Report and Financial Statements

Shanghai Retech Enterprise Management Group Co., Ltd. 上海睿泰企业管理集团有限公司

For the half-year ended 30 June 2016

Contents

Expressed in Renminbi ("RMB")

Grant Thornton
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Independent review report

GTCNZZ(2016) No. 310B0003-I

To the shareholders of Shanghai Retech Enterprise Management Group Co., Ltd.
上海睿泰企业管理集团有限公司
(established in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial statements of Shanghai Retech Enterprise Management Group Co., Ltd. 上海睿泰企业管理集团有限公司(the "Company") set out on pages 3 to 32, which comprise the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year then ended, and a summary of significant accounting policies and other explanatory information. The preparation of a report on interim financial information to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34"). Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the Company's internal accounting framework.

Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410,"Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not give a true and fair view of the consolidated financial position of the Group as at 30 June 2016, and of its financial performance and its cash flows for the half-year then ended in accordance with the Company's internal accounting framework.

Basis of accounting

Without qualifying our opinion, we draw your attention to note 2.1 to the financial statements which describes the basis of accounting.

Grant Thornton

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Certified Public Accountants
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Shanghai, People's Republic of China.

21 November 2016

Statement of profit or loss and other comprehensive income for the half-year ended 30 June 2016

	Notes	Half-year ended 30/06/2016 RMB (Unaudited)	Half-year ended 30/06/2015 RMB (Unaudited)
Revenue	5	**2,538,416**	3,549,046
Costs of sales		**(2,233,994)**	(2,196,129)
Gross profit		**304,422**	1,352,917
Other income	6	**5,640**	2,831,026
Selling and distribution costs		**(164,148)**	(1,066,303)
Administrative expenses		**(7,467,662)**	(8,900,613)
Operating loss		**(7,321,748)**	(5,782,973)
Finance costs	7	**(664,077)**	(422,000)
Loss before income tax	8	**(7,985,825)**	(6,204,973)
Income tax expense	9	**-**	-
Loss and total comprehensive loss for the period		**(7,985,825)**	(6,204,973)

Legal Representative

The notes on pages 9 to 32 form part of these interim financial statements.

Statement of financial position as at 30 June 2016

	Notes	30/06/2016 RMB (Unaudited)	31/12/2015 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**605,673**	747,952
Investments in subsidiaries	12	**41,504,055**	37,210,120
Available-for-sale financial asset	13	**12,000,000**	12,000,000
		54,109,728	49,958,072
Current assets			
Trade and other receivables	14	**10,093,480**	8,334,139
Amount due from a shareholder	15	**31,577,546**	12,637,546
Amounts due from subsidiaries	15	**1,589,264**	11,014,878
Amounts due from related companies	15	**7,772,628**	26,237,050
Bank and cash balances	16	**132,752**	110,439
		51,165,670	58,334,052
Current liabilities			
Trade and other payables	17	**56,825,995**	18,239,988
Borrowings	18	**7,300,000**	4,000,000
Amounts due to subsidiaries	15	**17,555,615**	60,914,003
Amounts due to related companies	15	**2,683,572**	25,892,973
Deferred revenue	19	**713,742**	762,862
		85,078,924	109,809,826
Net current liabilities		**(33,913,254)**	(51,475,774)
Non-current liabilities			
Borrowings	18	**29,700,000**	-
Net liabilities		**(9,503,526)**	(1,517,702)

Statement of financial position as at 30 June 2016 (Continued)

	Notes	30/06/2016 RMB (Unaudited)	31/12/2015 RMB
EQUITY			
Paid up capital	20	55,555,600	55,555,600
Accumulated losses		(65,059,126)	(57,073,302)
Capital deficiency		**(9,503,526)**	(1,517,702)

Legal Representative

The notes on pages 9 to 32 form part of these interim financial statements.

Statement of cash flow
For the half-year ended 30 June 2016

	Half-year ended 30/06/2016 RMB (Unaudited)	Half-year ended 30/06/2015 RMB (Unaudited)
Cash flows from operating activities		
Loss before tax	**(7,985,825)**	(6,204,973)
Adjustments for:		
Gain on disposal of self-developed patents	**-**	(2,830,189)
Depreciation of property, plant and equipment	**142,279**	144,809
Impairment losses on investment in subsidiaries	**3,206,065**	4,925,912
Interest expense	**664,077**	422,000
Operating loss before working capital changes	**(3,973,404)**	(3,542,441)
Increase in trade and other receivables	**(1,759,340)**	(782,754)
Increase in amount due from a shareholder	**(18,940,000)**	(500,000)
Decrease/(Increase) in amounts due from subsidiaries	**9,425,614**	(4,653,037)
Decrease/(Increase) in amounts due from related companies	**18,464,422**	(136,065)
Increase in trade and other payables	**38,353,929**	3,934,025
(Decrease)/ Increase in amounts due to subsidiaries	**(43,358,388)**	140,060
(Decrease)/ Increase in amounts due to related companies	**(23,209,401)**	9,545,899
Decrease in deferred revenue	**(49,119)**	(520,841)
Cash (used in)/generated from operations	**(25,045,687)**	3,484,846
Interest paid	**(432,000)**	(422,000)
Net cash (used in)/generated from operating activities	**(25,477,687)**	3,062,846
Cash flows from investing activities		
Purchase of property, plant and equipment	**-**	(7,179)
Proceeds from disposal of self-developed patents	**-**	2,830,189
Investment in subsidiaries	**(7,500,000)**	(7,000,000)
Net cash used in investing activities	**(7,500,000)**	(4,176,990)

Statement of cash flow for the half-year ended 30 June 2016 (Continued)

	Half-year ended 30/06/2016 RMB (Unaudited)	Half-year ended 30/06/2015 RMB (Unaudited)
Cash flows from financing activities		
Proceeds from new borrowings	**33,000,000**	1,000,000
Net cash generated from financing activities	**33,000,000**	1,000,000
Net increase/(decrease) in cash and cash equivalents	**22,313**	(114,144)
Cash and cash equivalents at the beginning of the period	**110,439**	171,663
Cash and cash equivalents at the end of the period	**132,752**	57,519

The notes on pages 9 to 32 form part of these interim financial statements.

Statement of changes in equity for the half-year ended 30 June 2016

	Paid up capital RMB	Accumulated losses RMB	Total equity/ (Capital deficiency) RMB
Balance as at 1 January 2015	**55,555,600**	(45,447,156)	10,108,444
Loss and total comprehensive loss for the period	-	(6,204,973)	(6,204,973)
Balance as at 30 June 2015	**55,555,600**	**(51,652,129)**	**11,226,394**
Balance as at 1 January 2016	55,555,600	(57,073,301)	(1,517,701)
Loss and total comprehensive loss for the period	-	(7,985,825)	(7,985,825)
Balance as at 30 June 2016	**55,555,600**	**(65,059,126)**	**(9,503,526)**

The notes on pages 9 to 32 form part of these financial statements.

Notes to the financial statements
For the half-year ended 30 June 2016

1. GENERAL INFORMATION

Shanghai Retech Enterprise Management Group Co., Ltd.上海睿泰企业管理集团有限公司 ("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 Mr. AI Shungang. The principal activities of the Company is investment holding and provision of IT related solutions and consultancy services. Details of the principal activities and other particulars of its subsidiaries are set out in note 12.

The financial statements for the half-year ended 30 June 2016 were approved for issue by the 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 the Company's internal accounting framework, which is equivalent to 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 except that the consolidated financial statements have not been presented as required by HKFRS 10 "Consolidated Financial Statements". Its investments in subsidiaries are accounted at costs net of impairment.

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 periods presented unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

The financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Company incurred a total comprehensive loss of RMB7,985,825 during the half-year ended 30 June 2016 and as of that date, the Company's current liabilities exceeded its current assets by RMB33,913,254. The going concern basis has been adopted on the basis that the shareholders have confirmed their intention to provide the Company with the necessary financial support to meet the Company's liabilities and commitments as and when they fall due and to enable the Company to continue operation in the foreseeable future.

Should the Company be unable to continue its business as a going concern, adjustments would have to be made in the financial statements to restate the values of the assets to their recoverable amounts, to reclassify non-current assets as current assets and to provide for any further liabilities which might arise. The effect of these potential adjustments has not been reflected in the financial statements.

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 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

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 fittings	3 years
Motor vehicles	5 years
Leasehold improvement	5 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 Financial assets

The Company's financial assets are classified as loans and receivables and available-for-sale financial assets

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Financial assets (Continued)

The Company's financial assets are classified as loans and receivables and available-for-sale financial assets.

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.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

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)

2.4 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 Company of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Company and, national or local economic conditions that correlate with defaults on the assets in the Company.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at cost

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and not reversed in subsequent periods.

Loans and receivables

If there is objective evidence that an impairment loss on loan 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 profit or loss of the period in which the impairment occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Financial assets (Continued)

Impairment of financial assets (Continued)

Loans and receivables (Continued)

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 profit or loss of the period in which the reversal occurs.

Impairment losses on financial assets other than 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 those receivables 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 profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period.

2.5 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.

2.6 Financial liabilities

The Company's financial liabilities include trade and other payables, borrowings, amounts due to subsidiaries and amounts due to related companies.

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial liabilities (Continued)

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.

Trade and other payables, amounts dues to subsidiaries and amounts due to related companies

Trade and other payables, amounts due to subsidiaries and amounts due to related companies are recognised initially at its fair value and subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date

2.7 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Paid up capital

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

2.9 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.

2.10 Impairment of non-financial assets

The following assets are subject to impairment testing:

- Property, plant and equipment; and
- The Company's investments in subsidiaries

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 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 period. The Company's obligations under these plans are limited to the fixed percentage contributions payable.

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.

2.12 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.

2.13 Borrowing costs

Borrowing costs are expensed when incurred.

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 period . 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.

2.15 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;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Related parties

(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. INTERNAL ACCOUNTING FRAMEWORK AND ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Internal accounting framework

These financial statements have been prepared in accordance with the Company's internal accounting framework, which is equivalent to HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by HKICPA and the accounting principles generally accepted in Hong Kong except that the consolidated financial statements have not been presented as required by HKFRS 10 "Consolidated Financial Statements". Its investments in subsidiaries are accounted at costs net of impairment.

3.2 Issued but not yet effective HKFRSs

The Company has adopted all new and amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Company's consolidated financial statements for the annual period beginning on 1 January 2016. The adoption of these HKFRSs has had no material impact on the results for the current and prior periods that have been presented.

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 are discussed below:

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Impairment of investments in subsidiaries

Investments in subsidiaries are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the statement of profit or loss and other comprehensive income. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. At the half-year ended 30 June 2016, the total impairment losses recognised are amounted to RMB31,495,945 (31 December 2015: RMB28,289,880).

4.2 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 the reporting date.

4.3 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 period in which such determination is made.

4.4 Going concern

The Company incurred a total comprehensive loss of RMB7,985,825 during the half-year ended 30 June 2016 and as of that date, the Company's current liabilities exceeded its current assets by RMB33,913,254. These conditions, along with other matters as set out in note 2.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis as the shareholders have confirmed its intention to provide the Company with the necessary financial support to meet the Company's liabilities and commitments as and when they fall due and to enable the Company to continue operation in the foreseeable future.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.4 Going concern (Continued)

Should the Company be unable to continue its business as a going concern, adjustments would have to be made in the financial statements to restate the values of the assets to their recoverable amounts, to reclassify non-current assets as current assets and to provide for any further liabilities which might arise. The effect of these potential adjustments has not been reflected in the financial statements.

5. REVENUE

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
E-Learning solutions	**2,155,227**	3,154,298
Data digitisation service	**383,189**	394,748
	2,538,416	3,549,046

6. OTHER INCOME

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Gain on disposal of self-developed patents (note)	-	2,830,189
Interest income	**5,640**	837
Total	**5,640**	2,831,026

Note:
On 23 March 2015, the Company transferred its self-developed patents to a related party, details are disclosed in note 22.

7. FINANCE COSTS

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Interest charges on:		
- Secured term loans	**664,077**	422,000

8. LOSS BEFORE INCOME TAX

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Loss before income tax is arrived at after charging:		
Depreciation of property, plant and equipment	**142,279**	144,809
Impairment losses on:		
- Investments in subsidiaries	**3,206,065**	4,925,912
Operating lease charges on rented premises	**299,093**	299,093

9. INCOME TAX EXPENSE

Pursuant to the relevant laws and regulations in the PRC, PRC incorporated companies are subject to corporate income tax rate of 25%. As there are no assessable profits during the period, no income tax expense was recognised in profit or loss.

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

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Loss before income tax	**(7,985,825)**	(6,204,973)
Tax on loss before income tax, calculated at corporate income tax rate of 25%	**(1,996,456)**	(1,551,243)
Tax effect of non-deductible expenses	**31,358**	31,296
Tax effect of deductible temporary differences not recognised	**1,965,098**	1,519,947
Total income tax expense	-	-

At 30 June 2016, the Company has not recognised the following temporary differences that can be carried forward to offset against future taxable income.

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Impairment losses on investment in subsidiaries	**31,495,945**	26,338,028
Impairment losses on other receivables	**1,000,110**	1,000,110
Unutilised tax losses (note)	**30,651,604**	22,776,083
	63,147,659	50,014,220

Under relevant rules and regulations in the PRC, unutilised tax losses can be carried forward for a period of up to five years.

10. EMPLOYEE BENEFIT EXPENSES (including directors' emoluments)

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Wages and salaries	**2,313,161**	2,883,352
Pension costs – defined contribution plans	**363,165**	487,931
Other employee benefits	**133,469**	156,935
	2,809,795	3,528,218

11. PROPERTY, PLANT AND EQUIPMENT

Particulars of the Company's property, plant and equipment are as follows:

	Computer and office equipment RMB	Furniture and fixtures RMB	Motor vehicles RMB	Leasehold improvement RMB	Total RMB
At 1 January 2016					
Cost	2,100	315,915	556,212	506,000	1,380,227
Accumulated depreciation	(1,995)	(213,533)	(281,814)	(134,933)	(632,275)
Net book amount	105	102,382	274,398	371,067	747,952
Half-year ended 30 June 2016					
Opening net book amount	105	102,382	274,398	371,067	747,952
Depreciation	-	(38,839)	(52,840)	(50,600)	(142,279)
Closing net book amount	105	63,543	221,558	320,467	605,673
At 30 June 2016					
Cost	2,100	315,915	556,212	506,000	1,380,227
Accumulated depreciation	(1,995)	(252,372)	(334,654)	(185,533)	(774,554)
Net book amount	105	63,543	221,558	320,467	605,673
At 1 January 2015					
Cost	2,100	285,972	556,212	506,000	1,350,284
Accumulated depreciation	(1,552)	(136,850)	(176,134)	(33,733)	(348,269)
Net book amount	548	149,122	380,078	472,267	1,002,015
Half-year ended 30 June 2015					
Opening net book amount	548	149,122	380,078	472,267	1,002,015
Additions	-	7,179	-	-	7,179
Depreciation	(221)	(41,148)	(52,840)	(50,600)	(144,809)
Closing net book amount	327	115,153	327,238	421,667	864,385
At 30 June 2015					
Cost	2,100	293,151	556,212	506,000	1,357,463
Accumulated depreciation	(1,773)	(177,998)	(228,974)	(84,333)	(493,078)
Net book amount	327	115,153	327,238	421,667	864,385

12. INVESTMENTS IN SUBSIDIARIES

	30/06/2016 RMB	31/12/2015 RMB
Unlisted equity investments, at cost	**73,000,000**	65,500,000
Less: Accumulated impairment losses	**(31,495,945)**	(28,289,880)
	41,504,055	37,210,120

Particulars of the Company's subsidiaries at the end of 2016 are as follows:

Entities	Form of business structure	Country / place of incorporation and business	Particulars of issued and paid up capital	Percentage of interest held (%)	Principal activities
Shanghai Retech Information Technology Co., Ltd. 上海睿泰信息科技有限公司 ("SHR")	Incorporated	Shanghai, PRC	RMB12.5 million (note (a))	80.00	E-learning Solutions
Jiangsu Retech Education Technology Co., Ltd. 江苏睿泰教育科技有限公司 ("JSR")	Incorporated	Wuxi,Jiangsu Province, PRC	RMB20.0 million	80.00 (note (b))	E-learning Solutions
Yancheng Retech Digital Technology Co., Ltd.盐城睿泰数字科技有限公司 ("YCR")	Incorporated	Yancheng, Jiangsu Province, PRC	RMB50.0 million	64.00	Data digitisation service
Wuxi Cloud Digital Technology Co., Ltd.无锡云媒数字科技有限公司	Incorporated	Wuxi, Jiangsu Province, PRC	RMB6.0 million	75.00	Data digitisation service
Beijing Retech Digital Technology Co., Ltd. 北京睿泰数字科技有限公司	Incorporated	Beijing, PRC	RMB1.0 million	100.00	Dormant
Jiangsu Cloud Digital Technology Co., Ltd. 江苏云媒数字科技有限公司 ("JSCDT")	Incorporated	Wuxi, Jiangsu Province, PRC	RMB8.0 million	80.00	Data digitisation service

Note:

(a) On 25 May 2016, the paid up capital of the Company was increased RMB12,500,000 and the Company increased its investment to RMB11,500,000. According to the shareholder's resolution dated 1 April 2016, there are no changes in the percentage of shareholding as the other shareholders increased their capital contribution proportionately.

(b) The Company's entire equity investments in JSR was pledged as security for term loans undertaken during the period (note 18).

13. AVAILABLE-FOR-SALE FINANCIAL ASSET

	30/06/2016 RMB	31/12/2015 RMB
Unlisted equity investment , at cost	**12,000,000**	12,000,000
Less: Accumulated impairment losses	**-**	-
	12,000,000	12,000,000

14. TRADE AND OTHER RECEIVABLES

	30/06/2016 RMB	31/12/2015 RMB
Trade receivables	**4,016,022**	2,620,834
Other receivables	**5,977,458**	5,659,305
Total loans and receivables	**9,993,480**	8,280,139
Add: Prepayments	**100,000**	54,000
Total trade and other receivables	**10,093,480**	8,334,139

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.

At each reporting date the Company reviews receivables for evidence of impairment on both an individual and collective basis. None of trade and other receivables is impaired collectively.

At the end of the reporting period, 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. The Company does not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

15. AMOUNT DUE FROM A SHAREHOLDER/ AMOUNTS DUE FROM/(TO) SUBSIDIARIES/ AMOUNTS DUE FROM/(TO) RELATED COMPANIES

Amount due from a shareholder/ Amounts due from/(to) subsidiaries/Amounts due from /(to) related companies are unsecured, interest-free and repayable on demand.

16. BANK AND CASH BALANCES

	30/06/2016 RMB	31/12/2015 RMB
Cash at banks	**57,222**	35,963
Cash in hand	**75,530**	74,476
	132,752	110,439

17. TRADE AND OTHER PAYABLES

	30/06/2016 RMB	31/12/2015 RMB
Trade payables	**25,600**	-
Refundable project deposits	**2,600,000**	5,000,000
Other payables (note)	**53,479,980**	12,699,181
Accruals	**694,752**	360,224
Payables stated at amortised costs	**56,800,332**	18,059,405
Add: Other tax liabilities	**25,663**	180,583
	56,825,995	18,239,988

Note:
At the end of the reporting period, included in the other payable is an amount of RMB12,000,000 (2015: RMB12,000,000) owed to a third party for the non-cash acquisition of the available-for-sale financial asset during 2014 (note 13). This other payable is unsecured, non-interest bearing and repayable on demand.

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. BORROWINGS

	30/06/2016 RMB	31/12/2015 RMB
Current		
Secured term loans, repayable within 6 months (note(a))	**4,000,000**	4,000,000
Secured term loan, repayable within 1 year (note(b))	**3,300,000**	-
	7,300,000	4,000,000
Non-current		
Secured term loan, repayable more than 1 year (note(b))	**29,700,000**	-
Total borrowings	**37,000,000**	4,000,000

Note:

(a) At the end of the reporting period, the Company has outstanding secured term loans from Jiangsu Zhongshan Diandang Co., Ltd. 江苏钟山典当有限责任公司. These borrowings are interest bearing at 1.8% per month and secured against the Company's equity investment in JSR of RMB16,000,000.

(b) The secured term loan is interest bearing at 6.2% per annum and secured against by the land use rights on owned by Wujiang Luxu Hotel Co., Ltd. 吴江市芦墟大酒店有限公司 ("WJLH"), repayable by 20 May 2020 in eight quarterly installments. One of the shareholders of the Company is the director at WJLH.

19. DEFERRED REVENUE

	30/06/2016 RMB	31/12/2015 RMB
Deferred revenue	**713,742**	762,862

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

20. PAID UP CAPITAL

	30/06/2016 RMB	31/12/2015 RMB
Balance at the beginning and end of the period	**55,555,600**	55,555,600

21. OPERATING LEASE COMMITMENTS

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

	30/06/2016 RMB	31/12/2015 RMB
Within one year	**598,186**	598,186
In the second to three years	**697,883**	996,976
	1,296,069	1,595,162

The Company leases its office space under operating leases. The lease run for an initial period of three 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 the landlord. The arrangement does not contain contingent rents.

22. RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries and related companies of the Company and shareholders. Details of the transactions between the Company and its related parties are summarised below.

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Service fees paid to:		
Subsidiaries		
- SHR	**1,835,075**	435,441
- JSR	**4,282**	613,411
- Shanghai Ruiqi Information Technology Co., Ltd. 上海睿汽信息科技有限公司 ("SRIC") (note (a))	**-**	862,717
- YCR	**54,631**	22,507
- JSCDT	**1,541**	-
Disposal of self-developed patents to:		
- Zhenjiang Retech Asset Management Co., Ltd. 镇江睿泰资产管理有限公司 ("ZJRAM") (note(b))	**-**	2,830,189

(a) SRIC is a subsidiary of JSR.

(b) Mr. AI Shun Gang is the executive director at ZJRAM's immediate holding company.

23. 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.

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

23.1 Categories of financial assets and financial liabilities

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

	30/06/2016 RMB	31/12/2015 RMB
Financial assets		
Loans and receivables		
- Trade and other receivables	9,993,480	8,280,139
- Amount due from a shareholder	31,577,546	12,637,546
- Amounts due from subsidiaries	1,589,264	11,014,878
- Amounts due from related parties	7,772,628	26,237,050
- Bank and cash balances	132,752	110,439
Available-for-sale financial asset carried at cost	12,000,000	12,000,000
	63,065,670	70,280,052
Financial liabilities		
Financial liabilities measured at amortised cost		
-Trade and other payables	56,800,332	18,059,405
-Borrowings	37,000,000	4,000,000
-Amounts due to subsidiaries	17,555,615	60,914,003
-Amounts due to related parties	2,683,572	25,892,973
	114,039,519	108,866,381

23.2 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.

23.3 Interest rate risk

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

23.4 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 23.1.

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

23.4 Credit risk (Continued)

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.

23.5 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 at end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows.

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

	On demand and within one year RMB	One year – five year RMB	Total undiscounted amount RMB	Total carrying amount RMB
30/06/2016				
Trade and other payables	56,800,332	-	56,800,332	56,800,332
Borrowings	7,300,000	29,700,000	37,000,000	37,000,000
Amounts due to subsidiaries	17,555,615	-	17,555,615	17,555,615
Amounts due to related companies	2,683,572	-	2,683,572	2,683,572
	84,339,519	29,700,000	114,039,519	114,039,519
31/12/2015				
Trade and other payables	18,059,405	-	18,059,405	18,059,405
Borrowings	4,000,000	-	4,000,000	4,000,000
Amounts due to subsidiaries	60,914,003	-	60,914,003	60,914,003
Amounts due to related companies	25,892,973	-	25,892,973	25,892,973
	108,866,381	-	108,866,381	108,866,381

The Company incurred a total comprehensive loss of RMB7,985,825 during the half-year ended 30 June 2016 and as of that date, the Company's current liabilities exceeded its current assets by RMB33,913,254, the liquidity of the Company is dependent on its ability to obtain continuing financial support from its shareholders to make payments to the creditors.

a) 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.

24. 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.

25. SUBSEQUENT EVENT

Pursuant to the shareholders' resolution dated 26 September 2016, the paid up capital of the Company was increased by RMB64,050,000 to RMB120,000,000 through capital contribution by its shareholders.

On 26 September 2016, the Company contributed an additional investment of RMB10,000,000 in JSR, therefore increased its shareholding to 86.7%.