

Report and Consolidated Financial Statements

Jiangsu Retech Education Technology Co., Ltd.  
江苏睿泰教育科技有限公司

For the years ended 31 December 2013, 2014 and  
2015

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Expressed in Renminbi ("RMB")	

# Independent auditors' report

GTCNSZ(2016) No. 310B0014-I

**To the shareholders of Jiangsu Retech Education Technology Co., Ltd.**

江苏睿泰教育科技有限公司

**(established in the People's Republic of China with limited liability)**

We have audited the consolidated financial statements of Jiangsu Retech Education Technology Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 3 to 41, which comprise the consolidated statements of financial position as at 31 December 2013, 2014 and 2015, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated 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 Group is responsible for the preparation of consolidated 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 necessary to enable the preparation of consolidated 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 consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, 2014 and 2015, and of their financial performance and cash flows for the years then ended in accordance with Hong Kong Financial Reporting Standards.

**Grant Thornton**

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

21 November 2016

# Consolidated 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	5,345,492	12,082,426	11,746,091
Costs of sales		(2,874,242)	(4,639,461)	(9,744,419)
<b>Gross profit</b>		<b>2,471,250</b>	<b>7,442,965</b>	<b>2,001,672</b>
Other revenue	5	902,000	648,800	7,068,000
Other income	6	83,822	121,183	2,448,109
Selling and distribution costs		(909,946)	(96,647)	(317,264)
Administrative expenses		(11,777,149)	(12,439,668)	(11,280,230)
<b>Operating loss</b>		<b>(9,230,023)</b>	<b>(4,323,367)</b>	<b>(79,713)</b>
Finance costs	7	(1,151,458)	(3,632,813)	(1,223,544)
Share of loss from an associate		(48,197)	(2,438,274)	(1,013,529)
<b>Loss before income tax</b>	8	<b>(10,429,678)</b>	<b>(10,394,454)</b>	<b>(2,316,786)</b>
Income tax expense	9	-	-	-
<b>Loss and total comprehensive loss for the year</b>		<b>(10,429,678)</b>	<b>(10,394,454)</b>	<b>(2,316,786)</b>

# Consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2013, 2014 and 2015 (Continued)

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
(Loss)/Profit for the year attributable to:			
Owners of the Company	(10,429,678)	(10,207,293)	(2,522,000)
Non-controlling interests	-	(187,161)	205,214
	(10,429,678)	(10,394,454)	(2,316,786)
<b>Total comprehensive (loss)/profit for the year attributable to:</b>			
Owners of the Company	(10,429,678)	(10,207,293)	(2,522,000)
Non-controlling interests	-	(187,161)	205,214
	(10,429,678)	(10,394,454)	(2,316,786)

## Legal Representative

The notes on pages 10 to 41 form part of these financial statements.

## Consolidated 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
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	588,759	448,887	529,656
Interest in an associate	13	3,451,803	1,013,529	-
Intangible assets	14(a)	1,584,900	2,820,577	2,510,087
Other asset	14(b)	1,500,000	-	-
		7,125,462	4,282,993	3,039,743
<b>Current assets</b>				
Inventories	15	45,441	49,543	28,977
Trade and other receivables	16	1,156,611	2,089,702	7,351,745
Amount due from immediate holding company	17	17,600,910	43,791,124	-
Amounts due from fellow subsidiaries	17	160,774	474,823	559,394
Amount due from an associate	17	199,676	-	483,180
Amounts due from related companies	17	392,396	4,043,104	9,082,795
Bank and cash balances	18	404,652	15,815,573	7,250,580
		19,960,460	66,263,869	24,756,671
<b>Current liabilities</b>				
Trade and other payables	19	5,814,504	13,806,221	12,521,840
Borrowings	20	19,895,000	48,000,000	9,990,000
Amount due to immediate holding company	17	-	-	2,155,464
Amount due to a fellow subsidiary	17	-	-	2,513,486
Amount due to an associate	17	-	522,402	-
Amounts due to related companies	17	1,818,014	2,973,705	2,973,705
Deferred revenue	22	-	4,080,584	340,315
		27,527,518	69,382,912	30,494,810
<b>Net current liabilities</b>		(7,567,058)	(3,119,043)	(5,738,139)
<b>Net (liabilities)/assets</b>		(441,596)	1,163,950	(2,698,396)

## Consolidated 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
<b>EQUITY</b>				
Paid up capital	23	10,000,000	20,000,000	20,000,000
Accumulated losses		(10,441,596)	(20,176,396)	(22,698,396)
Total capital deficiency attributable to the owners of the Company		(441,596)	(176,396)	(2,698,396)
Non-controlling interests		-	1,340,346	-
<b>(Capital deficiency)/Total equity</b>		<b>(441,596)</b>	<b>1,163,950</b>	<b>(2,698,396)</b>

### Legal Representative

The notes on pages 10 to 41 form part of these financial statements.



# Consolidated statements of cash flows

## For the years ended 31 December 2013, 2014 and 2015

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
<b>Cash flows from operating activities</b>			
Loss before tax	(10,429,678)	(10,394,454)	(2,316,786)
Adjustments for:			
Depreciation of property, plant and equipment	351,392	344,368	219,110
Amortisation of intangible assets	-	284,323	310,490
Impairment loss on goodwill	1,432,898	-	-
Impairment loss on trade and other receivables	-	-	570,026
Loss on disposal of property, plant and equipment	-	11,227	12,170
Gain on disposal of intangible assets	-	-	(385,825)
Gain on disposal of a subsidiary	-	-	(1,817,763)
Interest income	(82,772)	(118,473)	(232,168)
Interest expense	1,151,458	3,632,372	1,223,544
Loss on financial guarantee	-	-	1,160,584
Share of loss on an associate	48,197	2,438,274	1,013,529
Operating loss before working capital changes	(7,528,505)	(3,802,363)	(243,089)
Increase in trade and other receivables	(879,495)	(933,090)	(5,791,033)
(Increase)/Decrease in inventories	(28,333)	(4,103)	6,020
Changes in amount due (to)/ from immediate holding company	(11,789,748)	(25,222,914)	3,318,939
Changes in amounts due from/(to) fellow subsidiaries	(375,228)	(689,277)	1,954,092
Changes in amount due from/(to) an associate	271,448	522,402	(462,301)
Changes in amounts due from/(to) related companies	1,555,837	(2,887,412)	23,969,764
Increase/(Decrease) in trade and other payables	5,535,223	(5,008,282)	(1,625,119)
Increase/(Decrease) in deferred revenue	-	4,080,582	(2,740,267)
<i>Cash (used in)/generated from operations</i>	<i>(13,238,801)</i>	<i>(33,944,457)</i>	<i>18,387,006</i>
Interest received	82,772	118,473	232,168
Interest paid	(1,151,458)	(3,632,372)	(1,223,544)
<i>Net cash (used in)/generated from operating activities</i>	<i>(14,307,487)</i>	<i>(37,458,356)</i>	<i>17,395,630</i>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(838,065)	(215,723)	(326,564)
Purchase of intangible assets	(3,084,900)	(20,000)	(3,012,233)
Investment in an associate	(3,500,000)	-	-
Acquisition of subsidiary, net of cash acquired	(7,759,896)	-	-
Proceeds from sale of intangible assets	-	-	3,398,058
Proceeds from sale of a subsidiary net of cash disposed of	-	-	7,750,700
<i>Net cash (used in)/generated from investing activities</i>	<i>(15,182,861)</i>	<i>(235,723)</i>	<i>7,809,961</i>

## Consolidated statements of cash flows

### For the years ended 31 December 2013, 2014 and 2015 (Continued)

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
<b>Cash flows from financing activities</b>			
Proceeds from capital contribution	8,000,000	10,000,000	-
Proceeds from new borrowings		66,000,000	10,400,000
Repayment of borrowings	19,895,000	(24,895,000)	(43,010,000)
Proceeds from capital contribution by non-controlling interest of a subsidiary	-	2,000,000	-
Payment of loss on financial guarantee	-	-	(1,160,584)
(Increase)/Decrease in restricted bank deposits	-	(13,185,879)	11,185,879
<i>Net cash generated from /(used in) financing activities</i>	27,895,000	39,919,121	(22,584,705)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(1,595,348)	2,225,042	2,620,886
Cash and cash equivalents at the beginning of the year	2,000,000	404,652	2,629,694
<b>Cash and cash equivalents at the end of year (note 18)</b>	404,652	2,629,694	5,250,580

The notes on pages 10 to 41 form part of these financial statements.

# Consolidated statements of changes in equity

## For the years ended 31 December 2013, 2014 and 2015

--Attributable to owners of the Company--					
	Paid up capital RMB	Accumulated loss RMB	Total RMB	Non- controlling interests RMB	Total equity/ (Capital deficiency RMB
Balance as at 1 January 2013	2,000,000	(11,918)	1,988,082	-	1,988,082
Loss and total comprehensive loss for the year	-	(10,429,678)	(10,429,678)	-	(10,429,678)
<u>Transaction with owners of the Company:</u>					
Capital contribution by owners of the Company	8,000,000	-	8,000,000	-	8,000,000
Balance as at 31 December 2013 and 1 January 2014	10,000,000	(10,441,596)	(441,596)	-	(441,596)
Loss and total comprehensive loss for the year	-	(10,207,293)	(10,207,293)	(187,161)	(10,394,454)
<u>Transaction with owners of the Company:</u>					
Capital contribution by owners of the Company	10,000,000	-	10,000,000	-	10,000,000
Capital contribution by non- controlling interest in a subsidiary (note 26)	-	-	-	2,000,000	2,000,000
Dilution of interest in a subsidiary (note 26)	-	472,493	472,493	(472,493)	-
Balance as at 31 December 2014 and 1 January 2015	20,000,000	(20,176,396)	(176,396)	1,340,346	1,163,950
Loss and total comprehensive loss for the year	-	(2,522,000)	(2,522,000)	205,214	(2,316,786)
<u>Transaction with owners of the Company:</u>					
Disposal of interest in a subsidiary (note 26)	-	-	-	(1,545,560)	(1,545,560)
Balance as at 31 December 2015	20,000,000	(22,698,396)	(2,698,396)	-	(2,698,396)

The notes on pages 10 to 41 form part of these financial statements.

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

## 1. GENERAL INFORMATION

Jiangsu Retech Education Technology Co., Ltd. 江苏睿泰教育科技有限公司 ("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 No.168, Min Feng Road, Wuxi, Jiangsu Province, PRC.

The Company's immediate holding company is 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 Company and its subsidiaries (together, referred as "the Group") are principally engaged in provision of IT related solutions and consultations services in the PRC. The details and principal activities of the Company's subsidiaries are disclosed in note 12.

The consolidated 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 consolidated 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 Group prepared its financial statements in accordance with local generally accepted accounting practice ("PRC GAAP"). These financial statements for the years ended 31 December 2013, 2014 and 2015 are the first the Group has prepared in accordance with HKFRS. Refer to note 3.1 for information on how the Group 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 consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis. 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 Group incurred total comprehensive losses of RMB10,429,678, RMB10,394,454 and RMB2,316,786 during the years ended 31 December 2013, 2014 and 2015 respectively and as of that date, the Group's current liabilities exceeded its current assets by RMB7,567,058, RMB3,119,043 and RMB5,738,139 respectively. The shareholders have confirmed their intention to provide the Group with the necessary financial support to meet the Group's liabilities and commitments as and when they fall due and to enable the Group to continue operation in the foreseeable future.

Should the Group 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 consolidated financial statements are disclosed in note 4.

### **2.2 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.2 Basis of consolidation (Continued)**

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.2 Basis of consolidation (Continued)**

When the Group 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. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 “Financial Instruments: Recognition and Measurement” or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### **2.3 Business combination**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.3 Business Combination (Continued)**

Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounting for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with corresponding gain or loss being recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### **2.4 Associates**

An associate is an entity over which the Group 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 consolidated 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 Group'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 Group, plus any costs directly attributable to the investment. Any excess of the Group'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 Group'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)**

### **2.4 Associates (Continued)**

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group'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 Group that is classified as held for sale). The profit or loss for the year includes the Group'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 Group'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 Group and its associate are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group 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 Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group 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 Group 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)

### 2.5 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	1 - 3 years
Furniture and fixtures	2 years
Motor vehicles	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 Group 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.

### 2.6 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
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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 2.15.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.7 Financial assets**

The Group'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 Group 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.

#### 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 Group 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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.7 Financial assets (Continued)**

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.

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 Group 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 profit or loss.

### **2.8 Inventories**

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

### **2.9 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.10 Financial liabilities**

The Group's financial liabilities include trade and other payables, borrowings, amount due to immediate holding company, amount due to a fellow subsidiary, amount due to an associate and amounts due to related companies. Financial liabilities are recognised when the Group 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 the profit or loss.

#### Trade and other payables, amount due to immediate holding company, amount due to a fellow subsidiary, amount due to an associate and amounts due to related companies

Trade and other payables, amount due to immediate holding company, amount due to a fellow subsidiary, amount due to an associate, 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 Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

### **2.11 Financial guarantee issued**

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.11 Financial guarantee issued (Continued)**

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e., the amount initially recognised less accumulated amortisation, where appropriate.

### **2.12 Leases**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group 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 Group**

Assets that are held by the Group under leases which transfer to the Group 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 Group are classified as operating leases.

#### **(ii) Operating lease charges as the lessee**

Where the Group 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.

### **2.13 Paid up capital**

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

### **2.14 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.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.14 Revenue recognition Continued)**

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.

### **2.15 Impairment of non-financial assets**

The following assets are subject to impairment testing:

- Property, plant and equipment;
- Goodwill;
- Intangible assets; and
- The Group'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.

### **2.16 Employee benefits**

#### Retirement benefits

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

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government. This subsidiary 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 Group's obligations under these plans are limited to the fixed percentage contributions payable.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.16 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.

### **2.17 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 consolidated statement of profit or loss and other comprehensive income.

### **2.18 Borrowing costs**

Borrowing costs are expensed when incurred.

### **2.19 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 the 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.

Deferred tax liabilities are not recognised if the temporary difference arises on investment in a subsidiary, except where the Group 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.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.19 Accounting for income taxes (Continued)**

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

- (a) the Group 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 Group 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 either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **2.20 Related parties**

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

- (a) The party, is a person or a close member of that person's family and that person,
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) The party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same Group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (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 Group has prepared in accordance with HKFRS. For periods up to and including the year ended 31 December 2012, the Group 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 Group'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 consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been early adopted by the Group.

Management is currently assessing the possible impact of these amendments of the Group'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 Group 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 non-financial assets**

The Group depreciates its non-financial assets in accordance with the accounting policy stated in note 2.15. The estimated useful lives reflect management's estimates of the period that the Group will derive future economic benefits from the use of the Group's property, plant and equipment. Management reassesses the estimated useful lives at each reporting date.

#### **4.2 Impairment of receivables**

The Group'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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

##### **4.3 Impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.15. The recoverable amounts of cash-generating units have been determined based on management's calculations.

The Group has incurred an impairment loss of RM1,432,898 (2014 and 2015: nil) on goodwill in 2013 in order to reduce the carrying amount of goodwill to its recoverable amount (note 26).

##### **4.4 Income taxes**

The Group is subject to income taxes in jurisdiction in which the Group 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.

##### **4.5 Going concern**

The Group incurred total comprehensive losses of RMB10,429,678, RMB10,394,454 and RMB2,316,786 during the years ended 31 December 2013, 2014 and 2015 respectively and as of that date, the Group's current liabilities exceeded its current assets by RMB7,567,058, RMB3,119,043 and RMB5,738,139 respectively. 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 Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis as the shareholders have confirmed their intention to provide the Group with the necessary financial support to meet the Group's liabilities and commitments as and when they fall due and to enable the Group to continue operation in the foreseeable future.

Should the Group 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 AND OTHER REVENUE

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
<b>Revenue</b>			
E-Learning solutions	2,299,913	6,466,552	4,904,923
E-Training partnership	38,511	65,401	2,426
E-Course direct	597,702	261,698	-
Outsourcing services	343,431	-	-
School education consulting services	2,065,935	5,288,775	6,838,742
	5,345,492	12,082,426	11,746,091
<b>Other revenue</b>			
Government subsidies income (note)	902,000	648,800	7,068,000
	6,247,492	12,731,226	18,814,091

Note: Government subsidy income relates to cash 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
Gain on disposal of a subsidiary (note 26)	-	-	1,817,763
Gain on sale of intangible assets	-	-	385,825
Interest income	82,772	118,473	232,168
Sundry income	1,050	2,710	12,353
	83,822	121,183	2,448,109

Note: Please refer to note 26.2 to the consolidated financial statements for the particulars on the disposal of a subsidiary.

## 7. FINANCE COSTS

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
Interest expenses on			
- secured bank loans	836,458	2,687,813	1,223,544
- secured loans	315,000	945,000	-
	1,151,458	3,632,813	1,223,544

## 8. LOSS BEFORE INCOME TAX

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
Loss before income tax is arrived at after charging:			
Depreciation of property, plant and equipment	351,392	344,368	219,110
Amortisation of intangible assets	-	284,323	310,490
Loss on disposal of property, plant and equipment	-	11,227	12,170
Impairment loss on trade and other receivables	-	-	570,026
Impairment loss on goodwill (note 26)	1,432,898	-	-
Operating lease charges on rented premises	-	872,211	266,680
Loss on financial guarantee (note 21);	-	-	1,160,584

## 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 were no assessable profits during the years ended 2013, 2014 and 2015, no income tax expense was recognised in the profit or loss.

Reconciliation between income tax expense and accounting 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 before income tax	(10,429,678)	(10,394,454)	(2,316,786)
Tax on loss before income tax, calculated at corporate income tax rate of 25%	(2,607,420)	(2,598,614)	(579,196)
Tax effect of non-taxable revenue	-	-	(454,441)
Tax effect of non-deductible expenses	1,226,061	1,488,892	647,051
Tax effect of temporary differences not recognised	1,381,359	1,109,772	386,586
Income tax expense	-	-	-

## 9. INCOME TAX EXPENSE (Continued)

At the end of 2013, 2014 and 2015, the Group 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	31/12/2015 RMB
Accumulated depreciation	146,528	-	-
Unpaid accruals	909,535	851,766	-
Impairment loss on trade and other receivables	-	-	570,026
Unutilised tax losses	10,933,075	14,908,900	15,688,708
	11,989,138	15,760,665	16,258,734

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

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
Wages and salaries	3,561,102	3,903,407	1,929,376
Pension costs – defined contribution plans	1,155,515	1,966,928	1,123,495
Other employee benefits	397,254	415,418	256,155
	5,113,871	6,285,753	3,309,026

## 11. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment RMB	Furniture and fixtures RMB	Motor Vehicles RMB	Total RMB
<b>At 1 January 2013</b>				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
<b>Net book amount</b>	-	-	-	-
<b>Year ended 31 December 2013</b>				
Opening net book amount	-	-	-	-
Additions	575,959	6,324	357,868	940,151
Depreciation	(230,165)	(2,503)	(118,724)	(351,392)
<b>Closing net book amount</b>	<b>345,794</b>	<b>3,821</b>	<b>239,144</b>	<b>588,759</b>
<b>At 31 December 2013 and 1 January 2014</b>				
Cost	575,959	6,324	357,868	940,151
Accumulated depreciation	(230,165)	(2,503)	(118,724)	(351,392)
<b>Net book amount</b>	<b>345,794</b>	<b>3,821</b>	<b>239,144</b>	<b>588,759</b>

## 11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Computer and office equipment RMB	Furniture and fixtures RMB	Motor vehicles RMB	Total RMB
<b>Year ended 31 December 2014</b>				
Opening net book amount	345,794	3,821	239,144	588,759
Additions	215,723	-	-	215,723
Disposal	(5,727)	-	(5,500)	(11,227)
Depreciation	(247,662)	(3,004)	(93,702)	(344,368)
<b>Closing net book amount</b>	<b>308,128</b>	<b>817</b>	<b>139,942</b>	<b>448,887</b>
<b>At 31 December 2014 and 1 January 2015</b>				
Cost	785,955	6,324	352,368	1,144,647
Accumulated depreciation	(477,827)	(5,507)	(212,426)	(695,760)
<b>Net book amount</b>	<b>308,128</b>	<b>817</b>	<b>139,942</b>	<b>448,887</b>
<b>Year ended 31 December 2015</b>				
Opening net book amount	308,128	817	139,942	448,887
Additions	76,564	-	250,000	326,564
Disposal	(26,369)	(316)	-	(26,685)
Depreciation	(149,845)	(501)	(68,764)	(219,110)
<b>Closing net book amount</b>	<b>208,478</b>	<b>-</b>	<b>321,178</b>	<b>529,656</b>
<b>At 31 December 2015</b>				
Cost	820,792	6,008	602,368	1,429,168
Accumulated depreciation	(612,314)	(6,008)	(281,190)	(899,512)
<b>Net book amount</b>	<b>208,478</b>	<b>-</b>	<b>321,178</b>	<b>529,656</b>

## 12. INTERESTS IN SUBSIDIARIES

Particular of the Group's subsidiaries at the end of 2013, 2014 and 2015 is as follows:

Name of subsidiaries	Country / Place of incorporation and business	Particulars of issued and paid up capital	% of interest held			Principal activities
			2013	2014	2015	
Shanghai Ruiqi Information Technology Co., Ltd. 上海睿泰信息科技有限公司	Shanghai, PRC	RMB10 million	100%	100%	100%	Dormant
Zhenjiang Retech Asset Management Co., Ltd. 镇 江睿泰资产管理有限公司 (formerly known as Zhenjiang Retech Information Technology Co., Ltd. 原为镇江睿泰信 息科技有限公司 ) ("ZJRAM")	Zhenjiang, Jiangsu Province, PRC.	RMB10 million	100%	80% <sup>(1)</sup>	— <sup>(1)</sup>	Provision of IT related consulting services

## 12. INTERESTS IN SUBSIDIARIES (Company) (Continued)

Note:

(1) ZJRAM was acquired from immediate holding company and a third party on 30 April 2013 for cash consideration of RMB8,000,000.

On 5 August 2014, there was a new investor injected capital of RMB2,000,000 that diluted the Group's shareholding from 100% to 80%.

On 28 May 2015, ZJRAM was disposed to a related company, Jiangsu Retech Digital Industrial Park Co., Ltd. 江苏睿泰数字产业园有限公司 ("JSRDIP") at RMB8,000,000.

## 13. INTEREST IN AN ASSOCIATE

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Unlisted equity investment, at cost	3,500,000	3,500,000	3,500,000
Share of post-acquisition loss and other comprehensive loss	(48,197)	(2,486,471)	(3,500,000)
	3,451,803	1,013,529	-

Particulars of the Group's associate at the end of 2013, 2014 and 2015 is as follows:

Name of company	Country / place of incorporation and business	Particulars of issued and paid up capital	% of interest held			Principal activities
			2013	2014	2015	
Beijing Keruixing Education Technology Co., Ltd. 北京科瑞星教育科技有限公司("BKT")	Beijing, PRC	RMB10 million	35%	35%	35%	Dormant

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

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Current assets	8,706,555	1,997,067	1,753,554
Non-current assets	1,266,281	1,076,004	702,879
Current liabilities	(110,542)	(177,276)	(5,750,133)
Net asset/(liabilities)	9,862,294	2,895,795	(3,293,700)
Revenue	-	-	381,261
Loss after tax	(137,707)	(6,966,497)	(6,327,204)



### 13. INTEREST IN AN ASSOCIATE (Continued)

A reconciliation of the above summarised financial information to the carrying amount of the Group's interest in BKT is set out below:

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Total net assets of BKT	9,862,294	2,895,795	(3,293,700)
Proportion of ownership interests held by Group	35%	35%	35%
Carrying amount of the interest in an associate in the financial statements	3,451,803	1,013,529	-

### 14. INTANGIBLE ASSETS AND OTHER ASSET

(a) Movement of the intangible assets is as follows:

	Software RMB
<b>At 1 January 2013</b>	
Cost	-
Accumulated amortisation	-
<b>Net carrying amount</b>	-
<b>Year ended 31 December 2013</b>	
Opening net book amount	-
Additions	1,584,900
<b>Closing net carrying amount</b>	<b>1,584,900</b>
<b>At 31 December 2013 and 1 January 2014</b>	
Cost and net carrying amount	1,584,900
<b>Year ended 31 December 2014</b>	
Opening net book amount	1,584,900
Additions	1,520,000
Amortisation	(284,323)
<b>Closing net carrying amount</b>	<b>2,820,577</b>
<b>At 31 December 2014 and 1 January 2015</b>	
Cost	3,104,900
Accumulated amortisation	(284,323)
<b>Net carrying amount</b>	<b>2,820,577</b>
<b>Year ended 31 December 2015</b>	
Opening net book amount	2,820,577
Additions	3,012,233
Disposal	(3,012,233)
Amortisation	(310,490)
<b>Closing net carrying amount</b>	<b>2,510,087</b>
<b>At 31 December 2015</b>	
Cost	3,104,900
Accumulated amortisation	(594,813)
<b>Net carrying amount</b>	<b>2,510,087</b>

**14. INTANGIBLE ASSETS AND OTHER ASSET (Continued)**

(b) Other asset relates to prepayment to vendor for the development of software which was subsequently transferred as intangible assets.

**15. INVENTORIES**

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Inventories	45,441	49,543	28,977

**16. TRADE AND OTHER RECEIVABLES**

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Trade receivables	571,339	1,232,988	2,676,213
Other receivables	585,272	847,198	5,245,558
Total gross receivables	1,156,611	2,080,186	7,921,771
Less: Provision for impairment losses	-	-	(570,026)
Total loans and receivables	1,156,611	2,080,186	7,351,745
Add: Prepayments	-	9,516	-
Total trade and other receivables	1,156,611	2,089,702	7,351,745

Management of the Group considers that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

The movement in the provision for impairment losses of trade and other receivables is as follows:

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Beginning of the year	-	-	-
Impairment losses recognised in profit of loss	-	-	570,026
Balance at the end of the year	-	-	570,026

At each reporting date the Group reviews receivables for evidence of impairment on both an individual and collective basis. At the end of 2015, trade and other receivables individually impaired is amounted to RMB570,026 (2013 and 2014: Nil). None of trade and other receivables is impaired collectively.

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. The Group does not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

**17. AMOUNT DUE FROM/(TO) IMMEDIATE HOLDING COMPANY/ AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES/ AMOUNTS DUE FROM/(TO) AN ASSOCIATE/ AMOUNTS DUE FROM/(TO) RELATED COMPANIES**

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

**18. BANK AND CASH BALANCES**

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Cash at banks	150,217	2,599,428	5,235,142
Cash on hand	254,435	30,266	15,438
<b>Cash and cash equivalents</b>	<b>404,652</b>	<b>2,629,694</b>	<b>5,250,580</b>
Restricted guarantee deposits (note)	-	13,185,879	2,000,000
<b>Bank and cash balances</b>	<b>404,652</b>	<b>15,815,573</b>	<b>7,250,580</b>

Note:

Restricted guarantee deposits are mainly deposits secured for the issuance of notes payable.

**19. TRADE AND OTHER PAYABLES**

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Trade payables	353,977	5,117,263	259,905
Note payables	-	8,000,000	8,400,000
Other payables	5,046,996	590,666	3,394,816
Accruals	429,077	-	470,458
<b>Payables stated at amortised costs</b>	<b>5,830,050</b>	<b>13,707,929</b>	<b>12,525,179</b>
Other tax (assets)/liabilities	(15,546)	98,292	(3,339)
	<b>5,814,504</b>	<b>13,806,221</b>	<b>12,521,840</b>

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.

## 20. BORROWINGS

	Note	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Secured bank loans, repayable within one year	(a)	15,000,000	43,000,000	9,990,000
Secured bank loan, repayable within one year	(b)	-	5,000,000	-
Secured loan, repayable within six months	(c)	4,895,000	-	-
		19,895,000	48,000,000	9,990,000

(a) The bank loans are repayable within one year, bear fixed interest rate of 7.28% per annum (2013: 6.0% - 6.5% and 2014: 6.7% - 7.8%) and are secured by:

- (i) Personal guarantee given by the director, Mr. Ai Shun Gang and his spouse; and
- (ii) Corporate guarantee given by a third party, Wuxi Electric Cable Factory Co., Ltd 无锡市电线厂有限公司 ("Wuxi Cable Factory").

(b) The bank loan is repayable within one year, bears fixed interest rate of 7.2% per annum (2013 and 2015: Nil) and secured by corporate guarantee given by a related company, JSRDIP.

(c) The loan is repayable within six months, bears fixed interest rate of 25.2% per annum and secured by:

- (i) Total equity interest held by immediate holding company in the Group;
- (ii) Corporate guarantee given by immediate holding company and related companies, including Jiangsu Retech Investment Co., Ltd. 江苏睿泰投资有限公司 and Yancheng Retech Digital Technology Co., Ltd. 盐城睿泰数字科技有限公司 ("YCR"); and
- (iii) Personal guarantee given by the directors, Mr. AI Shun Gang, Mr. LIU Cheng, and a third party, Mr. ZHOU Fei.

## 21. LOSS ON FINANCIAL GUARANTEE

During 2015, the Group issued a corporate guarantee for a bank loan undertaken by Wuxi Cable Factory. Wuxi Cable Factory subsequently had financial difficulties and went into liquidation.

On 11 December 2015, the Group signed a settlement agreement with the bank and another guarantor to assume the outstanding amount owned by Wuxi Cable Factory. According to the settlement agreement, the Group had to assume a debt of RMB5,000,000 with interest bearing at 6.79% per annum repayable in five equal instalments. The first instalment of RMB1,000,000 and the respective interest of RMB160,584 are paid on 14 December 2015 upon execution of the settlement agreement. The Group had recognised the amount accordingly in profit or loss in 2015.

## 21. LOSS ON FINANCIAL GUARANTEE (Continued)

The remaining instalments are repayable on quarterly basis, starting from 20 March 2016 until 20 March 2017. A related company of another guarantor, JSRDIP, has agreed to undertake the remaining instalments of RMB4,000,000 together with the respective interest on behalf of the Group.

## 22. DEFERRED REVENUE

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Deferred revenue (note)	-	2,280,584	340,315
Deferred grant subsidy	-	1,800,000	-
	-	4,080,584	340,315

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

## 23. PAID UP CAPITAL

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Balance at beginning of the year	2,000,000	10,000,000	20,000,000
Additions during the year	8,000,000	10,000,000	-
Balance at the end of the year	10,000,000	20,000,000	20,000,000

## 24. OPERATING LEASE COMMITMENTS

At the end of 2013, 2014 and 2015, the total future minimum lease payments under non-cancellable operating leases in respect of buildings are payable by the Group as follows:

	31/12/2013 RMB	31/12/2014 RMB	31/12/2015 RMB
Within 1 year	872,211	266,680	-

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

## 25. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the years, the Group has the following related party transactions:

	Year ended 31/12/2013 RMB	Year ended 31/12/2014 RMB	Year ended 31/12/2015 RMB
<b>Outsourcing service income received from:</b>			
(a) Immediate holding company	718,405	2,694,702	1,995,183
(b) Fellow subsidiaries			
- Shanghai Retech Information Technology Co., Ltd. 上海睿泰信息公司("SHR") <sup>(1)</sup>	38,971	82,459	85,638
- YCR <sup>(1)</sup>	121,803	221,590	-
(c) An associate company			
- BKT	188,373	1,561,319	246,154
(d) Related company			
- Today's Media (Beijing) Co., Ltd. 今日传媒 (北京) 有限公司 ("TMB") <sup>(2)</sup>	-	1,605,000	-
- Beijing Chuan Cheng Technology Co., Ltd. 北京传承科技有限公司 ("BCCT") <sup>(3)</sup>		117,272	1,090,275
<b>Service fee paid to:</b>			
(a) Fellow subsidiaries			
- SHR	-	-	3,024,035
- Jiangsu Cloud Digital Technology Co., Ltd. 江苏云媒数字科技有限公司 ("JSCDT") <sup>(1)</sup>	-	-	1,744,557
(b) Related company			
- Wuxi Retech Technology Co., Ltd. 无锡睿泰科技有限公司 ("WXRT") <sup>(3)</sup>	1,584,900	-	-
- Wuxi Ruichuang Digital Technology Co., Ltd. 无锡睿创数字科技有限公司 ("WXRC") <sup>(3)</sup>			94,294
<b>Purchase of intangible assets from:</b>			
- Immediate holding company	-	-	2,830,189
<b>Sale of intangible assets to:</b>			
- A fellow subsidiary, JSCDT	-	-	3,398,058
<b>Acquisition of a subsidiary (note 12)</b>			
- Immediate holding company	6,400,000	-	-
<b>Sale of a subsidiary (note 12)</b>			
<b>Related company</b>			
- JSRDIP <sup>(4)</sup>	-	-	8,000,000

(1) Controlled by immediate holding company.

(2) TMB is an associate of YCR.

(3) Mr. AI Shungang is the director of BCCT, WXRT and WXRC.

(4) Mr. AI Shungang is the executive director of WXRT.

## 26. ACQUISITION AND DISPOSAL OF A SUBSIDIARY

### 26.1 Acquisition and contribution by non-controlling interest

On 30 April 2013, the Group acquired ZJRAM from its immediate holding company at the consideration of RMB8,000,000. The fair value of net assets acquired at acquisition date was as follows:

	RMB
Bank and cash balances	240,104
Property, plant and equipment	102,086
Trade and other receivables	277,116
Amount due to related companies	6,282,286
Inventories	17,108
Trade and other payables	(279,282)
Amount due to related companies	(72,316)
<b>Fair value of net assets acquired</b>	<b>6,567,102</b>
Consideration paid	(8,000,000)
<b>Goodwill</b>	<b>1,432,898</b>

Goodwill of RMB1,432,898 arising from the transaction was impaired at end of 2013 as management was uncertain whether the goodwill amount was recoverable. The transaction resulted a net cash outflow of RMB7,759,896.

On 5 August 2014, there was a new investor injected capital of RMB2,000,000 that diluted the Group's shareholding from 100% to 80%. The carrying amount of the non-controlling interests in ZJRAM at the date of disposal was RMB1,527,507. The Group recognised an increase in non-controlling interest of RMB1,527,507 and an increase in the equity attributable to owners of the Company of RMB472,493, representing a gain within the equity.

### 26.2 Disposal

On 28 May 2015, the Group disposed its entire interest in ZJRAM to a related company, JSRDIP at the consideration of RMB8,000,000. Analysis of assets and liabilities at the disposal date were as follows:

	RMB
Bank and cash balances	249,300
Property, plant and equipment	14,515
Inventories	14,545
Amount due from related companies	13,987,325
Trade and other payables	(100,298)
Amounts due to related companies	(437,590)
Deferred grant subsidy	(1,000,000)
Borrowings	(5,000,000)
<b>Net assets</b>	<b>7,727,797</b>
<b>Non-controlling interest</b>	<b>1,545,560</b>
Consideration received	8,000,000
Group's share of net assets	6,182,237
<b>Gain on disposal</b>	<b>1,817,763</b>

## 26. ACQUISITION AND DISPOSAL OF A SUBSIDIARY (Continued)

### 26.2 Disposal of ZJRAM by the Group (Continued)

The Group recognised a gain of RMB1,817,763 in profit or loss for 2015 and resulted in a net cash inflow of RMB7,750,700 for 2015.

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group 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 Group'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 Group. No derivative financial instruments are used to hedge any risk exposures.

### 27.1 Categories of financial assets and financial liabilities

The carrying amounts presented in the consolidated statement 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
<b>Financial assets:</b>			
Loans and receivables			
- Trade and other receivables	1,156,611	2,080,186	7,351,745
- Amount due from immediate holding company	17,600,910	43,791,124	-
- Amounts due from fellow subsidiaries	160,774	474,823	559,394
- Amount due from an associate	199,676	-	483,180
- Amounts due from related companies	392,396	4,043,104	9,082,795
- Bank and cash balances	404,652	15,815,573	7,250,580
	19,915,019	66,204,810	24,727,694
<b>Financial liabilities measured at amortised cost:</b>			
- Trade and other payables	5,830,050	13,707,929	12,525,179
- Borrowings	19,895,000	48,000,000	9,990,000
- Amount due to immediate holding company	-	-	2,155,464
- Amount due to a fellow subsidiary	-	-	2,513,486
- Amount due to an associate	-	522,402	-
- Amounts due to related companies	1,818,014	2,973,705	2,973,705
	27,543,064	65,204,036	30,157,834



## **27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)**

### **27.2 Interest rate risk**

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

### **27.3 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 Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The Group's maximum exposure to credit risk is limited to the carrying amounts of the financial assets at the reporting date as detailed in note 27.1.

Credit risk on trade and other receivables and amounts due from related parties are minimised as the Group 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 Group has no concentration of credit risk.

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

### **27.4 Liquidity risk**

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of its financing obligations and its cash flow management. The Group'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 Group 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 Group is committed to pay.

The table below analyses the Group'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.

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

### 27.5 Liquidity risk (Continued)

	On demand and within 1 year RMB	Total undiscounted amount RMB	Total carrying amount RMB
<b>31/12/2013</b>			
Trade and other payables	5,830,050	5,830,050	5,830,050
Borrowings	19,895,000	19,895,000	19,895,000
Amounts due to related companies	1,818,014	1,818,014	1,818,014
	27,543,064	27,543,064	27,543,064
<b>31/12/2014</b>			
Trade and other payables	13,707,929	13,707,929	13,707,929
Borrowings	48,000,000	48,000,000	48,000,000
Amount due to an associate	522,402	522,402	522,402
Amounts due to related companies	2,973,705	2,973,705	2,973,705
	65,204,036	65,204,036	65,204,036
<b>31/12/2015</b>			
Trade and other payables	12,525,179	12,525,179	12,525,179
Borrowings	9,990,000	9,990,000	9,990,000
Amount due to immediate holding company	2,155,464	2,155,464	2,155,464
Amount due to a fellow subsidiary	2,513,486	2,513,486	2,513,486
Amounts due to related companies	2,973,705	2,973,705	2,973,705
	30,157,834	30,157,834	30,157,834

The Group incurred total comprehensive losses of RMB10,429,678, RMB10,394,454 and RMB2,316,786 during the years ended 31 December 2013, 2014 and 2015 respectively and as of that date, the Group's current liabilities exceeded its current assets by RMB7,567,058, RMB3,119,043 and RMB5,738,139 respectively. The liquidity of the Group is dependent on its ability to obtain continuing financial support from its shareholders to make payments to the creditors.

### 27.5 Fair values measurements of financial instruments

The fair values of the Group'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.

## 28. CAPITAL MANAGEMENT

The Group'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 Group manages capital by regularly monitoring its current and expected liquidity requirements.

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

**29. SUBSEQUENT EVENT**

Pursuant to the shareholders' resolution on 26 September 2016, the paid up capital of the Group was increased to RMB30,000,000 through capital contribution of RMB10,000,000 by its immediate holding company.