Reports and Consolidated Financial Statements

Retech Technology Co., Limited

For the period from 10 May 2016 (date of incorporation) to 31 December 2016

Contents

Expressed in Renminbi ("RMB")

Directors' report for the period from 10 May 2016 (date of incorporation) to 31 December 2016

The directors present their report and the audited consolidated financial statements of Retech Technology Co., Limited (the "Company") and its subsidiaries (collectively the "Group") for the period from 10 May 2016 (date of incorporation) to 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group includes the provision of technology solutions to, and building e-learning platforms and e-courseware for corporate customers and training providers, enabling them to deliver their offline training content online. The principal activities of its subsidiaries are set out in note 20 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the period from 10 May 2016 (date of incorporation) to 31 December 2016 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 10 to 42.

The directors do not recommend the payment of any dividend for the period.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 22 to the consolidated financial statements.

DIRECTORS OF THE COMPANY

The directors of the Company during the period and up to the date of this report were as follows:

LIN Yan	(appointed on 10 May 2016 and resigned on 16 December 2016)
AI Shungang	(appointed on 16 December 2016)
LIU Qing	(appointed on 16 December 2016)
CHENG Ern Lee, Calvin	(appointed on 16 December 2016)
RYAN Christopher, John	(appointed on 16 December 2016)
IDE Neville John	(appointed on 16 December 2016)
LU Jiuping	(appointed on 3 May 2017)
Zhang Jing	(appointed on 3 May 2017)

DIRECTORS OF THE COMPANY (CONTINUED)

Ms. LIN Yan resigned as director of the Company on 16 December 2016. She has confirmed that she has no disagreement with the Board and there is no matter in relation to her resignation that needs to be brought to the attention of the shareholders of the Company.

In accordance with article 21 of the Company's Articles of Association, the directors shall retire and, being eligible, offer themselves for re-election.

DIRECTORS OF SUBSIDIARIES

The directors of the subsidiaries of the Company during the period and up to the date of this report were as follows:

LIN Yan	
WANG Gongshi	(appointed on 17 June 2016)
LIU Yan	(appointed on 20 August 2016)
LIU Cheng	(appointed on 20 August 2016)
GUO Mingmin	(appointed on 16 August 2016)
Chen Yanqun	(appointed on 16 August 2016)
XU Shanshan	(appointed on 16 August 2016)

EQUITY-LINKED AGREEMENT

Plan of share issue in initial listing

The Company plans to issue 35,000,000 shares in its initial listing on Australian Securities Exchange ("ASX"). On 10 March 2017, the initial listing application was preliminarily approved by the ASX on condition of satisfactory supply of supplementary documents. There has been share subscription application by interested investors. However, there has not been any agreement entered into by the Company and the potential investors.

MANAGEMENT CONTRACTS

The Company did not entered into any contract, other than the contracts of service with the directors or any person engaged in the full-time employment of the Company, by which a person undertakes the management and administration of the whole or any substantial part of the business of the Company during the period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which any of the Company's holding company, subsidiaries or fellow subsidiaries was a party and in which a director or an entity connected with a director is or was materially interested, either directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

At no time during the year was the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

During the period and up to the date of this Directors' Report, the permitted indemnity provision as defined in section 469 of the Hong Kong Companies Ordinance for the benefit of the directors of the Company was in force. The Company has arranged for appropriate insurance cover for the directors' liabilities in respect of legal actions against its directors arising out of corporate activities.

BUSINESS REVIEW

In the current period, the Group was principally engaged in the provision of technology solutions to, and building e-learning platforms and e-courseware for corporate customers and training providers.

The risks presented below should not be considered to be exhaustive and may not be all of the risks that the Group may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results.

Market position and business growth

The Group is in a strong competitive position as a result of the following factors: national footprint and reputation, customised content, multi-platform delivery capability, specialist digitisation capability, focus on upgrading its existing e-learning platforms and innovation, diverse client base, robust quality assurance systems, and a well-regarded management team.

Principle source of revenue of the Group is delivery of services of E-Learning Solutions, one of the product lines of the Group. The Group expects to continue generating steady revenue this product line. In the current period, there were 111 projects with 69 customers completed or in progress and generated total revenue of RMB44,547,827. The gross profit margin is recorded at 67% while net profit margin is 23%.

The Group intends to deploy additional capital to raise through issue of shares to accelerate the expansion of its E-Training Partnership and E-Course Direct, the other two product lines. The Group will leverage its E-Learning Platforms (the backbone of our products) through its E-Learning Solutions product lines to support these new initiatives.

Capital Management

The Group funds its operations through cash flow generated by operations and equity capital. The Group and the Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Company is in progress of raising funds through issue of shares.

Human Resources

As at 31 December 2016, the Group employed a total of 181 staff. In the current period, the staff costs including directors' remuneration which amounted to RMB52,521. The salaries and fringe benefits of the Group's employees remained competitive. The employees' incentives were reviewed and determined annually pursuant to the remuneration and bonus policies of the Group based on the performance of the employees. The Group also provided various other benefits to its employees.

The Group monitored closely the remuneration and fringe benefits of the employees and rewarded employees in accordance with the Group's business performance. In addition, training and development opportunities for the employees were also provided by the Group.

AUDITOR

Grant Thornton Hong Kong Limited was appointed as the first auditor of the Company.

The financial statements for the period have been audited by Grant Thornton Hong Kong Limited who retires and, being eligible, offers himself for re-appointment at the forthcoming annual general meeting.

On behalf of the board

AI Shungang
Co-Chairman

10 May 2017

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Independent auditor's report

To the members of Retech Technology Co., Limited
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Retech Technology Co., Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 10 to 42, which comprise the consolidated statement of financial position as at 31 December 2016, and 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 period from 10 May 2016 (date of incorporation) to 31 December 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the period from 10 May 2016 (date of incorporation) to 31 December 2016 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The Key Audit Matter	*How the matter was addressed in our audit*
Revenue from contracts with customers *Refer to notes 2.13, 4 and 5 to the consolidated financial statements*	
Revenue earned by the Group is from service contracts with customers. In the current period, revenue of RMB 44.5 million was recognised in profit or loss. Recognition of such revenue involves assessment of the stage of completion of contract works as well as the total outcome of each contract. Assessment of the stage of completion involves significant estimates and judgement over cost allocations, estimate of total costs, and progressive assessment of actual and final outcome of each contract. We have identified the revenue recognition from contracts with customers as a key matter to our audit considering significance of the amount and the extent of management judgment exercised.	To address these areas of estimate and judgement, we performed, among others, below audit procedures: - review of the contract terms and conditions, including any terms of contingent or adjustable income, reimbursement of costs; - analysis of cost allocation basis including staff cost and overheads, and comparison of the basis against industry benchmarks. - comparison of the budgeted contract costs with the actual costs incurred to assess if there were any material differences; - examination of project documentation, and comparison of work hours used by similar projects, and discussion of the status of those projects in progress with management, finance, and engineers of the Group; - review of calculation of profit margin, and comparison of the profit margin against similar projects; - inquiry of management's judgement of final outcome of each project.

Other information

The directors are responsible for the other information. The other information comprises all the information in the 2016 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Audit and Risk Management Committee for the Consolidated Financial Statements

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

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

The directors assisted by the Audit and Risk Management Committee of the Company are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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

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

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

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

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

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

Grant Thornton Hong Kong Ltd

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

10 May 2017

Chiu Wing Ning
Practising Certificate No.: P04920

Consolidated statement of profit or loss and other comprehensive income for the period from 10 May 2016 (date of incorporation) to 31 December 2016

	Notes	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Revenue	5,6	**44,547,827**
Cost of services		**(14,628,704)**
Gross profit		**29,919,123**
Other income	7	**535,635**
Selling and distribution expenses		**(1,362,398)**
Administrative expenses		**(12,326,833)**
Finance cost	8	**(135,938)**
Profit before income tax	9	**16,629,589**
Income tax expense	11	**(6,250,790)**
Profit and total comprehensive income for the period		**10,378,799**
Profit and total comprehensive income for the period attributable to:		
Owners of the Company		**10,378,799**
Non-controlling interests		**-**
		10,378,799
Earnings per share for profit attributable to the owners of the Company during the period		
Basic and diluted	12	**22.30 cents**

The notes on pages 15 to 42 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December 2016

	Notes	As at 31 December 2016 RMB
ASSETS AND LIABILITIES		
Non-current assets		
Equipment	13	**122,450**
Deferred tax assets	14	**363,940**
		486,390
Current assets		
Trade and other receivables	15	**7,922,606**
Amounts due from customers for contract works	16	**5,591,713**
Amount due from a shareholder	17(a)	**2,612,937**
Amount due from a related company	17(b)	**10,003,851**
Loan to a related company	18	**11,036,536**
Cash and cash equivalents	19	**4,647,305**
		41,814,948
Current liabilities		
Trade and other payables	21	**9,094,910**
Amounts due to customers for contract works	16	**1,187,371**
Amount due to a related company	17(c)	**1,490,680**
Income tax payable		**6,614,730**
		18,387,691
Net current assets		**23,427,257**
Net assets		**23,913,647**
Equity		
Share capital	22	**24,657,544**
Reserves		**(743,897)**
Total equity		**23,913,647**

The notes on pages 15 to 42 are an integral part of these consolidated financial statements.

AI Shungang
Co-Chairman

Calvin Cheng
Co-Chairman

Consolidated statement of changes in equity for the period from 10 May 2016 (date of incorporation) to 31 December 2016

	Attributable to owners of the Company			
	Share capital RMB	Merger reserves (note 23) RMB	Retained profits RMB	Total equity RMB
Profit and total comprehensive income for the period	-	-	10,378,799	10,378,799
Transactions with owners:				
Issue of shares on incorporation	8,403	-	-	8,403
Issue of shares in the period (notes 22(b) and 22(c))	24,649,141	(11,122,696)	-	13,526,445
	24,657,544	(11,122,696)	-	13,534,848
At 31 December 2016	24,657,544	(11,122,696)	10,378,799	23,913,647

The notes on pages 15 to 42 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the period from 10 May 2016 (date of incorporation) to 31 December 2016

	Notes	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Cash flows from operating activities		
Profit before tax		**16,629,589**
Adjustment for:		
Depreciation of equipment	13	**10,528**
Equity settled share-based payment expenses	22(b)	**8,511,380**
Interest income		**(6,536)**
Interest expense		**135,938**
Exchange loss		**215,015**
Operating cash flows before changes in working capital:-		**25,495,914**
Increase in:-		
Trade and other receivables		**(5,735,493)**
Amounts due from customers for contract work		**(5,591,713)**
Amount due from a related company		**(10,003,851)**
Loan to a related company		**(11,030,000)**
Increase in:-		
Trade and other payables		**9,094,910**
Amounts due to customers for contract works		**1,187,371**
Amount due to a related company		**1,490,680**
Cash flows generated from operations		**4,907,818**
Interests paid		**(135,938)**
Net cash flows generated from operating activities		**4,771,880**
Cash flows from investing activities		
Purchase of equipment	13	**(132,978)**
Net cash flows used in investing activities		**(132,978)**

Consolidated statement of cash flows for the period from 10 May 2016 (date of incorporation) to 31 December 2016 (Continued)

	Notes	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Cash flows from financing activities		
Proceeds from issue of shares	22(a)	**8,403**
Net cash flows generated from financing activities		**8,403**
Net increase in cash and cash equivalents		**4,647,305**
Cash and cash equivalents at end of the period	19	**4,647,305**

The notes on pages 15 to 42 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the period from 10 May 2016 (date of incorporation) to 31 December 2016

1. GENERAL INFORMATION

Retech Technology Co., Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. The registered office and principal place of business of the Company is located at Room 1405A, 14/F, Lucky Centre, 165-171 Wanchai Road, Wanchai, Hong Kong.

The directors consider Retech Investment Group Co., Ltd, a limited liability company incorporated in the British Virgin Islands, is the immediate and ultimate holding company of the Company.

The principal activities of the Company and its subsidiaries (the "Group") include the provision of technology solutions to, and building e-learning platforms and e-courseware for corporate customers and training providers, enabling them to deliver their offline training content online. The Group's operations are based in the People's Republic of China (the "PRC"). The principal activities of the subsidiaries are disclosed in note 20 to the consolidated financial statements.

The consolidated financial statements represented in Renminbi ("RMB"), the currency of the primary economic environment in which the Company and its subsidiaries operate (the functional currency of the Company and its subsidiaries).

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 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. These consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance.

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. 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.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated 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.

During the process of group restructuring implemented in the period, certain transfers of controlling interests only involved inserting new holding companies and has not resulted in any change of economic substances, the consolidated financial statements for the period have been presented as a continuation of the existing companies using the pooling of interests method as if these transfers had been completed at the date of incorporation of the Company. Details of the group restructuring were set out in "The Restructure", section 3.9 to the Prospectus by the Company dated 27 January 2017, which is available to the public on the Company's website and the website of Australian Securities Exchange.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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.

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, subsidiary is 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

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. 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 a financial liability is remeasured at subsequent reporting dates at fair value with corresponding gain or loss being recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

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 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.5 Equipment

Depreciation on equipment is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Computer and office equipment	3 years

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. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and building.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.7 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

Financial assets are classified into the following category:
- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

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.

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

i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

Impairment of financial assets (Continued)

i) Financial assets carried at amortised cost (Continued)

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

Impairment losses on financial assets other than 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.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, 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 and amount due to a related company. They are included in line items in the statement of financial position as borrowings under current or non-current liabilities, derivative financial instruments or trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial liabilities (Continued)

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

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

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

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.

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 income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

2.11 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Provisions, contingent liabilities and contingent assets (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After the initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be recognised in a comparable provision as described above. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed as per above.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets. They are described along with the Group's contingent liabilities in note 26.

2.12 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.13 Revenue recognition

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Revenue recognition (Continued)

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

Consultancy income is recognised when the services are rendered.

Commission income is recognised in the period in which the services are rendered by reference to completion of the specific transaction.

2.14 Contracts for e-learning services

Contract revenue on the rendering of e-learning services comprises the agreed contract amount. Contract costs comprise direct equipment and material costs, labour and other costs of personnel directly engaged in rendering the services and attributable overheads.

Revenue from the rendering of e-learning services (other than those that are recognised on a time proportion basis over the period of the contract or when the relevant services have been rendered, as appropriate) is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction, or the value of services performed to date as a percentage of the value of total services to be performed under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amounts due from customer for contract work. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amounts due to customers for contract works.

2.15 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)

2.15 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.

2.16 Taxation

Income tax comprises current tax and deferred tax.

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

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated 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, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Taxation (Continued)

Changes in deferred tax assets or liabilities are recognised in profit or 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.

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 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

The executive directors of the Company, being the chief operating decision maker, regard the Group's business of provision of e-learning platforms and e-courseware services as a single operating segment and assesses the operating performance and allocates the resources of the Group as a whole.

2.18 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 if that person:

  (i) has control or joint control over of 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Related parties (Continued)

(b) the party is an entity and if 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).

(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).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

2.19 Government grants and subsidies

Government grants and subsidies are recognised at their fair value where there is reasonable assurance that the grants and subsidies will be received and all attaching conditions will be complied with. When the grants and subsidies relate to an expense item, they are recognised as income, over the periods necessary to match the grants and subsidies on a systematic basis to the costs that they are intended to compensate. Where the grants and subsidies relate to an asset, they are presented as deferred revenue and are released to the income profit or loss over they are expected useful life of the relevant asset by equal annual instalments.

2.20 Equity settled share-based payment

Share-based payment for service

Shares issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the shares issued. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share capital), when the counterparties render services, unless the services qualify for recognition as assets.

3. ADOPTION OF NEW OR AMENDED 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.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first periods beginning after the effective date of the pronouncement. 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. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation of uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Impairment of trade receivables

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of customers to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual impairment losses would be higher than estimated. The carrying amount as at the end of the reporting period is approximately RMB5,285,446.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Revenue from contracts for service

The Group recognises contract revenue on the rendering of services by reference to the stage of completion of the contract activity at the end of reporting period, when the outcome of a contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs to be incurred under the transaction. Significant assumptions, such as the budgeted staff hours, are required to estimate the total contract costs and/or the stage of completion. The estimates are made based on past experience and knowledge of management.

5. REVENUE

The Group's principal activities are disclosed in note 1 to these consolidated financial statements.

The Group's revenue recognised during the period is as follows:

	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Rendering of services	38,765,199
Commission income	4,886,792
Consultancy income	895,836
	44,547,827

6. SEGMENT REPORTING

In the current period, the executive directors of the Company, being the chief operating decision maker, regard the Group's business of provision of e-learning platforms and e-courseware services as a single operating segment and assesses the operating performance and allocate the resources of the Group as a whole. The only operating segment is monitored and strategic decisions are made on the basis of the results of the Group as a whole. Accordingly, no segment analysis information is presented.

Geographic information

The Group's revenue and results from operations mainly derived from activities in the PRC. The principal assets of the Group were located in the PRC during the period. Accordingly, no analysis by geographical segment is provided.

7. OTHER INCOME

	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Interest income from the loan to a related company	6,536
Bank interests	758
Government subsidy income	522,000
Sundry income	6,341
	535,635

Government subsidy income received by a subsidiary of the Group is recognised in profit or loss when received and no specific conditions have been required to fulfill.

8. FINANCE COST

	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Interest expenses	135,938

9. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Auditor's remuneration	400,000
Depreciation	10,528
Operating lease charges in respect of office premises	425,813
Listing expenses (note 30)	8,511,380
Staff and related costs (including directors' remuneration)	10,286,349

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Fees	52,521
Other emoluments	-
	52,521

11. INCOME TAX EXPENSE

The major components of income tax expense recognised in profit or loss were:

	As at 31 December 2016 RMB
Current tax	
- PRC Enterprise Income Tax	6,614,730
Deferred tax (note 14)	(363,940)
	6,250,790

Under the Law of the People's Republic of China on Enterprise Income Tax and implementation Regulation of the Enterprise Income Tax Law, other than those disclosed below, all PRC subsidiaries are subject to PRC enterprise income tax of 25%.

No provision for Hong Kong Profits Tax has been made as the group companies did not generate any assessable profits arising in Hong Kong during the period.

Reconciliation between income tax expense and accounting profit for the period is as follows:

	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Profit before income tax	16,629,589
Notional tax at applicable income tax rate of 25%	4,157,397
Effect on different tax rate of operating in other jurisdictions	736,545
Non-deductible expenses	
- Listing expenses	1,331,462
Tax effect of temporary differences not recognised	25,386
Income tax expense	6,250,790

12. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share has been based on the profit attributable to owners of the Company of RMB10,378,799 and the weighted average number of 46,546,610 ordinary shares in issue during the period.

Diluted earnings per share

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding for the period.

13. EQUIPMENT

	Computer and office equipment RMB
Cost	
Additions	132,978
At 31 December 2016	132,978
Accumulated depreciation	
Charge for the period	10,528
At 31 December 2016	10,528
Net carrying amount	
At 31 December 2016	122,450

14. DEFERRED TAX

	Temporary differences on accruals RMB
At 31 December 2016	
Deferred tax assets	363,940

The components of deferred tax and the movements during the period are as follows:

	Temporary differences on accruals RMB
Credited to profit or loss for the period	363,940
At 31 December 2016	363,940

15. TRADE AND OTHER RECEIVABLES

	As at 31 December 2016 RMB
Trade receivables	5,285,446
Other receivables	450,047
Trade and other receivables as financial assets - loan and receivables	5,735,493
Prepayments	2,187,113
	7,922,606

The directors of the Group consider that the fair values of trade and other 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. Overdue balances are reviewed regularly by senior management.

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

At each reporting date the Group reviews receivables for evidence of impairment on both an individual and collective basis. At 31 December 2016, no impairment loss on trade receivables was recognised by the Group.

Included in the Group's trade receivables with the following aging analysis as of the end of the reporting period:

	As at 31 December 2016 RMB
0 – 30 days	5,285,446

As at 31 December 2016, no trade receivable were past due nor impaired. The ageing analysis of the Group's trade receivables that were past due as at the reporting date but not impaired, based on due date.

16. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	As at 31 December 2016 RMB
Contracts in progress at the end of the reporting period:	
Contract cost incurred plus recognised attributable profits or losses to date	44,797,129
Less: Progress billings	(40,392,787)
	4,404,342
Recognised and included in the consolidated statement of financial position:	
Amounts due from customers for contract works	5,591,713
Amounts due to customers for contract works	(1,187,371)
	4,404,342

All amounts due from customers for contract works is expected to be recovered within one year.

17. AMOUNTS DUE FROM/TO A SHAREHOLDER/RELATED COMPANIES

The amounts due are unsecured, interest-free and repayable on demand.

(a) Amount due from a shareholder

	As at 31 December 2016 RMB
Lumina Looque Knowledge Hubs Pte Ltd	2,612,937

17. AMOUNTS DUE FROM/TO A SHAREHOLDER/RELATED COMPANIES (CONTINUED)

(b) Amount due from a related company

	Maximum balance during the period RMB	As at 31 December 2016 RMB
Shanghai Retech Information Technology Co., Ltd ("Shanghai Retech IT")	10,003,851	10,003,851

The ultimate controlling shareholder, being a director at the same time, of the Company, Mr. AI Shungang is also the ultimate controlling shareholder and a director of Shanghai Retech IT.

(c) Amount due to a related company

	As at 31 December 2016 RMB
Shanghai Retech Enterprise Management Group Co., Ltd ("Retech Enterprise Management")	1,490,680

The ultimate controlling shareholder, being a director at the same time, of the Company is also the ultimate controlling shareholder and a director of Retech Enterprise Management. Retech Enterprise Management is the immediate holding company of Shanghai Retech IT.

18. LOAN TO A RELATED COMPANY

	Maximum balance during the period RMB	As at 31 December 2016 RMB
Jiangsu Retech Digital Industry Park Co., Ltd	11,036,536	11,036,536

The loan to a related company is denominated in RMB and is unsecured, interest-bearing at fixed rate of 6% per annum and wholly repayable within twelve months from the reporting date. The carrying amount of the loan approximates its fair value.

The ultimate controlling shareholder, being a director at the same time, of the Company, Mr. AI Shungang is also a shareholder and a director of the related company.

19. CASH AND CASH EQUIVALENTS

	As at 31 December 2016 RMB
Cash at bank and in hand	**4,647,305**

Included in cash and cash equivalents of the Group of approximately RMB4,647,305 as at 31 December 2016 is bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

20. INTEREST IN SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2016 are as follows:

Name of company	Country/Place and date of incorporation/ establishment	Type of legal entity	Issued and paid in capital/ registered capital	Percentage of ownership interests held by the Company As at 31 December 2016		Principal activities
				Direct	Indirect	
Retech Holdings Co., Ltd	Hong Kong	Limited liability company	HK$15,251,910	100%	-	Investment holding
Shanghai Retech Digital Technology Co., Ltd ("Retech Digital")	PRC	Limited liability company	RMB2,000,000	-	100%	E-learning and consultancy service
Shanghai Ruijian Information Technology Co., Ltd	PRC	Limited liability company	RMB11,000,000	-	100%	Provision of software licensing services
Shanghai Ruipengcheng Technology Co., Ltd ("Ruipengcheng") (note)	PRC	Limited liability company	-	-	62.5%	Inactive

Note: Retech Digital subscribed for RMB2,000,000 registered share capital of Ruipengcheng, representing 62.5% of its total registered share capital (RMB3,200,000). In accordance with PRC corporation laws, the subscribers have to pay in respective amounts of subscribed share capital in prescribed schedule or when those amounts fall due. The subscribers are liable to any liabilities of the underlying entity up to the respective amounts subscribed.

At reporting date, all of the registered share capital of Ruipengcheng has not been paid up.

21. TRADE AND OTHER PAYABLES

	As at 31 December 2016 RMB
Trade payables	1,022,000
Accrued expenses	1,961,135
Other payables	4,112,864
Trade and other payables as financial liabilities at amortised cost	7,095,999
Receipts in advance	40,500
Provision of other tax liabilities	1,958,411
	9,094,910

All amounts are short term and hence the carrying values of the Group's trade payables, accrued expenses, other payables, and receipts in advance approximate their fair value.

22. SHARE CAPITAL

	Notes	Number of shares	Amount RMB
Issued and fully paid ordinary shares			
Issue of shares on incorporation	(a)	1,000,000	8,403
Equity settled share-based payment for services	(b)	54,000,000	10,597,781
Issue of shares in exchange for acquisition of a subsidiary during restructuring	(c)	125,000,000	14,051,360
As at 31 December 2016		180,000,000	24,657,544

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

a) The Company allotted 1,000,000 shares to the founder members on incorporation date, 10 May 2016.

b) On 12 October 2016, the Company issued 54,000,000 shares to Lumina Looque Knowledge Hubs Pte. Ltd ("Lumina") in exchange for professional services in relation to share listing project of the Company. The fair value of those professional services were estimated as RMB10,597,781 on that date and is treated as consideration received by the Company for the shares allotted.

c) On 11 November 2016, the Company issued 125,000,000 shares to certain then existing shareholders of the Company in exchange for all outstanding shares of Retech Holdings Co., Ltd (note 20).

23. MERGER RESERVE

Merger reserve represents the difference between the share capital of the Company issued as consideration and the aggregate net assets value of the companies, now comprising the Group, transferred in the group restructuring (note 2.1).

24. NON-CASH TRANSACTION

The Group entered into the following non-cash transactions which are not reflected in the consolidated statement of cash flows:

- 54,000,000 shares were issued in exchange of services of with fair value estimated as RMB10,597,781 as described in note 22(b).

25. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial period are as follows:

	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Revenue	
Services income from a related company	**30,644,720**
Expenses	
Administrative expenses recharged by a related company	**7,040,838**
Other revenue	
Interest income from a related company	**6,536**

All above transaction were enacted with a related company of which relationship with the Company is described in note 17(b) to the consolidated financial statements.

Compensation of key management personnel

The key management personnel of the Group consists only directors of the Company and certain directors of its subsidiaries. Compensation to these directors is disclosed in note 10.

26. COMMITMENT AND CONTINGENCIES

Operating lease commitment

The Group have entered into commercial leases for office premises. The lease has a life of 2 years with no renewal option included in the contract. There were no restrictions placed on the Group by entering into these leases.

26. COMMITMENT AND CONTINGENCIES (CONTINUED)

Operating lease commitment (Continued)

Future minimum rental payable under non-cancellable operating lease as at the end of reporting period are as follows:

	As at 31 December 2016 RMB
Not later than one year	500,324
Later than one year but not later than 5 years	333,549
	833,873

Minimum lease payments recognised as expense in the income statement for the period amounted to RMB425,813.

Contingent liability

The Group does not have any significant contingent liability at the end of the period.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and market risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the directors. It is and has been throughout the current financial period the Group's policy that no derivatives shall be undertaken.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

27.1 Categories of financial assets and liabilities

	As at 31 December 2016 RMB
Financial assets - *Loans and receivables:*	
Trade and other receivables	5,735,493
Amount due from a shareholder	2,612,937
Amounts due from non-controlling interests	1,200,000
Amount due from a related company	10,003,851
Loan to a related company	11,036,536
Cash and cash equivalents	4,647,305
	35,236,122
Financial liabilities - *at amortised cost:*	
Trade and other payables	7,095,999
Amount due to a related company	1,490,680
	8,586,679

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

27.2 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 directors of the Company consider the foreign currency risk of the Group is minimal as most of the Group's transactions are carried out in the functional currencies of the respective entities.

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 exposures to credit risk mainly arise from granting credit to customers in the ordinary course of its operations.

The Group's maximum exposures to credit risk on recognised financial assets is limited to the carrying amount as at 31 December 2016 as summarised in note 27.1.

Bank balances are placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant.

Credit risk on trade and other receivables and amount due from a related company 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 period to ensure that adequate impairment losses are made for irrecoverable amounts.

27.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group's operations are financed mainly through equity. The directors are satisfied that funds are available to finance the operations of the Group.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

27.4 Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Group's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	One year or less RMB
Financial liabilities	
Trade and other payables	7,095,999
Amount due to a related company	1,490,680
	8,586,679

27.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

27.6 Fair values measurements of financial instruments

The management considered the carrying amounts of Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 due to short maturities.

28. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business and maximise shareholder value. The capital structure of the Group comprises issued share capital and retained earnings.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial period ended 31 December 2016. The Group is not subject to any externally imposed capital requirements.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2016 RMB
ASSETS AND LIABILITY		
Non-current asset		
Investment in a subsidiary	20	**14,312,160**
Current assets		
Prepayments		**2,187,113**
Amount due from a shareholder		**2,612,937**
Cash and cash equivalents		**9,156**
		4,809,206
Current liability		
Accruals and other payables		**2,666,921**
Net current assets		**2,142,285**
Net assets		**16,454,445**
Equity		
Share capital		**24,657,544**
Accumulated losses		**(8,203,099)**
Total equity		**16,454,445**

Ai Shungang
Co-Chairman

Calvin Cheng
Co-Chairman

30. EVENT AFTER THE REPORTING DATE

On 10 March 2017, the Company's initial listing application to the Australian Securities Exchange ("ASX") was preliminarily approved by the ASX on condition of satisfactory supply of supplementary documents by the Company to ASX. Up to the date of these financial statements, the directors expect the procedure could be completed in May 2017 and the Company's shares would be listed on ASX.