Report and Financial Statements

Shanghai Retech Information Technology Co., Ltd.
上海睿泰信息科技有限公司

For the years ended 31 December 2013, 2014 and 2015

Contents

Expressed in Renminbi ("RMB")

Grant Thornton
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Independent auditors' report

GTCNSZ(2016) No. 310B0013-I

To the shareholders of Shanghai Retech Information Technology Co., Ltd.
上海睿泰信息科技有限公司
(established in the People's Republic of China with limited liability)

We have audited the financial statements of Shanghai Retech Information Technology Co., Ltd. 上海睿泰信息科技有限公司 (the "Company") set out on pages 3 to 32, which comprise the statements of financial position as at 31 December 2013, 2014 and 2015, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management of the Company is responsible for the preparation of financial statements that give a true and fair view in accordance with applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This 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.

We conducted our audit in accordance with International Standards on Auditing issued by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Auditors' responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the Company as at 31 December 2013, 2014 and 2015, and of their financial performance and cash flows for the years then ended in accordance with applicable Hong Kong Financial Reporting Standards.

Grant Thornton

Grant Thornton
Certified Public Accountants
45/F Raffles City
268 Xizang Zhong Road
Shanghai, People's Republic of China.

21 November 2016

Statements of profit or loss and other comprehensive income for the years ended 31 December 2013, 2014 and 2015

	Notes	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
Revenue	5	5,094,315	5,992,095	28,439,183
Costs of sales		(1,791,195)	(2,124,359)	(10,938,957)
Gross profit		3,303,120	3,867,736	17,500,226
Other revenue	5	2,010,400	1,779,000	1,580,000
Other income	6	108,753	294	7,658
Selling and distribution costs		-	(213,867)	(2,050,342)
Administrative expenses		(6,096,387)	(5,274,900)	(5,356,559)
Operating (loss)/profit		(674,114)	158,263	11,680,983
Share of loss from an associate		(1,604,985)	(1,429,496)	(832,816)
(Loss)/Profit before income tax	7	(2,279,099)	(1,271,233)	10,848,167
Income tax expense	8	-	-	(196,982)
(Loss)/Profit and total comprehensive (loss)/income for the year		(2,279,099)	(1,271,233)	10,651,185

Legal Representative

The notes on pages 8 to 32 form part of these financial statements.

Statements of financial position as at 31 December 2013, 2014 and 2015

	Notes	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	10	754,262	435,057	332,599
Interest in an associate	11	4,025,852	2,596,356	1,763,540
Intangible assets	12	24,390	18,970	13,550
Deferred tax assets	13	-	-	1,183,163
		4,804,504	3,050,383	3,292,852
Current assets				
Trade and other receivables	14	2,047,600	2,459,259	6,856,766
Amounts due from fellow subsidiaries	15	-	16,150	3,751,224
Amounts due from related companies	15	3,929	10,911	10,911
Amount due from a director	15	58,382	150,414	-
Bank and cash balances	16	149,743	60,146	486,695
		2,259,654	2,696,880	11,105,596
Current liabilities				
Trade and other payables	17	725,942	1,678,554	5,451,341
Amount due to immediate holding company	15	11,661,174	10,995,693	3,282,857
Amount due to a fellow subsidiary	15	38,971	121,430	-
Deferred revenue	18	768,453	353,201	1,034,535
Current tax provisions		-	-	1,380,145
		13,194,540	13,148,878	11,148,878
Net current liabilities		(10,934,886)	(10,451,998)	(43,282)
Net (liabilities)/assets		(6,130,382)	(7,401,615)	3,249,570

Statements of financial position as at 31 December 2013, 2014 and 2015 (Continued)

	Notes	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
EQUITY				
Paid up capital	19	5,000,000	5,000,000	5,000,000
Accumulated losses		(11,130,382)	(12,401,615)	(1,750,430)
(Capital deficiency)/Total equity		(6,130,382)	(7,401,615)	3,249,570

Legal Representative

The notes on pages 8 to 32 form part of these financial statements.

Statements of cash flows for the years ended 31 December 2013, 2014 and 2015

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
Cash flows from operating activities			
(Loss)/Profit before tax	(2,279,099)	(1,271,233)	10,848,167
Adjustments for:			
Depreciation of property, plant and equipment	436,915	400,686	206,437
Amortisation of intangible assets	5,420	5,420	5,420
Impairment losses on trade and other receivables	376,215	313,000	-
Interest income	(753)	(294)	(692)
Share of loss from an associate	1,604,985	1,429,496	832,816
Operating profit before working capital changes	143,683	877,075	11,892,148
Decrease/ (Increase) in trade and other receivables	3,358,332	(724,659)	(4,397,507)
Increase in amounts due from fellow subsidiaries	-	(16,150)	(3,735,074)
Decrease/(Increase) in amounts due from related companies	898,188	(6,982)	-
(Increase)/Decrease in amount due from a director	(6,790)	(92,032)	150,414
Increase in trade and other payables	7,222	952,612	3,772,787
Increase/(Decrease) in amount due to immediate holding company	11,661,174	(665,481)	(7,712,836)
(Decrease)/ Increase in amount due to a fellow subsidiary	(131,922)	82,459	(121,430)
Decrease in amount due to an associate	(272,578)	-	-
Decrease in amounts due to related companies	(17,134,146)	-	-
Increase/(Decrease) in deferred revenue	768,453	(415,252)	681,334
Cash (used in)/generated from operations	(708,384)	(8,410)	529,836
Interest received	753	294	692
Net cash (used in)/generated from operating activities	(707,631)	(8,116)	530,528
Cash flows from investing activities			
Purchase of property, plant and equipment	(202,246)	(81,481)	(103,979)
Net cash used in investing activities	(202,246)	(81,481)	(103,979)
Net changes in cash and cash equivalents	(909,877)	(89,597)	426,549
Cash and cash equivalents at the beginning of the year	1,059,620	149,743	60,146
Cash and cash equivalents at the end of year	149,743	60,146	486,695

The notes on pages 8 to 32 form part of these financial statements.

Statements of changes in equity for the years ended 31 December 2013, 2014 and 2015

	Paid up capital RMB	Accumulated losses RMB	Total RMB
Balance as at 1 January 2013	**5,000,000**	**(8,851,283)**	**(3,851,283)**
Loss and total comprehensive loss for the year	-	(2,279,099)	(2,279,099)
Balance as at 31 December 2013 and 1 January 2014	**5,000,000**	**(11,130,382)**	**(6,130,382)**
Loss and total comprehensive loss for the year	-	(1,271,233)	(1,271,233)
Balance as at 31 December 2014 and 1 January 2015	**5,000,000**	**(12,401,615)**	**(7,401,615)**
Profit and total comprehensive income for the year	-	10,651,185	10,651,185
Balance as at 31 December 2015	**5,000,000**	**(1,750,430)**	**3,249,570**

The notes on pages 8 to 32 form part of these financial statements.

Notes to the financial statements for the years ended 31 December 2013, 2014 and 2015

1. GENERAL INFORMATION

Shanghai Retech Information Technology Co., Ltd.上海睿泰信息科技有限公司("the Company") is a limited liability company established and domiciled in the People's Republic of China (the "PRC"). The address of its registered office and principal place of business is Level 18, 335, Guoding Road, Yangpu Districts, Shanghai 200082, the PRC.

The Company is controlled by Shanghai Retech Enterprise Management Group Co., Ltd. 上海睿泰企业管理集团有限公司, a company incorporated and domiciled in the PRC.

The principal activity of the Company is provision of IT related solutions and consultancy services. The Company's operations are based in the PRC.

The financial statements for the years ended 31 December 2013, 2014 and 2015 were approved for issue by management on 21 November 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

For all periods up to and including the year ended 31 December 2012, the Company prepared its financial statements in accordance with local generally accepted accounting practice in the PRC ("PRC GAAP"). These financial statements for the years ended 31 December 2013, 2014 and 2015 are the first the Company has prepared in accordance with HKFRS. Refer to note 3.1 for information on how the Company adopted HKFRS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.2 Associates

An associate is an entity over which the Company has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In financial statements, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Company, plus any costs directly attributable to the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Company's share of the associate's profit or loss in the period in which the investment is acquired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Associates (Continued)

Under the equity method, the Company's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Company's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal Company that is classified as held for sale). The profit or loss for the year includes the Company's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associate recognised for the year. The Company's other comprehensive income for the year includes its share of the associate's other comprehensive income for the year.

Unrealised gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associates. Where unrealised losses on assets sales between the Company and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Company's perspective. Where the associate uses accounting policies other than those of the Company for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Company when the associate's financial statements are used by the Company in applying the equity method.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Company's interest in the associate is the carrying amount of the investment under the equity method together with the Company's long-term interests that in substance form part of the Company's net investment in the associate.

After the application of equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in its associates. At each reporting date, the Company determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Company calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Company estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, as follows:

Computer and office equipment	3 years
Furniture and fixtures	3 years
Leasehold improvement	3 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.4 Intangible assets (Other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Software	10 years

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.11.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial assets

The Company's financial assets are classified as loans and receivables.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Company about one or more of the following loss events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the profit or loss of the year in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss of the year in which the reversal occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

Impairment losses on financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Company is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the profit or loss.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.7 Financial liabilities

The Company's financial liabilities include trade and other payables, amount due to immediate holding company and amount due to a fellow subsidiary.

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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

Where 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 the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

<u>Trade and other payables, amount due to immediate holding company and amount due to a fellow subsidiary</u>

Trade and other payables, amount due to immediate holding company and amount due to a fellow subsidiary are recognised initially at its fair value and subsequently measured at amortised cost, using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Company

Assets that are held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Company are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Company has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on the straight-line method over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to the profit or loss in the accounting period in which they are incurred.

2.9 Paid up capital

Paid up capital is classified as equity. It is determined using the proceeds from capital contributions made by the investors.

2.10 Revenue recognition

Sales of services are recognised in the accounting period in which the services are rendered. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The stage of completion of a transaction is determined by the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

When services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

Interest income is recognised on a time-proportion basis using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets

The following assets are subject to impairment testing:
- Property, plant and equipment
- Intangible assets; and
- The Company's interest in an associate

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.12 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through a defined contribution plan.

The employees of the Company are required to participate in a central pension scheme operated by the local municipal government. This Company is required to contribute portion of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Company's obligations under these plans are limited to the fixed percentage contributions payable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Employee benefits (Continued)

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.13 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received. Government grants relating to income is presented in gross under "Other revenue" in the statement of profit or loss and other comprehensive income.

2.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the tax periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Accounting for income taxes (Continued)

Deferred tax liabilities are not recognised if the temporary difference arises on investment in a subsidiary, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit and loss or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Company has the legally enforceable right to set off the recognised amounts; and
(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company presents deferred tax assets and deferred tax liabilities in net if, and only if,
(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Related parties

For the purposes of these financial statements, a party is considered to be related to the Company 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 Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company; or

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

- (i) The entity and the Company are members of the same group;
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) The entity and the Company 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 Company or an entity related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. FIRST ADOPTION OF HKFRSs

3.1 Transition from PRC GAAP to HKFRSs

These financial statements, for the years ended 31 December 2013, 2014 and 2015 are the first the Company has prepared in accordance with HKFRS. For periods up to and including the year ended 31 December 2012, the Company prepared its financial statements in accordance with PRC GAAP.

The transition from the PRC GAAP to HKFRS did not results any material adjustments to the Company's statement of financial position as of 1 January 2013 and its financial performances for the year then ended.

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been early adopted by the Company.

Management is currently assessing the possible impact of these amendments of the Company's results and financial position in the first year of application.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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:

4.1 Impairment of receivables

The Company's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at each reporting date.

4.2 Income taxes

The Company is subject to income taxes in jurisdiction in which the Company operates. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

5. REVENUE AND OTHER REVENUE

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
Revenue			
E-Learning solutions	5,089,609	5,968,630	15,920,630
E-Training partnership	-	-	3,277,368
E-Course direct	-	-	5,094,340
Outsourcing services	4,706	23,465	4,146,845
	5,094,315	5,992,095	28,439,183
Other revenue			
Government subsidy income (note)	2,010,400	1,779,000	1,580,000
	7,104,715	7,771,095	30,019,183

Note:
Government subsidy income relates to cash subsidies in respect of operating activities from the PRC government which are either unconditionally granted or grants with conditions that have been satisfied.

6. OTHER INCOME

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
Interest income	753	294	692
Sundry income	108,000	-	6,966
	108,753	294	7,658

7. (LOSS)/PROFIT BEFORE INCOME TAX

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
(Loss)/Profit before income tax is arrived at after charging:			
Depreciation of property, plant and equipment	436,915	400,686	206,437
Amortisation of intangible assets	5,420	5,420	5,420
Operating lease charges on rented premises	325,396	656,878	669,812
Impairment losses on trade and other receivables	376,215	313,000	-

8. INCOME TAX EXPENSE

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
Current tax	-	-	1,380,145
Deferred tax credit	-	-	(1,183,163)
Total income tax expense	-	-	196,982

Pursuant to the relevant laws and regulations in the PRC, PRC incorporated companies are subject to corporate income tax rate of 25% on the estimated assessable profits for the year. On 11 September 2013, the Company obtained the High and New Technology Enterprises qualification ("HNTE"). Accordingly, the Company enjoyed a preferential corporate income tax rate of 15% for the years ended 2013, 2014 and 2015.

Under relevant laws and regulations in the PRC, PRC incorporated companies can also deduct an additional 50% of qualified research and development ("R&D") expenses actually incurred for the development of new technology, new products and new skills ("super deduction").

Reconciliation between income tax expense and accounting (loss/profit at applicable tax rate is as follows:

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
(Loss)/Profit before income tax	(2,279,099)	(1,271,233)	10,848,167
Tax on (loss)/profit before income tax, calculated at corporate income tax rate of 15%	(341,865)	(190,685)	1,627,225
Tax effect of non-deductible expenses	244,502	367,122	154,250
Tax effect of super deduction of R&D expenses	-	-	(205,770)
Tax effect of deductible temporary differences not recognised	97,363	13,245	-
Utilisation of deductible temporary differences previously not recognised	-	(189,682)	(905,458)
Effect of tax rate change on deferred tax assets	-	-	(473,265)
Income tax expense	-	-	196,982

8. INCOME TAX EXPENSE (Continued)

At the end of 2013 and 2014, the Company has not recognised the following temporary differences that can be carried forward to offset against future taxable income.

	31/12/2013 RMB	31/12/2014 RMB
Unpaid accruals	402,336	1,186,761
Impairment losses on trade and other receivables	376,215	689,215
Unutilised tax losses	5,169,529	4,160,402
	5,948,080	6,036,378

At the end of 2015, the Company has recognised deferred tax assets of RMB1,183,163 as disclosed in note 13.

9. EMPLOYEE BENEFIT EXPENSES

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
Wages and salaries	2,985,102	3,248,512	9,945,182
Pension costs – defined contribution plans	496,892	437,908	1,168,100
Other benefits	112,142	75,989	207,493
	3,594,136	3,762,409	11,320,775

10. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment RMB	Furniture and fixtures RMB	Leasehold improvement RMB	Total RMB
At 1 January 2013				
Cost	698,802	300,146	455,220	1,454,168
Accumulated depreciation	(278,878)	(116,919)	(69,440)	(465,237)
Net book amount	**419,924**	**183,227**	**385,780**	**988,931**
Year ended 31 December 2013				
Opening net book amount	419,924	183,227	385,780	988,931
Additions	87,859	7,087	107,300	202,246
Depreciation	(232,801)	(100,797)	(103,317)	(436,915)
Closing net book amount	**274,982**	**89,517**	**389,763**	**754,262**
At 31 December 2013 and 1 January 2014				
Cost	786,661	307,233	562,520	1,656,414
Accumulated depreciation	(511,679)	(217,716)	(172,757)	(902,152)
Net book amount	**274,982**	**89,517**	**389,763**	**754,262**
Year ended 31 December 2014				
Opening net book amount	274,982	89,517	389,763	754,262
Additions	76,404	5,077	-	81,481
Depreciation	(200,314)	(86,325)	(114,047)	(400,686)
Closing net book amount	**151,072**	**8,269**	**275,716**	**435,057**
At 31 December 2014 and 1 January 2015				
Cost	863,065	299,675	562,520	1,725,260
Accumulated depreciation	(711,993)	(291,406)	(286,804)	(1,290,203)
Net book amount	**151,072**	**8,269**	**275,716**	**435,057**
Year ended 31 December 2015				
Opening net book amount	151,072	8,269	275,716	435,057
Additions	103,979	-	-	103,979
Depreciation	(88,235)	(4,155)	(114,047)	(206,437)
Closing net book amount	**166,816**	**4,114**	**161,669**	**332,599**
At 31 December 2015				
Cost	967,044	299,675	562,520	1,829,239
Accumulated depreciation	(800,228)	(295,561)	(400,851)	(1,496,640)
Net book amount	**166,816**	**4,114**	**161,669**	**332,599**

11. INTEREST IN AN ASSOCIATE

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Unlisted share, at cost	8,000,000	8,000,000	8,000,000
Share of post-acquisition loss and other comprehensive loss	(3,974,148)	(5,403,644)	(6,236,460)
	4,025,852	2,596,356	1,763,540

Particulars of the Company's associate at the end of reporting period is as follows:

Name of associate	Form of business structure	Country / place of incorporation and business	Particulars of issued and paid up capital	Percentage of interest held	Principal activities
Changsha Retech Information Technology Co., Ltd. 长沙睿泰信息科技有限公司 ("CSR")	Incorporated	Changsha City, Hunan Province, PRC	RMB20,000,000	40%	Research and development in information technology

Set out below is the summarised financial information of CSR which is accounted for using the equity method:

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Current assets	7,332,696	5,631,129	1,718
Non-current assets	8,988,343	7,478,324	6,077,399
Current liabilities	(136,409)	(4,168,563)	(1,670,267)
Non-current liabilities	(6,120,000)	(2,450,000)	-
Net assets	10,064,630	6,490,890	4,408,850
Total expense and loss for the year	(4,012,463)	(3,573,740)	(2,082,040)

A reconciliation of the above summarised financial information to the carrying amount of the investment in CSR is set out below:

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Total net assets of associates	10,064,630	6,490,890	4,408,850
Proportion of ownership held by the Company	40%	40%	40%
Carrying amount of the interest in an associate in the financial statements	4,025,852	2,596,356	1,763,540

12. INTANGIBLE ASSETS

	Software RMB
At 1 January 2013	
Cost	54,200
Accumulated amortisation	(24,390)
Net carrying amount	**29,810**
Year ended 31 December 2013	
Opening net book amount	29,810
Amortisation	(5,420)
Closing net carrying amount	**24,390**
At 31 December 2013 and 1 January 2014	
Cost	54,200
Accumulated amortisation	(29,810)
Net carrying amount	**24,390**
Year ended 31 December 2014	
Opening net book amount	24,390
Amortisation	(5,420)
Closing net carrying amount	**18,970**
At 31 December 2014 and 1 January 2015	
Cost	54,200
Accumulated amortisation	(35,230)
Net carrying amount	**18,970**
Year ended 31 December 2015	
Opening net book amount	18,970
Amortisation	(5,420)
Closing net carrying amount	**13,550**
At 31 December 2015	
Cost	54,200
Accumulated amortisation	(40,650)
Net carrying amount	**13,550**

13. DEFERRED TAX ASSETS

	Impairment losses on trade and other receivables RMB	Unpaid accruals RMB	Total RMB
At 1 January 2013, 2014 and 2015	-	-	-
Recognised in profit or loss	172,304	1,010,859	1,183,163
At 31 December 2015	172,304	1,010,859	1,183,163

14. TRADE AND OTHER RECEIVABLES

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Trade receivables	844,959	2,234,200	6,235,049
Other receivables	1,555,245	885,711	1,064,263
Gross receivables	2,400,204	3,119,911	7,299,312
Less: Impairment losses on trade and other receivables	(376,215)	(689,215)	(689,215)
Total loans and receivables	2,023,989	2,430,696	6,610,097
Add: Prepayments	23,611	28,563	246,669
Total trade and other receivables	2,047,600	2,459,259	6,856,766

Management of the Company considers that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The movement in the provision for impairment losses is as follows:

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Beginning of the year	-	376,215	689,215
Impairment losses recognised in profit or loss	376,215	313,000	-
Balance at the end of the year	376,215	689,215	689,215

At each reporting date the Company reviews receivables for evidence of impairment on both an individual and collective basis. At the end of 2013, 2014 and 2015, trade and other receivables that are individually impaired amounted to RMB376,215, RMB689,215 and RMB689,215 respectively. None of the trade receivables are impaired on a collective basis.

At the end of 2013, 2014 and 2015, none of the remaining outstanding trade and other receivables was past due or impaired. These related to a large number of diversified customers for whom there was no recent history of default.

15. AMOUNT DUE FROM/ (TO) FELLOW SUBSIDIARIES/ AMOUNT DUE FROM RELATED COMPANIES/ AMOUNT DUE FROM A DIRECTOR/ AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

Amount due from/ (to) fellow subsidiaries/ Amount due from related companies/Amount due from a director/Amount due to immediate holding company are unsecured, interest-free and repayable on demand.

16. BANK AND CASH BALANCES

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Cash at banks	149,743	41,941	486,695
Cash in hand	-	18,205	-
	149,743	60,146	486,695

17. TRADE AND OTHER PAYABLES

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Trade payables	105,509	85,160	279,290
Other payables	237,844	390,014	330,826
Accruals	363,365	1,132,977	3,957,799
Financial liabilities measured at amortised cost	706,718	1,608,151	4,567,915
Other tax liabilities	19,224	70,403	883,426
Total trade and other payables	725,942	1,678,554	5,451,341

All amounts are short-term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of fair values.

18. DEFERRED REVENUE

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Deferred revenue	768,453	353,201	1,034,535

Deferred revenue relates to contract revenue deferred for services yet to be performed for customers..

19. PAID UP CAPITAL

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Paid up capital	5,000,000	5,000,000	5,000,000

20. OPERATING LEASE COMMITMENTS

At the end of reporting period, the total future minimum lease payments under non-cancellable operating leases in respect of buildings are payable by the Company as follows:

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Within one year	541,670	541,670	541,670
In the second to fifth years	1,986,125	1,444,454	902,784
	2,527,795	1,986,124	1,444,454

The Company leases its office space under operating leases. The leases run for an initial period of five years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Company and landlord. The arrangement does not contain contingent rent.

21. RELATED PARTY TRANSACTIONS

The Company's related parties include its holding company, fellow subsidiaries, associate and related companies. Details of the transactions between the company and its related parties are summarised below.

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
Outsourcing service income received from:			
(a) Fellow subsidiaries			
- Jiangsu Retech Education Technology Co., Ltd. 江苏睿泰教育科技有限公司 ("JSR")[1]	-	-	3,024,035
- Yancheng Retech Digital Technology Co., Ltd. 盐城睿泰数字科技有限公司 ("YCR")[1]	-	16,149	-
(b) Immediate holding company	777	334	1,174,890
(c) A related company, Zhenjiang Retech Asset Management Co., Ltd. 镇江睿泰资产管理有限公司 ("ZJR")[2]	3,929	6,982	-
Service fee paid to:			
(a) A fellow subsidiary, JSR[1]	38,971	82,459	85,638
(b) A related company, Wuxi Ruizhi Software Technology Co., Ltd. 无锡睿志软件科技有限公司[3]	522,960	-	-

(1) JSR and YCR are subsidiaries of the Company's immediate holding company.

(2) ZJR was a subsidiary of JSR prior to 28 May 2015.

(3) Mr. AI Shungang is a director and a shareholder of Wuxi Ruizhi Software Technology Co., Ltd.无锡睿志软件科技有限公司.

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Company is exposed to financial risks through its use of financial instruments in its ordinary course of operations, and in its investment activities. The financial risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

The Company's overall financial risk management programme focuses on the unpredictability and volatility at financial markets and seeks to minimise potential adverse effects on the financial position, financial performance and cash flows of the Company. No derivative financial instruments are used to hedge any risk exposures.

22.1 Categories of financial assets and financial liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities.

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Financial assets			
Loans and receivables:			
- Trade and other receivables	2,023,989	2,430,696	6,610,097
- Amount due from fellow subsidiaries	-	16,150	3,751,224
- Amount due from related companies	3,929	10,911	10,911
- Amount due from a director	58,382	150,414	-
- Bank and cash balances	149,743	60,146	486,695
	2,236,043	2,668,317	10,858,927
Financial liabilities			
Financial liabilities measured at amortised cost:			
- Trade and other payables	706,718	1,608,151	4,567,915
- Amount due to immediate holding company	11,661,174	10,995,693	3,282,857
- Amount due to a fellow subsidiary	38,971	121,430	-
	12,406,863	12,725,274	7,850,772

22.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have significant foreign currency risk as transactions and balances are predominately in original functional currencies.

22.3 Interest rate risk

As the Company has no significant interest bearing financial assets and liabilities, the Company's income and operating cash flows are substantially independent to changes in market interest rates.

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

22.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Company. The Company's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The Company's maximum exposure to credit risk is limited to the carrying amounts of the financial assets at the reporting date as detailed in note 22.1.

Credit risk on trade and other receivables and amounts due from related parties are minimised as the Company performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at the end of each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. At the reporting date, the Company has no concentration of credit risk.

None of the Company's financial assets are secured by collateral or other credit enhancements.

22.5 Liquidity risk

Liquidity risk relates to the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company is exposed to liquidity risk in respect of settlement of its financing obligations and its cash flow management. The Company's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Company can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Company is committed to pay.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining contractual maturity as at 31 December 2013, 2014 and 2015. The amounts disclosed in the tables are the contractual undiscounted cash flows.

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

22.5 Liquidity risk (Continued)

	On demand and within one year RMB	Total undiscounted amount RMB	Total carrying amount RMB
31/12/2013			
Trade and other payables	706,718	706,718	706,718
Amount due to immediate holding company	11,661,174	11,661,174	11,661,174
Amount due to a fellow subsidiary	38,971	38,971	38,971
	12,406,863	12,406,863	12,406,863
31/12/2014			
Trade and other payables	1,608,151	1,608,151	1,608,151
Amount due to immediate holding company	10,995,693	10,995,693	10,995,693
Amount due to a fellow subsidiary	121,430	121,430	121,430
	12,725,274	12,725,274	12,725,274
31/12/2015			
Trade and other payables	4,567,915	4,567,915	4,567,915
Amount due to immediate holding company	3,282,857	3,282,857	3,282,857
	7,850,772	7,850,772	7,850,772

22.6 Fair values measurements of financial instruments

The fair values of the Company's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial assets and liabilities.

23. CAPITAL MANAGEMENT

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders. The Company manages capital by regularly monitoring its current and expected liquidity requirements.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

24. SUBSEQUENT EVENTS

On 6 May 2016, the Company injected capital contribution of RMB2,000,000 to incorporate a new wholly owned subsidiary, Shanghai Ruijian Information Technology Co., Ltd 上海睿剑信息科技有限公司.