嗎)" won the 2017 iQIYI Top Ten Content Awards for Mother-Child Ceremony (2017年愛奇藝母嬰盛典年度十強內容獎). We set up a video and audio live streaming programme called "Expert Interview" on mother-child knowledge during the year with growing number of visits. In addition to providing e-commerce platforms with professional content and shopping guide services, we also expanded our content distribution channels to create a mother-child industry MCN. • The Group constructed a knowledge system for mother-child groups, the senior editorial team and technical team worked with experts to upgrade and improve our mother-child health knowledge base during the year to make knowledge and information services more professional.

Business Target	Particulars	Actual business progress during the period from 1 January 2017 to 31 December 2017
		• Multi-screen product was upgraded multi-dimensionally, scenarios was subdivided to provide targeted services to mother-child groups. The Group continued to develop high interaction products based on original core products. During the year, a number of new products such as "Mummy's Preference"（媽媽優選）, "Mummy and Pets"（媽咪寵物）and "Flea Market"（二手市集）were launched. We have also added more than 30 segment aging group scenes from pregnant plan to pregnancy and baby birth to provide users with social communications and services. • Further identified personalized user demand to provide users differentiated service experience such as health management tools including fetal movement management and pregnancy checkup management. • Provided more scenic experience by innovative advertising and marketing services and multi-dimensional targeting groups to enhance the effectiveness of advertising. • Conducted research and development in pan-mother-child regions such as parent-child relationship nourishing, children's early education and family entertainment. Early education products such as "Baby Cloud Project"（寶貝雲計劃）and "Parents and Kindergarten"（家園寶）are developed. Developed early education contents for children of 0-6 years old with top-tier partners in China, maintained and upgraded of product system.

Business Target	Particulars	Actual business progress during the period from 1 January 2017 to 31 December 2017
Enhancing user loyalty and Internet traffic of our Platform	Increase number of visits of our CI Web through securing entrance slots in search engines and navigation sites; Increase the number of downloads and mobile APPs usage through obtaining entrances slots in online APP stores; Marketing of interactive family entertainment system product and early learning.	• Our CI Web has multi-platforms to maintain a certain number of users, and maintain a leading status among fellow industry players. According to third-party platform monitoring data, as at 31 December 2017, the monthly active users ("MAU") of CI Web of the Company and the daily active users ("DAU") reached 84.66 million and 3.62 million respectively, representing an increase of 62% and 48.5% respectively as compared to that of 2016. The MAU and DAU of the Company's mobile APPs altogether (figure of mobile APPs altogether is the sum of 2 APPs under CI Web, namely "Pregnancy Reminder" and "Mother Zone") were 10.62 million and 2.31 million respectively, representing an increase of 35.8% and 27.2% respectively as compared to that of last year. • The plan of marketing of interactive family entertainment system product and early learning is under continuous development.
Developing e-commerce business and related O2O business	Expand e-commerce platform; Increase the O2O elements in mobile APPs; Develop and marketing fetal heart monitoring device（胎心儀）and other smart-hardware devices that can connect with Mobile APP.	• The Group sold CBM related services and products through self-developed mobile APP as well as the third party platform and continuously developed e-commerce business through multiple channels. • The Group continued to explore cross-sector integration, break industry boundaries and expand service categories to construct a comprehensive mother and child platform. In 2017, the Group diverted its online resources to retailer offline stores to strengthen its layout in new retail trends.
Acquisition of or investment in other companies engaging in O2O and CBM related businesses	Expand business through acquisition of or investment in other companies engaging in CBM related business.	• For details of the Group's investment in certain entities and loans, please see the paragraphs of "Available-for-sale financial assets"and "Loan to other entities" under the section of Management Discussion and Analysis. The Group believes that this will help to expand the existing business boundaries of the Group and enhance its ability of resource integration, and is in line with the long-term goals of diversified development of the Group.

Business Target	Particulars	Actual business progress during the period from 1 January 2017 to 31 December 2017
Enhancing marketing and promotional services	Organize more social activities and expand marketing and promotion team.	• The Group has been expanding its marketing and promotion. We have held some relatively large events, for instance, as a strategic mother-child media partner for the 2017 Mother-child Health Mile Walk（母嬰健康萬里行）, the Group fully took part in the walk activities. As of June 2017, activities were organized in Shanghai, Guangzhou, Suzhou and Nanjing. The Group held the fifth anniversary of mother zone and celebrated in five cities online and offline. The Group took part in 17th "CBME China". For the third season, the Group held the selection of "Mummy, You Should Buy This" with 220,000 users participated, its grand award ceremony called "Mummy, You Should Buy This" was held in Shanghai. • The Group increased its cooperation with complex media, stars and celebrities and web celebrities to increase its exposure and influence.
Working capital and other general corporate purposes	Utilise the working capital according to our needs and for other general corporate purpose.	• The working capital were used on daily operation and general corporate purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2017 was approximately RMB91.1 million, representing an increase of approximately 7.3% over approximately RMB84.9 million for the year ended 31 December 2016, primarily due to the rapid development in CBM industry which created a large demand for online advertising of CBM products and the enhanced traffic and reputation of ci123.com encouraged customers to put more budgets in brand displaying on the website. Meanwhile, the Company successfully engaged Ms. Christine Fan, a famous artist from Taiwan from July 2015 to April 2017, as the spokesperson of its website in China. The event steadily enhanced the brand image and appeal of the Group, and made contribution to increasing market demand.

Cost of sales

The Group's cost of sales for the year ended 31 December 2017 was approximately RMB12.4 million, representing an increase of approximately 15.9% over approximately RMB10.7 million for the year ended 31 December 2016, primarily due to the increase of bandwidth traffic cost caused by the increasing website popularity.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2017 was approximately RMB78.8 million, representing an increase of approximately 6.2% over approximately RMB74.2 million for the year ended 31 December 2016. During the year, the Group's gross profit margin decreased slightly from approximately 87.4% to approximately 86.5% primarily due to higher bandwidth traffic cost.

Other income and gains

The Group's other income and gains for the year ended 31 December 2017 was approximately RMB7.8 million, representing an increase of approximately 52.9% compared to approximately RMB5.1 million for the year ended 31 December 2016, primarily due to the increase of government grants provided by the local government as development support funds.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2017 was approximately RMB11.2 million, representing an increase of approximately 21.7% over approximately RMB9.2 million for the year ended 31 December 2016, primarily attributable to the increase in the number of employees and increasing average salary paid to the employees in the market department and customer service department.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2017 was approximately RMB14.6 million, representing an increase of approximately 39.0% over approximately RMB10.5 million for the year ended 31 December 2016, primarily attributable to the increase of professional service fee and increasing average salary paid to the employees in administrative department.

Research and development costs

The Group's research and development ("R&D") costs for the year ended 31 December 2017 was approximately RMB16.9 million, representing an increase of approximately 7.6% over approximately RMB15.7 million for the year ended 31 December 2016, primarily attributable to the increase in the average salary paid to core employees in R&D department.

Income tax expense

The Group's income tax expense for the year ended 31 December 2017 was approximately RMB4.1 million, representing an increase of approximately 173.3% over approximately RMB1.5 million for the year ended 31 December 2016, primarily attributable to the income tax expense incurred by Xibai (Nanjing) Information Technology Company Limited ("Naning Xibai"), a wholly-owned subsidiary of the Company with preferential income tax rate of 12.5% in 2017 (2016: 0%).

Profit for the year

As a result of the factors described above, the Group's net profit for the year ended 31 December 2017 was approximately RMB37.9 million, representing a decrease of approximately 9.8% over approximately RMB42.0 million for the year ended 31 December 2016.

Earnings per Share

Earnings per Share reduced by 22.9% from RMB0.0437 in 2016 to RMB0.0337 in 2017.

Gearing ratio

As at 31 December 2017, the gearing ratio of the Group, calculated as total liabilities, divided by total assets, was 4.7% (31 December 2016: 4.9%).

Capital expenditure

Our capital expenditure was RMB0.1 million for the year ended 31 December 2017 (31 December 2016: RMB0.2 million). The Group's capital expenditures were mainly related to the purchases of servers, computers and office equipment.

Liquidity and capital resources

As at 31 December 2017, the Group had net current assets of approximately RMB260.5 million (31 December 2016: approximately RMB277.7 million) and the cash and cash equivalents of approximately RMB198.2 million (31 December 2016: approximately RMB230.4 million).

As at 31 December 2017, the Group had nil bank borrowing (31 December 2016: RMB2.0 million). The Group's bank borrowings as at 31 December 2016 were denominated in RMB and unsecured. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	2017 **RMB'000**	2016 RMB'000
Net cash flows from operating activities	**35,810**	40,114
Net cash used in investing activities	**(54,611)**	(59,544)
Net cash used in financing activities	**(2,068)**	(9,956)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(20,869)**	(29,386)
Cash and cash equivalents at beginning of year	**230,447**	247,795
Effect of foreign exchange rate changes, net	**(11,426)**	12,038
CASH AND CASH EQUIVALENTS AT END OF YEAR	**198,152**	230,447

Operating activities

Net cash flows from operating activities decreased from approximately RMB40.1 million in 2016 to RMB35.8 million in 2017, which was primarily attributable to the slowdown in cash collection since revenue from large clients with longer credit terms was increasing.

Investing activities

Net cash flows used in investing activities decreased from approximately RMB59.5 million in 2016 to RMB54.6 million in 2017, which was primarily attributable to (i) net cash outflow in deposit for property, plant and equipment of RMB60.1 million in 2017; (ii) net cash outflow for loan to Lofty Force Limited with the amount of RMB53.7 million in 2016.

Financing activities

Net cash flows used in financing activities was approximately RMB2.1 million in 2017, representing a decrease of approximately 79.0% compared to net cash used in financing activities of approximately RMB10.0 million in 2016, which was primarily due to the repayment of bank loan with the amount of RMB2.0 million in 2017 (2016: RMB10.0 million).

Foreign exchange exposure

The Group's transactions are mainly denominated in RMB. Certain of the Group's cash and bank deposits are denominated in Hong Kong dollars. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the Review Year. However, the management closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this respect, the Group is not exposed to any significant foreign currency exchange risk in its operation.

Capital structure

The shares of the Company (the "Shares") have been listed on GEM of the Stock Exchange since 8 July 2015. The capital structure of the Company comprised ordinary shares.

Capital commitment

As at 31 December 2017, the Group had no capital commitment (31 December 2016: Nil).

Employees, training and remuneration policy

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

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

As at 31 December 2017, the Group had a total of 183 employees including executive Directors (31 December 2016: 182 employees). Total staff costs were approximately RMB29.3 million for the Year (31 December 2016: approximately RMB27.5 million).

Material acquisitions and disposals of subsidiaries

During the Year, the Group did not have any material acquisitions or disposals of subsidiaries.

Deposit for acquisition of property, plant and equipment

On 15 December 2017, the Group entered into a Commodity Property Purchase Agreement (the "Preliminary Agreement") with an independent property developer (the "Vendor") for the acquisition of certain commodity properties at a consideration of approximately RMB60,101,000. In accordance with the Preliminary Agreement, a pre-sale contract will be entered into between the Group and the Vendor before 31 December 2017, the Vendor was expected to deliver the ownership of properties to the Group on 30 June 2019. The Preliminary Agreement expired as at 31 December 2017 and the consideration of RMB60,101,000 was refunded to the Group on 28 March 2018.

Available-for-sale financial assets

As at 31 December 2017, the Group made investment of RMB15.0 million on the equity of a private company, named Nanjing Hongdou Information Technology Company Limited ("Hongdou"). The Group accounted for 15% of Hongdou's registered capital. H5 games "Her Majesty" (女皇陛下) and "National Palace" (全民宮斗) developed by Hongdou successfully landed on Tencent QQ Games and Qzon Gaming Platform.

The balance of prepayment for available-for-sale investment represented a prepayment for 10% equity interest in Shanghai Baiyi Animation Cultural Broadcasting Company Limited ("Baiyi"). Up to date, the change of shareholder registration has been approved by all the shareholders of Baiyi and the application for change in business registration certificate has been submitted. Baiyi develops rapidly particularly inanimation process and sales of accompanying toys. It owns professional animation team and can develop, produce, and communicate 2D/3D cartoon and accompanying toys. Sales channels cover all 1st and 2nd tier of cities in PRC with more than 100 distributors, covering thousands of primary schools and terminal sales outlet. The Group made its investment decision based on its judgement on Baiyi's comprehensive condition. Further information was detailed in Note 15 to the consolidated financial statements.

Charges of assets

As at 31 December 2017, the Group did not make any pledged bank deposit (31 December 2016: Nil).

Contingent liabilities

As at 31 December 2017, the Group did not have any significant contingent liabilities (31 December 2016: Nil).

PROPOSED FINAL DIVIDEND

The Board recommended a final dividend of HK$0.0015 per Share in respect of the year ended 31 December 2017, totaling HK$1,538,493 to be distributed out of share premium account, which is subject to the approval of Shareholders at the Annual General Meeting.

The final dividend, if approved by the Shareholders at the Annual General Meeting, will be paid on 18 July 2018 to Shareholders whose name appear on the register of members of the Company on 26 June 2018.

Loans to other entities

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

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

In October 2017, Xibai (Nanjing) Information Technology Company Limited, a wholly-owned subsidiary of the Company, as lender entered into a loan facility agreement with a third party. The main business for the third party is providing equipment support to medical institution and developing online platform for health consultation. The amount of the loan facility agreement is up to RMB5.0 million, bearing interest at a rate of 8.0% per annum for a period of 18 months. As at 31 December 2017, the loan made to the Borrower under the facility agreement amounted to RMB2.0 million.

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

In December 2017, Star Universal Holdings Limited, a wholly-owned subsidiary of the Company, as lender entered into a loan facility agreement with an independent third party. This third party is mainly engaged in overseas smart-hardware development. The amount of the loan facility agreement is up to HKD6.0 million, bearing interest at a rate of 6.0% per annum for a period of 36 months. Subsequently, the loan was early repaid on 2 March 2018 and the interest was waived.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

DIRECTORS

Executive Directors

Mr. Cheng Li（程 力）, aged 35, is an executive Director, our chief executive officer and compliance officer. Mr. Cheng was appointed as a Director on 11 February 2015. He is also a director of Nanjing Xihui, Nanjing Xinchuang and Nanjing Fuyuan, and a member of the remuneration committee. Mr. Cheng is responsible for management of the day-to-day operations of our Group. Mr. Cheng joined our Group as a graduate program engineer of Nanjing Xinchuang in April 2005. Mr. Cheng has more than 10 years of working experience in the information technology industry. During his employment with our Group in the past 12 years, Mr. Cheng was initially responsible for website development and maintenance and has been gradually promoted to the management level of our Group responsible for overseeing the general operation and management of our Group. Mr. Cheng obtained a bachelor degree in management majoring in e-commerce in June 2006 from Southeast University（東南大學）in the PRC. He obtained his Master of Business Administration degree from China Europe International Business School in November 2017.

Mr. Hu Qingyang（胡 慶 楊）, aged 41, is an executive Director. Mr. Hu was appointed as a Director on 11 February 2015. Mr. Hu is responsible for management of the day-to-day operations of our Group. Mr. Hu has more than 14 years of working experience in relation to education services (including on-line education and education project management). From April 2004 to January 2008, Mr. Hu worked as the vice general manager of Jiangsu Wenxue Education Development Company Limited（江蘇問學教育發展有限公司）responsible for overseeing the planning and execution of education projects. Mr. Hu joined our Group in April 2008 as the vice president of Nanjing Xinchuang mainly responsible for developing our CBM educational information and products. Mr. Hu completed a long-distance learning course in economic administration（大專班經濟管理專業）issued by the Correspondence Institute of the Party School of the Central Committee of C.P.C（中共中央黨校函授學院）in the PRC in June 2007. Mr. Hu was awarded the title of excellent association staff（優秀學會工作者）by Nanjing Association of Social Science（南京市社會科學界聯合會）in December 2004.

Mr. Zhang Lake Mozi, aged 32, is an executive Director and our chief financial officer. Mr. Zhang was appointed as a Director on 11 February 2015. Mr. Zhang is responsible for management of finance and investors' relationship of our Group. Mr. Zhang is a director of Kingdom Music Education Group Limited. Mr. Zhang is currently a director of CHINA MA Investment Limited（香港中馬投資有限公司）which he co-founded in August 2012. From February 2011 to August 2012, Mr. Zhang worked as a marketing director in Beijing Xuyihe Culture Media Co., Ltd.（北京旭羿和文化傳媒有限公司）. Mr. Zhang obtained a bachelor degree of arts majoring in economics and minoring in mathematics from the University of Alberta in Canada in June 2009.

Non-executive Directors

Ms. Li Juan（李娟）, aged 39, is a non-executive Director, our chairperson and the founder of our Group. Ms. Li is the spouse of Mr. Wu Haiming, a non-executive Director. She is also a director of Shining World Investments Limited, Star Universal Holdings Limited and Xibai (Nanjing) Information Technology Company Limited*, and the chairperson of the nomination committee and a member of the audit committee. Ms. Li is responsible for supervising the overall management and strategic planning of our Group. Ms. Li was appointed as a Director on 13 October 2014. Ms. Li currently works as a project manager with China Hewlett-Packard Co., Ltd.（中國惠普有限公司）, which she has joined since October 2006. Ms. Li obtained a bachelor degree of science majoring in computer science and technology from China University of Geoscience （中國地質大學）in June 2000.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

Mr. Wu Haiming (吳海明), aged 50, is a non-executive Director. Mr. Wu was appointed as a Director on 11 February 2015. Mr. Wu is the spouse of Ms. Li Juan, our chairperson and a non-executive Director. Mr. Wu is responsible for formulating and directing the overall operations and development strategy of our Group. Mr. Wu has been participating in the management of our Group since our first operating subsidiary, Nanjing Xinchuang, was established in April 2005. Mr. Wu had worked as an engineer and program manager of Lightwaves 2020, Inc. in Silicon Valley of the United States. Mr. Wu has more than 15 years of working experience in the information technology industry. Mr. Wu obtained a bachelor degree majoring in radio technology in July 1990, and a PhD degree in engineering majoring in physical electronics and optoelectronics in April 1997, both from Southeast University (東南大學) in the PRC respectively. From February 1997 to December 1998, Mr. Wu was a post-doctoral fellow and research student in the University of Yamanashi in Japan and from April 2000 to March 2001, Mr. Wu worked as a researcher in the Research Institute of Innovative Technology for the Earth (RITE) in Kyoto, Japan. Mr. Wu was appointed as the director of the key laboratory for the development and study of science and media technology of children in Suzhou (蘇州市兒童發展與學習科學媒體技術重點實驗室) by the Suzhou Research Institute of Southeast University (東南大學蘇州研究院) in December 2007.

Mr. Hsieh Kun Tse (謝坤澤), aged 53, is a non-executive Director. Mr. Hsieh was appointed as a Director on 11 February 2015. Mr. Hsieh is responsible for supervising the overall management and strategic planning of our Group. Mr. Hsieh is currently the general manager of Shanghai AMVC Investment Management Centre (上海早鳥投資管理中心(有限合伙)), which he co-founded in November 2013. Mr. Hsieh worked as the vice president of Sunchime Cartoon Group Company Limited (三辰卡通集團有限公司) from January 2003 to June 2006. Mr. Hsieh worked as the general manager of content and image business department of Guangdong Alpha Animation & Culture Co., Ltd. (廣東奧飛動漫文化股份有限公司) from January 2008 to August 2013. Mr. Hsieh has been appointed as a supervisor for master students and a visiting professor of school of animation and digital arts of the Community University of China (中國傳媒大學動畫與數字藝術學院) since May 2007. Mr. Hsieh obtained a bachelor degree in information engineering from Chung Yuan Christian University (中 原 大學) in Taiwan in January 1990. Mr. Hsieh obtained a master degree in commerce from the Research Institute for corporate management of Chinese Culture University (中國文化大學) in Taiwan in June 1992 and another master degree of business administration from National Taiwan University (國立臺灣大學) in June 2006. He obtained a master degree of business administration from Cheung Kong Graduate School of Business (CKGSB, 長江商學院) in September 2017.

Independent Non-executive Directors

Mr. Wu Chak Man (胡澤民), aged 45, is an independent non-executive Director. Mr. Wu was appointed as a Director on 19 June 2015. Mr. Wu is the chairperson of the audit committee. Mr. Wu has been appointed since 30 October 2014 and is currently a director of MFund GP. Ltd., which is involved in mobile internet investment in the PRC. Mr. Wu has been appointed since 16 June 2014 and is currently an independent non-executive director of Tian Ge Interactive Holdings Limited, a HK-listed company engaged in operating social video platforms in the PRC (stock code:1980). Mr. Wu worked as the chief executive officer of 91 Wireless Websoft Limited (now known as Baidu 91 Wireless), a company engaged in the development and operating of smartphone application distribution platforms from January 2011 to February 2014 and was responsible for the overall management and strategic planning of the company. Mr. Wu joined NetDragon group in 2004 and acted as the vice president and chief financial officer of NetDragon Websoft Inc. ("NetDragon"), a company whose shares were initially listed on the GEM in November 2007 and were subsequently listed on the main board of the Stock Exchange (stock code: 0777) in 2008. NetDragon is principally engaged in online games and mobile Internet business, and hence he has more than 6 years of financial management experience in public company. Mr. Wu retired from the position of vice president and chief financial officer of NetDragon in 2013. From 1995 to 1999, Mr. Wu served as the vice president, in charge of marketing, in Beco Biological Research Inc. a company engaged in health food and nutrition supplements business. Mr. Wu graduated with a bachelor degree in economics from the University of California, Berkeley in the United States in August 1994, and a master degree in business administration from Duke University in the United States in May 2004.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

Mr. Zhao Zhen（趙臻）, aged 49, is an independent non-executive Director. Mr. Zhao was appointed as a Director on 19 June 2015. Mr. Zhao is a member of the remuneration committee and the nomination committee. Mr. Zhao worked as a Manager of System/Software Engineering in Hewlett-Packard from March 2004 to March 2008. Mr. Zhao obtained a bachelor degree majoring in aero-engine from Nanjing University of Aeronautics and Astronautics（南京航空航天大學）(formally known as Nanjing Aeronautics College（南京航空學院）) in July 1990. He obtained a master degree of science in January 1996 and a master degree of science in October 1997 both from Rutgers, The State University of New Jersey in the United States.

Mr. Ge Ning（葛寧）, aged 59, is an independent non-executive Director. Mr. Ge was appointed as a Director on 19 June 2015. Mr. Ge is the chairperson of the remuneration committee and a member of the audit committee and the nomination committee. Mr. Ge is a director of Wiscom System Co., Ltd.（江蘇金智科技股份有限公司）, a PRC company listed on the Shenzhen Stock Exchange (stock code: 002090), which is principally engaged in the design, development, manufacturing and operation of power grid business. Mr. Ge is also the chairman of Jiangsu Jinzhi Holding Co., Ltd.,（江蘇金智集團有限公司）, a shareholder of Wiscom System Co., Ltd.（江蘇金智科技股份有限公司）. Mr. Ge graduated from Nanjing Science College（南京工學院）(now known as Southeast University（東南大學）) and completed a two-year course in electronic technology in January 1981. Mr. Ge completed an executive MBA programme and was awarded a master degree of business administration by China Europe International Business Schoo（中歐國際工商學院）in November 2004.

Save as disclosed above, there are no other directorships held by our Directors in any listed company whose securities are listed on any stock exchange in Hong Kong or overseas within the three years preceding the date of this annual report.

SENIOR MANAGEMENT

Mr. Zhang Hua（張華）, aged 34, is one of our technology directors and is responsible for planning strategic development and management of the development department of our Group. Mr. Zhang joined our Group in June 2006. Mr. Zhang obtained a bachelor degree of science majoring in applied mathematics in Southeast University（東 南 大 學）, the PRC in June 2006.

Mr. Shen Tonghui（沈彤輝）, aged 35, is the product director and is responsible for planning the development direction and operation of the business department of our Group. Mr. Shen joined our Group in September 2007. Prior to joining our Group, Mr. Shen worked as a project engineer in Nanjing Hanweb Co., Ltd（南京大漢網絡有限公司）from November 2005 to November 2006. From November 2006 to August 2007, Mr. Shen worked in Nanjing Skytech Co., Limited（南京擎天科技有限公司）and was responsible for testing work. Mr. Shen obtained a bachelor degree of arts majoring in artistic designing in the Institute of Adult Higher Education of Nanjing University of the Arts（南京藝術學院成人教育學院）in January 2011 and a master degree in engineering majoring in software engineering (digital media art) in Wuhan University（武漢大學）in June 2014.

Ms. Wei Honghong（韋紅紅）, aged 32, is the sales director and is responsible for the overall planning and management of advertising sales and customer services of our Group. Ms. Wei joined our Group in July 2007. Ms. Wei obtained her bachelor degree in management majoring in information management and information system from Nanjing University（南京大學）in June 2007.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the code provisions of the Corporate Governance Code ("Corporate Governance Code") set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). In the opinion of the directors, the Company has complied with all the code provisions as set out in the Corporate Governance Code for the year ended 31 December 2017.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of the code of conduct regarding dealings in securities by the director (the "Model Code") as set out in Rule 5.48 to Rule 5.67 of the GEM Listing Rules as its code of conduct regarding the directors' securities transactions. The Directors, having made specific enquiry to all the directors of the Company, confirm that for the year ended 31 December 2017, they have complied with the required standard regarding directors' securities transactions as set out in the Model Code.

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

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

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

BOARD OF DIRECTORS

The Board consists of nine Directors, including three executive Directors: Mr. Cheng Li, Mr. Zhang Lake Mozi and Mr. Hu Qingyang; three non-executive Directors: Ms. Li Juan (Chairperson of the Board), Mr. Wu Haiming and Mr. Hsieh Kun Tse; three independent non-executive Directors: Mr. Wu Chak Man, Mr. Zhao Zhen and Mr. Ge Ning.

CORPORATE GOVERNANCE REPORT

The Board is responsible for supervising the management of the business and affairs of the Company and ensures that it is managed in the best interests of the shareholders of the Company as a whole while also taking into account the interest of other stakeholders of the Company. The Board is primarily responsible for formulating the business strategy, reviewing and monitoring the business performance of the Group, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The Board is provided with management and reports updated on a regular basis to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Group in sufficient details.

The biographical details of the Directors of the Company are set out in the section headed "Directors and Senior Management's profile" in this annual report. Other than the spousal relationship between Mr. Wu Haiming and Ms. Li Juan, there is no other relationship (including financial, business, family or other material/related relationships) between the members of the Board. Each executive Director is suitably qualified for his/her position, and has sufficient experiences to hold the position so as to carry out his/her duties effectively and efficiently.

Details of each Director's remuneration for the year ended 31 December 2017 are set out in Notes 8 and 9 of the financial statements.

CHAIRPERSON AND THE CHIEF EXECUTIVE OFFICER

The Company supports the division of responsibilities of the Chairperson of the Board and the Chief Executive Officer in order to ensure balance of power and authorities. Ms. Li Juan is the chairperson of the Company, and Mr. Cheng Li is the Chief Executive Officer of the Company.

The Chairperson provides leadership and is responsible for overall operation and strategic planning of the Group, ensuring the effective functioning of the Board in accordance with good corporate governance practice and promotes all directors to contribute responsibly and diligently to the Board, while the Chief Executive Officer focuses on the daily management of the businesses of the Group, and implements such objectives, policies, strategies and business plans as approved and instructed by the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors play a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. The independent non-executive Directors possess various skills and experiences in their respective fields and have provided their independent advices on the Group's business strategies, results and management so that all interests of Shareholders have been taken into account, and the interests of the Company and its Shareholders are protected.

For the year ended 31 December 2017, the Company has appointed at least three independent non-executive directors as required under Rule 5.05(1) of the GEM Listing Rules. Furthermore, one of the independent non-executive director, namely Mr. Wu Chak Man possesses professional financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

The Company has received the annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 5.09 of the GEM Listing Rules. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

BOARD DIVERSITY POLICY

Pursuant to the Corporate Governance Code, the Board adopted a board diversity policy on 19 June 2015. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis based on its business needs from time to time while taking into account of diversity, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of candidates will be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience. The nomination committee of the company will also give consideration to the board diversity policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the board diversity policy on a regular basis to ensure its effectiveness.

TRAINING AND SUPPORT FOR DIRECTORS

All Directors know their responsibilities as directors and the operation and business activities of the Company. The Company would give any newly appointed Director an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision A.6.5 of the Corporate Governance Code regarding continuous professional development. According to the records maintained by the Company, the existing Directors have received the following training during the year ended 31 December 2017 with an emphasis on the roles, functions and duties of a director of a listed company, the subjects of which covered corporate governance, regulations and regulatory updates and industry trends related to the Group's business, so as to be in line with the requirements of the Corporate Governance Code on continuous professional development. The Directors participated in the sustainable development during the reporting year were as follows:

Name of Director	Types of Training
Executive Directors	
Mr. Cheng Li	A and B
Mr. Zhang Lake Mozi	A and B
Mr. Hu Qingyang	A and B
Non-executive Directors	
Ms. Li Juan	A and B
Mr. Wu Haiming	A and B
Mr. Hsieh Kun Tse	A and B
Independent non-executive Directors	
Mr. Wu Chak Man	A and B
Mr. Zhao Zhen	A and B
Mr. Ge Ning	A and B

A: Attend training/meetings arranged by the Company or other external parties (including in person or by electronic means of communication)
B: Reading the relevant materials

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance coverage in respect of potential legal actions against its Directors and officers.

MEETINGS

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time. Directors may participate either in person or through electronic means of communications. The Board should hold at Least 4 meetings annually. In 2017, the Board has held 4 meetings. Apart from regular board meetings, the chairman also held one meeting with non-executive directors (including independent non-executive directors) without executive directors during the year.

The attendance record of each Director at the meetings of the Board for the year ended 31 December 2017 is set out below:

Name of Director	Attendance/Number of meetings of the Board Number of Board Meeting(s)
Executive Directors	
Mr. Cheng Li	4/4
Mr. Zhang Lake Mozi	4/4
Mr. Hu Qingyang	4/4
Non-executive Directors	
Ms. Li Juan	4/4
Mr. Wu Haiming	4/4
Mr. Hsieh Kun Tse	4/4
Independent non-executive Directors	
Mr. Wu Chak Man	4/4
Mr. Ge Ning	4/4
Mr. Zhao Zhen	4/4

For the year ended 31 December 2017, the Company convened one annual general meeting on 15 May, 2017. The attendance of each Director at the annual general meeting in 2017 is set out below:

Name of Director	Attendance/Number of General Meeting(s)
Executive Directors	
Mr. Cheng Li	1/1
Mr. Zhang Lake Mozi	1/1
Mr. Hu Qingyang	1/1
Non-executive Directors	
Ms. Li Juan	1/1
Mr. Wu Haiming	0/1
Mr. Hsieh Kun Tse	1/1
Independent non-executive Directors	
Mr. Wu Chak Man	0/1
Mr. Ge Ning	1/1
Mr. Zhao Zhen	1/1

All Directors are provided with relevant materials relating to the matters brought before the meetings. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of the regular Board meetings are given to the Directors at least 14 days in advance and Board procedures comply with the Articles of Association of the Company, as well as relevant rules and regulations.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for three years commencing from the listing date, being 8 July 2015 (the "Listing Date"), and can be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for three years commencing from the Listing Date and can be terminated by not less than three months' notice in writing served by either party on the other.

The above service contracts are subject to retirement by rotation and re-election of each Director at an annual general meeting at least once every three years in accordance with the Articles of Association. According to provisions in the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. The Articles of Association have no provisions relating to retirement of Directors upon reaching any age limit. The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At the upcoming annual general meeting of the Company (the "2017 AGM"), Mr. Wu Chak Man, Mr. Zhao Zhen and Mr. Ge Ning shall retire by rotation on the 2017 AGM in accordance with Articles of Association. All of the said retiring Directors are eligible and are willing to be re-elected at the 2017 AGM. The Board and the Nomination Committee recommends the reappointment of these Directors. The circular of 2017 AGM of the Company containing the detailed information of the above retiring Directors as required by the GEM Listing Rules will be sent with this annual report.

No Director proposed for re-election at the forthcoming annual general meeting has entered into a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than the normal statutory obligations.

BOARD COMMITTEES

The Board has established (i) an audit committee, (ii) a remuneration committee; and (iii) a nomination committee, with defined terms of reference. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance under the appropriate circumstances, at the Company's expenses.

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Board passed on 19 June 2015 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C3.3 of the Corporate Governance Code. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of the financial reporting matters; and oversee internal control procedures of our Company. At present, the audit committee of our Company consists of three members, namely the independent non-executive director Mr. Wu Chak Man, the non-executive director Ms. Li Juan and the independent non-executive director Mr. Ge Ning. Mr. Wu Chak Man is the chairman of the audit committee.

The audit committee had reviewed the Group's audited annual results for the year ended 31 December 2017, and was of the opinion that the relevant financial statements have been prepared in accordance with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and the selection and appointment of the external auditor. In addition, the audit committee have reviewed the risk management and internal control system of the Group for the Year 2017.

During the year ended 31 December 2017, the audit committee held four meetings to consider and approve among others the following:

(a) to review the Group's consolidated financial result for the year ended 31 December 2016, the three months ended 31 March 2017, the six months ended 30 June 2017 and the nine months ended 30 September 2017 before submission to the Board, with a focus on compliance with accounting standards, the GEM Listing Rules and other requirements in relation to financial reporting of the audit committee;

(b) to discuss the effectiveness of the internal controls system throughout the Group, including financial, operational and compliance controls, and risk management; and

(c) to review the accounting principles and practices adopted by the Group and other financial reporting matters.

The individual record of each member of the audit committee at the meeting is set out below:

Name of Director	Attendance/ Number of Audit Committee Meeting(s)
Mr. Wu Chak Man	4/4
Mr. Ge Ning	4/4
Ms. Li Juan	4/4

REMUNERATION COMMITTEE

The Company established a remuneration committee in accordance with Rule 5.34 of the GEM Listing Rules and the resolution passed by the Board on 19 June 2015, with written terms of reference in compliance with paragraph B1.2 of the Corporate Governance Code. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure of all Directors and senior management of our Group; to review performance-based remuneration; and to ensure none of our Directors or any of their associates (as defined under the GEM Listing Rules) determine their own remuneration. The remuneration committee consists of three members, namely the independent non-executive director Mr. Ge Ning, the independent non-executive director Mr. Zhao Zhen and the executive director Mr. Cheng Li. Mr. Ge Ning is the chairman of the remuneration committee.

During the Year, the remuneration committee had surveyed peer companies' remuneration package and reviewed the remuneration packages of the executive Directors and the senior management. The remuneration committee also reviewed the Share Option Scheme and the Award Plan adopted by the Company, as well as the benefit plans to the key employees.

For the year ended 31 December 2017, the Company has held one remuneration committee meeting. The record of attendance is set out below:

Name of Director	Attendance/Number of Remuneration Committee Meeting(s)
Mr. Ge Ning	1/1
Mr. Zhao Zhen	1/1
Mr. Cheng Li	1/1

NOMINATION COMMITTEE

The Company established a nomination committee in accordance with the resolution passed by the Board on 19 June 2015 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of the independent non-executive Directors; and make recommendations to the Board on matters related to the appointment or re-appointment of Directors. The nomination committee consists of three members, namely the non-executive director Ms. Li Juan, the independent non-executive director Mr. Ge Ning and the independent non-executive director Mr. Zhao Zhen. Ms. Li Juan is the chairperson of the nomination committee.

During the Year, the Nomination Committee has reviewed the structure, size and the composition of the Board to ensure that the Board has a balance of speciality, skills and experience; reviewed and recommended the re-election of the retiring Directors standing for re-election at the Company's annual general meeting held on 15 may 2017, and considered diversified policy of directors when selecting candidates of directors; and made assessment of the independence of all the independent non-executive Directors.

For the year ended 31 December 2017, the Company has held one nomination committee meeting. The record of attendance is set out below:

Name of Director	Attendance/ Number of Nomination Committee Meeting(s)
Ms. Li Juan	1/1
Mr. Ge Ning	1/1
Mr. Zhao Zhen	1/1

DELEGATION OF THE CORPORATE GOVERNANCE FUNCTION

The Board has delegated the responsibilities of corporate governance as set out under Code Provision D.3.1 of the Corporate Governance Code ("CG Code") to the Audit Committee. During the Year, the Audit Committee has reviewed and monitored the corporate governance policies and practices of the Company; the training and continuous professional development of the Directors and senior management; the compliance status of the Company on such policies and practices as required by the laws and regulations, the Model Code and the Employees' Written Guidance; the compliance status of the Company on the CG Code; and the disclosure set out in this Corporate Governance Report.

JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Mr. Zhang Lake Mozi and Ms. Ng Wing Shan. Ms. Ng Wing Shan is an assistant vice president of SW Corporate Services Group Limited, an external service provider. She and Mr. Zhang Lake Mozi were appointed as the joint company secretaries on 11 February 2015. Ms. Ng Wing Shan is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. The primary contact person of Ms. Ng Wing Shan in the Company is our executive director, another joint company secretary and financial controller Mr Zhang Lake Mozi, his biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report. Both Mr. Zhang Lake Mozi and Ms. Ng Wing Shan have informed the Company that they have received no less than 15 hours of professional training and satisfy the requirements under the Rule 5.15 of the GEM Listing Rules for the Year 2017. The Company considers the training of each of the joint company secretaries during Year 2017 is in compliance with the requirements under Rule 5.15 of the GEM Listing Rules.

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that period.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The responsibilities of Ernst & Young, the Company's external auditors, on the financial statements are set out in the section headed "Independent Auditor's Report" in this annual report.

AUDITOR'S REMUNERATION

The audit committee is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the authorized external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions regarding the resignation or dismissal of the external auditors. The Company engages Ernst & Young as its external auditors. During the year ended 31 December 2017, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Items of auditor's services	**2017 Amount RMB'000**
Audit services:	
Annual audit service	**1,000**
Interim review service	**400**
Total	**1,400**

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group recognises that good risk management is essential for the long-term and sustainable growth of a business. The Board is responsible for maintaining adequate and effective risk management and internal controls to protect assets of shareholders and the Group and is also responsible for its effectiveness. The Board entrusts the audit committee to review the Group's internal control system. Management is responsible for the design, implementation and maintenance of a sound and effective internal control system underpinning the risk management framework. While taking into full account of the new requirements effective from 1 January 2016 under the GEM Listing Rules brought by Hong Kong Exchanges and Clearing Limited relating to risk management and internal control, the management also takes into consideration of the Group's actual business and operating environment in formulating the risk management and control framework.

The objectives of the risk management and internal control framework of the Group include:

- to enhance the risk management and internal control of the Group in compliance with the requirement of GEM Listing Rules;
- to establish and constantly improve the risk management and internal control system;
- to implement a top-down and company-wide risk management system that covers every aspect of the business; and
- to keep the baseline risk within an acceptable range.

Risk Management Process

The Group has engaged in the internet industry, so its business is characterized by diversity and rapid change. The Group has adopted a three-tier risk management approach to dynamically identify, assess, mitigate and handle risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal, and report such results to the management. As the second line of defence, the management collects, sorts out and analyzes the significant risks of the Group to formulate its control policies and adopt appropriate corresponding strategies and shall report to the Audit Committee before reporting to the Board. The management ensures that the first line of defence is effective. As the final line of defence, the audit committee of the Group ensures that to assess and determine the nature of risk and its acceptability to ensure achieving strategic goals, and the first and second lines are effective through continuous inspection and monitoring.

Internal Control

We are in compliance with the five key factors of the entire internal control structure issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), which includes environment control, risk assessment, control activity, information and communication and supervision for setting up the internal control system.

The management of the Group is responsible for designing, implementing and maintaining the effectiveness of the internal control system. The Board and the Audit Committee are responsible for supervising and monitoring the appropriateness of the management's internal control and whether such internal control is effectively implemented.

The Group's internal control system clearly defines the management responsibilities, authorizations and approvals of the parties regarding key actions, and formulates clear policies and procedures on important business processes and conveyed such policies and procedures to its employees. They mainly covered:

- sales and money collection management
- procurement and payment management
- asset management (including fixed asset and intangible asset)
- research and development management
- human resources and remuneration management
- capital management
- financial report management
- tax management
- general control of information system

The Board and the audit committee review the effectiveness and adequacy of risk management and internal controls every quarter. The Board and audit committee also took adequate resources, capacity and experience of employees, training courses and relative budget into consideration.

Such procedures could reasonably but not absolutely guarantee that there was no material error, omission and fraud, and reduce but not remove mistakes in the Group's operating system and target business procedures.

During the Year, the Group has conducted a quarterly review on whether there is a need for an internal audit department. Given the Group's relatively simple organisational structure and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the audit committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness. The Group will continue to review whether necessary changes should be made regarding the establishment of an independent internal audit department at the appropriate time.

During the Year, based on information furnished to it and on its own observations, the Board is satisfied with the effectiveness and adequacy of present internal controls and risk management of the Company.

DISCLOSURE OF INSIDE INFORMATION

The Company acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the GEM Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Company conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Company has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Company has strictly prohibited unauthorised use of confidential or inside information; and
- the Company has established and implemented procedures for responding to external enquiries about the Company's affairs, so that only the executive Directors, company secretary and investor relations officers are authorised to communicate with parties outside the Company.

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of maintaining clear, timely and effective communication with the shareholders and investors of the Company. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the shareholders of the Company receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports and quarterly reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website www.ci123.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategies, operations, management and plans. The Company also encourages shareholders' active participation in annual general meetings and other general meetings or other proper means. As such, the Company must send notices to shareholders for convening of annual general meetings not less than twenty-one (21) days and twenty (20) clear business days before the meeting and not less than fourteen (14) days and ten (10) clear business days for all other general meetings including extraordinary general meeting. Members of the Board and of the various Board committees will attend the annual general meeting of the Company and answer questions raised during the meeting. The Company's external auditor will also attend the annual general meeting to answer questions relating to the conduct of the audit, the auditor's report and auditor independence. The Company's shareholders may also propose candidates for election as a director of the Company according to the procedures set out in the Company Website.

Separate resolutions would be proposed at the general meeting on each substantially separate issue. The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be decided by way of a poll. An external scrutineer will be appointed to monitor and count the votes cast by poll. The results of the voting by poll will be declared at the meeting and published on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meeting

Pursuant to the Article 58 of the Articles of Association, the Board may convene an extraordinary general meetings whenever it thinks fit. Any one or more Members holding at the date of deposit of the requisition no less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be convened by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Shareholders who wish to propose a resolution may request the convening of a general meeting of shareholders and submit a resolution at the meeting in accordance with the above requirements and procedures.

Procedures for Shareholders to send their enquiries and concerns to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to Mr. Zhang Lake Mozi, one of the joint company secretaries of the Company via following:

Recipient: Mr. Zhang Lake Mozi
Address: Unit 1905, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
Telephone number: +852 3742 7101
Fax number: +852 3153 4867

The joint company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

The Company has passed a resolution on 19 June 2015 to approve and adopt the new Articles of Association which came into effect on the Listing Date. The amended and restated Articles of Association has been posted on the website of The Stock Exchange of Hong Kong Limited. Save for the abovementioned, there has been no material change in the Company's constitutional documents for the year ended 31 December 2017.

INTERESTS OF THE COMPLIANCE ADVISER

As disclosed in announcements of the Company on 25 January 2017 and 26 January 2017, the Company has terminated the compliance adviser agreement with China Everbright Capital Limited ("China Everbright Capital") with effect from 31 January 2017 (the "Termination"). Save and except for the compliance adviser agreement entered into between the Company and China Everbright Capital dated 16 February 2015, neither China Everbright Capital nor its directors, employees or close associates had any material interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules on or prior to the Termination.

The Company has appointed Innovax Capital Limited ("Innovax Capital") as the new compliance adviser to the Company as required pursuant to Rule 6A.27 of the GEM Listing Rules with effect from 1 February 2017 until the date, pursuant to Rule 6A.19 of the GEM Listing Rules, on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the Company's financial results for the second full financial year commencing after the date of initial listing of the Company (being the year ending 31 December 2017), or until the compliance adviser agreement entered into between the Company and Innovax Capital is terminated in accordance with its terms, whichever is earlier. Innovax Capital is a licensed corporation to carry out types 1 (dealing in securities) and types 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

As at the date of this annual report, save and except for the compliance adviser agreement entered into between the Company and Innovax Capital, neither Innovax Capital nor its directors, employees or close associates had any material interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

The Directors have pleasure in presenting their annual report and the audited accounts of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 1 to the financial statements.

BUSINESS REVIEW

Detailed business review and future development of business is set out in the section of "Chairpersons's statements" and "Management Discussion and Analysis" in this annual report. As far as the Board is aware, the Company and its subsidiaries have complied in material respects with the relevant laws and regulations that have a significant impact on their business and operation.

USE OF PROCEEDS

After taking into account the partial exercise of the over-allotment option in respect of an aggregate of 26,500,000 Shares, the Company had 1,026,500,000 Shares in issue, the Company has received net proceeds from the placing in the sum of HK$276.4 million.

As disclosed in the announcement dated 26 February 2016, for the purpose of better utilization of the Group's financial resources, the Company has reallocated the use of net proceeds yet to utilize for the year ended 31 December 2015 and the remaining fund from the acquisition of or investment in other companies engaging in O2O and CBM related businesses for the funding of a loan facility agreement. As disclosed in the announcement of the Company dated 15 December 2017, HK$60.0 million of the net proceeds from placing for funding a loan facility was repaid in the first quarter of 2017. To better utilise the fund, the Directors has applied the said amount of HK$60.0 million to finance the acquisition of property. Details of the original allocation of net proceeds set out in the prospectus and the and the revised allocation of net proceeds of the Company as at the date of this report as follows:

Use of Net Proceeds	**Original Allocation** HK$ million	**Revised Allocation as at 26 February 2016** HK$ million	**Revised Allocation as at 15 December 2017** HK$ million	**Utilized Amount as at 31 December 2017** HK$ million	**Unutilized Amount as at 31 December 2017** HK$ million
Strengthening research and development capabilities	55.3	52.8	52.8	–	52.8
Enhancing the user base and Internet traffic of our Platform	55.3	49.6	49.6	–	49.6
Developing our e-commerce business and related O2O business	55.3	44.9	44.9	–	44.9
Acquisition of or investment in other companies engaging in O2O and CBM related businesses	55.3	19.3	19.3	–	19.3
Enhancing marketing and promotional services	27.6	24.9	24.9	–	24.9
Working capital and other general corporate purposes	27.6	24.9	24.9	–	24.9
Providing loan facilities	–	60.0	–	–	–
Acquisition of property or land for the construction of the Company headquarters	–	–	60.0	60.0	–
Total	276.4	276.4	276.4	60.0	216.4

On 15 December 2017 Xibai (Nanjing) Information Technology Company Limited（矽柏（南京）信息技術有限公司）(an indirect wholly-owned subsidiary of the Company, the "Purchaser") and Nanjing Shimao New Development Property Company Limited（南京世茂新發展置業有限公司）(an independent property developer, the "Vendor") entered into the Commodity Property Purchase Agreement（商品房認購協議）("Purchase Agreement") for acquiring the properties situated in Yuhuatai District, Nanjing, Jiangsu Province, the PRC. The consideration of the acquisition was RMB60,101,433 (or approximately HK$69,247,669). The consideration will be satisfied as to RMB52.1 million (or HK$60.0 million) by the net proceeds from Placing and as to the remaining consideration RMB8.0 million (or HK$9.2 million) was financed by the Company's internal resources. It was decided by the board of directors on March 27, 2018, (i) the Pre-Sale Contract could not be entered into within a reasonable period of time; and (ii) the Group is currently in negotiation with the Management Committee of the Software Valley of Nanjing, the PRC*（中國（南京）軟件穀管理委員會）for acquiring the land for construction and development of the Group's new headquarters in the PRC, the Purchaser has terminated the acquisition of the properties with the Vendor. Please refer to the announcements of the Company dated 15 December 2017 and 27 March 2018 for details.

As at 31 December 2017, apart from the above proceeds used for acquiring the Properties, other net proceeds are yet to be utilized. As a result of the termination, the consideration of RMB60,101,433 was refunded to the Group on 28 March 2018.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 138 of the annual report. The summary does not form part of the audited financial statements.

RESULTS AND DIVIDEND

The Group's results for the year ended 31 December 2017 are set out in the consolidated financial statement on page 79.

No interim dividend was paid by the Company during the financial year of 2017.

The Board recommended a final dividend of HK$0.0015 per Share in respect of the year ended 31 December 2017, totaling HK$1,538,493 and is to be distributed out of share premium account, which is subject to the approval of Shareholders at the Annual General Meeting.

The final dividend, if approved by the Shareholders at the Annual General Meeting, will be paid on 18 July 2018 to Shareholders whose name appear on the register of members of the Company on 26 June 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on 15 June 2018 (Friday), the transfer books and register of members of the Company will be closed from 12 June 2018 (Tuesday) to 15 June 2018 (Friday), both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the Annual General Meeting, all shares transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 22th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 11 June 2018 (Monday).

The Board has recommended the payment of a final dividend of HK0.0015 cents per share in respect of the year ended 31 December 2007, the final dividend, if approved by the Shareholders at the Annual General Meeting, will be paid on or before 18 July 2018 (Wednesday) to Shareholders. The transfer books and register of members of the Company will also be closed from 22 June 2018 (Friday) to 26 June 2018 (Tuesday), both days inclusive, during which period no transfer of Shares can be registered. In order to be entitled to the payment of final dividend, all shares transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 22th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 June 2018 (Thursday).

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in the Group's property, plant and equipment during the year are set out in Note 13 to the financial statements.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2017 are set out in Note 25 to the financial statements.

SHARE CAPITAL

Details of the movement in the Company's share capital during the year are set out in Note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

All of the 838,000 Shares that bought back during the year ended 31 December 2016 were subsequently cancelled in January 2017. Save as disclosed in this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

RESERVES

Details of the movement in reserves of the Company and the Group during the year are set out in Notes 28 and consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves that are available for distribution, calculated in accordance with the Companies Law of the Cayman Islands (the "Companies Law"), amounted to approximately RMB195.60 million (2016: RMB204.2 million).

DIRECTORS' REPORT

DIRECTORS

The Directors as of 31 December 2017 and up to the date of this report are:

Executive Directors
Mr. Cheng Li
Mr. Hu Qingyang
Mr. Zhang Lake Mozi

Non-executive Directors
Ms. Li Juan *(Chairperson)*
Mr. Wu Haiming
Mr. Hsieh Kun Tse

Independent non-executive Directors
Mr. Wu Chak Man
Mr. Zhao Zhen
Mr. Ge Ning

Pursuant to Article 83(3) of the Company's Articles of Association, three directors of the Company, including Mr. Wu Chak Man, Mr. Zhao Zhen and Mr. Ge Ning shall retire at the 2017 annual general meeting and, being eligible, offer themselves for re-election at the 2017 annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of our executive and non-executive Directors entered into a service contract with the Company for a term of three years commencing from 8 July 2015 (the "Listing Date"), which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for three years commencing from the Listing Date, which may be terminated by a three months' notice in writing served by either party on the other.

Save as disclosed above, none of the directors who proposed to be re-elected at the forthcoming annual general meeting of the Company has entered into a service contract that are not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed "Connected Transactions" in this report and Note 31 (Related Party Transactions) to the financial statements, no director or any entity related to the directors had a material interest, either directly or indirectly, in any transactions, arrangements and contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

During the year were any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2017, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Nature of Interest		Number of Shares or Underlying Shares	Approximate Percentage of Shareholding
Ms. Li Juan(1)	Interest in a controlled corporation		409,200,000	
	Interest of concert party		120,000,000	
		Total:	529,200,000	51.60%
Mr. Wu Haiming(1)	Interest of spouse		529,200,000	51.60%
Mr. Cheng Li(2)	Interest in a controlled corporation		120,000,000	
	Interest of concert party		409,200,000	
		Total:	529,200,000	51.60%
Mr. Zhang Lake Mozi(3)	Interest in a controlled corporation		57,000,000	5.56%

Notes:

(1) Each of Loyal Alliance Management Limited ("Loyal Alliance") and Prime Wish Holdings Limited ("Prime Wish") is directly and wholly owned by Ms. Li Juan, who is therefore deemed to be interested in all the shares held by each of Loyal Alliance and Prime Wish. Ms. Li Juan and Mr. Cheng Li entered into an acting in concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other. Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and therefore is deemed to be interested in the interests of Ms. Li Juan.

(2) Victory Glory Holdings Limited ("Victory Glory") is directly and wholly owned by Mr. Cheng Li, who is therefore deemed to be interested in all the shares held by Victory Glory. Ms. Li Juan and Mr. Cheng Li entered into an acting in concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other.

(3) Sharp Knight Limited ("Sharp Knight") holds the shares as the trustee for and on behalf of 中誠馬（北京）投資顧問有限公司 (Zhongchengma (Beijing) Investment Consultation Company Limited*) ("Beijing Zhongchengma"), which is wholly owned by Ms. Wang Rong, the spouse of Mr. Zhang Lake Mozi, an executive Director. Sharp Knight is directly and wholly owned by Mr. Zhang Lake Mozi, who is therefore deemed to be interested in all the shares held by Sharp Knight. Mr. Zhang Lake Mozi and Ms. Wang Rong are therefore deemed to be interested in the interests of each other.

INTERESTS IN OTHER MEMBERS OF THE GROUP (LONG POSITION)

Name of Director	Name of Subsidiary	Nature of Interest	Approximate Percentage of Shareholding
Ms. Li Juan(1)	Nanjing Xihui Information Technology Company Limited* （南京矽滙信息技術有限公司) ("Nanjing Xihui")(2)	Beneficial owner	85%
	Nanjing Xinchuang Micro Machinery and Electronic Technology Company Limited* (南京芯創微機電技術有限公司) ("Nanjing Xinchuang")(2)	Beneficial owner	85%
Mr. Wu Haiming(1)	Nanjing Xihui(2)	Interest of spouse	85%
	Nanjing Xinchuang(2)	Interest of spouse	85%
Mr. Cheng Li	Nanjing Xihui(2)	Beneficial owner	15%
	Nanjing Xinchuang(2)	Beneficial owner	15%

Notes:

(1) Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and therefore deemed to be interested in the interests of Ms. Li Juan.

(2) Pursuant to the contractual arrangement, each of Nanjing Xinchuang and Nanjing Xihui is deemed to be a wholly owned subsidiary of the Company.

Save as disclosed above, as at 31 December 2017, none of the Directors nor chief executives of the Company held an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 December 2017, the following persons (not being Directors or chief executives of the Company) have or be deemed or taken to have interests and/or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name	Nature of Interest	Number of Shares or Underlying Shares	Approximate Percentage of Shareholding
Loyal Alliance(1)	Beneficial owner	193,200,000	18.84%
Prime Wish(1)	Beneficial owner	216,000,000	21.06%
Victory Glory(2)	Beneficial owner	120,000,000	11.70%
Properous Commitment(3)	Beneficial owner	51,600,000	5.03%
TMF Trust (HK) Limited(3)	Trustee	51,600,000	5.03%
Winner Zone(3)(4)	Trustee	104,400,000	10.18%
Ms. Guo Minfang(4)	Interest in a controlled corporation	104,400,000	10.18%
Shanghai AMVC Culture Investment Management Center (a Limited Partnership)* (上海早鳥文化投資管理中心(有限合夥))(4)	Beneficiary of a trust	104,400,000	10.18%
Shanghai AMVC Investment Management Center (a Limited Partnership)* (上海早鳥投資管理中心(有限合夥))(4)	Interest in a controlled corporation	104,400,000	10.18%
Sharp Knight(5)	Trustee	57,000,000	5.56%
Ms. Wang Rong(5)	Interest of spouse	57,000,000	5.56%
Beijing Zhongchengma(5)	Beneficiary of a trust	57,000,000	5.56%

Notes:

(1) Each of Loyal Alliance and Prime Wish is directly and wholly owned by Ms. Li Juan.

(2) Victory Glory is directly and wholly owned by Mr. Cheng Li.

(3) Properous Commitment is directly held by TMF Trust (HK) Limited, a professional trustee engaged by the Company for the operation of the Share Award Plan.

(4) Winner Zone, solely owned by Ms. Guo Minfang, holds the shares as trustee for and on behalf of Shanghai AMVC Culture Investment Management Center (a Limited Partnership) (上海早鳥文化投資管理中心(有限合夥)), the general partner of which is Shanghai AMVC Investment Management Center (a Limited Partnership) (上海早鳥投資管理中心(有限合夥)) which is in turn held as to 25% by Ms. Guo Minfang and 50% by Ms. Cao Qiongming.

(5) Sharp Knight holds the shares as trustee for and on behalf of Beijing Zhongchengma, which is wholly owned by Ms. Wang Rong, the spouse of Mr. Zhang Lake Mozi, an executive Director. Sharp Knight is directly and wholly owned by Mr. Zhang Lake Mozi, who is therefore deemed to be interested in all the shares held by Sharp Knight. Mr. Zhang Lake Mozi and Ms. Wang Rong are therefore deemed to be interested in the interests of each other.

(6) As disclosed in the prospectus of the Company, Ms Li Juan and Mr. Cheng Li, the controlling shareholders of the Company, have undertaken to maintain the shareholding interests of not less than 51% in the Company. In view of the diluting effect when the over-allotment option is exercised, Loyal Alliance, which is wholly-owned by Ms. Li Juan, has purchased in aggregate 19,200,000 shares from investors before the exercise of the over-allotment option in order to maintain the shareholding interests of not less than 51% in the Company.

Save as disclosed above, as at 31 December 2017, no person, other than the Directors of the Company whose interests and short positions are set out in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

SHARE AWARD PLAN

As stated in the Prospectus, the Company adopted a share award plan (the "Plan") within 12 months from the Listing Date, so as to recognize and appreciate the contribution of all qualified employees towards the growth and development of the Group. The Board has adopted the Plan on 6 July 2016. Mr. Hsieh Kun Tse, the non-executive Director, has transferred the entire issued share capital of Properous Commitment Holdings Limited ("Properous Commitment") which in turn holds 51,600,000 of the Shares of the Company, to the trustee at nil consideration on 8 September 2016. The trustee will hold on trust the award Shares for the benefit of the selected employees in accordance to the terms of the trust deed, until such award Shares are vested in the relevant selected employees in accordance with this Plan.

The plan is discretionary-based, and the Board has authorized the Share Award Plan Committee to manage the Plan, members of which include the controlling shareholder and executive Director Mr. Cheng Li, and the independent non-executive Director Mr. Ge Ning. Subject to the requirements of the GEM Listing Rules and all applicable laws from time to time, the Share Award Plan Committee shall make recommendations for the Board's approval. The Share Award Plan Committee shall be responsible for the administration of the Plan as well as communication with the trustee and the selected employees, including but not limited to the allocation of the award Shares to the selected employees upon obtaining such approval/authorization from the Board, and purchasing the award Shares on the market, as well as transferring the vested Shares to the selected employees. Before the vesting date, the selected employees have no right or interest in the award Shares (including the right to the dividends).

The maximum number of award Shares shall not exceed 10% of the issued share capital of the Company (including new Shares and existing Shares) from time to time, whereas the maximum number of Shares to be granted to a selected employee shall not exceed one percent (1%) of the issued share capital of the Company from time to time. The Directors have confirmed that the Company does not currently intend to issue any new Shares under the Plan. If new shares are to be issued under the Plan and assuming there are no existing shares to be used under the Plan, the maximum number of new shares to be issued will be 50,966,200 Shares as at the date of this report (taking into account of the current issued share capital of 1,025,662,000 Shares and 51,600,000 Shares held by Properous Commitment), representing approximately 4.97% of the existing issued share capital of the Company. The Company will seek a specific mandate in this regard as the grantees may be connected persons of the Company.

The Plan shall have valid and effect for ten years from the date of adoption to 5 July 2026. As at the date of this report, no Shares have been granted to qualified employees under the Plan.

For details of the Plan, please refer to the announcements of the Company dated 7 July 2016 and 14 July 2016 respectively.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 19 June 2015 (the "Share Option Scheme") for the purpose of providing incentive or rewarding eligible persons (including director or employee (whether full time or part time), consultant or advisor of our Group) for their contribution to, and continuing efforts to promote the interests of our Group and for such other purposes as the Board may approve from time to time. No share option has been granted under the Share Option Scheme since its adoption by the Company.

The Share Option Scheme became effective on the date of the Company's listing (8 July 2015) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 100,000,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme and 9.75% of the shares of the Company in issue as at the date of this annual report. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer upon payment of a nominal consideration of RMB1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options, which must be a date on which the Stock Exchange is open for business of dealing in securities; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately before the date of offer; and (ii) the nominal value of the Company is share as at the date of offer.

No share options were granted during the year ended 31 December 2017 and no share options were outstanding under the Scheme as at 31 December 2017 and 2016.

COMPLIANCE WITH QUALIFICATION REQUIREMENTS AND LAWS AND REGULATIONS

The Group's primary business is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under the present PRC laws and regulations. Accordingly, with the restriction of the current PRC laws and regulations and the implementation of local competent authorities, the Company cannot acquire Nanjing Xihui and Nanjing Xinchuang, which hold certain licenses and permits required for our primary business. As a result the Group entered into a series of contractual arrangement with Nanjing Xihui and Nanjing Xinchuang and their respective registered shareholders (the "Structured Contracts") in order to conduct the said business, and to assert management control over the operations of and enjoy the economic benefits derived from Nanjing Xihui and Nanjing Xinchuang. For details of the Contractual Arrangement, please refer to the section headed "Contractual Arrangement" of this annual report.

In addition, under the current PRC laws and regulations, a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must also demonstrate a good track record and operating experience in providing value-added telecommunications services overseas ("Qualification Requirements").

As far as the Directors are aware of, as at the date of this report, the Company has taken all reasonable steps to ensure that such Qualification Requirements are met if and when the PRC laws and competent authorities substantially allow foreign investors to invest in value-added telecommunications services in the PRC. The Company will continue to communicate with the relevant governmental authorities and provide updates where necessary.

Due to the nature of our business, the Company is significantly affected by PRC laws and regulations, including laws and regulations of telecommunications services, those relevant to advertising service, information security and privacy protection as well as intellectual property rights. As far as the Directors are aware, the Company had no material breach of any relevant laws and regulations or received any legal litigation in 2017. The Company reduced its potential legal risk through different management and monitoring systems, such as regular review of the effectiveness of internal control system, defined duty division and provided trainings to employees and management related to such laws and regulations and recruit legal adviser as professional consultant.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the Controlling Shareholders during the year ended 31 December 2017.

DEED OF NON-COMPETITION

The controlling shareholders of the Company, namely Ms. Li Juan, Mr. Cheng Li, Mr. Wu Haiming, Loyal Alliance Management Limited, Prime Wish Holdings Limited and Victory Glory Holdings Limited (the "Controlling Shareholders") have entered into a deed of non-competition (the "Deed of Non-Competition") on 19 June 2015. Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders will not and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses. Relevant information on the Deed of Non-Competition was set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus and the Deed of Non-Competition became effective since the Listing Date.

The Company has received confirmations from the Controlling Shareholders of their compliance with the terms of the Deed. The Controlling Shareholders declared that they have fully complied with the Deed of Non-Competition for the year 2017. The independent non-executive directors have reviewed the confirmations from the Controlling Shareholders and concluded that the Deed of Non-Competition has been complied with and has been effectively enforced.

DIRECTORS, CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

None of the Directors, Controlling Shareholders and substantial Shareholders or their respective associate had material interest in any business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2017.

CONNECTED TRANSACTIONS

As disclosed in the section headed "Contractual Arrangement" in this annual report, the business operations of the PRC Contractual Entities constitute a business restricted to foreign investment in the PRC, therefore, we cannot directly acquire equity interests in the PRC Contractual Entities. As a result, our Group has entered into Structured Contracts narrowly tailored to provide our Group with control over the PRC Contractual Entities and grant our Group the right to acquire the equity interests of the PRC Contractual Entities when and to the extent permitted by the PRC laws and regulations. Under the Contractual Arrangement, our Group supervises and controls the business operations of the PRC Contractual Entities and derives economic benefit from the PRC Contractual Entities.

The independent non-executive Directors of the Company have, for the purpose of Rule 20.53 of the GEM Listing Rules, reviewed the continuing connected transactions set out above and confirmed that these continuing connected transactions have been entered into by the Group (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders as a whole.

Moreover, our independent non-executive Directors have reviewed the Contractual Arrangement and confirmed that: (i) the transactions carried out during the year ended 31 December 2017 have been entered into in accordance with the relevant provisions of the Contractual Arrangement so that the revenue generated by the PRC Contractual Entities have been mainly retained by our Group; and (ii) no dividends or other distributions have been made by the PRC Contractual Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

Ernst & Young, the Company's auditor, were engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. After performing the procedure related to continuing connected transactions, Ernst & Young confirmed that:

a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

b. nothing has come to our attention that causes us to believe that the transactions carried out during the year ended 31 December 2017 have not been entered into in accordance with the relevant provisions of the Contractual Arrangement as defined in the Company's prospectus dated 30 June 2015 (the "Prospectus") under the Structured Contracts (as defined in the Prospectus).

c. nothing has come to our attention that causes us to believe that dividends or other distributions have been made by Nanjing Xinchuang Micro Electromechanical Technology Company Limited and Nanjing Xihui Information Technology Company Limited (the "PRC Operating Entities") to the holders of its sponsor's interests which are not otherwise subsequently assigned or transferred to the Group.

Ernst & Young have issued their letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONTRACTUAL ARRANGEMENT

Nanjing Xihui is deemed to be a wholly-owned subsidiary of our Company pursuant to the Contractual Arrangement and is principally engaged in the provision of marketing and promotional services the licensing of smart-hardware devices. It was established as a limited liability company in the PRC on 24 May 2013.

Nanjing Xinchuang is deemed to be a wholly-owned subsidiary of our Company pursuant to the Contractual Arrangement and is principally engaged in the provision of marketing and promotional services and e-commerce business. It was established as a limited liability company in the PRC on 14 April 2005.

Summary of the information in relation to the Contractual Arrangement and the Operating Companies are as follows.

1. The PRC Contractual Entities (Nanjing Xihui and Nanjing Xinchuang)

1.1 Information on the Operating Companies and their Registered Owners

Nanjing Xinchuang and Nanjing Xihui are deemed to be the wholly-owned subsidiaries of the Company pursuant to the Contractual Arrangement.

The registered shareholders of Nanjing Xinchuang and Nanjing Xihui are Ms. Li Juan and Mr. Cheng Li, holding 85% and 15% of their interest respectively (the "Relevant Shareholders").

1.2 Business Overview of the Operating Companies

Nanjing Xihui is principally engaged in the provision of marketing and promotional services the licensing of smart-hardware devices.

Nanjing Xinchuang is principally engaged in the provision of marketing and promotional services and e-commerce business.

The PRC Contractual Entities hold certain licences and permits required for the operation of abovementioned principal business (including the value-added telecommunications business operation Licence(s); referred to as the "Internet Content Provider Licence(s)" "(ICP Licence(s))". Our WFOE, namely Nanjing Xibai, solely or jointly with Khorgos Xizhi ("Khorgos Xizhi Information Technology Company Limited", a WFOE established in China in June 2017) (Nanjing Xibai and Khorgos Xizhi are collectively referred to as "Contractual Control Entities"), entered into the Contractual Arrangement with our PRC Contractual Entities and the Relevant Shareholders (being the registered shareholders of our PRC Contractual Entities) in order to conduct the Principal Business in the PRC and to assert management control over the operations of, and enjoy all economic benefits of, each of our PRC Contractual Entities.

Pursuant to the Guiding Catalogue for Foreign Investment Industries (Amended in 2015)(外商投資產業指導目錄(2015年修訂)) jointly promulgated by the National Development and Reform Commission of the People's Republic of China and the MOFCOM on 10 March 2015, which took effect on 10 April 2015, a foreign investor is prohibited from owning more than 50% of the equity interest in a PRC entity that provides value-added telecommunications services (excluding e-commerce).

We are primarily engaged in operation of online platform focusing on the CBM market (the "Principal Business"), which is considered to be value-added telecommunications services, a sector where foreign investment is subject to significant restrictions under PRC laws and regulations. Accordingly, we cannot acquire equity interest in Nanjing Xihui and Nanjing Xinchuang (the "PRC Contractual Entities"), which hold certain licences and permits required for the operation of our Principal Business.

As a result, our Contractual Control Entities, entered into the Contractual Arrangement with our PRC Contractual Entities and the Relevant Shareholders (being the registered shareholders of our PRC Contractual Entities) in order to conduct the Principal Business in the PRC and to implement management control over the operations of, and enjoy all economic benefits of, each of our PRC Contractual Entities. Pursuant to the Contractual Arrangement, all substantial and material business decisions of the PRC Contractual Entities will be instructed and supervised by our Group, through the Contractual Control Entities, and all risks arising from the business of the PRC Contractual Entities are also effectively borne by the Contractual Control Entities.

1.3 Summary of the Major Terms of the Structured Contracts under the Contractual Arrangement

Business Cooperation Agreement

Nanjing Xibai entered into a business cooperation agreement with our PRC Contractual Entities and the Relevant Shareholders on 30 December 2014 (the "Business Cooperation Agreement"), which was renewed by the Contractual Control Entities and the PRC Contractual Entities and relevant shareholders on 12 September 2017, pursuant to which the Contractual Control Entities, our PRC Contractual Entities and the Relevant Shareholders agreed to enter into the Structured Contracts for the establishment of business cooperation among the parties and implementation of the Contractual Arrangement, and the Contractual Control Entities agreed to provide various services such as management consultancy, technology and software research and development, technical consultation, promotion planning and market promotion necessary for the operations of our PRC Contractual Entities and our PRC Contractual Entities agreed to pay service fees to the Contractual Control Entities according to the Structured Contracts.

The Business Cooperation Agreement provides, among others, that:

- each of our PRC Contractual Entities and the Relevant Shareholders has agreed, among others:
  - to follow recommendations of the Contractual Control Entities on the day-to-day management of our PRC Contractual Entities;
  - to cause persons recommended by the Contractual Control Entities to be elected as the board members or assume senior management positions of our PRC Contractual Entities; and
  - any dividends and other distributions of our PRC Contractual Entities payable to the Relevant Shareholders, shall be unconditionally paid to the Contractual Control Entities.
- each of our PRC Contractual Entities and the Relevant Shareholders has undertaken not to, without the prior written consent of the Contractual Control Entities or its designated person(s), among others:
  - engage in activities outside their normal business scopes or change their modes of business operation;

- incur any indebtedness over a certain threshold amount;
- remove or change the directors, supervisors or senior management of our PRC Contractual Entities or their subsidiaries;
- dispose of, transfer, lend, authorize the use of, or create any encumbrance over any material assets or rights of our PRC Contractual Entities or their subsidiaries to any third party other than the Contractual Control Entities or its designated person(s), or purchase any material assets or rights from any third party;
- dispose of any equity interest of our PRC Contractual Entities or their subsidiaries to any third party other than the Contractual Control Entities or its designated person(s), or alter their registered capitals or shareholding structures;
- alter the articles of association or business scope, or any important internal policies and rules of our PRC Contractual Entities or their subsidiaries;
- enter into any contract except those entered in the ordinary course of business;
- declare any dividend;
- conduct any activity which may adversely affect the ability of our PRC Contractual Entities or their subsidiaries to make payment to the Contractual Control Entities; and
- transfer any rights under the Business Cooperation Agreement or other underlying agreements to the Contractual Arrangement to, or enter into similar contractual arrangement with, any third party other than the Contractual Control Entities or its designated person(s).

The Business Operation Agreement became effective upon execution and shall, subject to the applicable PRC laws or regulations, be effective for an indefinite period unless (a) the Contractual Control Entities has acquired the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by the Contractual Control Entities by giving 30-day prior notice.

Exclusive Technology Service and Management Consultation Agreement

Nanjing Xibai entered into exclusive technology service and management consultation agreement with our PRC Contractual Entities on 30 December 2014 (the "Exclusive Technology Service and Management Consultation Agreement"), which was renewed by the Contractual Control Entities and the PRC Contractual Entities and relevant shareholders on 12 September 2017, pursuant to which our PRC Contractual Entities agreed to engage the Contractual Control Entities as their exclusive provider of technical and management consulting services and other technology and consultancy services requested by our PRC Contractual Entities to support their operations from time to time to the extent permitted under PRC laws in exchange for service fees.

The technical services provided include:

- development of computer and mobile device software;
- webpages and websites design, monitoring, testing and debugging;
- management of information systems;
- provision of technical supports;
- provision of technological consultation services;

– provision of technical training;

– engagement of technical staff to provide on-site technical guidance; and

– other technical services as reasonably requested by our PRC Contractual Entities.

The management consultation services provided include:

– formulation of management models and business plans;

– formulation of market development plans;

– provision of market information and customer resources information;

– market research and analysis;

– staff training;

– establishment of sales networks; and

– other services as reasonably requested by our PRC Contractual Entities.

The Exclusive Technology Service and Management Consultation Agreement also provides that the Contractual Control Entities has the exclusive proprietary rights to all intellectual property rights developed or created by the Contractual Control Entities or our PRC Contractual Entities during the performance of the Exclusive Technology Service and Management Consultation Agreement.

According to the Exclusive Technology Service and Management Consultation Agreement, our PRC Contractual Entities shall pay service fees to the Contractual Control Entities every six months as calculated by the Contractual Control Entities based on the financial conditions of our PRC Contractual Entities. In the premises of compliance with the PRC laws and regulations, the service fees are equal to the profits of our PRC Contractual Entities after deducting losses in previous years, necessary operating costs, expenses and taxes. The services fees are subject to the Contractual Control Entities's adjustment taking into account the actual situations of provision of services and our PRC Contractual Entities' operating status and development needs.

The Exclusive Technology Service and Management Consultation Agreement became effective upon execution and shall, subject to the applicable PRC laws or regulations, be effective for an indefinite period unless (a) the Contractual Control Entities's acquiring the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by the Contractual Control Entities by giving 30-day prior notice.

Shareholders' Rights Entrustment Agreement

Nanjing Xibai entered into a shareholders' rights entrustment agreement with our PRC Contractual Entities and the Relevant Shareholders on 30 December 2014 (the "Shareholders' Rights Entrustment Agreement"), pursuant to which the Relevant Shareholders irrevocably authorized Nanjing Xibai to exercise their shareholders' rights in our PRC Contractual Entities, including attending shareholders' meetings and exercising voting rights and dividend distribution rights. Nanjing Xibai is authorized to exercise any of the shareholders' rights without consulting or obtaining the consent of the Relevant Shareholders. Furthermore, Nanjing Xibai is entitled to authorize other individuals to exercise the shareholder's rights within the scope authorized by the Relevant Shareholders.

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Relevant Shareholders also entered into a power of attorney on the same date of the agreement (the "Powers of Attorney"). Pursuant to the Powers of Attorney, each of the Relevant Shareholders irrevocably appoints Nanjing Xibai or its designated persons to be appointed by it at its sole discretion to act as his/her/its exclusive attorney on his/her/its own behalf to exercise all rights in connection with matters concerning his/her/its rights as shareholder of our PRC Contractual Entities, including but not limited to:

– convening and attending shareholders' meetings of our PRC Contractual Entities, and exercising shareholder's voting rights with regard to all matters discussed and resolved during the shareholders' meetings;

– executing shareholders' meeting records, resolutions and other legal documents of our PRC Contractual Entities;

– directing the directors and legal representatives of our PRC Contractual Entities to act according to the intentions of Nanjing Xibai;

– exercising all other shareholders' rights under the constitutional documents of our PRC Contractual Entities;

– handling registration matters of our PRC Contractual Entities with the responsible registration authorities; and

– disposing and dealing with the equity interests of our PRC Contractual Entities held by the Relevant Shareholders.

The Shareholders' Rights Entrustment Agreement became effective upon execution and shall remain effective during the continuance of our PRC Contractual Entities. It shall be (a) automatically terminated upon Nanjing Xibai's acquiring the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

Equity Interest Pledge Agreement

Our PRC Contractual Entities, the Relevant Shareholders and Nanjing Xibai entered into equity interest pledge agreements on 30 December 2014 (the "Equity Interest Pledge Agreement"), pursuant to which the Relevant Shareholders granted a first priority of security interest in their respective interests in the registered capitals of our PRC Contractual Entities. Under the Equity Interest Pledge Agreement, the Relevant Shareholders agreed to pledge all their respective equity interests in our PRC Contractual Entities to Nanjing Xibai, as a security interest, to guarantee the performance of contractual obligations and the payment of outstanding debts of the Relevant Shareholders and our PRC Contractual Entities under the Business Cooperation Agreement, the Exclusive Technology Service and Management Consultation Agreement, the Shareholders' Rights Entrustment Agreement and the Exclusive Option Agreement.

The Equity Interest Pledge Agreement became effective after execution and shall remain valid until all the contractual obligations of the Relevant Shareholders and our PRC Contractual Entities under the Contractual Arrangement have been fully performed and all the outstanding debts of the Relevant Shareholders and our PRC Contractual Entities under the Contractual Arrangement have been fully paid. The Equity Interest Pledge Agreement shall also be terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

Exclusive Option Agreement

Our PRC Contractual Entities and the Relevant Shareholders entered into exclusive option agreement with Nanjing Xibai on 30 December 2014 (the "Exclusive Option Agreement"). Pursuant to the Exclusive Option Agreement, among others:

- The Relevant Shareholders irrevocably granted the exclusive right to Nanjing Xibai to require the Relevant Shareholders to transfer their equity interests in our PRC Contractual Entities to Nanjing Xibai, or such entities or individuals designated by Nanjing Xibai as and when permitted by the PRC laws for a nominal consideration of RMB1.00 or the lowest value permitted by law.

- Our PRC Contractual Entities irrevocably granted the exclusive right to Nanjing Xibai to acquire the assets in whole or in part from our PRC Contractual Entities, in its favour or in favour of such entities or individuals designated by Nanjing Xibai as and when permitted by the PRC laws for a nominal consideration of RMB1.00 or lowest value permitted by law.
- The rights may be exercised at any time within the effective period of the Exclusive Option Agreement. The Exclusive Option Agreement became effective upon execution and shall remain effective during the continuance of our PRC Contractual Entities. It shall be (a) automatically terminated upon acquiring by Nanjing Xibai or its designated entities the entire equity interests or assets of our PRC Contractual Entities pursuant to its rights under the Exclusive Option Agreement; or (b) terminated unilaterally by Nanjing Xibai by giving 30-day prior notice.

Spouse Undertakings

The spouse of each of the Relevant Shareholders has signed an undertaking on 30 December 2014 ("Spouse Undertakings"). Pursuant to the Spouse Undertakings, each of the spouses of the Relevant Shareholders irrevocably undertakes that:

(i) the spouse has been made fully aware of the Contractual Arrangement and consented that such Relevant Shareholder is the sole beneficiary of all the rights and interests and solely assumes obligations under the Contractual Arrangement;

(ii) all the equity interests held by such Relevant Shareholder in our PRC Contractual Entities shall be deemed as assets solely owned by such Relevant Shareholder, not mutual assets jointly owned by him/her and the related Relevant Shareholder, and the Relevant Shareholder shall be entitled to dispose of the equity interests in accordance with the Contractual Arrangement without his/her consent;

(iii) the spouse will not claim any interests or rights in the equities or assets of our PRC Contractual Entities; and

(iv) in the event that the spouse obtains any interests in our PRC Contractual Entities, he/she will be subject to and abide by the terms of the Contractual Arrangement as if he/she was a signing party to such Contractual Arrangement, and at the request of Nanjing Xibai he/she will sign any documents in the form

2. Revenue and Assets in relation to the Contractual Arrangement

During the year ended 31 December 2017, revenue attributable to the PRC Contractual Entities (i.e. the Contractual Arrangement) was approximately RMB91.1 million. During the year ended 31 December 2017, the total asset and net asset attributable to the PRC Contractual Entities was approximately RMB110.1 million and RMB28.9 million respectively.

3. Risks Related to our Contractual Arrangement

Risks Related to our Contractual Arrangement

There is no assurance that the Contractual Arrangement with the PRC Contractual Entities will be deemed by the relevant governmental and judicial authorities to be in compliance with existing PRC laws and regulations or that it will be in compliance with future PRC laws and regulations, including but not limited to the new draft of the Foreign Investment Law（中華人民共和國外國投資法）.

We believe that the Structured Contracts and such Contractual Arrangement with the PRC Contractual Entities does not infringe existing PRC laws and regulations or other mandatory requirements under PRC law. However, there can be no assurance that the Contractual Arrangement will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing PRC laws and regulations or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that such Contractual Arrangement would be deemed to be in compliance of the PRC laws and regulations.

PRC regulations currently limit foreign ownership in PRC companies that provide value-added telecommunication services (excluding on-line data processing and transaction processing services, also called operating e-commerce), which include operating the Internet content platform, to 50%. In addition, foreigners and wholly-foreign owned enterprises are currently not eligible to apply for required licences for operating the Internet content platform in the PRC (excluding a limited number of sectors for wholly-foreign owned enterprises located in Shanghai Free Trade Zone). We are a limited liability company incorporated in the Cayman Islands and we conduct our operations mainly in the PRC through the Contractual Control Entities, our indirectly wholly-owned subsidiary. We and the Contractual Control Entities are foreigners and wholly-foreign owned enterprises under PRC laws and accordingly are ineligible to apply for the relevant licences to operate the Internet content platform. In order to comply with foreign ownership restrictions, our business in the PRC are mainly operated through the PRC Contractual Entities. As a result of the Contractual Arrangement, our Group is able to govern the financial and operating policies of the PRC Contractual Entities and to obtain substantially all economic benefits from the activities conducted by the PRC Contractual Entities. The rest of the economic benefits are retained by the PRC Contractual Entities as general working capital for their operation. Accordingly, the financial position and operating results of the PRC Contractual Entities are included in our Group's consolidated financial statements as if they are our Group's subsidiaries.

In addition, the MII Notice issued in July 2006 requires that ICP licence holders or their shareholders directly own the domain names and trademarks used by such ICP licence holders in their daily operations. The MII Notice further requires each ICP licence holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its licence. In addition, all the value-added telecommunication service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. The MII Notice prohibits ICP licence holders from leasing, transferring or selling its ICP licence to any foreign investors in any form, or providing any resource, sites or facilities to any foreign investors for their illegal operation of telecommunications business in the PRC. The MII Notice has imposed a more stringent regulatory environment on foreign investment in value-added telecommunication business, which introduces an increased risk of the Contractual Arrangement being challenged by the relevant PRC regulatory authorities. Therefore, we, cannot rule out the possibility that the relevant PRC regulatory authorities may require that we unwind the Contractual Arrangement as a result of their increased attention on companies such as ours following the introduction of the MII Notice.

In addition, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. We are aware of a press articles which reported that a Supreme People's Court ruling in October 2012 and two arbitral decisions from SIETAC in 2010 and 2011 invalidated certain contractual agreements which were considered to be entered into with the intention of circumventing foreign investment restrictions in the PRC in contravention of the PRC Contract Law and the General Principles of the PRC Civil Law（民法通則）. It has been further reported that these court ruling and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted businesses in the PRC and (ii) the incentive for shareholders of the PRC Contractual Entities under such contractual structures to renege on their contractual obligations.

Pursuant to Section 52 of the PRC Contract Law, a contract is void under any of the following circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and therefore damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. If the Contractual

Arrangement with the PRC Contractual Entities and its equity holder are adjudicated to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- the nullification of the Contractual Arrangement;
- imposing economic penalties and/or confiscating the proceeds generated from the operation under the Contractual Arrangement;
- discontinuing or restricting operations of the Contractual Control Entities and/or Nanjing Xihui and/or Nanjing Xinchuang;
- imposing conditions or requirements with which the Contractual Control Entities and/or Nanjing Xihui and/or Nanjing Xinchuang may not be able to comply;
- requiring us to restructure the relevant ownership structure or operations;
- taking other regulatory or enforcement actions that could be harmful to our business; and
- revocation of business licences and/or the licences of the Contractual Control Entities and/or Nanjing Xihui and/or Nanjing

Furthermore, in January 2015, the MOFCOM published the new draft of the Foreign Investment Law（中華人民共和國外國投資法）(the "Draft New Law") for public comment, which if finally adopted, will have significant impact on the foreign investment regime of the PRC. Specifically, the Draft New Law introduces a new standard in defining the nature of a domestic enterprise. An onshore enterprise will no longer be deemed as a foreign-invested enterprise even if its immediate shareholders involve foreign individuals or foreign entities, as long as such enterprise's ultimate control person(s) is/are solely PRC investors, upon the competent authorities' approval. The Draft New Law was accompanied by the MOFCOM's notes (the "Notes") on, among others, the background, guidelines and principle, and main content of the Draft New Law and elaboration on several issues including the treatment of existing contractual arrangement which has established before the effectiveness of the Draft New Law. As a number of legislative stages have to be undergone before promulgation and implementation, the new Foreign Investment Law (the "New Foreign Investment Law") has not be formally promulgated and implemented so far.

As advised by the Company's PRC Legal Advisers, as of the date of this annual report, the Draft New Law and the Notes are both drafts without any legal effect and have been released for the purpose of public consultation, and a number of legislative procedures have to be undergone before the promulgation and implementation of the new Foreign Investment Law. Given this, there is uncertainty as to the potential impact of the Draft New Law. Under the Notes, MOFCOM proposed three possible ways, namely the reporting, verification or approval regimes, to deal with existing contractual arrangements that has been established before the New Foreign Investment Law taking effect and operates restricted or prohibited foreign-entry areas of business. It is not certain which one of the three possible regimes will be finally adopted in the New Foreign Investment Law. Based on the Draft New Law, if the ultimate control person of the contractual arrangements is a PRC investor, depending on which regime is finally adopted, then by reporting to, verification or approval by MOFCOM, such contractual arrangements can continue to operate. Considering the abovementioned analysis and based on the facts that our Group is currently participating in a restricted industry category for foreign investment and Ms. Li Juan and Mr. Cheng Li, our Controlling Shareholders, are PRC investors as defined under the Draft New Law subject to the New Foreign Investment Law and relevant interpretations and regulations to be formally promulgated and implemented by MOFCOM in the future, if the Draft New Law and the Notes take effect in its current form and content, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such forms and contents, the Contractual Arrangement will likely be permitted to continue, and the risk that our Group will be prohibited from retaining its Contractual

Arrangement or the PRC Contractual Entities are prohibited from continuing their business operations is relatively low. On the premises, and subject to other amendments before its formal promulgation and implementation, the Draft New Law will have minimal impact on the Contractual Arrangement and the control over the PRC Contractual Entities by our Group and the operations of our Group as a whole. However, we cannot exclude the possibility that MOFCOM may have contrary or different interpretation of the Draft New Law and the Notes, and there may be amendments to the Draft New Law and the Notes before formal promulgation and implementation of the New Foreign Investment Law which may have material adverse impact on our Group at the time when the New Foreign Investment Law becomes effective. There is uncertainty as to whether our Group will be treated as domestic investment based on the New Foreign Investment Law. In the event our business is not regarded as being held by PRC investors and still belongs to the restricted or prohibited category under the New Foreign Investment Law or other future PRC laws and regulations including industry policies and regulations and practice of industry competent authorities, in the worst case scenario, we have to unwind the Contractual Arrangement and discontinue our business under contractual arrangements, which contributes substantially to our revenue. As a result, we may be forced to dispose of our principal business to comply with such regulatory requirements and our Company will not be sustainable.

Any of these actions and situations may have a material adverse effect on our business, financial condition and results of operations. In addition, if the imposition of any of these consequences causes us to lose the rights to direct the activities of the PRC Contractual Entities or our right to receive its economic benefits, we would no longer be able to consolidate the financial results of the PRC Contractual Entities.

Ms. Li Juan and Mr. Cheng Li have given an undertaking (the "Undertaking") to our Company, and our Company has agreed with the Stock Exchange to enforce such Undertaking, that during the subsistence of the Contractual Arrangement, each of them will use his/her best efforts to do and procure our Company to do all such possible acts which are necessary to give effect to the Contractual Arrangement and/or to enable the continuation of business operations of the PRC Contractual Entities as a result of any impact due to the promulgation and implementation of the New Foreign Investment Law and other future laws and regulations, including without limitation:

(i) he/she will not dispose any of his/her interests in our Company (including without limitation procure our Company not to issue and allot any Shares) such that they together would hold (or their aggregate shareholdings be diluted to) less than 51% of the issued share capital of our Company or would otherwise cease to control our Company for the purposes of the New Foreign Investment Law; and

(ii) he/she will maintain his/her PRC nationality so as to be qualified as a "PRC investor" as defined under the Draft New Law,

save that they may transfer their interests in our Company to "PRC investor(s)" (the "Transferee(s)") who alone or together as parties acting in concert (where applicable) will be "ultimate control persons" as defined under the Draft New Law and hold not less than 51% of the then issued share capital of our Company, and against the Transferee(s) giving an undertaking to our Company with similar effect to the Undertaking. Prior to such transfer(s), Ms. Li Juan and Mr. Cheng Li shall demonstrate to the satisfaction of our Company and the Stock Exchange that PRC investor(s) will be the ultimate control persons of our Company as defined under the Draft New Law.

The Undertaking is solely for the purpose of the New Foreign investment Law when the said law becomes effective and the Undertaking will only be terminated if it is not required to comply with the New Foreign Investment Law and Ms. Li Juan and Mr. Cheng Li have demonstrated to the satisfaction of our Company and the Stock Exchange that our Company is no longer required to comply with the New Foreign Investment Law.

Furthermore, the following control arrangements will be in place to further ensure the compliance of the Undertaking after Listing:

(i) the Shares held by the ultimate control persons who are PRC investors which shall account for not less than 51% of the issued share capital of our Company, namely, the Shares held by Ms. Li Juan (through Loyal Alliance and Prime Wish) and Mr. Cheng Li (through Victory Glory) upon Listing and the Shares held by the subsequent Transferee(s) will not be deposited into CCASS but will be held in the form of physical certificates; and

(ii) we have instructed our Hong Kong Share Registrar, Tricor Investor Services Limited ("Tricor"), not to register any subscription, purchase and transfer of Shares unless and until our Company is satisfied that the same will not result in a breach of the Undertaking.

We consider that with the assistance of Tricor, it is unlikely that the Undertaking will be breached resulting in the shareholding ultimately controlled by PRC investors to fall below 51%. If for whatever reason that the Undertaking is breached, our Company as well as other interested parties such as public shareholders through our Company can claim against the defaulting entities for remedies including without limitation injunctive actions for rescission of the transfers in breach of the Undertaking to the extent available. We are therefore of the view that the Undertaking together with the abovementioned arrangements are sufficient to ensure that the ultimate control by PRC investors is maintained. However, there is a risk that the Company's public shareholders may not be able to successfully claim against the defaulting parties for breach of the Undertaking.

Our PRC Legal Advisers are of the view that if the New Foreign Investment Law finally takes the form and content of the Draft New Law and the Notes, and the competent authorities interpret and implement the Draft New Law strictly in accordance with such form and content, the Contractual Arrangement will likely be permitted to continue, and the risk that our Group will be prohibited from sustaining its Contractual Arrangement or the PRC Contractual Entities will be prohibited from continuing their business operations is relatively low.

We rely on the PRC Contractual Entities to provide certain services that are critical to our business and the breach or termination of any of our service agreements with the PRC Contractual Entities or any failure of or significant quality deterioration in these services could materially adversely affect our business, financial condition and results of operations.

We rely on the PRC Contractual Entities to provide certain services to our customers that are critical to our business, such as the operation of our Platform. Since we only control the PRC Contractual Entities through the Contractual Arrangement, we face certain risks with respect to our arrangements with the PRC Contractual Entities and the performance of the arrangement by the PRC Contractual Entities. If the PRC Contractual Entities were to breach any of its obligations under the Contractual Arrangement, we may not be able to find a suitable alternative service provider or be able to establish and operate our platform in a legal or timely manner. The breach by the PRC Contractual Entities of any of the Contractual Arrangements could materially adversely affect our business, financial condition and results of operations.

We depend upon the Contractual Arrangement with the PRC Contractual Entities in conducting our operations and receiving payments through the PRC Contractual Entities, which may not be as effective in providing operational control as direct ownership.

We have no equity ownership interest in the share capital of the PRC Contractual Entities, and conduct substantially our operations, and generate substantially our revenues, through the Contractual Arrangement, which may not be as effective in providing us with control over the PRC Contractual Entities as if they were direct wholly-owned subsidiaries.

The Contractual Arrangement is governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. If any of the PRC Contractual Entities or any of the Relevant Shareholders fails to perform its obligations under the Contractual Arrangement, we may have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot be sure would be effective. The legal environment in the PRC is not, however, as developed as in other jurisdictions. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangement.

In addition, any suits, arbitration or any other form of legal or dispute resolution proceedings against the Relevant Shareholders may require all assets held by such shareholder to be kept under court custody during the proceedings. If such were the case, there is no assurance that the equity interests held by such shareholders in the PRC Contractual Entities can be transferred to our Group in accordance with the Contractual Arrangement.

Certain terms of the Structured Contracts under the Contractual Arrangement may not be enforceable under PRC laws.

The Contractual Arrangement provides for dispute resolution by way of arbitration in accordance with the arbitration rules of SIETAC in Shanghai, the PRC. The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of our PRC Contractual Entities, injunctive relief and/or winding up of our PRC Contractual Entities. In addition, the Contractual Arrangement contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal or in other appropriate cases.

However, the abovementioned provisions contained in the Structured Contracts may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in the PRC Contractual Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangement.

The PRC laws allow an arbitral body to award the transfer of assets of, or an equity interest in, the PRC Contractual Entities in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against the PRC Contractual Entities as interim remedies to preserve the assets or shares in favour of any aggrieved party. Even though the Contractual Arrangement provides that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that the PRC Contractual Entities or any of its shareholders breaches any of the Contractual Arrangement, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over the PRC Contractual Entities and conduct our business as well as our financial conditions and results of operations could be materially and adversely affected.

4. No Material Change

Save as disclosed above, as at the date of this annual report, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

5. Unwinding of Contractual Arrangements

It is the intention of the Group to unwind the Contractual Arrangement when foreign investment in value-added telecommunication services is no longer restricted in the PRC.

However, as at the date of this report, there is no unwinding of any of the Contractual Arrangement or failure to unwind when the restrictions that led to the adoption of the Contractual Arrangements are removed.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Company during the reporting period are set out in note 31 to the financial statements. The Company confirms that such related party transactions does not fall under the definition of connected transaction or continuing connected transaction in Chapter 20 of the GEM Listing Rules and therefore it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The details of remuneration of directors and senior management of the Company are set out in the notes 8 and 9 to the financial statements.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2017, pursuant to the Articles of Association of the Company, the Directors were indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they might incur in connection with the execution of their duty.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

RISKS AND UNCERTAINTIES

Our Group believes that there are certain risks and uncertainties in our operations, some of which are beyond the Group's control, including:

(i) The Group is unable to guarantee that the Contractual Arrangement with the PRC Contractual Entities will be deemed by the relevant governmental and judicial authorities to be in compliance with existing PRC laws and regulations or that it will comply with future PRC laws and regulations, including but not limited to the new draft of the Foreign Investment Law of PRC（中華人民共和國外國投資法）;

Our directors have already formulated monitoring measures and examine the risk evaluation and report regularly, the details of which are set out in the Contractual Arrangement.

(ii) We rely on our major customers during the track record period and new businesses may not be successfully developed and introduced going forward;

The future revenue of the Group relies significantly on the marketing and promotional services provided, however the provision of such services is subject to many uncertainties and may cause our revenue to decline.

Since the operational environment in the Internet industry has never-ending changes and improvements, we believe we should timely keep track of the industry, market and customer demands development to review our business strategies. We jointly make investigation and assessment with industry experts and partners in addition to monitoring the market and industry by ourselves.

We optimize our sales and promotion models constantly through innovation to satisfy the demand of existing customers and explore new customers at the same time.

The group will develop diversified business actively to anticipate comprehensive earnings. We will continue to propel cross-border integration strategy and formulate project management system to explore high-quality cooperation partners and projects.

Research and development of technology is our significant support in business development. We analyze our customers' behaviors more precisely through big data and intellectual technology. We have management system in place for technological research and development, so as to facilitate effective business development through technology.

ENVIRONMENTAL POLICY AND PERFORMANCE

We keep on enhancing our operation in the environment, society and governance, corporate governance and risk management aspects to create and provide sustainable values for all stakeholders. In view of our business nature, we are not aware of any environmental laws and regulations that have material impact on the Group. However, the Group will continue to adopt measures in low-carbon works, green procurement and encourage environmental protection actions for the market and the society. Meanwhile, we encourage employees to be responsible for environment from their behaviors. During the year, the Group performed its corporate citizen responsibility actively through rendering community services, organizing public welfare activities and made social donations. Meanwhile, we also encourage employees and more individuals to participate in public welfare activities. The details regarding the sustainable development of our market promotion, work environment, community and environment are set out in the section under the Environment, Social and Governance Report, which was reviewed by our directors.

EMPLOYEES, MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for 49% of the Group's total sales and the sales attributable to the Group's largest customer was approximately 13% of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers were approximately 74% of the Group's total purchases and the purchase attributable to the Group's largest supplier was approximately 25% of the Group's total purchases.

As far as the Directors are aware, none of the directors or any of their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had beneficial interests in the Group's top five suppliers or customers referred to above.

The Group adopts people-oriented approach, provides employees with reasonable working rewards and continues to improve systems in salary and benefits, training, professional health and safety to retain talents. The Group maintains good relationship with customers and establishes channels for solving customers' problems and giving feedback to ensure the quality of service. The Group also maintains good relationship with suppliers and conducts fair and strict review about suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the GEM Listing Rules.

DONATION

During the Year, the Company made total donations amounting to RMB1,800,000.

PROFESSIONAL TAX ADVICE

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

AUDITOR

Ernst & Young will retire at the forthcoming annual general meeting and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. There's no change in auditor in the preceding three years.

By the order of the Board
China Parenting Network Holdings Limited
Cheng Li
Executive Director and Chief Executive Officer

Hong Kong, 29 March 2018

REPORT FRAMEWORK AND SCOPE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Group was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") set out in Appendix 20 of the GEM Listing Rules and primarily reported on the performance of the Group in the area of environmental and social responsibilities in 2017.

Unless otherwise specified, this reporting period and the report scope covered included all consolidated subsidiaries from 1 January 2017 to 31 December 2017. The report covers our businesses, namely (i) provision of marketing and promotional service; (ii) e-commerce business; and (iii) licensing of smart-hardware devices. Our principal places of operation are offices rented in Nanjing, China and Hong Kong, China.

Adhering to the corporate philosophy of "integrity, professional, dedication and persistence", the Group gives back to society in good faith and promotes the core parenting values centring on health, happiness, self-confidence, effective and convenience. Its efforts in fulfilling responsibilities to the environment and society form the cornerstone of its development strategy, operation and management in its pursuit of harmonious, long-term and sustainable development with society, environment and economy.

STAKEHOLDERS AND SIGNIFICANT ISSUES ASSESSMENT

We place great emphasis on the communication with stakeholders and their expectation regarding our environmental and social responsibilities. We have a wide range of channels in place to increase stakeholder engagement in business strategy planning, including but not limited to on-going dialogues, conferences and training courses. Meanwhile, we will also maintain active and honest communication with stakeholders to meet with their expectation and requirement, for the purpose of effectively balancing the expectations, opinions and objectives of all parties and maximizing their long-term best interests.

- **Stakeholders**

Users/customers	User/customer events Protection and management of customer/customer information Honest commercial practices
Shareholders/investors	Shareholders' meetings Annual reports, financial reporting and announcements Direct communication Group website Financial results Sustainable business development Investment and contribution to society Corporate transparency
Employees	Training courses Work-life balance` Charity and community works Meetings and close communication Periodic performance review Career development planning Health and safety Remuneration and benefit Equal opportunity
Governments/regulators	Direct communication Compliance management Conference Policy compliance Business development strategy Local regulations and actual practices Business ethics Public engagement
Suppliers	Site visits and evaluation Close communication Order/contract execution Corporate reputation Product quality Environmental responsibilities
Community	Promoting employment Volunteer activities Investment and donation to community Contribution to society Environmental responsibilities

ENVIRONMENT

The Group values management of environment. It recognizes the importance of sustainable environmental development to on-going business operation. During the course of business, it introduces the concept of environmental protection, complies with the requirements of local regulatory authorities and specific guide in the industry and is committed to the social responsibility of protecting environment as a corporate. Our environmental protection policies advocate low-carbon office, green procurement and promotion of environmental protection to the market and society. As the Group is an internet corporate, its operation has relatively small impact on environment.

In 2017, to the best knowledge of the Group, it had no material non-compliance matter in connection with relative standards, rules and regulations.

- ### Carbon Dioxide Emissions

In 2017, we had no major connection with exhaust emissions, and no relevant laws and regulations had a significant impact on the Group should they need to be complied with.

The Group's main emission during the normal course of business was carbon dioxide from electricity consumption indirectly in the daily course of business and operation activities. Our direct power consumption mainly comes from offices and machine rooms in the properties where the Group's business operations are located. We calculated the data of carbon dioxide emissions indirectly produced according to the electricity bill provided by the properties. As reviewed by the Group, the carbon dioxide emissions of the Group during the reporting period were as follows:

Carbon dioxide emissions	Unit	China	Hong Kong	Total
Indirect emissions from electricity[(1)]	Metric tons of carbon dioxide equivalent	118.70	6.50	125.2
Density	Metric tons of carbon dioxide equivalent/m^2	0.08	0.03	–

Note:

(1) Data for Nanjing, China is calculated in accordance with the average CO2 emission factors of power grid in Jiangsu Province listed on the "Calculating Method and Data Form for CO2 Emission"(《二氧化碳排放核算方法及數據核查表》) published by Department of Climate Change of National Development and Reform Commission (中國發展和改革委員會應對氣候變化司). While data for Hong Kong, China is calculated in accordance with the emission ratio listed on the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong".

The Group will continue to monitor and reduce its carbon consumption and consider tracking its carbon footprint in a timely and more comprehensive manner.

- **Resource Utilisation**

Due to the nature of our business, our operating process consumes less resource than other major industrial manufacturers. The main resource we consume is electricity. In 2017, the use of resources of the Group was as follows:

Energy	Unit	China	Hong Kong	Total
Purchased electricity	Thousands of kWh	158.30	8.23	166.53
Density	Thousands of kWh/m^2	0.11	0.04	–
Water consumption	Cubic meters	316	N/A[(1)]	316
Density	Cubic meters/m^2	0.22	N/A[(1)]	–
Printing paper	Metric tons	0.3	0.01	0.31
Packaging paper	Metric tons	15	0.05	15.05

Note:

(1) In Hong Kong, water supply services to office are provided by building management. In this case, water consumption data is not available.

The Group believes that reasonable utilisation of resources is an area of focus in its sustainable development. Enhancing energy efficiency in operation will not only help environmental conservation, but also reduce cost and boost operational efficiency in the long run. The Group proposes "low-carbon office", establishes a set of management policy in many aspects including improving energy utilization rate, saving water, electricity and energy and recycle of wastes, and encourages employees to develop a "low-carbon habit". During the reporting period, we implemented the following major measures:

– ***Established an energy saving group***

The manager of our administration department was the head of the energy saving group. We designated the person-in-charge of every business department as the responsible person of such business department for energy saving . The energy saving group reviews the resources used on a quarterly basis to discuss and develop the efficient energy saving measures.

– ***Water use***

In 2017, our water was domestic water generated from offices in the properties where our operation venues are located. Such water data was calculated mainly based on water bills from the properties. We posted water-saving notices in toilets as reminders.

– ***Paper use***

With the co-operation of every department, we continuously increased online approvals for OA systems to reduce paper approvals.

We reduced colour printing configuration for several printers, and posted energy-conservation operating requirements such as black and white printing, double-side printing, recycle use of used paper, and fully use of ink cartridges in printing area.

We have already reduced unnecessary printing and strictly control issuance of printing materials to avoid unnecessary wastage.

We strictly control the usages of courier bills, carton boxes and file envelopes required by post. And we have cooperated with courier companies to improve courier bills handling from multiple copies to single copy.

– ***Meetings and travels***

Non-necessary business travel is reduced.

The Group established no fleet, there is no direct gasoline emission and encourage employees for business travel and on or off duty by public transport.

Cross-regional communication meetings are encouraged by means of electronic communication meetings wherever feasible.

– ***Electricity-saving measures***

Through enhancing air tightness of wall and summer shading of windows, repairing air-conditioning system and cleaning pipeline network to reduce energy consumption from air-conditioning operation.

Through the transformation of part of office layout to enhance temperature control and usage of time in air-conditioning area to improve energy efficiency usage.

The server usage efficiency was increased and the use of cabinets was reduced by applying innovative technologies to data center.

Procurement and configuration of energy-saving and environmental protection hardware equipment.

The electricity-saving Labels were added, and non-necessary equipment powers were timely shutdown through patrol supervision.

– ***Employee training and activity***

The Group will consider low-carbon and energy-saving as employees' performance evaluation standard and regular training to push its policy forward.

We conducted campaign for our employees on World Earth Day to promulgate low-carbon office awareness and public environmental protection awareness.

- **Wastes Treatment and Recycling**

  Owing to its business nature, the Group is not aware of any material hazardous wastes generated.

  Our wastes are mainly domestic garbage in offices. We encourage reducing the use of disposable products, such as disposable cups and chopsticks to reduce wastes generation. The Group strives to optimize resources utilization when disposing of wastes. We encourage categorizing wastes into reclaimable waste, kitchen waste and others.

  Our recycling wastes include waste papers, metals and fabrics. In 2017, a total of 300 kg were being recycled.

  We have arranged qualified entities to recycle our kitchen wastes and other garbage, of which batteries recovered separately.

  Our total water discharge volume was 316 cubic meters (calculated by discharge water equivalent to office water consumption).

In 2017, our directors considered that the Group's measures taken in the term of energy saving were much refined when compared in 2016 and resource utilization was overall improved. We will keep focusing on and improving such performance.

SOCIETY

- **Employment and Labour Practices**

  The Group insists on the "people-oriented" philosophy by providing a desirable working environment to employees, safeguarding their health and safety and encouraging them to align personal growth with corporate development so as to facilitate the mutual development of staff and the Group. We deeply believe talent is our most valuable assets and the cornerstone of our long term development.

  The Group continues to improve regulatory framework including Employee Manual, Human Resources Management System, Employees Performance Management System and Attendance Management System, which provide clear regulations in employment, dismissal, remuneration and welfare and performance evaluation. These systems are established and maintained in accordance with relevant laws, regulations and market practices. The Human Resources Department is responsible for the publicity of the rules and systems above to ensure staff understanding regarding the Group's policy and their equitable, fair and reasonable labour rights.

- **Remuneration and benefit**

  Our remuneration policy is performance-oriented, and is designed to reward well-performing and highly motivated employees. We have a well-established performance management system. Performance assessment for each employee is conducted quarterly by his/her supervisor. Performance target is set by employees together with their supervisors. Supervisors are encouraged to provide constructive feedback to every employee from time to time.

  During the reporting period, in order to further motivate staff and teams to be innovative and courage them to take challenge, the Company set up innovative project selection activities and set up innovation funds and target achievement awards.

  Our basic benefits system was set up and maintained in accordance with relevant laws, regulations and market practice. Apart from this, the Company set up staff club and organized sports events and interesting group activities and provided funding support for club activities. The company organizes thematic team-building activities, including annual sporting events, annual travel, annual gala, quarterly departmental activities and ad hoc interesting group theme activities. The Company celebrates special moments for employees and offers gifts, such as festive gifts, birthday gifts and length of service gifts.

- **Promotion**

  The Group organizes talent selection, assessment, promotion and reserve procedures every year. Employees may apply for promotion during their interim and year-end performance assessments, provided that they satisfy the length of service and performance requirements. Depending on work service scope, the promotion will be reviewed and considered by different internal committees. The promotion review process is fair and open and the promotion review is conducted in compliance with applicable laws and regulations.

- **Equal Opportunities and Diversification**

  The Group is committed to providing a fair and diversified workplace with no discrimination, and does not discriminate on the grounds of gender, ethnicity, race, disability, age, religious belief, sexual orientation or family status. Diversity is well supported in our corporate culture. Both male and female staff of the Group share equal opportunities for employment and promotion. The Group also engages disabled staff as full-time or part-time staff and ensures same benefits with other staff.

  Our female staffs who are pregnant and fertile during their employment return basically after their maternity leave. Our female staffs are entitled to a half-day holiday on International Women’s Day.

As at 31 December 2017, the Group had a total of 183 employees, the details of which are as follows:

Breakdown by Types of Employment

Fulltime: 95%

Internship: 5%

Breakdown by Gender

Female: 60%

Male: 40%

Breakdown by age

30 and below: 73%
31-50: 27%
Over 51: 0%

- ## Employee resignation

We attach importance to the relationship with leaving employees and strictly handle employees' resignation in accordance with applicable laws and regulations.

- ## Employee Communication

We are dedicated to establishing improved communication channels for employees. Currently, official channels are in place for employees to voice their views and receive feedbacks. The Company conveys its corporate strategy, culture and corporate development situation to employees in time by way of releasing electric publications on a regular basis.

- ## Health and Safety

The Group strives to maintain high occupational safety and health standards, and provides safe workplace for its staff. The Group formulates policies related to health and safety and arranges health and safety trainings for all newly recruited employees to strengthen their overall health and safety awareness. As far as the Group is aware of, there was no material non-compliance with the relevant standards, rules and regulations in 2017.

In 2017, the Group adopted the following health and safety measures:

– Offered health and safety trainings for new employees;

– Maintained first-aid kits and conducted monthly checking on medicine stock and expiry dates to ensure the medicine provided by the Group can fulfil employees' daily health and first-aid needs;

– Performed safety inspection on drinking facilities, air-conditioning and wiring, and carried out pest control and dust removal and strengthened fire-fighting devices;

– Centralised the use of higher power electric household appliances and established standards for electrical safety;

– Made appropriate reformation to office area and added adequate living facilities in functional area and set up nursing room for breast feeding women employees and green plants;

– Promoted employees' travel security awareness and made suitable adjustment of attendance in extreme weather conditions such as rainstorm and snowstorm, and enhanced sterilization measures in office and provided labour protection supplies for employees during epidemic period.

– Provided employees with employment and annual physical examination and purchased applicable commercial insurance related to health and safety for employees.

During the year ended 31 December 2017, the Group did not encounter any major accident during the operation.

• Life and Work Balance

The Company is concerned about the lives of employees and encourages the balance between work and family. The Company organizes a theme event annually for employees who have children and continues to hold the "Back-to-school Day" event for employees who have children at school age so that they can enjoy paid leave and bring their children to school on first school day. The Company encourages family members of employees to participate in the annual travel and outdoor activities together.

• Development and Training

In this reporting year, we set up "Cheng College", our own enterprise college. Throughout the whole 2017, Cheng College established different training courses for employees at their different stages of career, including induction training, on-the-job training and leadership training. In addition, it also set up an online learning platform and uploaded some courses in videos to allow employees to retrieve anytime and anywhere. Human Resources Department arranged voluntary training courses for our ordinary employees of not less than 2 hours each year.

Types of course training:	
Professional development skills	65%
Management skills and personal improvement	15%
Health, safety, etiquette, interest	5%
Corporate culture, system processes, legal knowledge, professional ethics	15%

- **Labour Standards**

  The Group has a comprehensive human resources policy in place regarding recruitment, dismissal, promotion, annual leave, training and benefits to support our works on manpower resources. During the reporting period, after the review by the board of director, the Group had complied with the Labour Law of the PRC (《中華人民共和國勞動法》), Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) and the employment regulations in the relevant jurisdictions where it operates, we signed a labour contract with employees in accordance with the laws. We also maintained strict compliance with the laws in relation to equal employment opportunities, prevention of child or forced labour in different regions. The Group had complied with the employment laws and regulations of forced labour and all others that are relevant to working hours and rest periods.

- **Operating Practices**

  CI Web is a leading vertical online platform for the Children-Babies-Maternity market in China, aiming at providing China's young families with value-added services like new media, contents, community, smart hardware, e-commerce and cross-border services. The Group adheres to the principle of integrity first and conducts business according to the operating practices which are in compliance with the local and international laws. It also requires its staff to follow the code of conduct.

- **Supply Chain Management**

  In 2017, total suppliers of the Group were 70, of which 4 of them were Hong Kong suppliers and the rest were PRC suppliers. In 2017, a total of five suppliers provided contract values of RMB1 million and above for the Group, all of them were independent third parties. During the year, the Group was not aware of any significant actual and potential negative impact on business ethics, environmental protection, human rights and labor practices for these 5 suppliers or any incidents of non-compliance on human rights issues.

  The Group has established and implemented the procurement management system and supplier management system to maintain the integrity, fairness, safety, and premier quality of the supply chain, while striving to propell the indirect economic benefits and the positive impact on environmental protection, labour, and safety that we bring. Our practices for engaging and managing suppliers include:

  – The Group generally carries out procurement through price comparison and sentinel procurement. In the selection of suppliers, we conduct screening and assessment based on their quality and price. We also evaluate whether they have complied with our environmental, social and governance standards. We have listed respective terms in contracts to facilitate suppliers' understanding and compliance.

- Our suppliers must be responsible for the operation of business and the Group conducts annual evaluation of the performance of major suppliers. Apart from key standards including quality, cost and service, we also evaluate their compliance with our environmental, social and governance standards. We communicate with suppliers who do not get good results in our evaluation for correction or improvement. To ensure suppliers' capabilities in quality assurance, safety and other environmental management, we conduct investigation on suppliers' site as and when required to ensure the safety of supply chain, and conduct regular on-site investigations on logistic suppliers and data center suppliers.

- We engage internal auditor and legal advisers to review suppliers' compliance and performance.

- Establishing mutual trust between suppliers and us that we advocate will help us to manage potential environmental and social risks and improve operation effectiveness. In 2017, we invited 2 technical service and server management suppliers to conduct a satisfaction survey to understand the performance of our procurement staff in terms of integrity and fairness. We also learned from suppliers about their latest developments and their opinions to strengthen our cooperation, and conveyed our business philosophy of sustainable development.

PRODUCT RESPONSIBILITY

The Group is committed to providing best user experience. We attach great importance to the quality and reputation of its information services and products to fulfill our promises on service quality and truthfulness of information. We have protection and monitoring measures in place for user complaints, user services and establishment of intellectual property.

- **Customer service and complaints**

  For the services and products provided by the Group, we have customer service channels to solve customers' problems and complaints to ensure they will usually be handled promptly. We ensure that complaints will be handled no later than 8 hours. We also have special personnel who are responsible for investigating and taking monitoring measures regarding the complaints. The Group also voluntarily accepts supervision of local government, market and quality control department as well as the public. During the year of 2017, to the best knowledge of the Group, it had no material non-compliance matter regarding to relevant standard, rules and regulations.

  For products in kind sold in the Group's e-commerce activities, other than through special consultation with the after-sales department, users shall return the products they do not want in original appearance and packing and obtain either refund in full or replacement within 5 working days. Certain products can be return unconditionally within 15 days. Before delivery, we have dedicated staff to inspect and pack products to be delivered carefully. If the return is not caused by our faults, customer is required to pay the delivery and return charges. If product is defective due to quality, we will bear the two charges. Apart from refund, we also undertake the corresponding losses caused to users. During the year of 2017, to the best of our knowledge, there was no return product due to safety and health reasons.

- **Systemic stability**

  To safeguard the successful operation of our business and provide customers with high-quality experience, the Company keeps on improving the operational stability of its products and platform server as well as its network infrastructure. The Company has formulated the System Security Maintenance System and Engine Room Security Review System to maintain its normal operation. It also set up a disaster recovery mechanism accordingly to support data disaster recovery function, conduct drills and set up emergency measures.

- **User privacy**

  The Group pays attention to the protection of user's information and privacy in daily operation. On one hand, we continue to minimize the leakage of user's information risk through enhancing our security technology measures such as using encryption and control of information access permission. On the other hand, we incorporate and implement the regulatory requirements stringently on privacy protection into our internal compliance processes. To ensure that users understand how we protect their personal information and enhance the transparency of our data collection and processing, we published our privacy protection policy on respective product websites and apps of respective products. The main basis that formulated in accordance with compliance control has no material breach of the Regulations on Technological Measures for Internet Security Protection.

- **Intellectual property**

  The Company emphasizes the importance of intellectual property compliance and protection. Majority of our main intellectual property related to our operations is obtained from source and we have a purchasing process in place for intellectual property purchase. We formulate and implement the systems and procedures of declaration, registration, procurement, use and infringement monitoring of trademarks, patents, copyrights and domain names so as to maintain and protect our interests. We convey to staff regularly to ensure their strict implementation of intellectual property protection and confidentiality awareness among them. We also actively reduce infringement risk of the intellectual property rights of others that may exist in the course of using our services through technical monitoring, manual review and market research. Given that we do not use or adopt any third party content to generate direct income, in the event of any litigation at law that arise, our PRC legal advisor considers that and concurred by our directors that the risk of material adverse impact to the financial condition of the Company in relation to the claims from third party is low. The main basis that formulated in accordance with compliance control has no material breach of the Copyright Law of the PRC, Trademark Law of the PRC and Regulations on Protection of Information Network Transmission.

- **Supervision of advertising operation and Internet information service**

  For our advertising operation, we have already applied for registration at the competent administration for industry and commerce. The Group has stringent management procedures in place for advertising design, production and publication. We also recruited an advertisement inspector who possesses the Ad Inspector Training Certificate issued by Jiangsu Advertisement Association. We also have the ICP licence that required for conducting internet communication service. The Group has technical monitoring and artificial review process for Internet communication security, and at the same time, we appoint an Internet security officer who possesses the Internet Communication Security Manager Qualification Licence issued by Jiangsu Province issued by Jiangsu Public Security Bureau. The main basis that formulated in accordance with compliance control has no material breach of Advertising Law of the PRC and Measures for the Administration of Internet Information Services.

ANTI-CORRUPTION

In order to ensure honesty, loyalty and ethical behaviour of the employees, the Group has a code of ethics, anti-corruption management and reporting system in place to monitor the conduct and behaviour of all staff, senior management and directors in daily operation. It also performs annual self-review process to reflect on the implementation of codes and systems to ensure they have been applied throughout the actual operation and management practices, so as to balance and safeguard the interests between the Group and the stakeholders and build up a long-term partnership. Furthermore, the Group also engages an independent auditor to conduct external audit to the Group. Through internal monitoring and external audit, the Group prevents and controls corruption and unethical behaviours. The anti-corruption management and reporting system provides channels and guidelines to report any misconduct, malpractice or illegal behaviour within the Group. Employee who has a malpractice concern can inform the relevant designated superiors or take the matter to the Chairman of the Audit Committee directly. Electronic reporting mailbox and a hotline were established, and all reporting is treated as confidential and in a sensitive manner. The Chairman of Audit Committee will review the complaint and decide how the investigation should proceed. Upon the completion of investigation, staff found and proven to have committed corruption will be penalised or face immediate dismissal in accordance with the anti-corruption management requirements and corrective actions will be taken based on findings. Any corruption act that is in violation of any relevant laws or regulations will be reported to the relevant government authorities. The Group has also developed and implemented whistleblowing protection system to ensure all kinds of violations are reported openly and honestly without fear of retaliation or potential retaliation.

As far as the Group is aware of, there was no material non-compliance with the relevant standards, rules and regulations in 2017. Moreover, the Group or its employees was not involved in any litigation cases regarding corruption.

COMMUNITY INVESTMENT

The Group values harmonious and inclusive relationship between the Group and the community and maintains positive communication with community and community partners in which it operates. It participates in conferences and investigations regularly that are organized by community and neighbourhood management department to ensure public welfare is considered by the Group's businesses. The Group actively exercises its corporate social responsibility in various forms such as provision of community service, organizes public welfare activities and social donations. To establish long-term and effective community participation, we also take into account geographical factors, concerns of main stakeholders and synergy effects of our own resources. We formulate and implement the Public Welfare Project Management System which contains the approval process of public welfare project organized by the Company and relevant requirements regarding security, compliance, transparency and validity of project implementation. The Group treasures individual public welfare power and supports employees to participate in community volunteer activities and social public welfare issues and encourage more individuals to participate while integrating with the resources of the Company.

- **Labour demand**

  The Group signed internship cooperation agreements with universities and colleges where we operate to help solving the internship and employment problems of local college students. In addition to providing a healthy and secured internship environment for interns, we also arrange professionals within the Company to be their mentors in assisting interns to conduct subject research and graduation project through practice. The Company was also invited by an university to provide professional topics lectures for students.

- **Community help**

The Group proactively fulfills its responsibilities as a corporate citizen. In the process of participating in charitable activities, the Group also attached importance to individual charity engagement. The Group supports employees in participating in community activities and provides an organizational platform for more charitable caring people.

In 2015, the Group set up the "Nurture with Love" (育見愛) charity platform, aiming to allow more individuals to participate in organizing charitable activities. Our employees and charity-caring people initiated a number of charitable activities, including charity sales, visits to mountainous areas and fund-raising through such platform. We also displayed charitable achievements through such platform appropriately to encourage people to participate. During the entire 2017, many charity-caring people mailed clothes to us through such platform. Our employees re-grouped those donations according to age and purpose upon receipt. These clothes were donated to impoverished regions or poor families in need after they made applications to us. In June 2017, the platform organized books and school supplies donations to students in a hope primary school in Sichuan for the third year. On 2 April 2017, the World Autism Awareness Day, the Group and local aquariums jointly initiated the activity of "Caring Children of the Stars" (關愛星星的孩子) for expressing caring and attention to children with autism. We organized staff, local charity people and organisations to participate in science lectures, charity sales and donation activities.

- **Education**

Since 2010, the Group has launched and constantly maintained its charity channel, JG Web, which provides a platform for teaching and learning resources for handicapped children. At its first anniversary since online, the Group set up the Asia Children's Charity Foundation (亞洲兒童慈善基金會), which aims at offering hand in medical, education and vocational skills to Chinese and Asian children in need.

- **Health**

In April 2017, the Group donated RMB1.8 million to the "Support Charity Project for the Families who fail in Assisted Reproduction From Single Gene Inherited Disorder". Asia Children's Charity Foundation donated RMB200,000 to the project. Such project was initiated and started in September 2016 by Beijing Health Promotion Association, complementing to the respective policies on supporting families with special fertility difficulties, in which it was proposed in the "the Central Committee of the Communist Party of China's Proposal on Formulating the Thirteenth Five-year Plan on National Economic and Social Development". It aims to help the impoverished families with patients contracted single gene inherited disorder to regain their chances for eugenics and popularize the knowledge and screening methods of genetic diseases, so as to achieve the purpose of improving population quality. The above donations were used to pay the testing and management execution charges of patients covered by the project.

In 2017, our employees participated in community volunteer activities and public welfare services through the "Nurture with Love" (育見愛) charity platform for a total time span of 869 hours.

In 2017, China Parenting Network was granted an award of Social Responsibility for Caring about Chinese Mother-Child's Health by China National Committee For The Wellbeing Of The Youth, Child Development Center (中國關心下一代工作委員會兒童發展研究中心).

INDEPENDENT AUDITORS' REPORT

To the shareholders of China Parenting Network Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Parenting Network Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 137, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of interest-free loans to employees	
As at 31 December 2017, the interest-free loans due from employees amounted to RMB13.7 million. These loans are unsecured and repayable for a period within five years. The employees, including key management personnel (the "Eligible Employees"), who have been the full time employees for more than three years, and provided evidence to obtain the loan for the purchase of properties for self-use, are eligible to entitle the interest-free loans. Management's assessment about the recoverability of the loans required significant judgement which focused on the financial ability of the Eligible Employees. Related disclosures are included in notes 3, 14, 20 and 34 to the consolidated financial statements.	We assessed and tested the design and operation of the controls over initiating the interest-free loans and impairment assessment over the loan balances. We obtained the list of outstanding loan balances due from the Eligible Employees and checked the repayment records, the loan agreements and the calculation of the outstanding loan balances. We examined the repayment records and the repayments received subsequent to the end of the reporting period. We checked to the personnel records of the Eligible Employees. We assessed the impact on the staff costs arising from the granting interest-free loans to the Eligible Employees. We assessed the adequacy of the disclosures in the consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of trade receivables	
As at 31 December 2017, trade receivable balances were significant to the Group as they amounted to RMB54,636,000 and represented 13.7% of the total assets of the Group. The collectability of trade receivables is a key element of the Group's working capital management, which is implemented on an ongoing basis by management. In addition, impairment assessment of trade receivables requires significant management judgement. Management considers specific factors such as the age of the balances, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance in total. We focused on this area because it requires a high level of management judgement and the amounts involved are material. Related disclosures are included in notes 3, 19 and 34 to the consolidated financial statements.	We assessed the Group's internal control over evaluating the recoverability of trade receivables. We evaluated management's assumptions used to calculate the impairment amount of trade receivables by checking the ageing of receivables and assessing significant trade receivables that were overdue. We sent trade receivable confirmations, performed background research for major customers, checked historical payments and bank advices for the settlement of trade receivables subsequent to the year end on a sampling basis. We assessed the adequacy of the disclosures of the trade receivables and the related credit risk in the consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of available-for-sales investments	
The Group had investments or made prepayment for the investment in ordinary shares of certain unlisted companies. After considering the Group's investment objectives and intentions, the Group classified these investments as available-for-sale investments. The Group assessed at the end of the reporting period whether there was an objective evidence that these available-for-sale investments and related prepayments were impaired. As of 31 December 2017, available-for-sale equity investment in unlisted company amounted to RMB15,000,000, and prepayment for available-for-sale investment amounted to RMB10,000,000. The prepayment for available-for-sale investments was made in November 2017 to an investee, who bought this investment from the Group in January 2017. We focused on this area because it requires a high level of management judgement to determine whether a provision for impairment is required and the amounts involved are material. Related disclosures are included in notes 3, 15, and 17 to the consolidated financial statements.	We discussed with management regarding their investment objectives and intentions, and checked the relevant agreements, ownership certificates and bank receipts for transfer of consideration. We obtained and reviewed the latest financial statements and business plan of the investees. We evaluated management's assumptions regarding their annual impairment review by considering the recent performance of the investee, management's expectation on the investee's technical product milestones, and change in market economic environment. We interviewed with the investee to understand the latest status of the investment. We performed background research for the investees and the vendor. We assessed the adequacy of the disclosures on the available-for-sales investments in the consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of loans to third parties	
As at 31 December 2017, loans to third party, bearing interest rates of 6.0% to 8.0% per annum for periods of 18 months to 36 months, amounted to RMB20,015,000. The borrowers comprise a variety of private entities in starting up stage. Impairment assessment of loans to third parties requires significant management judgement. Management considers specific factors such as financial position and performance, forecast, guarantor, and any other available information concerning the creditworthiness of the borrowers. Management uses this information to determine whether a provision for impairment is required for part or whole of the balance from a specific borrower. We focused on this area because it requires a high level of management judgement and the amounts involved are material. Related disclosures are included in notes 3, 14 and 34 to the consolidated financial statements.	We gained an understanding of the Company's internal control over lending to third parties, and discussed with management regarding their objectives and intentions. We assessed the Group's internal control over evaluating the recoverability of loans to third parties. We checked the relevant agreements and bank receipts for the loans advanced, sent debtor confirmations to these borrowers, and performed background research about the borrowers. We obtained and reviewed the latest financial statements and business plan of the borrowers and interviewed with one borrower. We checked the guaranty agreement among the Group, the borrower and the third party guarantor, performed background research about the guarantor, reviewed the legal opinion about the legal enforceability of the guaranty agreement, sent confirmation to the guarantor, and interviewed with the guarantor.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Law Kwok Kee.

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	5	**91,132**	84,913
Cost of sales		**(12,370)**	(10,733)
Gross profit		**78,762**	74,180
Other income and gains	5	**7,839**	5,059
Administrative expenses		**(14,648)**	(10,513)
Selling and distribution expenses		**(11,167)**	(9,214)
Research and development costs		**(16,899)**	(15,719)
Finance costs	7	**(68)**	(350)
Other expenses		**(1,811)**	–
PROFIT BEFORE TAX	6	**42,008**	43,443
Income tax expense	10	**(4,061)**	(1,487)
PROFIT FOR THE YEAR		**37,947**	41,956
Attributable to:			
Owners of the parent		**34,584**	44,867
Non-controlling interests	11	**3,363**	(2,911)
		37,947	41,956
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year	12	**RMB3.37 cents**	RMB4.37 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
PROFIT FOR THE YEAR	**37,947**	41,956
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(11,489)**	12,058
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**26,458**	54,014
Attributable to:		
Owners of the parent	**23,095**	56,925
Non-controlling interests	**3,363**	(2,911)
	26,458	54,014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**556**	784
Long-term receivables	14	**33,129**	64,022
Available-for-sale investment	15	**15,000**	10,375
Deposit for property, plant and equipment	16	**60,101**	–
Prepayment for an available-for-sale investment	17	**10,000**	–
Total non-current assets		**118,786**	75,181
CURRENT ASSETS			
Inventories	18	**123**	16
Trade receivables	19	**54,636**	41,890
Prepayments, deposits and other receivables	20	**3,434**	23,312
Time deposits with original maturity over three months		**23,000**	–
Cash and cash equivalents	21	**198,152**	230,447
Total current assets		**279,345**	295,665
CURRENT LIABILITIES			
Trade payables	22	**463**	512
Advances from customers	23	**3,232**	2,511
Other payables and accruals	24	**11,373**	11,179
Tax payable	10	**3,763**	1,802
Interest-bearing bank borrowings	25	**–**	2,000
Total current liabilities		**18,831**	18,004
NET CURRENT ASSETS		**260,514**	277,661
TOTAL ASSETS LESS CURRENT LIABILITIES		**379,300**	352,842
Net assets		**379,300**	352,842
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**8,090**	8,094
Treasury shares		**–**	(4)
Reserves	28	**372,704**	349,609
		380,794	357,699
Non-controlling interests		**(1,494)**	(4,857)
Total equity		**379,300**	352,842

Cheng Li
Director

Zhang Lake Mozi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent									
	Share capital RMB'000	**Treasury shares** RMB'000	**Share premium*** RMB'000	**Reserves funds*** RMB'000	**Other reserve*** RMB'000	**Exchange fluctuation reserve*** RMB'000	**Retained profits*** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2016	8,097	–	226,286	6,994	16,842	13,606	30,554	302,379	(1,946)	300,433
Profit for the year	–	–	–	–	–	–	44,867	44,867	(2,911)	41,956
Other comprehensive income for the year:										
Exchange differences related to foreign operations	–	–	–	–	–	12,058	–	12,058	–	12,058
Total comprehensive income for the year	–	–	–	–	–	12,058	44,867	56,925	(2,911)	54,014
Repurchase of shares	–	(7)	(1,598)	–	–	–	–	(1,605)	–	(1,605)
Cancellation of shares	(3)	3	–	–	–	–	–	–	–	–
Appropriation to statutory reserves	–	–	–	5,190	–	–	(5,190)	–	–	–
At 31 December 2016	8,094	(4)	224,688	12,184	16,842	25,664	70,231	357,699	(4,857)	352,842
At 1 January 2017	8,094	(4)	224,688	12,184	16,842	25,664	70,231	357,699	(4,857)	352,842
Profit for the year	–	–	–	–	–	–	34,584	34,584	3,363	37,947
Other comprehensive income for the year:										
Exchange differences related to foreign operations	–	–	–	–	–	(11,489)	–	(11,489)	–	(11,489)
Total comprehensive income for the year	–	–	–	–	–	(11,489)	34,584	23,095	3,363	26,458
Cancellation of shares	(4)	4	–	–	–	–	–	–	–	–
Appropriation to statutory reserves	–	–	–	3,992	–	–	(3,992)	–	–	–
At 31 December 2017	8,090	–	224,688	16,176	16,842	14,175	100,823	380,794	(1,494)	379,300

* These reserve accounts comprise the consolidated reserves of RMB372,704,000 (2016: RMB349,609,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	6	**42,008**	43,443
Adjustments for:			
Depreciation	13	**279**	471
Finance costs	7	**68**	350
Allowance for doubtful accounts	19	**10**	62
Other interest income	5	**(1,200)**	(440)
Bank interest income	5	**(848)**	(504)
Other income		**(326)**	(219)
		39,991	43,163
Decrease in prepayments, deposits and other receivables		**9,166**	1,531
Increase in trade receivables		**(12,756)**	(3,018)
Decrease/(increase) in long-term receivables	14	**750**	(47)
Decrease/(increase) in inventories		**(107)**	19
Increase in advances from customers		**721**	2,218
Increase/(decrease) in trade payables		**(49)**	487
Increase/(decrease) in other payables and accruals		**194**	(3,261)
Cash generated from operations		**37,910**	41,092
Income tax paid	10	**(2,100)**	(978)
Net cash flows from operating activities		**35,810**	40,114
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposit for property, plant and equipment	16	**(60,101)**	–
Purchases of items of property, plant and equipment	13	**(65)**	(183)
Loan to employees		**(7,200)**	(8,800)
Repayment of loan to employees		**2,350**	–
Proceeds from disposal of short-term investment		**13,200**	–
Purchase of a short-term investment	20	**–**	(12,000)
Loans to others	14	**(20,015)**	(53,671)
Repayment of loans to others	14	**53,671**	–
Prepayment for an available-for-sale investment	17	**(10,000)**	–
Proceeds from disposal of an available-for-sale investment		**10,701**	2,000
Purchases of an available-for-sale investment	15	**(15,000)**	(375)
Interest received	5	**848**	485
Increase in time deposits with original maturity over three months		**(23,000)**	–
Repayment of finance lease receivable		**–**	12,560
Receipt of rental income		**–**	440
Net cash used in investing activities		**(54,611)**	(59,544)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December 2017

	Notes	**2017 RMB'000**	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans	29	**(2,000)**	(10,000)
Interest paid	7	**(68)**	(350)
Repurchase of ordinary shares		**–**	(1,606)
New bank borrowings		**–**	2,000
Net cash flows used in financing activities		**(2,068)**	(9,956)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(20,869)**	(29,386)
Cash and cash equivalents at beginning of year	21	**230,447**	247,795
Effect of foreign exchange rate changes, net		**(11,426)**	12,038
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	**198,152**	230,447

1. CORPORATE AND GROUP INFORMATION

China Parenting Network Holdings Limited (the "Company" or "CI web") was incorporated in the Cayman Islands on 13 October 2014 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 July 2015 (the "Listing Date").

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

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

Information about subsidiaries

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

Company name	Place of incorporation/ registration	Issued/ registered share capital	Equity interest held Direct	Equity interest held Indirect	Principal activities and place of operation
Directly held by the Company					
Shining World Investments Limited	British Virgin Islands/ 18 August 2014 ("BVI")	US$50,000	100%	–	Investment holding, BVI
Indirectly held by the Company					
Star Universal Holdings Limited	Hong Kong/ 5 September 2014	HK$10,000	–	100%	Investment holding, Hong Kong
Xibai (Nanjing) Information Technology Company Limited* ("Nanjing Xibai")	PRC/ 10 December 2014	HK$110,000,000	–	100%	Technical support and consultancy related services, the PRC
Nanjing Xinchuang Micro Electromechanical Technology Company Limited* ("Nanjing Xinchuang")	PRC/ 14 April 2005	RMB2,000,000	–	100%	Provision of marketing and promotional services and e-commerce business, the PRC
Nanjing Xihui Information Technology Company Limited* ("Nanjing Xihui")	PRC/24 May 2013	RMB5,000,000	–	100%	Provision of marketing and promotional services and technical support and consultancy related services, the PRC

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration	Issued/ registered share capital	Equity interest held Direct	Indirect	Principal activities and place of operation
Nanjing Fuyuan Technology Company Limited* ("Nanjing Fuyuan")	PRC/ 30 March 2006	RMB3,000,000	–	66.7%	Provision of technical support and consultancy related services, the PRC
Nanjing Xile Information Technology Company Limited* ("Nanjing Xile")	PRC/ 6 March 2015	RMB100,000	–	51%	Provision of technical support and consultancy related services, the PRC
Nanjing Qianyi Animation Company Limited ("Nanjing Qianyi") **	PRC/ 31 January 2016	RMB1,000,000	–	60%	Provision of cartoon design services and technical support and consultancy related services, the PRC
Khorgos Xizhi Information Technology Company Limited ("Khorgos Xizhi")	PRC/ 28 June 2017	HKD 80,000,000	–	100%	Technical support and consultancy related services, the PRC

* The English names of certain companies referred to herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

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

*** Nanjing Qianyi was established in the PRC and is held as to 60% by Nanjing Xile, 30% by independent third party, Shanghai Baiyi Animation Cultural Broadcasting Company Limited and 10% by independent third party, Guangzhou Baiyi Animation Technology Company Limited.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

The nature and the impact of the amendments are described below:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 29 to the financial statements.

Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements:

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
Amendments to IFRS 40	*Transfers of Investment Property*[1]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatment*[2]

1. Effective for annual periods beginning on or after January 1, 2018
2. Effective for annual periods beginning on or after January 1, 2019
3. Effective for annual periods beginning on or after January 1, 2021
4. No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

Further information about those IFRSs that are expected to be applicable to the Group is described below: Of those standards, IFRS 9 and IFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have not a significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

IFRS 9 *Financial Instruments* ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets except that the Group's equity investments currently classified as available-for-sale (AFS) will be reclassified to financial assets at fair value through profit or loss (FVPL) or other comprehensive income (FVOCI), which is being under the process of the election to present in other comprehensive income or not the subsequent changes in the fair value of those equity investments. If the irrevocable election is made, gains and losses recorded in other comprehensive income for those equity investments cannot be recycled to profit or loss when they are derecognised. The Group is in the progress of assessing the fair value of those equity investments and making an assessment of the impact of these changes on the consolidated financial statements.

(b) Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) either on a twelve-month basis or a lifetime basis rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income and contract assets under IFRS 15 Revenue from Contracts with Customers. Based on the assessments undertaken to date, the Group does not expect a material change of the allowance for the Group's trade receivables and other debt investments.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

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

IFRS 15, issued in May 2014 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material. Also, the expected changes in accounting policies, will not have a material impact on net profit nor the retained earnings from 2018 onwards. During 2017, the Group has performed a detailed assessment on the impact of the adoption of IFRS 15.

The primary revenue sources for the Group was the provision of marketing and promotional services on its own website or APPs in the PRC.

In preparing to adopt IFRS 15, the Group considers the following:

Standalone selling prices

The majority of the online advertising contracts are entered into with a lump-sum consideration covering multiple deliverables of marketing and promotional services for a fixed period of time with no guaranteed minimum number of clicks. The lump-sum consideration for and timing of rendering each deliverable have been pre-agreed and evidenced by written contracts entered into between the Group and its customers. Upon the adoption of IFRS 15, the consideration is allocated into each deliverable based on their relative stand-alone selling prices, and the related revenue is recognised over the period during which the service for the relevant deliverable is provided.

Under IFRS 15, the Group would continue to recognise revenue for these service contracts over time. and allocate the consideration into different deliverables. Adoption of IFRS 15 is expected to have no material impact on the Group's revenue and profit or loss.

The Group assessed that the approach and result of estimating standalone selling prices for each deliverable would not result material difference from current practice when the Group determine the best estimation of selling price.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

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

Volume rebates

The Group provides retrospective volume rebates to certain of its customers on the marketing and promotional services purchased by the customer once the total amount of service payable during the period exceeds a threshold specified in the contract. Currently, the Group recognises revenue from the provision of service measured at the fair value of the consideration received or receivable, net of allowances and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Under its existing accounting policy, the Group estimates the most likely amount of volume rebates and includes them as reduction from trade receivables.

Under IFRS 15, retrospective volume rebates give rise to variable consideration, which need to be estimated at contract inception and updated thereafter. To estimate the variable consideration to which it will be entitled, the Group considered that the most likely amount method can well predicts the amount of variable consideration for contracts with volume rebates. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group applied the requirements in IFRS 15 on constraining estimates of variable consideration and concluded that no adjustment to revenue from provision of services would be needed.

Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IAS18. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that additional disclosure will be made.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

IFRS 16 *Leases* ("IFRS 16")

IFRS 16, issued in May 2016, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption, and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 29 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB1,347,000. Upon adoption of IAS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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

IFRIC 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

IFRIC 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23")

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019.The interpretation is are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment used are as follows:

Computers and servers	3-5 years
Office equipment	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income and gains or other expenses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as other payables and accruals, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit and loss, is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Provision of service

The Group derives its revenue from (i) the provision of marketing and promotional services of placing online advertisements such as banners, links and logos on its own website or APPs in Mainland China, and (ii) e-commerce business. Revenue reported in the financial statements is net of sales tax and related surcharges.

The majority of the online advertising contracts are entered into with a lump-sum consideration covering multiple deliverables of marketing and promotional services for a fixed period of time with no guaranteed minimum number of clicks. The lump-sum consideration for and timing of rendering each deliverable have been pre-agreed and evidenced by written contracts entered into between the Group and its customers. The consideration is allocated into each deliverable based on their best estimated selling price, and the related revenue is recognised over the period during which the service for the relevant deliverable is provided. Significant assumptions and estimates have been made in estimating the selling price of each unit of deliverable, and changes in judgements on these assumptions and estimates could materially impact the timing of advertising revenue recognition. In all contracts, there are no future obligations after the completion of the contract and no rights of refund related to the number of clicks. If collectability from the customers cannot be assessed as reasonably assured at the outset of the contracts, revenue is only recorded until cash is received from the customers.

E-commerce business

E-commerce business comprises the net commission fee charged for sale of tickets of tourist, class, theme parks and etc. which are related to children, babies and maternity. Revenue is recognised when the tickets have been utilised by the customers.

Sale of goods

Sale of goods related to children, babies and maternity. Revenue is recognised when the products have been delivered to and accepted by the customers. Prepayment is normally required prior to delivery of products.

Interest income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Dividend income

Dividend income is recognized when the shareholders' right to receive payment has been established.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currency translation

The functional currency of the Company is the Hong Kong dollar ("HK$") and certain subsidiaries incorporated outside Mainland China use the Hong Kong dollar ("HK$") as their functional currencies. The functional currency of the subsidiaries established in Mainland China is RMB. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the subsidiaries established outside Mainland China are currencies other than the RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity until the disposal of the respective foreign operation entity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the subsidiaries established outside Mainland China are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the companies established outside Mainland China which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of loans, trade and other receivables

Provision for impairment of deposits, loans, trade receivables and other receivables is made based on an assessment of the recoverability of loans, trade receivables and other receivables. The identification of doubtful debts requires management's judgement and estimates. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, these differences will impact on the carrying value of the receivables, doubtful debt expenses and write-back in the period in which the estimate has been changed. As at 31 December 2017, the carrying amounts of loans to third parties, trade receivables and interest-free loans to employees were RMB20,015,000 (2016: RMB53,671,000), RMB54,636,000 (2016: RMB41,890,000) and RMB13,650,000 (2016: RMB8,800,000) respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Determining best estimate of the selling price of each deliverable within the contracts

The Company established a standard price menu for each deliverable of its marketing and promotional services (i.e., full banner, banner, button, multi-flip and couplet) and discounts were always given by the Company. Price menu was set up based on historical experience, and was reviewed and updated annually. The Company has used the listed price on the price menu as a relative selling price of each deliverable to allocate the total consideration within the contracts. In making this estimate, the Group considers all the reasonably available information, including both market data and conditions and entity-specific factors, when estimating the selling price of each deliverable. The Group considers all the factors considered in the negotiation of arrangement with customer and its normal pricing practices are based on the most objective and reliable information that is available. The price menu is adjusted each year and accordingly the estimated selling price of each deliverable changes annually. Historically, there is no significant subsequent adjustment of the revenue amount due to a change in the estimated selling price because the listed prices of most of the deliverables are adjusted to a similar extent and the relative selling prices do not change significantly.

Estimates of income tax

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcomes of these matters are different from the amount that was initially recorded, such differences will impact the current income tax and liabilities in the period in which such determination is made.

Impairment of available-for-sale financial investments

For available-for-sale financial investments, the Group assessed at the end of each reporting period whether there was objective evidence that an investment or a group of investments is impaired. For listed equity investments, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. For unlisted equity investments, an impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of these unlisted equity investments that can be reliably estimated. Evidence of impairment may include indications that the investee is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults. The measurement of the recoverable amount was a subjective area and management must assess the objective evidence of impairment and estimate the future cash flows of these equity investments.

4. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

Revenue of approximately RMB11,635,000 (2016: RMB5,931,000) was derived from provision of marketing and promotional services to entities under common control by a listed media group listed on the London Stock Exchange which accounted for more than 10% of the total revenue.

Revenue of approximately RMB11,550,000 (2016: RMB6,931,000) was derived from provision of marketing and promotional services to a subsidiary of a listed media group listed on the New York Stock Exchange which accounted for more than 10% of the total revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered and the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

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

	2017 **RMB'000**	2016 RMB'000
Revenue		
Marketing and promotional services	**90,175**	81,913
E-commerce	**957**	589
Sale of goods	**–**	2,411
	91,132	84,913
Other income and gains		
Bank interest income	**848**	504
Other interest income	**1,200**	440
Exchange gain	**90**	219
Government grants – related to expense*	**5,375**	3,677
Other income	**326**	219
	7,839	5,059

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

6. PROFIT BEFORE TAX

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

	Notes	2017 RMB'000	2016 RMB'000
Cost of inventories sold		**44**	2,452
Cost of services provided		**6,288**	2,882
Depreciation	13	**279**	471
Research and development costs:			
Current year expenditure		**16,899**	15,719
Minimum lease payments under operating leases		**2,325**	2,536
Auditor's remuneration		**1,400**	1,428
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**27,992**	23,549
Pension scheme contributions (defined contribution scheme)		**1,350**	1,192
Foreign exchange differences, net	5	**(90)**	(219)
Impairment of trade receivables		**10**	62
Bank interest income	5	**(848)**	(504)
Other interest income	5	**(1,200)**	(440)
Government grants	5	**(5,375)**	(3,677)

7. FINANCE COSTS

Finance costs represent the interest-bearing bank borrowing of RMB68,000 (2016: RMB350,000).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b),(c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 RMB'000	2016 RMB'000
Fees	**261**	255
Other emoluments:		
Salaries, allowances and benefits in kind	**1,208**	962
Pension scheme contributions	**78**	45
	1,547	1,262

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2017 RMB'000	2016 RMB'000
Mr. Wu Chak Man	**87**	85
Mr. Zhao Zhen	**87**	85
Mr. Ge Ning	**87**	85
	261	255

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors

2017	**Fees RMB'000**	**Salaries, allowances and benefits in kind RMB'000**	**Pension scheme contributions RMB'000**	**Total remuneration RMB'000**
Executive directors:				
Mr. Cheng Li (*)	**–**	**526**	**39**	**565**
Mr. Zhang Lake Mozi	**–**	**289**	**–**	**289**
Mr. Hu Qingyang	**–**	**393**	**39**	**432**
Non-executive directors:				
Mr. Wu Haiming	**–**	**–**	**–**	**–**
Ms. Li Juan	**–**	**–**	**–**	**–**
Mr. Hsieh Kun Tse	**–**	**–**	**–**	**–**
	–	**1,208**	**78**	**1,286**

2016	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Cheng Li (*)	–	482	39	521
Mr. Zhang Lake Mozi	–	148	–	148
Mr. Hu Qingyang	–	332	6	338
Non-executive directors:				
Mr. Wu Haiming	–	–	–	–
Ms. Li Juan	–	–	–	–
Mr. Hsieh Kun Tse	–	–	–	–
	–	962	45	1,007

* Mr. Cheng Li is also the chief executive officer.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2016: one chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2016: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries, allowances and benefits in kind	**1,372**	1,640
Pension scheme contributions	**117**	156
	1,489	1,796

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**3**	4

During the reporting period, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

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

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

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

10. INCOME TAX (CONTINUED)

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

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

	2017 **RMB'000**	2016 RMB'000
Current –Mainland China		
Charge for the year	**4,061**	1,487
Total tax charge for the year from continuing operations	**4,061**	1,487

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the locations in which the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rates and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rates are as follows:

	2017 **RMB'000**	**%**	2016 RMB'000	%
Profit before tax	**42,008**		43,443	
Tax calculated at the Mainland China statutory tax rate of 25%	**10,502**	**25**	10,861	25
Lower tax rates for specific provinces or enacted by local authority	**(8,977)**	**(21)**	(11,135)	(26)
Tax loss not recognised	**2,142**	**5**	1,682	4
Tax loss utilised from previous periods	**53**	**–**	–	–
Expenses not deductible for tax	**341**	**1**	79	–
Tax charge at the Group's effective tax rate	**4,061**	**10**	1,487	3

The effective tax rate of the Group was 10% in 2017 (2016: 3%).

10. INCOME TAX (CONTINUED)

Pursuant to the Mainland China Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB136,095,000 at 31 December 2017 (2016: RMB100,298,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

11. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that have material non-controlling interests are set out below:

	2017	2016
Percentage of equity interest held by non-controlling interests:		
Nanjing Xile	**49%**	49%

	2017 **RMB'000**	2016 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
Nanjing Xile	**3,365**	(2,912)
Accumulated balances of non-controlling interests at the reporting date:		
Nanjing Xile	**(1,421)**	(4,786)

11. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

2017	**Nanjing Xile RMB'000**
Revenue	**12,264**
Total expense	**5,396**
Profit for the year	**6,868**
Total comprehensive income for the year	**6,868**
Current assets	**1,799**
Non-current assets	**1,960**
Current liabilities	**6,557**
Net cash flows from operating activities	**1,421**
Net increase in cash and cash equivalents	**1,421**

2016	Nanjing Xile RMB'000
Total expense	(5,944)
Profit for the year	(5,944)
Total comprehensive income for the year	(5,944)
Current assets	1,176
Non-current assets	1,850
Current liabilities	12,692
Net cash flows from operating activities	1,122
Net increase in cash and cash equivalents	1,122

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares of 1,025,662,000 (2016: 1,026,460,789) in issue during the year.

There were no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016, and therefore the diluted earnings per share amount is equivalent to the basic earnings per share.

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

	2017 RMB'000	2016 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**34,584**	44,867

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue	**1,025,662,000**	1,026,460,789

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	**Computers and servers RMB'000**	**Total RMB'000**
31 December 2017			
At 1 January 2017:			
Cost	381	3,207	3,588
Accumulated depreciation	(317)	(2,487)	(2,804)
Net carrying amount	64	720	784
At 1 January 2017, net of accumulated depreciation	64	720	784
Additions	–	65	65
Depreciation provided during the year (note 6)	(30)	(249)	(279)
Exchange realignment	(4)	(10)	(14)
At 31 December 2017, net of accumulated depreciation	30	526	556
At 31 December 2017:			
Cost	381	3,272	3,653
Accumulated depreciation	(351)	(2,746)	(3,097)
Net carrying amount	30	526	556

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment RMB'000	Computers and servers RMB'000	Total RMB'000
31 December 2016			
At 1 January 2016:			
Cost	374	3,010	3,384
Accumulated depreciation	(282)	(2,050)	(2,332)
Net carrying amount	92	960	1,052
At 1 January 2016, net of accumulated depreciation	92	960	1,052
Additions	–	183	183
Depreciation provided during the year (note 6)	(35)	(436)	(471)
Exchange realignment	7	13	20
At 31 December 2016, net of accumulated depreciation	64	720	784
At 31 December 2016:			
Cost	381	3,207	3,588
Accumulated depreciation	(317)	(2,487)	(2,804)
Net carrying amount	64	720	784

14. LONG-TERM RECEIVABLES

	2017 RMB'000	2016 RMB'000
Rental deposit	**754**	801
Loans to employees*	**12,360**	8,800
Contract deposits	**–**	750
Loans to others**	**20,015**	53,671
	33,129	64,022

* In September 2016, the Group had begun to offer certain employees interest-free loans which amounted to no more than RMB15.0 million in aggregate. The employees, including key management personnel, who have served the Group for more than three years can apply for such interest-free loans to purchase home properties. The balance, including interest-free loans to key management personnel of RMB7,350,000 (2016: RMB2,950,000), represents the interest-free loans to employees which will be repaid within four to five years.

** As at 31 December 2017, included in the balances was a loan of RMB12,000,000 made to a private company, Nanjing Qianyu Information Technology Company Limited (「南京千魚信息技術有限公司」) established and held by a former employee, Huang chao zi of the Group at interest rate of 6.0% per annum for a period of 36 months. The loan was guaranteed by a subsidiary, Jiangsu Wansheng Weiye Network Technology Company Limited (「江蘇萬聖偉業網絡科技有限公司」) of an A share company.

The loan extended to an unrelated third party, Yueyi Group (「悦益集團有限公司」) ,on 29 December 2017 amounting to HK$6,000,000 with annual interest of 6% for period of 36 months was early repaid on 2 March 2018 and the interest was waived.

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

14. LONG-TERM RECEIVABLES (CONTINUED)

The balance as at 31 December 2016 represents a loan extended to Lofty Force Limited, an unrelated company with an annual interest rate of 6% due in March 2019. The loan has been early terminated and fully repaid by the unrelated party on 3 January 2017 and the interest has been waived.

15. AVAILABLE-FOR-SALE INVESTMENTS

	2017 **RMB'000**	2016 RMB'000
Non-current		
An unlisted investment, at cost	**15,000**	10,375

As at 31 December 2017, the Group has an investment in 12.3% of the equity of a private company, Nanjing Hongdou Information Technology Company Limited (「南京紅豆信息技術有限公司」), established and held by one of the Group's former employees. The unlisted equity investment was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

As at 31 December 2016, the balance comprised an investment in Shanghai Baiyi Animation Cultural Broadcasting Company Limited ("BaiYi",「上海百逸動漫文化傳播有限公司」) amounting to RMB10,000,000, which was transferred to an unrelated party, Nanjing Haoju Information Technology Company Limited ("Haoju",「南京浩聚信息科技有限公司」), in January 2017 with no gain or loss recognised. The Group enter into an agreement to re-purchased the 10% equity interest in Baiyi from Haoju at the same amount of the consideration, RMB10,000,000 and the consideration was paid in Novermber 2017. Subsequent to the end of the reporting date, the change of shareholder registration has been approved by all the shareholders of Baiyi and the application for change in business registration certificate has been submitted.

16. DEPOSIT FOR PROPERTY, PLANT AND EQUIPMENT

	2017 RMB'000	2016 RMB'000
Deposit for acquisition of property, plant and equipment	**60,101**	–

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

Up to 31 December 2017, the Vendor failed to obtain the permit for pre-sale and On 27 March 2018, the Group announced to terminate the acquisition of the commodity properties with the Vendor and on 28 March 2018 the deposit of RMB60,101,000 was returned to the Group.

17. PREPAYMENT FOR AVAILABLE-FOR-SALE INVESTMENT

	2017 RMB'000	2016 RMB'000
Prepayment	**10,000**	–

The balance as of 31 December 2017 was detailed in note 15.

18. INVENTORIES

	2017 RMB'000	2016 RMB'000
Finished goods	**123**	16

19. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**54,636**	41,890
Impairment	**–**	–
	54,636	41,890

The Group's trading terms with its customers are mainly on credit. The credit period is generally 60 to 90 days after completion of the service contract. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to customers with a good track record, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the year, based on the date of the services rendered, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	**24,219**	20,904
3 to 6 months	**15,883**	10,797
6 months to 1 year	**11,908**	9,439
1 to 2 years	**2,576**	750
2 to 3 years	**50**	–
	54,636	41,890

The movements in provision for impairment of trade receivables are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**–**	–
Impairment losses recognised (note 6)	**10**	62
Amount written off as uncollectible	**(10)**	(62)
Impairment losses reversed	**–**	–
	–	–

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

19. TRADE RECEIVABLES (CONTINUED)

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 **RMB'000**	2016 RMB'000
Neither past due nor impaired	**42,784**	25,893
Less than one year past due	**11,852**	15,997
	54,636	41,890

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

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Prepayments	**228**	16
Prepaid expenses	**299**	42
Employee advances	**781**	1,080
Deposits	**9**	10
Other receivables*	**827**	22,164
Current portion of loans to employees	**1,290**	–
	3,434	23,312

* Other receivables in 2016 mainly represent the purchase of a financial product and a contract deposit paid to independent third parties, Yilucaifu (Beijing) Information Technology Company Limited and Hangzhou Linkhealth Technology Company Limited, of RMB12,000,000 and RMB10,000,000 respectively, which have both been collected in January 2017.

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

21. CASH AND CASH EQUIVALENTS

	2017 **RMB'000**	2016 RMB'000
Cash and bank balances	**198,152**	230,447

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB27,731,000 (2016: RMB94,451,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

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

	2017 **RMB'000**	2016 RMB'000
Within three months	**463**	512

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

23. ADVANCES FROM CUSTOMERS

	2017 **RMB'000**	2016 RMB'000
Advances from customers	**3,232**	2,511

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

24. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Other payables	**1,240**	1,249
Accruals	**1,955**	1,409
Other tax payables	**4,950**	3,453
Employee related payables	**3,228**	5,068
Total	**11,373**	11,179

Other payables are non-interest-bearing and repayable on demand.

25. INTEREST-BEARING BANK BORROWINGS

	2017			2016		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans unsecured	–	–	–	4.35%	2017	2,000

	2017 RMB'000	2016 RMB'000
Analysed into:		
Bank loans:		
Within one year or on demand	–	2,000

The Group's bank facilities amounted to RMB2,000,000, all of which had been expired as at the 31 December 2017. The Group's bank facilities amounted to RMB2,000,000, all of which had been utilised as at 31 December 2016.

26. SHARE CAPITAL

	2017 RMB'000	2016 RMB'000
Issued and fully paid:		
1,025,662,000 (2016: 1,026,162,000) ordinary shares of HK$0.01 each	**8,090**	8,094

A summary of movements in the Company's share capital is as follows:

	Note	**Number of shares in issue**	**Share capital**
At 1 January 2016		1,026,500,000	8,097
Cancellation of shares	(a)	(338,000)	(3)
At 31 December 2016 and 1 January 2017		1,026,162,000	8,094
Cancellation of shares	(a)	(500,000)	(4)
At 31 December 2017		1,025,662,000	8,090

Notes:

(a) Repurchase of shares

During the year ended 31 December 2016, the Company purchased 838,000 of its shares on the Hong Kong Stock Exchange at a total consideration of RMB1,606,000, of which 338,000 shares were cancelled in 2016 and 500,000 shares were cancelled in 2017.

27. SHARE OPTION SCHEME

The Company adopted a share option scheme on 19 June 2015 (the "Share Option Scheme") for the purpose of providing incentive or rewarding eligible persons (including director or employee (whether full time or part time), consultant or advisor of our Group) for their contribution to, and continuing efforts to promote the interests of our Group and for such other purposes as the Board may approve from time to time. No share option has been granted under the Share Option Scheme since its adoption by the Company. The Share Option Scheme became effective on the date of the Company's listing (8 July 2015) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 100,000,000 shares, representing 10% of the shares of the Company in issue as at the date of adoption of the Share Option Scheme and 9.74% of the shares of the Company in issue as at the date of this annual report. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

A grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the Option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer upon payment of a nominal consideration of RMB1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options, which must be a date on which the Stock Exchange is open for business of dealing in securities; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Further details of the Company's share option scheme are set out in the Group's Report of the Directors.

No share options were granted during the year ended 31 December 2017 and no share options were outstanding under the Scheme as at 31 December 2017 and 2016.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity on page 12 of the financial statements.

Certain subsidiaries established in the Mainland China are required to transfer 10% of their profits after tax calculated in accordance with the Mainland China accounting regulations to their respective statutory reserve funds until the reserve funds reach 50% of their respective registered capital, upon which any further appropriation is on the directors' recommendation. Such reserve refunds are restricted from distribution to the Company in the form of dividend and may be used to reduce any losses incurred by the subsidiaries or may be capitalised as paid-up capital of the subsidiaries, provided that the remaining balance after the capitalisation is not less than 50% of the registered capital.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank borrowings RMB'000
At 1 January 2017	2,000
Changes from financing cash flows	(2,000)
At 31 December 2017	–

30. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**1,347**	1,889
In the second to fifth years, inclusive	**–**	1,085
	1,347	2,974

31. RELATED PARTY TRANSACTIONS

(a) Material transactions with key management personnel:

	2017 **RMB'000**	2016 RMB'000
For the year		
Maximum aggregate amount of loans	**7,350**	2,950
At the year-end		
Loans to key management personnel	**7,350**	2,950

The loans granted to key management personnel who are not directors of the company are interest-free housing loans and have fixed terms of repayment of five years, which are included in loans to employees in Note 14.

(b) Compensation of key management personnel of the Group:

	2017 **RMB'000**	2016 RMB'000
Short term employee benefits	**3,751**	3,593
Pension scheme contributions	**226**	278
	3,977	3,871

Further details of directors' emoluments are included in note 8 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end 31 December 2017 are as follows:

2017

Financial assets

	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
An available-for-sale investment	–	15,000	15,000
Prepayment for an available-for-sale investment	–	10,000	10,000
Long-term receivables	32,375	–	32,375
Trade receivables	54,636	–	54,636
Financial assets included in prepayments, deposits and other receivables	2,898	–	2,898
Time deposits with original maturity over three months	23,000	–	23,000
Cash and cash balances	198,152	–	198,152
	311,061	25,000	336,061

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	1,240
Trade payables	463
	1,703

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2016

Financial assets

	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	–	10,375	10,375
Long-term receivables	63,221	–	63,221
Trade receivables	41,890	–	41,890
Financial assets included in prepayments, deposits and other receivables	23,244	–	23,244
Cash and cash equivalents	230,447	–	230,447
	358,802	10,375	369,177

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Interest-bearing bank and other borrowings	2,000
Financial liabilities included in other payables and accruals	1,152
Trade payables	512
	3,664

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Long-term receivable	**32,375**	63,221	**30,766**	61,744

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	**–**	2,000	**–**	2,000

Management has assessed that the fair values of cash and cash equivalents, trade receivables, deposits and other receivables, trade payables and other payables, based on their notional amounts, reasonably approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The available-for-sale investment are an unlisted equity investment stated at cost less impairment and their fair value cannot be measured reliably as described in note 15.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the long term receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial assets and liabilities for which fair values are disclosed:

Assets for which fair values are disclosed:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Long-term receivables	**–**	**–**	**30,766**	**30,766**

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Long-term receivables	–	–	61,744	61,744

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2017

The Group did not have any financial liabilities measured at fair value as at 31 December 2017.

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	2,000	–	2,000

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise cash and short term deposits and finance leases. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk and credit risk. The board of directors reviews and agrees policies for managing the risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. None (2016: 3%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst 100% (2016: 78%) of costs were denominated in the units' functional currencies. Besides, certain of the Group's cash and bank deposits are denominated in Hong Kong dollars.

The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the reporting period. However, management closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this respect, the Group is not exposed to any significant foreign currency exchange risk in its operation.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables and long-term receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by credit quality of individual customers. As at 31 December 2017, 40% (31 December 2016: 43%), of the total trade receivables were due from the Group's five largest customers, among which, 3% of the total trade receivables as at 31 December 2017 (31 December 2016: 11%) were due from the largest customer.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 14 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through other payables. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, was as follows:

	2017			
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	**1,240**	**–**	**–**	**1,240**
Trade payables	**–**	**463**	**–**	**463**
	1,240	**463**	**–**	**1,703**

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	2016			
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	2,000	2,000
Financial liabilities included in other payables and accruals	1,152	–	–	1,152
Trade payables	–	512	–	512
	1,152	512	2,000	3,664

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No change was made in the objectives, policies or processes for managing capital during years ended 31 December 2017 and 31 December 2016.

The Group monitors capital by regularly reviewing the gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at the end of the reporting periods were as follows:

	2017 RMB'000	2016 RMB'000
Total current liabilities	**18,831**	18,004
	18,831	18,004
Total current assets	**279,345**	295,665
Total non-current assets	**118,786**	75,181
	398,131	370,846
Gearing ratio	**5%**	5%

35. DIVIDEND

The company recommend a final dividend of HK$0.0015 per share in respect of the year ended 31 December 2017, totalling HK$1,538,493 to be distributed out of share premium account. (year ended 31 December 2016:Nil}.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**93**	199
Long-term receivables	**5,702**	734
Total non-current assets	**5,795**	933
CURRENT ASSETS		
Prepayments, deposits and other receivables	**469**	95
Cash and cash equivalents	**56,276**	48,019
Due from subsidiaries	**160,595**	199,227
Total current assets	**217,340**	247,341
CURRENT LIABILITIES		
Due to subsidiaries	**4,788**	4,782
Trade payable	**–**	170
Employee related payable	**20**	15
Total current liabilities	**4,808**	4,967
NET CURRENT ASSETS	**212,532**	242,374
TOTAL ASSETS LESS CURRENT LIABILITIES	**218,327**	243,307
Net assets	**218,327**	243,307
Equity		
Share capital	**8,090**	8,094
Treasury shares	**–**	(4)
Reserves (note)	**210,237**	235,217
Total equity	**218,327**	243,307

Cheng Li
Director

Zhang Lake Mozi
Director

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	226,286	14,600	(13,174)	227,712
Loss for the year	–	–	(7,338)	(7,338)
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations	–	16,441	–	16,441
Total comprehensive income for the year	–	16,441	(7,338)	9,103
Repurchase of shares	(1,598)	–	–	(1,598)
At 31 December 2016	224,688	31,041	(20,512)	235,217
Loss for the year	–	–	(8,562)	(8,562)
Other comprehensive loss for the year:				
Exchange differences on translation of foreign operations	–	(16,418)	–	(16,418)
Total comprehensive loss for the year	–	(16,418)	(8,562)	(24,980)
At 31 December 2017	224,688	14,623	(29,074)	210,237

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2018.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**91,132**	84,913	79,774	53,433	39,368
Net profit for the Year Attributable to the owners of the Company	**34,584**	44,867	34,525	13,645	4,817

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**398,131**	370,846	326,484	41,630	36,336
Total liabilities	**18,831**	18,004	26,051	21,895	16,489
Total Equity	**379,300**	352,842	300,433	19,735	19,847