

Report and Consolidated Financial Statements

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

For the half-year ended 30 June 2016

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Expressed in Renminbi ("RMB")	

Independent review report

GTCNZZ(2016) No. 310B0001-I

To the shareholders of Shanghai Retech Information Technology Co., Ltd.

上海睿泰信息科技有限公司

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

Introduction

We have reviewed the interim consolidated financial statements of Shanghai Retech Information Technology Co., Ltd. 上海睿泰信息科技有限公司 (the “Company”) and its subsidiary (together, the “Group”) set out on pages 3 to 33, which comprise the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 consolidated 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 consolidated financial statements in accordance with applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Our responsibility is to express a conclusion on these interim consolidated 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 consolidated 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 consolidated 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 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 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	25,988,304	7,418,592
Costs of sales		(10,222,433)	(2,748,353)
Gross profit		15,765,871	4,670,239
Other income		1,415	363
Selling and distribution costs		(1,346,670)	(796,204)
Administrative expenses		(2,989,082)	(1,439,575)
Operating profit		11,431,534	2,434,823
Finance costs	6	(27,186)	-
Share of loss from an associate		(267,978)	(551,411)
Profit before income tax	7	11,136,370	1,883,412
Income tax expense	8	(2,884,204)	870,031
Profit and total comprehensive income for the period		8,252,166	2,753,443

Legal Representative

The notes on pages 8 to 33 form part of these interim consolidated financial statements.

Consolidated 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	10	238,058	332,599
Interest in an associate	12	1,495,562	1,763,540
Intangible assets	13(a)	11,291	13,550
Deferred tax assets	14	1,705,781	1,183,163
Other assets	13(b)	1,473,800	-
		4,924,492	3,292,852
Current assets			
Trade and other receivables	15	18,509,369	6,856,766
Amount due from immediate holding company	16	8,798,670	-
Amounts due from fellow subsidiaries	16	3,969,203	3,751,224
Amount due from a related company	16	-	10,911
Bank and cash balances	17	231,263	486,695
		31,508,505	11,105,596
Current liabilities			
Trade and other payables	18	7,471,383	5,451,341
Bank borrowings	19	5,000,000	-
Amount due to immediate holding company	16	-	3,282,857
Amount due to a fellow subsidiary	16	207,591	-
Deferred revenue	20	909,543	1,034,535
Current tax provisions		3,842,744	1,380,145
		17,431,261	11,148,878
Net current assets/(liabilities)		14,077,244	(43,282)
Net assets		19,001,736	3,249,570

Consolidated statement of financial position as at 30 June 2016 (Continued)

	Notes	30/06/2016 RMB (Unaudited)	31/12/2015 RMB
EQUITY			
Paid up capital	21	12,500,000	5,000,000
Retained earnings/(Accumulated losses)		6,501,736	(1,750,430)
Total equity		19,001,736	3,249,570

Legal Representative

The notes on pages 8 to 33 form part of these interim consolidated financial statements.

Consolidated 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		
Profit before tax	11,136,370	1,883,412
Adjustments for:		
Depreciation of property, plant and equipment	94,541	113,750
Amortisation of intangible assets	2,259	2,710
Impairment losses on trade and other receivables	-	313,000
Interest income	(1,415)	(363)
Finance costs	27,186	-
Share of loss from an associate	267,978	551,411
Operating profit before working capital changes	11,526,919	2,863,920
Increase in trade and other receivables	(11,652,603)	(3,135,801)
Increase in amounts due from fellow subsidiaries	(217,979)	(955,021)
Increase in amount due from immediate holding company	(8,798,670)	-
Decrease in amount due from a related company	10,911	-
Increase/(Decrease) in trade and other payables	2,020,042	(117,633)
(Decrease)/Increase in amount due to immediate holding company	(3,282,857)	1,818,019
Increase in amount due to a fellow subsidiary	207,591	-
Decrease in deferred revenue	(124,992)	(353,201)
<i>Cash (used in)/generated from operations</i>	<i>(10,311,638)</i>	<i>120,283</i>
Interest received	1,415	363
Interest paid	(27,186)	-
Income taxes paid	(944,223)	-
<i>Net cash (used in)/generated from operating activities</i>	<i>(11,281,632)</i>	<i>120,646</i>
Cash flows from investing activities		
Purchase of intangible assets	(1,473,800)	-
<i>Net cash used in investing activities</i>	<i>(1,473,800)</i>	<i>-</i>
Cash flows from financing activities		
Proceeds from capital contribution	7,500,000	-
Proceeds from bank borrowings	5,000,000	-
<i>Net cash generated from financing activities</i>	<i>12,500,000</i>	<i>-</i>
Net changes in cash and cash equivalents	(255,432)	120,646
Cash and cash equivalents at the beginning of the period	486,695	60,146
Cash and cash equivalents at the end of the period	231,263	180,792

The notes on pages 8 to 33 form part of these interim consolidated financial statements.

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

	Paid up capital RMB	(Accumulated losses)/ Retained earnings RMB	Total RMB
Balance as at 1 January 2016	5,000,000	(1,750,430)	3,249,570
Profit and total comprehensive income for the period	-	8,252,166	8,252,166
<u>Transactions with owners of the Company:</u>			
Capital contribution by owners of the Company	7,500,000	-	7,500,000
Balance as at 30 June 2016	12,500,000	6,501,736	19,001,736
Balance as at 1 January 2015	5,000,000	(12,401,615)	(7,401,615)
Profit and total comprehensive income for the period	-	2,753,443	2,753,443
Balance as at 30 June 2015	5,000,000	(9,648,172)	(4,648,172)

The notes on pages 8 to 33 form part of these interim consolidated financial statements.

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

1. GENERAL INFORMATION

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

The Company is controlled by Shanghai Retech Enterprise Management Group Co., Ltd. 上海睿泰企业管理集团有限公司, a company incorporated and domiciled in the PRC. The Company and its subsidiary (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 subsidiary are disclosed in note 11.

The consolidated financial statements for the half-year ended 30 June 2016 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.

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 periods 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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.

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 period between non-controlling interests and the owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

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.

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.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combination (Continued)

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. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 period includes the Group's share of the post-acquisition, post-tax results of the associate for the period, including any impairment loss on the investment in associate recognised for the period. The Group's other comprehensive income for the period includes its share of the associate's other comprehensive income for the period.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates (Continued)

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.

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

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 company 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates (Continued)

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.

2.5 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	3 years
Furniture and fixtures	3 years
Leasehold improvement	3 years

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Intangible assets (other than goodwill) (Continued)

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 2.13.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 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 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.

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 period 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 period in which the reversal occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

Impairment losses on financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the 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 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.

2.9 Financial liabilities

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial liabilities (Continued)

Borrowings (Continued)

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.

2.10 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.

2.11 Paid up capital

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

2.12 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)

2.12 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.

2.13 Impairment of non-financial assets

The following assets are subject to impairment testing:

- Property, plant and equipment
- 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 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.

2.15 Borrowing costs

Borrowing costs are expensed when incurred.

2.16 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 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Accounting for income taxes (Continued)

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.

2.17 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 an associate or joint venture of a member of a group of which the other entity is a member);
 - (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. ADOPTION OF NEW AND AMENDED HKFRSs

The Group has adopted all new and amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group'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 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 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 the reporting date.

4.2 Income taxes

The Group is subject to income taxes in jurisdiction in which the Company and its subsidiaries 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.

5. REVENUE

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Revenue		
E-Learning solutions	14,103,272	5,729,589
E-Training partnership	8,545,409	253,158
E-Course direct	3,339,623	-
Outsourcing services	-	1,435,845
	25,988,304	7,418,592

6. FINANCE COSTS

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Interest expense on:		
- unsecured bank loan	27,186	-

7. PROFIT BEFORE INCOME TAX

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Profit before income tax is arrived at after charging/ (crediting):		
Interest income	(1,415)	(363)
Depreciation of property, plant and equipment	94,541	113,750
Amortisation of intangible assets	2,259	2,710
Operating lease charges on rented premises	320,171	276,431
Impairment losses on trade and other receivables	-	313,000

8. INCOME TAX EXPENSE

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Current tax	3,406,822	-
Deferred tax credit	(522,618)	(870,031)
Total income tax expense	2,884,204	(870,031)

Pursuant to the relevant laws and regulations in the PRC, PRC incorporated companies are subject to corporate income tax rate of 25% on the estimated assessable profits for the year. On 11 September 2013, the Company obtained the High and New Technology Enterprises qualification ("HNTE"). Accordingly, the Company enjoyed a preferential corporate income tax rate of 15% for the period then ended. The Company's HNTE status expired on 11 August 2016 and therefore corporate income tax rate of 25% will be applicable to the Company on the period ended 30 June 2016 taking into consideration that the profits will be assessed in 2017.

8. INCOME TAX EXPENSE (Continued)

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

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Profit before income tax	11,136,370	1,883,412
Tax on profit before income tax, calculated at corporate tax rate of 25% (2015: 15%)	2,784,093	282,512
Tax effect of non-deductible expenses	100,111	61,182
Utilisation of deductible temporary differences previously not recognised	-	(865,712)
Effect of tax rate change on deferred tax assets	-	(348,013)
Income tax expense	2,884,204	(870,031)

At the end of the reporting period, the Group has recognised deferred tax assets of RMB1,881,757 as disclosed in note 14.

9. EMPLOYEE BENEFIT EXPENSES

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Wages and salaries	5,760,779	3,207,536
Pension costs – defined contribution plans	955,335	247,776
Other benefits	125,161	25,503
	6,841,275	3,480,815

10. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment RMB	Furniture and fixtures RMB	Leasehold improvement RMB	Total RMB
At 1 January 2016				
Cost	967,044	299,675	562,520	1,829,239
Accumulated depreciation	(800,228)	(295,561)	(400,851)	(1,496,640)
Net book amount	166,816	4,114	161,669	332,599
Half-year ended 30 June 2016				
Opening net book amount	166,816	4,114	161,669	332,599
Depreciation	(28,197)	(1,605)	(64,739)	(94,541)
Closing net book amount	138,619	2,509	96,930	238,058
At 30 June 2016				
Cost	967,044	299,675	562,520	1,829,239
Accumulated depreciation	(828,425)	(297,166)	(465,590)	(1,591,181)
Net book amount	138,619	2,509	96,930	238,058
At 1 January 2015				
Cost	863,064	299,676	562,520	1,725,260
Accumulated depreciation	(711,992)	(291,407)	(286,804)	(1,290,203)
Net book amount	151,072	8,269	275,716	435,057
Half-year ended 30 June 2015				
Opening net book amount	151,072	8,269	275,716	435,057
Depreciation	(54,497)	(2,229)	(57,024)	(113,750)
Closing net book amount	96,575	6,040	218,692	321,307
At 30 June 2015				
Cost	863,064	299,676	562,520	1,725,260
Accumulated depreciation	(766,489)	(293,636)	(343,828)	(1,403,953)
Net book amount	96,575	6,040	218,692	321,307

11. INTEREST IN A SUBSIDIARY

Particular of the Group's subsidiary at 30 June 2016 is as follows:

Name of subsidiaries	Country / Place of incorporation and business	Particulars of issued and paid up capital	% of interest held	Principal activities
Shanghai Ruijian Information Technology Co., Ltd. 上海睿剑 信息科技有限公司 ("SRIT")	Shanghai, PRC	RMB11,000,000	100%	IT development, consultancy and technology transfer.

Note:

- (1) SRIT was set up on 6 May 2016, the Group contributed RMB2,000,000 as paid up capital. The Group also transferred several patents to SRIT with total fair value of RMB9,000,000 as paid up capital.

12. INTEREST IN AN ASSOCIATE

	30/06/2016 RMB	31/12/2015 RMB
Unlisted share, at cost	8,000,000	8,000,000
Share of post-acquisition loss and other comprehensive loss	(6,504,438)	(6,236,460)
	1,495,562	1,763,540

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

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

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

	30/06/2016 RMB	31/12/2015 RMB
Current assets	413	1,718
Non-current assets	5,411,768	6,077,399
Current liabilities	(1,673,275)	(1,670,267)
Net assets	3,738,906	4,408,850

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Total expense and loss for the period	(669,945)	(1,378,527)

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

	30/06/2016 RMB	31/12/2015 RMB
Total net assets of the associate	3,738,906	4,408,850
Proportion of ownership held by the Group	40%	40%
Carrying amount of the interest in an associate in the consolidated financial statements	1,495,562	1,763,540

13. INTANGIBLE ASSETS AND OTHER ASSET

(a) Particulars of the Group's intangible assets are as follows:

	Software RMB
At 1 January 2016	
Cost	54,200
Accumulated amortisation	(40,650)
Net carrying amount	13,550
Half-year ended 30 June 2016	
Opening net book amount	13,550
Amortisation	(2,259)
Closing net carrying amount	11,291
At 30 June 2016	
Cost	54,200
Accumulated amortisation	(42,909)
Net carrying amount	11,291
At 1 January 2015	
Cost	54,200
Accumulated amortisation	(35,230)
Net carrying amount	18,970
Half-year ended 30 June 2015	
Opening net book amount	18,970
Amortisation	(2,710)
Closing net carrying amount	16,260
At 30 June 2015	
Cost	54,200
Accumulated amortisation	(37,940)
Net carrying amount	16,260

(b) Other assets relates to prepayment on intangible assets to related companies.

14. DEFERRED TAX ASSETS

	Impairment losses on trade and other receivables RMB	Unpaid accruals RMB	Unutilised tax losses RMB	Total RMB
At 1 January 2016	172,304	1,010,859	-	1,183,163
Recognised in profit or loss	-	522,618	-	522,618
At 30 June 2016	172,304	1,533,477	-	1,705,781
At 1 January 2015	-	-	-	-
Recognised in profit or loss	172,304	230,449	467,278	870,031
At 30 June 2015	172,304	230,449	467,278	870,031

15. TRADE AND OTHER RECEIVABLES

	30/06/2016 RMB	31/12/2015 RMB
Trade receivables	17,554,426	6,235,049
Other receivables	1,642,392	1,064,263
Gross receivables	19,196,818	7,299,312
Less: Impairment losses on trade and other receivables	(689,215)	(689,215)
Total loans and receivables	18,507,603	6,610,097
Add: Prepayments	1,766	246,669
Total trade and other receivables	18,509,369	6,856,766

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

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

	30/06/2016 RMB	31/12/2015 RMB
Balance at the beginning/ end of the half-year	689,215	689,215

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

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.

16. AMOUNT DUE FROM/ (TO) IMMEDIATE HOLDING COMPANY/ AMOUNT DUE FROM/ (TO) A FELLOW SUBSIDIARY/ AMOUNT DUE FROM A RELATED COMPANY

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

17. BANK AND CASH BALANCES

	30/06/2016 RMB	31/12/2015 RMB
Cash at banks	230,198	486,695
Cash in hand	1,065	-
	231,263	486,695

18. TRADE AND OTHER PAYABLES

	30/06/2016 RMB	31/12/2015 RMB
Trade payables	712,566	279,290
Other payables	-	330,826
Accruals	6,117,896	3,957,799
Financial liabilities measured at amortised cost	6,830,462	4,567,915
Other tax liabilities	640,921	883,426
Total trade and other payables	7,471,383	5,451,341

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

19. BANK BORROWINGS

	30/06/2016 RMB	31/12/2015 RMB
Unsecured bank loans, repayable within six months	5,000,000	-

The bank loan is unsecured, repayable within six month and bears interest rate of 6.53% per annum.

20. DEFERRED REVENUE

	30/06/2016 RMB	31/12/2015 RMB
Deferred revenue	909,543	1,034,535

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

21. PAID UP CAPITAL

	30/06/2016 RMB	31/12/2015 RMB
Balance at the beginning of the period	5,000,000	5,000,000
Addition during the period	7,500,000	-
Balance at the end of the period	12,500,000	5,000,000

22. OPERATING LEASE COMMITMENTS

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

	30/06/2016 RMB	31/12/2015 RMB
Within one year	541,670	541,670
In the second to fifth years	631,949	902,784
	1,173,619	1,444,454

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

23. RELATED PARTY TRANSACTIONS

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

	Half-year ended 30/06/2016 RMB	Half-year ended 30/06/2015 RMB
Outsourcing service income received from:		
(a) Immediate holding company	1,835,075	435,441
(b) Fellow subsidiary		
- Jiangsu Retech Education Technology Co., Ltd. 江苏睿泰教育科技有限公司 ("JSR") ⁽¹⁾	-	1,000,404
Prepayment for intangible assets to:		
(a) Fellow subsidiaries		
- JSR	660,100	-
- Yancheng Retech Digital Technology Co., Ltd. ("YCR") ⁽¹⁾	25,500	-
(b) Related companies		
- Zhenjiang Retech Asset Management Co., Ltd. 镇江睿泰资产管理有限公司 ("ZJRAM") ⁽²⁾	628,300	-
- Jiangsu Retech Digital Industrial Park Co., Ltd. 江苏睿泰数字产业园有限公司 ("JSRDIP") ⁽³⁾	134,400	-
- Wuxi Retech Technology Co., Ltd. 无锡睿泰科技有限公司 ("WXRT") ⁽⁴⁾	25,500	-

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

(2) ZJRAM is a subsidiary of JSRDIP.

(3) Mr. AI Shungang is the executive director of JSRDIP.

(4) Mr. AI Shungang is the director and majority shareholder of WXRT.

24. 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.

24.1 Categories of financial assets and financial liabilities

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

	30/06/2016 RMB	31/12/2015 RMB
Financial assets		
<u>Loans and receivables:</u>		
- Trade and other receivables	18,507,603	6,610,097
- Amount due from immediate holding company	8,798,670	-
- Amount due from fellow subsidiaries	3,969,203	3,751,224
- Amount due from a related company	-	10,911
- Bank and cash balances	231,263	486,695
	31,506,739	10,858,927
Financial liabilities		
<u>Financial liabilities measured at amortised cost:</u>		
- Trade and other payables	6,830,462	4,567,915
- Bank borrowings	5,000,000	-
- Amount due to immediate holding company	-	3,282,857
- Amount due to a fellow subsidiary	207,591	-
	12,038,053	7,850,772

24.2 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 Group does not have significant foreign currency risk as transactions and balances are predominately in original functional currencies.

24.3 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.

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

24.4 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 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 24.1.

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.

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

	On demand and within one year RMB	Total undiscounted amount RMB	Total carrying amount RMB
30/06/2016			
Trade and other payables	6,830,462	6,830,462	6,830,462
Bank borrowings	5,000,000	5,000,000	5,000,000
Amount due to a fellow subsidiary	207,591	207,591	207,591
	12,038,053	12,038,053	12,038,053

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

24.5 Liquidity risk

	On demand and within one year RMB	Total undiscounted amount RMB	Total carrying amount RMB
31/12/2015			
Trade and other payables	4,567,915	4,567,915	4,567,915
Amount due to immediate holding company	3,282,857	3,282,857	3,282,857
	7,850,772	7,850,772	7,850,772

24.6 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.

25. 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.

26. SUBSEQUENT EVENT

On 11 July 2016, the Group transferred 9% of its investment in SRIT to a third party for a consideration of RMB990,000, therefore reduced its shareholding in SRIT to 91%.

On 1 September 2016, the Group transferred its remaining shareholding in SRIT to Retech Holdings Co., Ltd. for a consideration of RMB10,010,000.