睿泰科技
RETECH TECHNOLOGY

ANNUAL REPORT 2017

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About Retech Technology Co., Limited

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About Retech Technology Co., Limited

Retech Technology Co., Limited (“Retech” or the “Company”), is an investment holding company, incorporated in Hong Kong with its operating subsidiaries located in Shanghai, China. Retech and its operating subsidiaries (“Retech Group” or “the Group”) provide technology solutions to large companies, vocational and training schools and providers, government and social organizations. It develops E-Learning platforms and E-Courseware which enables these clients to efficiently deliver their offline training content online through multiple channels or devices, such as the internet, mobile and social media platforms.

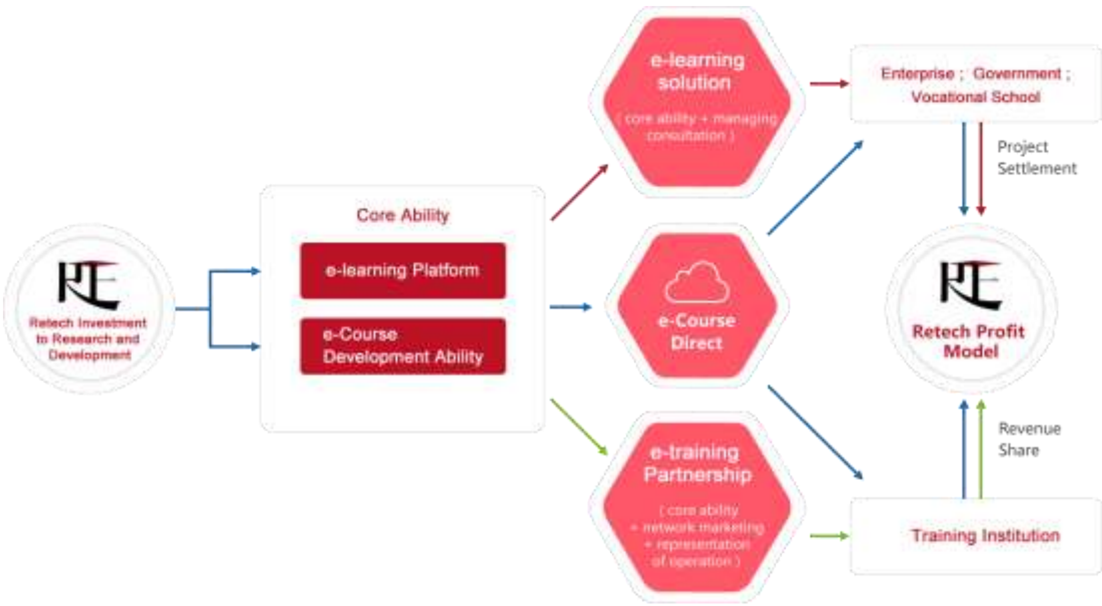
Retech has a competitive advantage and plays a leading role in China’s E-Learning for a number of years with vast experience in a number of industries in which its clients are based and through working with a number of long-term clients. It has a strong capacity for R&D innovation, customised content development and diversified deliveries.

Retech is organised into three business channels comprising:

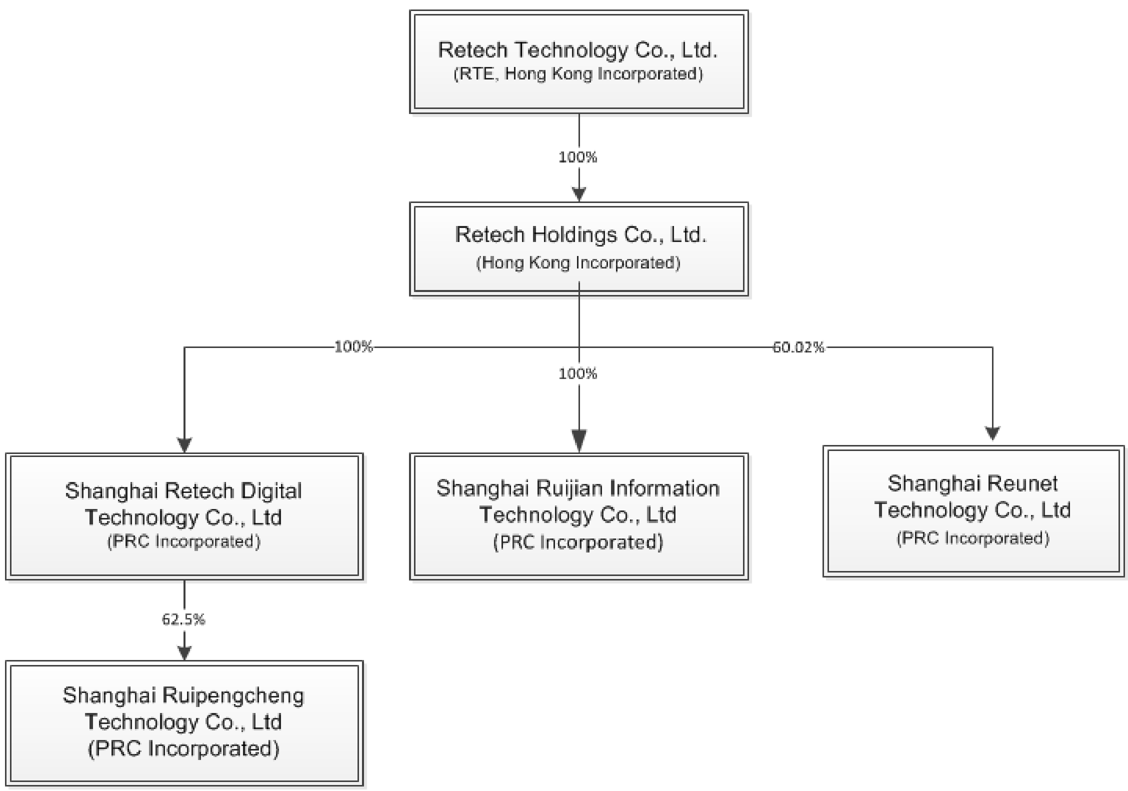
a) E-Learning Solutions - helping large companies, organisations and institutions design and build E-Learning platforms and E-Courseware that enables Retech to deliver their existing training content online.

b) E-Training Partnership – working with training and learning content providers to create E-Learning Platforms and digital content that is then sold on to clients. The content owners provide the content and Retech provides the technology.

c) E-Course Direct – originating original online training content and licensing Intellectual Property (“IP”) from content owners that is then sold on to corporates and organisations.



At the date of this report, the corporate structure of the Group is as follows:



A brief snapshot of the incorporation details and services provided by Retech is as follows:

Entity	Incorporation Country/Region	Details
Retech Technology Co,. Limited	Hong Kong	Retech Technology Co., Ltd is the listed company on ASX and the parent company of the Retech Group and holds 100% of the issued share capital in Retech Holdings.
Retech Holdings Co., Limited (Retech Holdings)	Hong Kong	Retech Holdings Co., Limited as the investment holding company holds 100% of the issued share capital in Retech Digital and Ruijian Information Technology, and 60.02% of the issued share capital in Shanghai Reunet.
Shanghai Retech Digital Technology Co., Ltd (Retech Digital)	the People's Republic of China (PRC)	Retech Digital Technology Co., Ltd is the wholly-owned subsidiary of Retech Holdings. It's the key operating entity of the Retech Group providing E-Learning solutions and consultancy service to enterprises.
Shanghai Ruijian Information Technology Co., Ltd (Ruijian Information Technology)	PRC	Shanghai Ruijian Information Technology Co., Ltd is the wholly-owned subsidiary of Retech Holdings. It's the R&D center of the Retech Group and holds the acquired intellectual property and licensed intellectual property.
Shanghai Ruipengcheng Technology Co., Ltd. (Shanghai Ruipengcheng Technology)	PRC	Shanghai Ruipengcheng Technology was incorporated in PRC. Retech Digital holds 62.5% of this entity, of the remaining 37.5%: • 3.75% is held by Ms Chen Yanqun; and • 33.75% is held by Shanghai Xinpengcheng Information Technology Co., Ltd. This entity was established to provide E-Learning solutions and consultancy service to vocational and training schools.
Shanghai Reunet Technology Network Co., Ltd. (Shanghai Reunet)	PRC	Retech Holdings holds 60.02% of this entity, and the remaining 39.98% is held by NetLearning, Inc., a leading Japanese E-Learning provider. This entity was incorporated to provide E-Learning SaaS platform solutions and consultancy services.

Chairman's Letter

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Chairman's Letter

Dear CDI holders,

Thank you for your continued support and trust in Retech Technology.

Retech is leading the way in the provision of technology solutions to companies across the Asia that enables them to deliver corporate training online.

Vision and Strategy

Our vision is to be one of the world's foremost providers of E-Learning solutions worldwide and to continue to leverage off the strong growth in the global corporate training market.

The Company already has an established marquee client base, including Bank of China, CITIC Bank International, PingAn Insurance, PetroChina(Anhui Province), Mercedes Benz, Sephora and C&A etc. In FY2017, Retech continued with its expansion strategy and to provide its services and platforms to a range of leading companies.

The Company made significant progress in terms of expanding its reach across Asia and also diversifying into new industries and continued to develop strategic relationships with key offline industry training partners and content providers. This is working towards the Company's goal of deriving increased revenue from its existing E-Learning Solutions platform and increased sales of its courseware product, E-Course Direct.

Financial Results

The Company posted a net profit of RMB37.1 million ($A7.63 million) for FY2017, a 258% increase compared to FY2016's level (RMB10.4 million; $A2.14 million)[*]. The year of 2017 was the first full financial year of the company since it was incorporated in May 2016. For the increased percentage it is the compared with previous period which is from 10 May 2016 to 31 December 2016.

FY2017 revenues also grew strongly with a 134% increase year-on-year to RMB104.2 million ($A21.42 million).

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[*] RMB translated into AUD using the exchange rate as of 4.8654, which is the RMB Central Parity released by China's State Administration of Foreign Exchange on 27 March 2018.

The strong results are due to the improved branding of the Company after its ASX listing and its comparative competitive advantages in E-Learning technology and E-Courses delivery capability. In 2017, the Company also developed its E-Learning solution targeting vocational and training schools.

Operating expenses increased by 77% to RMB24.5 million (A$5.04 million), with the increase mainly due to the employment of new sales force and administrative personnel to build sales channels and improve the services of Retech's logistic department.

Outlook

The Company expects a strong performance in FY2018 with revenue and profit growth as it continues to expand its global client base and leverage off the growth in the corporate training market worldwide.

Retech continues to engage with potential clients including large companies, governments and social organisations as it builds its sales pipeline and its client base, including targeting larger and more profitable projects both in China and elsewhere across the globe.

We would like to thank our Chief Executive Officer, Cheng Liu, our fellow Board members and the executive management team for their hard work and dedication over the financial year. Retech has a highly-experienced Board and management team with the right expertise and skill set to take the Company forward as we continue to progress our vision and commercial strategy.

Finally, on behalf of the Board, we would like to thank our CDI holders for their ongoing support and backing of Retech. We are looking forward to update you on our progress and achievements in the future.

Yours sincerely,

Mr AI Shungang	Mr Calvin CHENG
Co-Chairman	Co-Chairman

Board of Directors

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Board of Directors

During the year and update to the date of this report, the Board of Directors of the Company and their backgrounds are as follows:

Mr Ai Shungang
Co-Chairman
Non-Executive Director

Mr. Ai Shungang, as the founder of Retech Group, was appointed as the Non-executive Co-Chairman of Retech's Board. He controls the largest shareholder of Retech.

Mr Ai graduated from Nanjing University of Posts and Telecommunications and brings more than 14 years' practical experience in the fields of software development, consulting and online education services in China. In 2014, he was rewarded as the "Leading Talent of Digital Publishing" in China.

Mr Calvin Cheng
Co-Chairman
Non-Executive Director

Mr Calvin Cheng was appointed as the Non-executive Co-Chairman of Retech's Board. He was also an appointed Member of Parliament of Singapore in the Eleventh Parliament. He has served on various Ministerial advisory boards including the Media Literacy Council, the Singapore Media Festival, Screen Singapore and the Government Feedback REACH supervisory council.

Calvin graduated from the University of Oxford with a Master of Arts in Philosophy, Politics and Economics, and a Master of Science in Management. Calvin is also a Young Global Leader of the World Economic Forum at Davos.

Ms Liu Qing

Non-executive Director

Chairwoman of Nomination and Remuneration Committee

Member of Audit and Risk Management Committee

Ms Liu Qing was appointed as the Non-executive director of Retech's Board. She has over 20 years of experience in equity, securities and finance. Liu Qing was also the partner of OFC, the top 10 "Best Local Investment Institution" in China, with a management capital of RMB7 billion, over 100 investment projects and a number of projects listed or merged drop out. Liu Qing graduated from Huazhong University of Science and Technology with a master's degree in management. In 2009 Liu Qing was hired as an MBA part-time professor at Lanzhou University of Finance and Economics.

Mr Ross Benson

Non-executive Director

Chairman of Audit and Risk Management Committee

Member of Nomination and Remuneration Committee

Mr Ross Benson established financial services and advisory company, Investorlink Group in 1986 and is currently Executive Chairman of the company. Mr Benson has also established associated business units in wealth management, private equity, property syndication and structured financial products. He brings more than 30 years' experience in the Australian financial services industry and has extensive expertise in securities, transaction advisory and business strategy. He has acted as lead negotiator for a number of medium to large enterprise divestment or acquisitions in both Australia and China.

Mr Lu Jiuping

Non-executive Director

Member of Audit and Risk Management Committee

Member of Nomination and Remuneration Committee

Mr. Lu Jiuping was appointed as the Non-executive director of the Board. He has over years' expertise in software development, and used to serve as a senior manager in iSoftstone, WSN Group and Yungu Capital. From 2007 to 2012, he held the role as an elected member of Jiangsu Province at the Tenth National Committee of the Chinese people's Political Consultative Conference (CPPCC).

He holds a Bachelor of Computer Science from the Central South University of China and an MBA from the University of Science and Technology, Beijing.

Mr Ma Hok Wang

Non-executive Director

Mr. Ma Hok Wang is a Managing Director in Poseidon Hill Capital Limited and was a Director with Huarong Investment.

Prior to Huarong Investment, he worked in the Global Investment Banking department of Merrill Lynch (Asia Pacific). He also worked in EMEA investment banking in London and direct investment in Beijing.

Mr Neville Ide

Non-executive Director
Chairman of Nomination and Remuneration Committee
Member of Audit and Risk Management Committee

Mr Neville Ide was appointed as the Non-executive director of the Board. Neville's over some 40 years' experience covers banking, insurance, infrastructure and corporate treasury including financial risk management. Neville holds a Bachelor of Business (Accounting) from Brisbane College of Advanced Education (now part of the Queensland University of Technology) and a Master of Commerce (Accounting and Finance) from Griffith University. He is a Fellow of the Australian Society of Certified Practising Accountants and a Fellow of the Australian Institute of Company Directors.

Mr Chris Ryan

Non-executive Director
Member of Nomination and Remuneration Committee
Member of Audit and Risk Management Committee

Mr Chris Ryan was appointed as the Non-executive director of the Board. He is an Executive Director of Investorlink Group Limited, a Sydney-based corporate finance and advisory firm. Chris has diverse experience and expertise in mergers & acquisitions together with initial public offerings. He has advised on ASX listings since 1986 and served as non-executive directors of multi ASX listed companies. Chris holds a Bachelor of Financial Administration from the University of New England and is a Fellow of the Institute of Chartered Accountants Australia and New Zealand.

Ms Zhang Jing

Non-executive Director

Ms. Zhang Jing specialises in senior management of human resources, corporate mergers and acquisitions. She holds a Bachelor degree of Economic Management from Dongbei University of Finance & Economics in China, and is in the process of completing an MBA at the W. P. Carey School of Business in Arizona State University of the United States of America.

Senior Management

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Senior Management

Retech has agreed to employ an experienced management team. Senior management positions in the organisation chart provided below are occupied by personnel with extensive experience in development, marketing, design and management. Details of key executive management team members are set out below.

Liu Cheng (Chief Executive Officer)

Liu Cheng is responsible for company operations and management, and the execution of resolutions of the Board at Retech and developing, organizing, and implementing corporate strategy and targets, and reporting business operation status to the Board.

Liu Cheng has more than 10 years of experience and specializes in sales, marketing, business management and strategic management. He holds a Master degree in Business Management from Nanjing University of Posts and Telecommunications. He is also a member of Jiangsu Youth Federation.

Lin Yan (Chief Financial Officer)

Lin Yan is responsible for accounting management, operation and financial reporting at Retech, including accounting, budgeting and planning, managing operational projects; cash flow management and tax planning, and improving finance systems.

Lin Yan, who is a qualified Certified Management Accountant (CMA) and holds a Master degree in Business Management from Shanghai Finance and Economy University, has over 10 years of experience in accounting, finance and business management.

Wang Gongshi (Vice President)

Wang Gongshi has over 10 years of experience in the field of sales and marketing, now he is responsible for developing Retech's marketing plans and target achievements, managing the sales team and improving sales systems, promoting brand marketing and expanding market share, conducting analysis, research and study on clients.

Wang Gongshi graduated from Nanjing University of Posts and Telecommunications with a Bachelor degree in Marketing.

Guo Mingmin (Vice President)

Guo Mingmin has more than 10 years of experience in project management, outsourcing management, software development and business management, and is responsible for research and development of E-Leaning products at Retech including project implementation and management, communication and outsourcing management as well as supporting the Chief Executive Officer in driving strategic initiatives.

Cheng Hong (Design Director)

Chen Hong is responsible for eCourseware customization project management at Retech including implementing solutions and development, problem solving, and training the design team. Chen Hong has over 15 years of working experience in corporate training, design, course development and project management. She graduated from Capital University of Economics and Business in 2002 with a master's degree in Business Management.

The Company Secretary

The Company Secretary is Ms Ji Hui and supported by Ms Lin Yan. Ms Ji Hui has worked for international law firms and represented a number of domestic and foreign clients in corporate listings services. She obtained the LL.M degrees in Shanghai Jiao Tong University, PRC and University of Nottingham, UK.

Her role of the Company Secretary includes advising the Board and its committees on governance matter, monitoring that Board and committee policy and procedures followed, coordinating the timely completion and dispatch of Board and committee reports, ensuring that the business at Board and committee meetings is accurately captured in the minutes and helping to organize and facilitate the induction and professional development of Directors.

Directors' Report

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Directors' Report

The directors of Retech Technology Co., Limited (the "Company") present their annual report and the audited consolidated financial statements for the Company and its subsidiaries (collectively the "Retech Group") for the year ended 31 December 2017.

Principal activities

The principal activity of the company is investment holding. The principal activities of the Retech Group includes the provision of technology solutions to, and building E-Learning platforms and E-Courses for corporate customers, vocational schools and training providers, enabling them to deliver their offline training content online. The principal activities and other particulars of the Group's subsidiaries are set out in note 22 to the consolidated financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2017 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 28 to 81.

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

Business review

(a) Financial and operating performance review

In FY2017, the Company delivered on its strategy of increased profit and revenue growth.

The Company posted net profit of RMB37.1 million ($A7.63 million) - a 258% increase compared to prior year (2016: RMB10.4 million $A2.14 million). At the same time, revenue also grew strongly from RMB44.5 million ($A9.15 million) to RMB104.2 million ($A21.42 million), showing increase of 134%. The year of 2017 was the first full financial year of the company since it was incorporated in May 2016. For the increased percentage it is the compared with previous period which is from 10 May 2016 to 31 December 2016.

The strong results are due to the improved branding of the Company after its ASX listing and its comparative competitive advantages in E-Learning technology and E-Courses. In 2017, the Company also developed its E-Learning solutions targeting vocational and training schools.

Business review (Continued)

(a) Financial and operating performance review (Continued)

Summary of key financials data during the period are as follows:

RMB '000	Year ended 31 December 2017	Period from 10 May 2016 (date of incorporation) to 31 December 2016
Revenue	**104,202**	44,548
Gross profit ("GP")	**65,301**	29,919
GP margin %	**62.7%**	67.2%
Profit before income tax	**45,085**	16,630
Net profit after tax ("NPAT")	**37,131**	10,379
NPAT margin %	**35.6%**	23.3%
Basic EPS	**19.23 cents**	20.30 cents
Diluted EPS	**19.22 cents**	20.30 cents

(b) Business risks

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.

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.

(b) Business risks (Continued)

Human Resources

As at 31 December 2017, the Group employed a total of 202 (2016: 181) staff. In the current period, the staff costs including directors' remuneration which amounted to RMB26,879,208 (2016: RMB10,286,349). 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.

(c) Future developments and business strategies

The Company expects strong growth in continue in FY2018 as it builds its revenue and profits on the back of expanding further cooperation with present key clients of financial, automobile and retail industries to leverage off the continued expansion in the global corporate training market.

Retech continues to engage with potential clients including large companies, governments and social organisations as it builds its sales pipeline and its client base, including targeting larger and more profitable projects both in China and elsewhere across the globe.

In 2017, Retech acquired new clients in the financial industry including Industrial Bank and Citic Bank International. The Company will continue to cooperate with new financial sector clients in 2018. At present, online training in the financial sector in China is rapidly developing.

In 2017, Retech entered into a strategic partnership with Netlearning, one of the largest E-Learning companies in Japan, and set up a joint venture in mainland China, with Retech as a controlling shareholder. In 2018, Retech will introduce to the China market the intellectual property of online courses, and E-Learning Cloud Platform Technology.

In 2018, Retech will continue its Asian expansion, using HK as base. To begin, Retech has started a partnership with Tricor Consulting Limited (TCL) to have clients in the financial and retailing industries in Hong Kong.

Directors of the Company

During the year and up to the date of this report were as follows:

AI Shungang	
LIU Qing	
CHENG Ern Lee, Calvin ("Calvin CHENG")	
LU Jiuping	(appointed on 3 May 2017)
MA Hok Wang	(appointed on 20 Nov 2017)
Ross BENSON	(appointed on 16 Mar 2018)
ZHANG Jing	(appointed on 3 May 2017 and resigned on 9 Feb 2018)
RYAN, Christopher John ("Chris RYAN")	(resigned on 16 Mar 2018)
IDE, Neville John ("Neville IDE")	(resigned on 16 Mar 2018)

Resignation of Ms. Zhang Jing, Mr. Chris Ryan and Neville Ide, and the appointment of Mr. Ross Benson

Ms. Zhang Jing resigned as the Non-Executive Director of the Company with effective from 9 Feb 2017, and Mr. Chris Ryan and Mr. Neville Ide resigned as the Non-Executive Director of the Company's with effective from 16 March 2018 for their personal reasons. They have confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders if the Company.

To ensure the Board is able to re-set the skill and experience on the Board to guide the Company's business performance and future growth, including in Australia, Mr. Ross Benson was appointed as a non-executive independent director, effective on 16 March 2018.

Mr. Benson brings over 30 years in the Australian financial services industry and has extensive experience in securities, transaction advisory and business strategy. He has acted as lead negotiator for a number of medium to large enterprise divestment or acquisitions in Australia and China. Mr. Benson established financial services and advisory company, Investorlink Group in 1986 and is currently Executive Chairman of the company. Mr. Benson has also established associated business units in wealth management, private equity, property syndication and structured financial products.

Directors of the Company (continued)

Material terms of Mr. Ross Benson's appointment are outlined below:

- Remuneration: Fixed Director fee of A$60,000 per annum. Should Mr. Ross Benson be appointed as a chairman of any committee of the Board, he will be paid an additional fee of an amount to be agreed with the Board.
- Term: Appointment commenced on 16 March 2018 without a fixed term.

It is anticipated that a second Australian resident non-executive independent director would join the Board within the coming month since the appointment date of Mr. Ross Benson.

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 year and up to the date of this report were as follows:

Director’ s Name	the Subsidiaries of the Company
LIN Yan	Retech Holdings
WANG Gongshi	Retech Digital and Shanghai Reunet
LIU Yan	Retech Digital
LIU Cheng	Ruijian Information Technology and Shanghai Reunet
GUO Mingmin	Shanghai Ruipengcheng Technology and Shanghai Reunet
CHEN Yanqun	Shanghai Ruipengcheng Technology
XU Shanshan	Shanghai Ruipengcheng Technology
KISHIDA Toru	Shanghai Reunet
SATO Hiroyuki	Shanghai Reunet
KISHIDA Susumu	Shanghai Reunet

Equity-linked agreements

(a) Share Placement

On 20 November 2017, the Company entered into an agreement to issued 15,000,000 new CDIs to City Savvy Company Limited ("City Savvy"), a wholly owned subsidiary of Huarong Investment Stock Corporation Limited (2277.HK) at A$0.4662 each. The gross proceeds of A$6,993,000 (equivalent to RMB35,088,077) less transaction costs directly attributable to the issue of CDIs of approximately RMB652,725 were credited to the Company's share capital account.

(b) Convertible Note

Together with above, the Company has also issued a Convertible Note ("CN") with principal amount of HK$39,000,000 to City Savvy to fund its strategic expansion, research and development costs and working capital. The CN is convertible into the Company's CDIs at the discretion of the CN holders at any time between 21 May 2019 and their maturity date on 19 November 2021 and carries coupon rate of 8% per annum payable quarterly in arrears.

Further details on the CN of the Company are set out in note 24 to the consolidated financial statements.

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

Registered under Stradbroke Plaza Pty Ltd atf Ryan Retirement Fund, an entity 100% controlled by the director, Chris RYAN, 16,333 CDIs were disposed on 23 June 2017, and 53,000 CDIs were disposed on 26 June 2017 via on-market trade; on 30 June 2017, 69,333 CDIs were acquired. Prior to the changes, 333,333 CDIs were registered under Stradbroke Plaza Pty Ltd atf Ryan Retirement Fund. To the date of this report, 333,333 CDIs were registered under Stradbroke Plaza Pty Ltd at Ryan Retirement Fund.

On 29 December 2017, Director Calvin CHENG has ceased to have a greater than 20% voting power in Lumina Looque Knowledge Hubs Pte Ltd (Lumina) and accordingly, has ceased to have a deemed relevant interest in the CDIs in which Lumina has a relevant interest of 22,556,650 CDIs pursuant to section 608(3)(a) of the Corporation Act. After this change to the date of this report, Mr Calvin CHENG held direct interest of 9,076,796 CDIs and no indirect interest.

Directors' interests in transactions, arrangements or contracts (Continued)

No further 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 any other 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 year 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.

Directors' meetings

The number of Board meetings, Audit & Risk Committee and Nomination & Remuneration Committee meetings held and attended by each director during this report period is listed as follows:

Directors' Name	Board meeting		Audit & Risk Committee		Nomination & Remuneration Committee	
	Entitled	Attended	Entitled	Attended	Entitled	Attended
Ai Shungang	6	6	—	—	—	—
Calvin Cheng	8	7	—	—	—	—
Liu Qing	8	5	5	3	1	1
Chris Ryan	8	7	5	5	1	1
Neville Ide	8	7	5	5	1	1
Lu Jiuping	8	7	—	—	—	—
Zhang Jing	8	4				
Ma Hok Wang	1	1	—	—	—	—

Directors' interests

The table below sets out the interests of the Directors of the Company as at the date of this report.

Director	Independence or affiliated	Number of Shares and equivalent CDIs held directly	Number of Shares and equivalent CDIs held indirectly
Ai Shungang[1]	Non-independent	Nil	88,768,850
Calvin Cheng	Non-independent	9,076,796	Nil
Liu Qing	Independent	Nil	Nil
Chris Ryan[2]	Independent	Nil	333,333
Neville Ide[3]	Independent	Nil	333,333
Lu Jiuping	Independent	Nil	Nil
Zhang Jing	Independent	Nil	Nil
Ma Hok Wang	Non-independent	Nil	Nil
Ross Benson	Independent	Nil	Nil

Notes:

1. Ai Shungang holds 69.77% of Retech Investment Group Co.,Ltd, the largest Existing Holder. Having regard to section 608(3) of the Corporations Act, given Ai Shungang holds more than 20% of Retech Investment Group Co. Ltd, Ai Shungang is deemed to hold relevant interest in all of the shares held by Retech Investment Group Co., Ltd.

2. Chris Ryan controls Stradbroke Plaza Pty Limited as trustee for Ryan Retirement Fund, an Existing Holder.

3. Neville Ide controls Vensup Pty Ltd as trustee for Edin Super Fund, an Existing Holder.

Significant changes in the state of affairs

(a) Listing on the ASX

On 22 June 2017, the Company has completed its listing of its shares on ASX by issuing a total 35,750,944 new shares at Australian Dollars (“A$”) 0.50 each. The gross proceeds of A$17,875,472 (equivalent to RMB92,232,073) less listing costs directly attributable to the issue of shares of approximately RMB9,418,995 were credited to the Company’s share capital account.

(b) City Savvy becomes major shareholder

On 20 November 2017, City Savvy Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Huarong Investment Stock Corporation (2277:HK; HK$2 billion market cap) became a major shareholder with a 12.00% interest in Retech's issued capital and the ability to achieve a maximum of 18.16% of all Retech CHESS Depository Interests (CDIs) on a fully diluted basis (that is, following the transfer and issue of the maximum number of CDIs to City Savvy under the Transaction Documents).

Retech also appointed Mr. Ma Hok Wang as a Non-Executive Director to the Retech Board.

(c) Formation of new subsidiaries

During the year, Shanghai Retech Digital Technology Co., Ltd., a wholly-owned subsidiary of Group subscribed for 62.5% interests in Shanghai Ruipengcheng Technology Co., Ltd. on incorporation, as the Company’s vehicle to develop E-Courseware for vocation schools and training institutions.

In addition, Retech Holdings Co., Limited, another wholly-owned subsidiary of the Company also established a new subsidiary named Shanghai Reunet Technology Co., Ltd. (“Reunet”),
There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Environmental issues

The Company’s business operations are not specifically regulated by any environmental regulations under the laws of the PRC, Hong Kong or Australia. However, the Company always maintains an environmental management philosophy to promote a sustainable working environment. For example, the Company encourages staff to print double-sided and recycle offices supplies and the office administrator is asked to order energy-saving facilities and equipment.

Events subsequent to the end of the financial year

There are no significant events occurring after the reporting period.

Auditor

The Company's auditors, Grant Thornton Hong Kong Limited ("GT Hong Kong"), retire and, being eligible, offer themselves for re-appointment.

Non-audit Services

Grant Thornton Tax Services Limited, an affiliate of GT Hong Kong provides statutory tax compliances services for the Company and its subsidiary incorporated in Hong Kong for HK$18,000 (2016: Nil).

Proceeding on the behalf of the Company

No proceedings on behalf of the Company have occurred up to the date of this report.

Consolidated Financial Statements

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Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017

	Notes	Year ended 31 December 2017 RMB	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Revenue	5 & 6	**104,201,567**	44,547,827
Cost of services		**(38,900,333)**	(14,628,704)
Gross profit		**65,301,234**	29,919,123
Other income	7	**4,581,916**	535,635
Selling and distribution expenses		**(5,703,989)**	(1,362,398)
Administrative expenses		**(18,774,161)**	(12,462,771)
Fair value gain on derivative financial instruments		**78,598**	-
Finance cost	8	**(398,565)**	-
Profit before income tax	9	**45,085,033**	16,629,589
Income tax expense	11	**(7,954,275)**	(6,250,790)
Profit and total comprehensive income for the year/period		**37,130,758**	10,378,799
Profit and total comprehensive income/(expense) for the year/period attributable to:			
Owners of the Company		**38,694,619**	10,378,799
Non-controlling interests		**(1,563,861)**	-
		37,130,758	10,378,799
Earnings per share for profit attributable to the owners of the Company during the year/period			
Basic	12	**19.23 cents**	22.30 cents
Diluted	12	**19.22 cents**	22.30 cents

The notes on pages 36 to 81 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December 2017

	Notes	2017 RMB	2016 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Equipment	13	**242,098**	122,450
Intangible assets	14	**2,987,421**	-
Deferred tax assets	15	**229,181**	363,940
		3,458,700	486,390
Current assets			
Trade and other receivables	16	**35,338,759**	7,922,606
Amounts due from customers for contract works	17	**15,862,639**	5,591,713
Amounts due from non-controlling shareholders	18(a)	**4,970,785**	2,612,937
Amount due from a non-controlling shareholder of a subsidiary	18(b)	**468,785**	-
Amounts due from related companies	18(c)	**15,736,667**	10,003,851
Loan to a related company	19	**13,621,090**	11,036,536
Derivative financial instruments	20	**19,758,568**	-
Short term bank deposits	21	**109,543,120**	-
Cash and cash equivalents	21	**50,061,852**	4,647,305
		265,362,265	41,814,948
Current liabilities			
Trade and other payables	23	**13,605,360**	9,094,910
Amounts due to customers for contract works	17	**10,042,901**	1,187,371
Amount due to a non-controlling shareholder of a subsidiary	18(d)	**393,865**	-
Amounts due to related companies	18(e)	**4,646,327**	1,490,680
Derivative financial instruments	20	**23,440,186**	-
Income tax payable		**9,808,126**	6,614,730
		61,936,765	18,387,691
Net current assets		**203,425,500**	23,427,257
Total assets less current liabilities		**206,884,200**	23,913,647
Non-current liability			
Convertible note	24	**28,591,365**	-
Net assets		**178,292,835**	23,913,647

Consolidated statement of financial position as at 31 December 2017 (Continued)

	Notes	2017 RMB	2016 RMB
EQUITY			
Share capital	25	**141,905,974**	24,657,544
Reserves	26	**(7,872,696)**	(11,122,696)
Retained earnings		**45,823,418**	10,378,799
Equity attributable to owners of the Company		**179,856,696**	23,913,647
Non-controlling interests		**(1,563,861)**	-
Total equity		**178,292,835**	23,913,647

The notes on pages 36 to 81 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2017

	Attributable to owners of the Company						
	Share capital RMB	**Merger reserve RMB** (note 26.1)	**Statutory reserve RMB** (note 26.2)	**Retained profits RMB**	**Total RMB**	**Non-controlling interests RMB**	**Total equity RMB**
At 1 January 2017	24,657,544	(11,122,696)	-	10,378,799	23,913,647	-	23,913,647
<u>Issuance of new shares:</u>							
- In connection of the listing of the Company's shares (note 25(d))	92,232,073	-	-	-	92,232,073	-	92,232,073
- A placement by an institutional investor (note 25(e))	35,088,077	-	-	-	35,088,077	-	35,088,077
<u>Share issuance expenses:</u>							
- In connection of the listing of the Company's shares (note 25(d))	(9,418,995)	-	-	-	(9,418,995)	-	(9,418,995)
- A placement by an institutional investor (note 25(e))	(652,725)	-	-	-	(652,725)	-	(652,725)
Transfer to statutory reserve	-	-	3,250,000	(3,250,000)	-	-	-
Transactions with owners	117,248,430	-	3,250,000	(3,250,000)	117,248,430	-	117,248,430
Profit and total comprehensive income for the year	**-**	**-**	**-**	**38,694,619**	**38,694,619**	**(1,563,861)**	**37,130,758**
At 31 December 2017	**141,905,974**	**(11,122,696)**	**3,250,000**	**45,823,418**	**179,856,696**	**(1,563,861)**	**178,292,835**

Consolidated statement of changes in equity for the year ended 31 December 2017 (Continued)

	Attributable to owners of the Company						
	Share capital RMB	Merger reserve RMB (note 26.1)	Statutory reserve RMB (note 26.2)	Retained profits RMB	Total RMB	Non-controlling interests RMB	Total equity RMB
Issuance of new shares:							
- On incorporation (note 25(a))	8,403	-	-	-	8,403	-	8,403
- During the period (notes 25(b) & (c))	24,649,141	(11,122,696)	-	-	13,526,445	-	13,526,445
Transactions with owners	24,657,544	(11,122,696)	-	-	13,534,848	-	13,534,848
Profit and total comprehensive income for the period	-	-	-	10,378,799	10,378,799	-	10,378,799
At 31 December 2016	24,657,544	(11,122,696)	-	10,378,799	23,913,647	-	23,913,647

The notes on pages 36 to 81 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2017

	Year ended 31 December 2017 RMB	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Cash flows from operating activities		
Profit before income tax	**45,085,033**	16,629,589
Adjustments for:		
Depreciation of equipment	**46,627**	10,528
Amortisation of intangible assets	**597,485**	-
Impairment loss on trade receivables	**750,000**	-
Equity settled share-based payment expenses	-	8,511,380
Interest income	**(1,499,845)**	(7,294)
Interest expense	**398,565**	-
Fair value gain on derivative financial instruments	**(78,598)**	-
Exchange (gain)/loss	**(591,014)**	215,015
Operating profit before working capital changes	**44,708,253**	25,359,218
Increase in trade and other receivables	**(29,990,808)**	(5,735,493)
Increase in amounts due from customers for contract works	**(10,270,926)**	(5,591,713)
Increase in trade and other payables	**4,510,450**	9,094,910
Increase in amounts due to customers for contract works	**8,855,530**	1,187,371
Cash generated from operations	**17,812,499**	24,314,293
Income tax paid	**(4,626,120)**	-
Net cash flows generated from operating activities	**13,186,379**	24,314,293
Cash flows from investing activities		
Purchase of equipment	**(166,275)**	(132,978)
Purchase of intangible assets	**(3,584,906)**	-
Loan to a related company	**(14,290,881)**	(11,030,000)
Repayment of loan to a related company	**12,696,142**	-
Increase in amounts due from non-controlling shareholders	**(2,357,848)**	-
Increase in amount due from a non-controlling shareholder of a subsidiary	**(468,785)**	-
Increase in amounts due from related companies	**(5,732,816)**	(10,003,851)
Increase in short term bank deposits	**(109,543,120)**	-
Interest received	**147,572**	758
Net cash flows used in investing activities	**(123,300,917)**	(21,166,071)

Consolidated statement of cash flows
for the year ended 31 December 2017 (Continued)

	Year ended 31 December 2017 RMB	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Cash flows from financing activities		
Proceeds from issue of shares	**127,320,150**	8,403
Proceeds from issue of convertible note	**32,544,030**	-
Share issuance expenses	**(7,884,607)**	-
Increase in amount due to a non-controlling shareholder of a subsidiary	**393,865**	-
Increase in amounts due to related companies	**3,155,647**	1,490,680
Net cash flows generated from financing activities	**155,529,085**	1,499,083
Net increase in cash and cash equivalents	**45,414,547**	4,647,305
Cash and cash equivalents at beginning of the year/date of incorporation	**4,647,305**	-
Cash and cash equivalents at end of the year/period	**50,061,852**	4,647,305

The notes on pages 36 to 81 are an integral part of these consolidated financial statements.

Note to the Consolidated Financial Statements

07

睿泰科技
RETECH TECHNOLOGY

Notes to the consolidated financial statements for the year ended 31 December 2017

1. GENERAL INFORMATION

Retech Technology Co., Limited (the "Company") was incorporated in Hong Kong on 10 May 2016 as a limited liability company. The address of the registered office and principal place of business of the Company is Room 1803, 18/F, Hutchison House, 10 Harcourt Road, Central Hong Kong. The Company's shares were listed on the Australian Securities Exchange ("ASX") since 22 June 2017.

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 22 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 (the "HKCO").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized 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, except for derivative financial instruments which are stated at fair values. The measurement bases are fully described in the accounting policies below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

During the process of group restructuring implemented in 2016 (the "Group Restructuring"), 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 website of ASX.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

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

In the Company's statement of financial position in note 33, subsidiary is carried at cost less any impairment loss. 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 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.

2.4 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.

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)

2.5 Intangible assets

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

Content distribution rights	2 years

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, 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 of disposal 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:
- financial assets at fair value through profit or loss
- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

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.

Financial assets at fair value through profit or loss
Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

- the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

- the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.15 to these consolidated financial statements.

The Group has designated its embedded derivatives separated from its convertible debt securities as financial assets at fair value through profit or loss as they were not closely related to the host debt contract.

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; and
- The disappearance of an active market for that financial asset because of financial difficulties.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Financial assets (Continued)

Impairment of 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 Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

2.9 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.

2.10 Financial guarantees contracts

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial liabilities

The Group's financial liabilities include trade and other payables, amounts due to related parties (including a non-controlling shareholder of a subsidiary and related companies), convertible note and derivatives.

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 (see note 2.18).

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.

<u>Trade and other payables and amounts due to related parties</u>
Trade and other payables and amounts due to related parties are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

<u>Convertible note</u>
Compound financial instruments issued by the Group comprise convertible note that can be converted to share capital at the option of the holder, and the number of shares to be issued varies with changes in the share price of the Company.

They are accounted for as hybrid instruments consisting of embedded derivatives and a host debt contract. At initial recognition, the embedded derivatives of the convertible note are accounted for as derivative financial instruments and measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability under the contract. Transaction costs that relate to the issue of the convertible note are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in profit or loss. The liability under the contract is subsequently carried at amortised cost calculated using the effective interest method until extinguished on conversion or maturity.

When the convertible note are converted the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital as consideration for the shares issued. When the convertible note are redeemed, any difference between the redemption amount and the carrying amounts of both components are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Leases

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

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.

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.

2.13 Provisions and contingent liabilities

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.

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.

2.14 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 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 to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

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

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

2.16 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 customers for contract works. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 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.

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.

2.18 Borrowing costs

Borrowing costs are expensed when incurred.

2.19 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 initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Taxation (Continued)

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.

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.

2.20 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 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.

(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.

2.22 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 deferred and recognised as income, over the periods necessary to match the grants and subsidies on a systematic basis with 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 profit or loss on a straight line basis over the expected useful life of the relevant asset.

2.23 Equity settled share-based payment

<u>Share-based payment for service</u>

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 AND AMENDED HKFRSs

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2017

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvement to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between the opening and closing balances of liabilities arising from financing activities is set out in note 27(b). Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 27(b), the application of these amendments has had no impact on the Group's consolidated financial statements.

3.2 Issued but not yet effective HKFRSs

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contract[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or 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. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

<u>HKFRS 9 "Financial instruments"</u>
HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

HKFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The directors have identified the following areas that are expected to be most impacted by the application of HKFRS 9:

- the impairment of financial assets applying the expected credit loss model. This will apply to the Group's trade receivables, amounts due from related parties (including non-controlling shareholders, a non-controlling shareholder of a subsidiary and related companies) and loan to a related company. For contract assets arising from HKFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing components.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. Based on the assessment completed to date, the directors do not consider that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting period.

HKFRS 16 "Leases"

HKFRS 16 will replace HKAS 17 "Leases" and three related Interpretations.

As disclosed in note 2.12, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings and other assets which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease. As disclosed in note 29, as at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB333,549 for office premises, all of which is payable within 1 year after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND SIGNIFICANT ACCOUNTING JUDGEMENT

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.

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.

<u>Income taxes</u>

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. As at 31 December 2017, the carrying amount of the Group's deferred tax assets was RMB229,181 (2016: RMB363,940).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND SIGNIFICANT ACCOUNTING JUDGEMENT (Continued)

Key sources of estimation uncertainty (Continued)

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. As at 31 December 2017, the carrying amount of trade receivables net of impairment loss is RMB32,231,849 (2016: RMB5,285,446).

Impairment of amounts due from related parties (including non-controlling shareholders, a non-controlling shareholder of a subsidiary and related companies) and loan to a related company

The provision policy for impairment of amounts due from non-controlling shareholders (note 18(a)), a non-controlling shareholder of a subsidiary (note 18(b)), related companies (note 18(c)) and loan to a related company (note 19) are based on the evaluation of collectability of the amounts due. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including their current creditworthiness, past collection history and financial condition. In addition, the ultimate controlling shareholder and a related company of the Company (collectively, the "Indemnifiers") undertake to indemnify the Group for the full recovery of the amounts due from related companies and loan to a related company. If the financial conditions of these entities or the Indemnifiers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Fair value of derivative financial instruments

As described in note 24 to the consolidated financial statements, the derivative components of convertible note are measured at fair value. The Group engaged an independent valuer to determine the fair values of these derivative financial instruments. The determination was based on generally accepted valuation procedures and practices that rely extensively on numerous assumptions taking into consideration of many uncertainties, including discount rate and volatility of the Group's share price, some of which cannot be easily quantified or ascertained. Changes in subjective input assumptions can materially affect the fair value estimate. As at 31 December 2017, the net fair value of derivative financial instruments is approximately RMB3,682,000 (2016: nil).

Significant accounting judgement

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 to the estimated total contract costs to be incurred under the transaction. Significant assumptions and judgements, 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. Because of the nature of the industry the Group entered into, management will make adjustments, where appropriate, to the amounts of contract revenue and/or cost based on regular review of contract work progress and estimated contract revenue and costs.

5. REVENUE

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

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

	Year ended 31 December 2017 RMB	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Rendering of services	**87,985,221**	38,765,199
Commission and licensing income	**14,979,740**	4,886,792
Consultancy income	**1,236,606**	895,836
	104,201,567	44,547,827

6. SEGMENT REPORTING

In the current year/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 assess 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.

Information about major customers

There is no single customer contributing over 10% of total sales of the Group for the year/period.

Geographic information

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

7. OTHER INCOME

	Year ended 31 December 2017 RMB	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Interest income from loan to a related company	**989,815**	6,536
Bank interests	**510,030**	758
Government subsidy income *	**425,145**	522,000
Sundry income	**15,117**	6,341
Exchange gain	**2,641,809**	-
	4,581,916	535,635

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

8. FINANCE COST

	Year ended 31 December 2017 RMB	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Interest on convertible note (note 24)	**398,565**	–

9. PROFIT BEFORE INCOME TAX

Profit before income tax for the year/period is arrived at after charging/(crediting):

	Year ended 31 December 2017 RMB	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Auditor's remuneration	**1,050,000**	400,000
Depreciation	**46,627**	10,528
Amortisation of intangible assets	**597,485**	-
Impairment loss on trade receivables	**750,000**	-
Operating lease charges in respect of office premises	**671,830**	425,813
Equity settled share-based payment expenses (listing expenses)	**-**	8,511,380
Other listing expenses	**2,447,124**	-
Exchange (gain)/loss	**(2,641,809)**	215,015
Staff and related costs (including directors' remuneration)	**26,879,208**	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:

	Year ended 31 December 2017 RMB	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Directors' emoluments for services as directors of the Company and its subsidiary undertakings		
- Fees	**1,430,906**	52,521
Other emoluments in connection with the management of the affairs of the Company and its subsidiary undertakings	**-**	-
	1,430,906	52,521

11. INCOME TAX EXPENSE

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

	Year ended 31 December 2017 RMB	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Current tax		
- PRC Enterprise Income Tax	**7,819,516**	6,614,730
Deferred tax (note 15)	**134,759**	(363,940)
	7,954,275	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 (the "EIT Law"), other than those disclosed below, all PRC subsidiaries are subject to PRC enterprise income tax of 25%. The PRC EIT Law also allows enterprises to apply for the certificates of "High and New Technology" ("HNTE") which entitled qualified companies to enjoy a preferential income tax rate of 15%. Shanghai Retech Digital Technology Co., Ltd, a PRC subsidiary of the Group was qualified as a HNTE in 2017 and valid until 2019.

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 year and the prior period.

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

	Year ended 31 December 2017 RMB	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Profit before income tax	**45,085,033**	16,629,589
Tax at the PRC enterprise income tax rate of 25% (2016: 25%)	**11,271,258**	4,157,397
Tax effect of different tax rates of entities operating in other jurisdictions	**236,982**	736,545
Tax effect of non-deductible expenses		
- Listing expenses	**403,775**	1,331,462
- Other non-deductible expenses	**240,871**	–
Tax effect of non-taxable revenue	**(842,690)**	–
Tax effect of tax losses not recognised	**1,490,319**	25,386
Effect of tax concession and lower tax rate for a PRC subsidiary	**(4,991,816)**	–
Effect on opening deferred tax balances arising from reduction in tax rates during the year	**145,576**	–
Income tax expense	**7,954,275**	6,250,790

12. EARNINGS PER SHARE

	Year ended 31 December 2017	Period from 10 May 2016 (date of incorporation) to 31 December 2016
Earnings	**RMB**	RMB
Earnings for the purpose of basic earnings per share (profit/period for the year attributable to owners of the Company)	**38,694,619**	10,378,799
Effect of dilutive potential ordinary shares:		
Interest on convertible note	**398,565**	-
Fair value gain on derivative financial instruments	**(78,598)**	-
Earnings for the purpose of diluted earnings per share	**39,014,586**	10,378,799
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**201,176,542**	46,546,610
Effect of dilutive potential ordinary shares:		
Convertible note	**1,837,988**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**203,014,530**	46,546,610

13. EQUIPMENT

	Computer and office equipment RMB
Cost	
Additions	132,978
At 31 December 2016 and 1 January 2017	132,978
Additions	166,275
At 31 December 2017	**299,253**
Accumulated depreciation	
Charge for the period	10,528
At 31 December 2016 and 1 January 2017	10,528
Charge for the year	46,627
At 31 December 2017	**57,155**
Net carrying amount	
At 31 December 2017	**242,098**
At 31 December 2016	**122,450**

14. INTANGIBLE ASSETS

	Content distribution rights RMB
Cost	
At 31 December 2016 and 1 January 2017	-
Additions	3,584,906
At 31 December 2017	**3,584,906**
Accumulated amortisation	
At 31 December 2016 and 1 January 2017	-
Charge for the year	597,485
At 31 December 2017	**597,485**
Net carrying amount	
At 31 December 2017	**2,987,421**
At 31 December 2016	-

The amortisation charge for the year is included in "Cost of services" in the consolidated statement of profit or loss and other comprehensive income.

15. DEFERRED TAX ASSETS

The following is the deferred tax assets recognised in the consolidated statement of financial position and the movements thereon during the year/period:

	2017 RMB	2016 RMB
At 1 January/10 May (date of incorporation)	**363,940**	-
(Charged)/Credited to profit or loss for the year/period (note 11)	**(134,759)**	363,940
At 31 December	**229,181**	363,940

Deferred tax assets

	Temporary differences on accruals RMB	**Allowance for doubtful debts RMB**	**Total RMB**
Recognised in profit or loss for the period	363,940	-	363,940
At 31 December 2016 and 1 January 2017	363,940	-	363,940
(Charged)/Credited to profit or loss for the year	(247,259)	112,500	(134,759)
At 31 December 2017	**116,681**	**112,500**	**229,181**

The Group has unrecognised tax losses of RMB7,005,141 (2016: RMB153,851) due to unpredictability of future profit streams, of which RMB3,934,940 (2016: nil) will expire within 5 years and RMB3,070,201 (2016: RMB153,851) with unlimited expiry date.

16. TRADE AND OTHER RECEIVABLES

	2017 RMB	2016 RMB
Trade receivables, gross	**32,981,849**	5,285,446
Less: Provision for impairment loss	**(750,000)**	-
Trade receivables, net	**32,231,849**	5,285,446
Interest receivable	**362,458**	6,536
Other receivables	**813,041**	443,511
Trade and other receivables as financial assets - loan and receivables	**33,407,348**	5,735,493
Prepayments		
- Listing expenses	**-**	2,187,113
- Others	**1,931,411**	-
	1,931,411	2,187,113
	35,338,759	7,922,606

16. TRADE AND OTHER RECEIVABLES (Continued)

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.

Included in the Group's trade receivables, net of impairment with the following aging analysis based on the invoice date as of the end of the reporting period:

	2017	2016
	RMB	RMB
0 - 90 days	**25,344,639**	5,285,446
91 - 180 days	**4,272,210**	-
181 - 365 days	**-**	-
Over 365 days	**2,615,000**	-
	32,231,849	5,285,446

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

	2017	2016
	RMB	RMB
Balance at the beginning of the year/period	**-**	-
Impairment loss recognised	**750,000**	-
Balance at the end of the year/period	**750,000**	-

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2017, the Group has determined trade receivables of RMB750,000 (2016: nil) as individually impaired. Based on this assessment, impairment loss of RMB750,000 (2016: nil) has been recognised. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

16. TRADE AND OTHER RECEIVABLES (Continued)

The Group generally allows a credit period 15 to 60 days to its trade customers. The ageing analysis of trade receivables that are past due but not impaired is as follows:

	2017 RMB	2016 RMB
Neither past due nor impaired	**22,744,639**	5,285,446
1 - 90 days past due	**2,887,656**	-
91 - 180 days past due	**3,984,554**	-
181 - 365 days past due	**1,865,000**	-
Over 365 days past due	**750,000**	-
	9,487,210	-
	32,231,849	5,285,446

As at 31 December 2017, trade receivables of RMB22,744,639 (2016: RMB5,285,446) were neither past due nor impaired. These related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

17. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	2017 RMB	2016 RMB
Contracts in progress at the end of the reporting period:		
Contract cost incurred plus recognised attributable profits or losses to date	**55,207,598**	44,797,129
Less: Progress billings	**(49,387,860)**	(40,392,787)
	5,819,738	4,404,342
Recognised and included in the consolidated statement of financial position:		
Amounts due from customers for contract works	**15,862,639**	5,591,713
Amounts due to customers for contract works	**(10,042,901)**	(1,187,371)
	5,819,738	4,404,342

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

18. AMOUNTS DUE FROM/(TO) NON-CONTROLLING SHAREHOLDERS/ A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/RELATED COMPANIES

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

(a) Amounts due from non-controlling shareholders

	2017 RMB	2016 RMB
Lumina Looque Knowledge Hubs Pte Ltd	**4,959,374**	2,612,937
Investorlink Securities Limited ("Investorlink")	**11,411**	-
	4,970,785	2,612,937

(b) Amount due from a non-controlling shareholder of a subsidiary

	2017 RMB	2016 RMB
Shanghai Xinpengcheng Information Technology Co., Ltd ("Xinpengcheng")	**468,785**	-

(c) Amounts due from related companies

	Maximum balance during the year RMB	**2017 RMB**	2016 RMB
Shanghai Retech Information Technology Co., Ltd ("Shanghai Retech IT") *	**12,734,710**	**12,734,710**	10,003,851
Shanghai Retech Enterprise Management Group Co., Ltd. ("Retech Enterprise Management") *	**2,000,000**	**2,000,000**	-
Jiangsu Retech Digital Industry Park Co., Ltd. ("Jiangsu Industry Park") (note 19) #	**1,001,957**	**1,001,957**	-
		15,736,667	10,003,851

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

Mr. AI Shungang is also a shareholder and a director of Jiangsu Industry Park.

In view of the undertakings given by Jiangsu Industry Park and Mr. AI Shungang and having considered the financial conditions of Jiangsu Industry Park, the directors are of the opinion that the amounts due from Shanghai Retech IT and Retech Enterprise Management are fully recoverable and thus no impairment provision is considered necessary.

18. AMOUNTS DUE FROM/(TO) NON-CONTROLLING SHAREHOLDERS/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/RELATED COMPANIES (Continued)

(d) Amount due to a non-controlling shareholder of a subsidiary

	2017	2016
	RMB	RMB
Xinpengcheng	**393,865**	-

(e) Amounts due to related companies

	2017	2016
	RMB	RMB
Retech Enterprise Management	**4,002,708**	1,490,680
Shanghai Retech IT	**643,619**	-
	4,646,327	1,490,680

19. LOAN TO A RELATED COMPANY

	Maximum balance during the year	**2017**	2016
	RMB	**RMB**	RMB
Jiangsu Industry Park	**19,316,156**	**13,621,090**	11,036,536

The loan to a related company is denominated in RMB and is unsecured, interest-bearing at fixed rates of 8% (2016: 6%) per annum and wholly repayable within twelve months from the reporting date. The carrying amount of the loan approximates its fair value.

In view of the undertaking given by Mr. AI Shungang and having considered the financial condition of Jiangsu Industry Park, the directors are of the opinion that the loan to and the amount due from Jiangsu Industry Park (note 18(c)) are fully recoverable and thus no impairment provision is considered necessary.

20. DERIVATIVE FINANCIAL INSTRUMENTS

Management considers the convertible note (note 24) issued during the year as hybrid instruments with main debt contract and embedded derivatives options. As mentioned in note 24, the Issuer's Call Option, the Holders' Conversion and Put Option are considered by management not to be directly linked to the risk and economic characteristic of the debt host contract in accordance with HKAS 39 and therefore designated them as derivatives financial instruments in current assets and current liabilities measured at fair value through profit or loss.

Details of the fair value measurements of the derivative financial instruments are set out in note 30.6.

21. CASH AND CASH EQUIVALENTS AND SHORT TERM BANK DEPOSITS

		2017 RMB	2016 RMB
Cash at bank and in hand		**50,061,852**	4,647,305
Fixed bank deposit (note 30.2)	(a)	**56,194,120**	-
Pledged bank deposit	(b)	**53,349,000**	-
Short term bank deposits		**109,543,120**	-
	(c)	**159,604,972**	4,647,305

(a) Fixed bank deposit earns 1.70% interest per annum and has a maturity of one year.

(b) Pledged bank deposit earns 1.65% interest per annum and has a maturity of 6 months. The deposit has been pledged as financial guarantee to secure a working capital loan for a related company of the Group, Retech Enterprise Management.

Under the financial guarantee contract, the Group would be liable to pay the bank if the bank is unable to recover the outstanding amount owed by Retech Enterprise Management in the said bank facility above.

The amount above represents the Group's maximum exposure under the financial guarantee contract. No provision for the Group's obligation under the financial guarantee contract has been made as the directors considered that it was not probable that the repayment of the loan would be in default.

(c) Included in cash and cash equivalents and pledged bank deposits of the Group of RMB44,260,016 (2016: RMB4,647,305) as at 31 December 2017 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.

22. INTERESTS IN SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2017 and 2016 are as follows:

Name of company	Country/Place and date of incorporation/ establishment	Type of legal entity	Issued and paid in capital	Percentage of ownership interests held by the Company 2017		2016		Principal activities
				Direct	Indirect	Direct	Indirect	
Retech Holdings Co., Limited	Hong Kong	Limited liability company	Hong Kong dollars ("HK$") 15,251,910	100%	-	100%	-	Investment holding
Shanghai Retech Digital Technology Co., Ltd ("Retech Digital")	PRC	Limited liability company	RMB50,000,000	-	100%	-	100%	E-learning solutions and consultancy services
Shanghai Ruijian Information Technology Co., Ltd	PRC	Limited liability company	RMB40,000,000	-	100%	-	100%	Provision of software licensing services
Shanghai Ruipengcheng Technology Co., Ltd ("Ruipengcheng") (note(a))	PRC	Limited liability company	-	-	62.50%	-	62.50%	E-learning solutions and consultancy services
Shanghai Reunet Technology Network Co., Ltd ("Reunet") (note(b))	PRC	Limited liability company	-	-	60.02%	-	-	Inactive

Notes:

(a) As at 31 December 2017 and 2016, Retech Digital subscribed for RMB2,000,000 registered share capital of Ruipengcheng, representing 62.50% of its total registered share capital of RMB3,200,000.

(b) As at 31 December 2017, Retech Digital subscribed for RMB5,000,000 registered share capital of Reunet at representing 60.02% of its total registered share capital of RMB8,330,000.

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 31 December 2017, all of the registered share capital of Ruipengcheng and Reunet has not been paid up.

22. INTERESTS IN SUBSIDIARIES (Continued)

As at 31 December 2017 and 2016, the Group's interest in Ruipengcheng is 62.5%.

As assessed by the directors, Ruipengcheng has a material non-controlling interests ("NCI"), whereas the other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of Ruipengcheng, before intra-group eliminations, is as follows:

	2017 **RMB**
Proportion of ownership interests and voting rights held by the NCI	**37.50%**
Current assets	**3,300,403**
Non-current assets	**92,797**
Current liabilities	**(7,457,134)**
Net liabilities	**(4,063,934)**
Carrying amount of NCI	**(1,523,975)**
Revenue	**2,466,799**
Total expenses	**(6,530,733)**
Loss and total comprehensive expense	**(4,063,934)**
Loss and total comprehensive expense attributable to NCI	**(1,523,975)**
Net cash flows used in operating activities	**(3,090,156)**
Net cash flows from financing activities	**3,537,791**
Net increase in cash and cash equivalents	**447,635**

23. TRADE AND OTHER PAYABLES

	2017 **RMB**	2016 RMB
Trade payables	**5,097,533**	2,477,759
Accrued expenses	**869,724**	505,376
Other payables	**5,440,778**	4,112,864
Trade and other payables as financial liabilities at amortised cost	**11,408,035**	7,095,999
Receipts in advance	–	40,500
Provision of other tax liabilities	**2,197,325**	1,958,411
	13,605,360	9,094,910

The credit period of the Group is usually 15 to 60 days. 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 values.

24. CONVERTIBLE NOTE

	2017 **RMB**	2016 RMB
Convertible note maturing on 2021	**28,591,365**	–

On 20 November 2017, the Company has issued a Convertible Note ("CN") with principal amount of HK$39,000,000 to City Savvy Limited (“City Savvy”), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Huarong Investment Stock Corporation (“Huarong”) (2277:HK) to fund its strategic expansion, research and development costs and working capital. The CN carries coupon rate of 8% per annum payable quarterly in arrears and secured by personal guarantee from Mr. AI Shungang.

The Company has an option to early redeem the CN at early redemption amount which equals to an amount which gives rise to 12% internal rate of return ("IRR") to the holder of the CN, the option hereby referred as the Issuer's Call Option.

The CN is convertible into Clearing House Electronic Subregister System (“CHESS”) Depository Interests (“CDIs”) of the Company at the discretion of the holders at anytime between 18 months after the date of issue of the CN and their maturity date on 19 November 2021. The CN can be converted at a conversion price that equals to 10% discount to the five-day simple average closing price of the Company's CDIs in ASX prior to the date of conversion (excluding the conversion day) and subject to a limit of 17,362,642 CDIs. The conversion option is hereby referred as the Holder's Conversion Option.

The CN will be redeemed if not redeemed or converted prior to their maturity date. The CN cannot be redeemed early unless upon the occurrence of one of the following events:

- Audited net profit after tax of the Company is less than RMB20 million for any year of the four years' period of the CN;
- The Company’s Chairman, Mr. AI Shungang, or Chief Operating Officer, Ms. Liu Cheng, is no longer director or employee of the Company.

In the circumstances above, the CN can be redeemed early at the discretion of the holders at Early Redemption Amount. The redemption option above is hereby referred as the Holder's Put Option.

On initial recognition, the fair value of the liability component, included in the convertible note, was calculated using a market interest rate of 12.12% for an equivalent non-convertible note. The residual amount of the fair value of the proceeds received, representing the fair value of the derivative components including the Issuer's Call Option, the Holders' Conversion and Put Option are included as derivative financial instruments measured at fair value in current assets and current liabilities respectively.

The liability component is classified as non-current liabilities and carried at amortised cost using the effective interest method. The derivative components are measured at fair value using the Monte Carlo Simulation Model method. The fair value changes were recognised in profit or loss.

24. CONVERTIBLE NOTE (Continued)

	2017 RMB
Liability component	
Fair value at inception	29,250,605
Issuing costs	(536,120)
Accrued effective interest charges (note 8)	398,565
Exchange difference	(521,685)
	28,591,365
Fair value of embedded derivative component - derivative financial assets	
Fair value at inception (note 30.6(b))	(13,207,029)
Change in fair value	(6,884,680)
Exchange difference	333,141
	(19,758,568)
Fair value of embedded derivative component - derivative financial liabilities	
Fair value at inception (note 30.6(b))	17,036,574
Change in fair value	6,806,082
Exchange difference	(402,470)
	23,440,186

As at 31 December 2017, the fair value of the liability component above is approximately RMB29,196,000. The fair values of the liability component and derivative financial components above are based on a valuation performed by an independent professional valuer and are classified within Level 3 of the fair value hierarchy. Details of the fair value measurements of the liability component and derivative financial components are set out in note 30.6(b).

The key inputs used for the calculation of the fair value of the liability and derivative financial components of convertible note are as follows:

	At 31 December 2017 RMB	At 20 November 2017 RMB
Time to maturity	**3.89 years**	4.00 years
Share price	**HK$2.90**	HK$2.95
HK$/A$ exchange rate	**6.102**	5.897
Conversion price (floating)	**HK$2.51**	HK$2.69
Spread	**8.31%**	8.54%
Expected share price volatility	**144%**	73%
Risk-free rate	**3.75%**	3.73%
Discount rate	**12.27%**	12.06%

25. SHARE CAPITAL

	Notes	Number of shares	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 and 1 January 2017		180,000,000	24,657,544
Issue of shares in connection with the listing of the Company's shares	(d)	35,750,944	82,813,078
Issue of shares upon a placement by an institutional investor	(e)	15,000,000	34,435,352
As at 31 December 2017		**230,750,944**	**141,905,974**

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 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.

(d) On 16 June 2017, the Company issued a total 35,750,944 new shares by way of initial public offering at Australian Dollars ("A$") 0.50 each. The gross proceeds of A$17,875,472 (equivalent to RMB92,232,073) less listing costs directly attributable to the issue of shares of RMB9,418,995 were credited to the Company's share capital account.

(e) On 20 November 2017, the Company issued 15,000,000 shares to City Savvy at A$0.4662 each. The gross proceeds of A$6,993,000 (equivalent to RMB35,088,077) less transaction costs directly attributable to the issue of shares of RMB652,725 were credited to the Company's share capital account.

26. RESERVES

26.1 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).

26.2 STATUTORY RESERVE

In accordance with the Company Law of the PRC, each of the subsidiaries of the Company that was registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with the PRC Generally Accepted Accounting Principles, to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

27. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, the Group had the following major non-cash transaction:

On 12 October 2016, 54,000,000 shares were issued in exchange of services with fair value estimated as RMB10,597,781 as described in note 25(b).

(b) Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities for the year ended 31 December 2017 and 2016.

	Convertible note RMB	**Amount due to a non-controlling shareholder RMB**	**Amounts due to related companies RMB**	**Total RMB**
At date of incorporation				
Cash flows	-	-	1,490,680	1,490,680
At 31 December 2016 and 1 January 2017	-	-	1,490,680	1,490,680
Changes from financing cash flows:				
Cash flows	32,544,030	393,865	3,155,647	36,093,542
Non-cash changes				
Derivative components on initial recognition	(3,829,545)	-	-	(3,829,545)
Interest expense	398,565	-	-	398,565
Exchange adjustments	(521,685)	-	-	(521,685)
At 31 December 2017	**28,591,365**	**393,865**	**4,646,327**	**33,631,557**

28. 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:

Name of related parties	Nature of transactions	Year ended 31 December 2017 RMB	Period from 10 May 2016 (date of incorporation) to 31 December 2016 RMB
Related companies			
Shanghai Retech IT (note (a))	Services income recharged	**39,647,442**	30,644,720
	Administrative expenses recharged	**1,963,908**	1,207,857
	Cost of services recharged	**9,171,448**	5,832,981
Zhenjiang Retech Asset Management Co., Ltd ("Zhenjiang Retech") (note (b))	Cost of services charged	**5,458,251**	-
Retech Enterprise Management (note (c))	Services income received	**4,000,000**	-
Jiangsu Industry Park (note (d))	Interest income received	**989,815**	6,536

Notes:

(a) Pursuant to service agreement signed between the Company and a related company, Shanghai Retech IT ("the Service Agreement"), Shanghai Retech IT has appointed the Company as its exclusive service provider for technical, consulting and other services from 1 August 2016 to 30 June 2017 ("Service Period") and from 1 July 2017 to 30 August 2026 ("Subsequent Service Period"). Under the terms of the Service Agreement, the services provided by the Company will be charged at a fee equal to 100% of the revenue received by Shanghai Retech IT during the Service Period and at a fee equal to 95% of the revenue received by Shanghai Retech IT during the Subsequent Service Period. Costs and operating expenses will be recharged on a reimbursement basis. The relationship with Shanghai Retech IT is described in note 18(c) to the consolidated financial statements.

(b) Zhenjiang Retech is a wholly owned subsidiary of Jiangsu Industry Park and Mr. AI Shungang is also the ultimate controlling shareholder and a director of Jiangsu Industry Park.

(c) The transaction was enacted with Retech Enterprise Management of which relationship with the Company is described in note 18(c) to the consolidated financial statements.

(d) The transaction was enacted with Jiangsu Industry Park of which relationship with the Company is described in note 18(c) to the consolidated financial statements.

<u>Compensation of key management personnel</u>

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

29. COMMITMENT AND CONTINGENCIES

Operating lease commitment

The Group has entered into commercial leases for office premises. The lease has a life of 2 years (2016: 2 years) with no renewal option included in the contract. There were no restrictions placed on the Group by entering into these leases.

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

	2017	2016
	RMB	RMB
Not later than one year	**333,549**	500,324
Later than one year but not later than 5 years	**-**	333,549
	333,549	833,873

Contingent liability

Other than those disclosed in note 21, the Group does not have any significant contingent liability at the end of the year and the prior period.

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the directors.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

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.

30.1 Categories of financial assets and liabilities

	2017 RMB	2016 RMB
Financial assets		
Financial assets measured at fair value through profit or loss:		
Derivative financial instruments	19,758,568	-
Loans and receivables:		
Trade and other receivables	33,407,348	5,735,493
Amounts due from non-controlling shareholders	4,970,785	2,612,937
Amount due from a non-controlling shareholder of a subsidiary	468,785	-
Amounts due from related companies	15,736,667	10,003,851
Loan to a related company	13,621,090	11,036,536
Short term bank deposits	109,543,120	-
Cash and cash equivalents	50,061,852	4,647,305
	247,568,215	34,036,122
Financial liabilities		
Financial liabilities measured at fair value through profit or loss:		
Derivative financial instruments	23,440,186	-
Financial liabilities at amortised cost:		
Trade and other payables	11,408,035	7,095,999
Amount due to a non-controlling shareholder of a subsidiary	393,865	-
Amounts due to related companies	4,646,327	1,490,680
Convertible note	28,591,365	-
	68,479,778	8,586,679

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

30.2 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's exposures to currency risk mainly arise from the Group's funding activities in Hong Kong and Australia which are primarily denominated in HK$, A$ and United States dollar ("US$"). These are not the functional currency of the Group to which these transactions relate. The management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Foreign currency denominated financial assets and liabilities, translated into RMB at the closing rates, are as follows:

	A$	**HK$**	**US$**
At 31 December 2017			
Trade and other receivables	**2,933,381**	**-**	**-**
Derivative financial instruments (assets)	**-**	**19,758,568**	**-**
Fixed bank deposits (note 21)	**-**	**-**	**56,194,120**
Cash and cash equivalents	**5,298,816**	**72**	**45,031**
Derivative financial instruments (liabilities)	**-**	**(23,440,186)**	**-**
Convertible note	**-**	**(28,591,365)**	**-**
Gross exposure arising from recognised financial assets and liabilities	**8,232,197**	**(32,272,911)**	**56,239,151**

The Group did not have any foreign currency denominated financial assets and liabilities as of 31 December 2016.

The following table illustrates the sensitivity of the Group's profit after income tax for the year and equity as at 31 December 2017 in regards to an appreciation in the functional currency of respective entities in the Group against foreign currencies above. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rate.

Currencies	**A$**	**HK$**	**US$**
Sensitivity rate	5%	5%	5%
Increase/(decrease) in net profit	343,694	(1,347,394)	2,347,985
Increase/(decrease) in equity	343,694	(1,347,394)	2,347,985

The Group did not have any foreign currency denominated financial assets and liabilities as at 31 December 2016 and therefore fluctuations in foreign currencies rate did not have any significant impact to the Group's profit after income tax for 2016.

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

30.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's fair value interest rate risk arises primarily from loan to a related company, short term bank deposits and convertible note. The Group's loan to a related company, short term bank deposits and convertible note are at fixed rates. The Group therefore does not have significant exposure to interest rate risk at the reporting date.

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

The Group's maximum exposures to credit risk on recognised financial assets are limited to the carrying amount as at 31 December 2017 and 2016 as summarised in note 30.1.

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, amounts due from non-controlling shareholders, amount due from a non-controlling shareholder of a subsidiary, amounts due from related companies and loan to 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.

30.5 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.

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

30.5 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.

	Within 1 year or on demand RMB	Over 1 year but within 5 years RMB	Total undiscounted amount RMB	Carrying amount RMB
As at 31 December 2017				
Non-derivative financial liabilities				
Trade and other payables	11,408,035	-	11,408,035	11,408,035
Amount due to a non-controlling shareholder of a subsidiary	393,865	-	393,865	393,865
Amounts due to related companies	4,646,327	-	4,646,327	4,646,327
Convertible note	2,650,205	40,721,695	43,371,900	28,591,365
	19,098,432	40,721,695	59,820,127	45,039,592
Financial guarantee to a related company				
- Maximum amount	50,000,000	-	50,000,000	-
As at 31 December 2016				
Non-derivative financial liabilities				
Trade and other payables	7,095,999	-	7,095,999	7,095,999
Amount due to a related company	1,490,680	-	1,490,680	1,490,680
	8,586,679	-	8,586,679	8,586,679

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

30.6 Fair value measurements of financial instruments

(a) Fair value hierarchy

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	As at 31 December 2017			
	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial assets				
- Derivative financial instruments (note 30.6(b))	-	-	19,758,568	19,758,568
Financial liabilities				
- Derivative financial instruments (note 30.6(b))	-	-	(23,440,186)	(23,440,186)
Net fair value	**-**	**-**	**(3,681,618)**	**(3,681,618)**

The Group did not have any financial assets and liabilities measured at fair value as at 31 December 2016.

There were no transfers between Level 1 and Level 2 during the year ended 31 December 2017.

The methods and valuation techniques used for the purpose of measuring fair values categorised in Level 3 are described below.

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

30.6 Fair value measurements of financial instruments (Continued)

(b) Information about Level 3 fair value measurements

	Valuation technique	**Significant unobservable inputs**	**Sensitivity relationship of unobservable inputs to fair value**
Financial assets			
Issuer's Call Option	Monte Carlo Simulation Model method	Discount rate ranging from 12.06% to 12.27% (2016: nil)	The higher the discount rate, the lower the fair value, and vice versa.
		Volatility ranging from 73% to 144% (2016: nil)	The higher of the volatility, the higher of the fair value, and vice versa.
Financial liabilities			
Holder's Conversion and Put Option	Monte Carlo Simulation Model method	Discount rate ranging from 12.06% to 12.27% (2016: nil)	The higher the discount rate, the lower the fair value, and vice versa.
		Volatility ranging from 73% to 144% (2016: nil)	The higher of the volatility, the higher of the fair value, and vice versa.
Convertible note	Discounted cash flow method	Discount rate ranging from 12.06% to 12.27% (2016: nil)	The higher the discount rate, the lower the fair value, and vice versa.

The reconciliation of the carrying amounts of the Group's derivative financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	Issuer's Call Option RMB	**Holder's Conversion and Put Options RMB**	**Total RMB**
At 31 December 2016 and 1 January 2017	-	-	-
Issuance of convertible note (note 24)	13,207,029	(17,036,574)	(3,829,545)
Fair value gain/(loss) recognised in profit or loss	6,884,680	(6,806,082)	78,598
Exchange (loss)/gain recognised in profit or loss	(333,141)	402,470	69,329
At 31 December 2017	**19,758,568**	**(23,440,186)**	**(3,681,618)**

Other than those disclosed in note 24, the Group considers the carrying amounts of financial assets and financial liabilities recognised in the consolidated statement of financial position approximate to their fair values.

31. 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 year ended 31 December 2017. The Group is not subject to any externally imposed capital requirements.

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2017 RMB**	2016 RMB
ASSETS AND LIABILITIES			
Non-current asset			
Interest in a subsidiary	22	**14,312,160**	14,312,160
Current assets			
Prepayments		**1,903,411**	2,187,113
Amounts due from non-controlling shareholders		**4,757,225**	2,612,937
Amounts due from subsidiaries		**139,826,631**	-
Amount due from a related company		**1,018,560**	-
Derivative financial instruments		**19,758,568**	-
Cash and cash equivalents		**5,594,104**	9,156
		172,858,499	4,809,206
Current liabilities			
Accruals and other payables		**419,724**	2,666,921
Amounts due to subsidiaries		**849,042**	-
Amount due to related companies		**2,128,133**	-
Derivative financial instruments		**23,440,186**	-
		26,837,085	2,666,921
Net current assets		**146,021,414**	2,142,285
Total assets less current liabilities		**160,333,574**	16,454,445
Non-current liability			
Convertible note		**28,591,365**	-
Net assets		**131,742,209**	16,454,445
Equity			
Share capital		**141,905,974**	24,657,544
Accumulated losses (note)		**(10,163,765)**	(8,203,099)
Total equity		**131,742,209**	16,454,445

Note:
The movement of the Company's accumulated losses is as follows:

	RMB
At 10 May 2016 (date of incorporation)	-
Loss for the period	8,203,099
At 31 December 2016 and 1 January 2017	8,203,099
Loss for the year	1,960,666
At 31 December 2017	**10,163,765**

Directors' Declaration

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Directors' Declaration

In accordance with the resolution of the directors, the directors of Retech Technology Co., Limited declare that:

In the opinion of the Directors:

(a) The consolidated financial statements and the notes are in accordance with the Hong Kong Financial Reporting Standards as stated in note 2 to the consolidated financial statements, and give a true and fair view of the Group's consolidated financial position as at 31 December 2017 and of its consolidated performance and consolidated cash flows for the year ended on that date;

(b) The consolidated financial statements are also in compliance with the Hong Kong Companies Ordinance; and

(c) There are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

On behalf of the directors,

Mr Ai Shungang
Co-Chairman

Mr Calvin Cheng
Co-Chairman

29 March 2018

Auditor's Independence Declaration

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Auditor's Independence Declaration

To the directors of Retech Technology Co., Limited

As the auditor of Retech Technology Co., Limited and in relation to the audit for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants.

Grant Thornton Hong Kong Ltd

Grant Thornton Hong Kong Limited

Calvin Chiu
Partner

29 March 2018

Hong Kong

Independent Auditor's Report

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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 28 to 81, which comprise the consolidated statement of financial position as at 31 December 2017, 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 year then ended, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended 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 are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

The Key Audit Matter	*How the matter was addressed in our audit*
Revenue from contracts with customers *Refer to notes 2.15, 4 and 5 to the consolidated financial statements*	
Revenue earned by the Group is from service contracts with customers. In the current year, revenue of approximately RMB87,985,000 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 on a sample basis; - analysis of cost allocation basis including staff cost and overheads; - comparison of the budgeted contract costs with the actual costs incurred to assess if there were any material differences on sample basis; - examination of project documentation and discussion of the status of those projects in progress with management, finance, and project managers of the Group on a sample basis; - review and inquiry of project profit margin with project managers for any exception; - inquiry of management's judgement of final outcome of each project.

Key Audit Matter	How the matter was addressed in our audit
Recoverability of trade receivables *Refer to notes 2.7, 4, and 16 to the consolidated financial statements*	
As at 31 December 2017, the Group's trade receivables net of provision for impairment loss (note 16) was approximately RMB32,232,000. Management estimates impairment losses on the trade receivables based on the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual impairment losses would be higher than estimated. We consider recoverability of trade receivables as a key audit 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: - understood and discussed the Group's credit control procedures including controls over granting of credits to customers; - verified the balances of trade receivables by requesting and receiving confirmations on a sample basis; - tested aging of trade receivable balances at year end on a sample basis; - obtained a list of long outstanding receivables and identified any debtors with financial difficulty through discussion with management; - assessed the recoverability of these outstanding receivables through our discussion with management and latest correspondence with customers; and - assessed the recoverability of the balances by comparing the outstanding amounts as at year end against subsequent settlements.

Key Audit Matter	*How the matter was addressed in our audit*
Recoverability of loan to and amounts due from related parties	
Refer to notes 2.7, 4, 18 and 19 to the consolidated financial statements	
The provision policy for impairment of amounts due from related parties (note 18) and loan to a related company (note 19) are based on the evaluation of collectability of the amounts due. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including their current creditworthiness, past collection history, financial condition and indemnification from Jiangsu Industry Park and the ultimate controlling shareholder of the Company. If the financial conditions of these related parties, including Jiangsu Industry Park, or the ultimate controlling shareholder were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. We consider the above as a key audit 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: - verified the balances of these loan to and amount dues from related parties by requesting and receiving confirmations; - assessed the recoverability of these amounts due through our discussion with management; - assessed the recoverability of these amounts due by comparing the outstanding amounts as at year end against subsequent settlements; and - assessed the recoverability by reference to the indemnification provided and the latest available financial information of Jiangsu Industry Park.

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Key Audit Matter	*How the matter was addressed in our audit*
Valuation of derivative financial instruments *Refer to notes 2.8, 2.11, 4, 20, 24 and 30.6 to the consolidated financial statements*	
As described in note 24 to the consolidated financial statements, the derivative components of convertible note are measured at fair value. As at 31 December 2017, the net fair value of derivative financial instruments was RMB3,682,000. The Group engaged an independent valuer to determine the fair values of these derivative financial instruments. The determination was based on generally accepted valuation procedures and practices that rely extensively on numerous assumptions taking into consideration of many uncertainties, including discount rate and volatility of the Group's share price, some of which cannot be easily quantified or ascertained. Changes in subjective input assumptions can materially affect the fair value estimate. We consider the valuation of the convertible note as a key audit matter, given the magnitude of these positions and the complexity of the valuation model applied.	To address these areas of estimate and judgement, we performed, among others, below audit procedures: - assessing the experience, competence, capability, independence and objectivity of the valuer; - evaluating the reasonableness of the valuation methodology used by the valuer by comparing the methodology used for similar instruments; - discussing the valuations with the valuer in a separate private session and challenging key estimates adopted in the valuations; and - testing the inputs to the fair value calculation. With respect to the discount rates used and inputs for the valuation of the derivative element, this included independently sourcing the external and internal data on a sample basis.

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Other information

The directors are responsible for the other information. The other information comprises all the information in the 2017 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 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 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 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.

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

29 March 2018

Chiu Wing Ning
Practising Certificate No.: P04920

Corporate Governance Statement

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Corporate Governance Statement

The Corporate Governance Statement below of the Company has been prepared based on the 3rd edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') pursuant to ASX Listing rule 4.10.3.

The Board of the Company is committed to principles of best practice in corporate governance and is responsible for ensuring the existence of an effective corporate governance environment to safeguard the interests of the Company, its Shareholders and other stakeholders.

ASX Listing rule 4.10.3. requires the Company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the Company has not followed a recommendation and details of any related alternative governance practice adopted.

This Corporate Governance Statement below sets out the Company's current compliance with the third edition of the ASX Principles and Recommendations. The Principles are not prescriptive regarding the conduct of ASX listed companies. Rather, an ASX listed company is required to disclose the reasons why it is not complying fully with its obligations under the Principles. To the extent that they are relevant, the Company has adopted the Principles.

This corporate governance statement for the reporting period ended 31 December 2017 was approved by the Board on 29 March 2018. It also can be accessed at http://www.retech-rte.com/CorporateGovernancePlan.html.

Corporate Governance Statement

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Principle 1 – Lay solid foundations for management and oversight		
Recommendation 1.1: Companies should disclose: • the respective roles and responsibilities of its board and management; and • those matters expressly reserved to the board and those delegated to management.	Complies	The Board's responsibilities are set out in Retech's Board Charter. Retech's Board Charter is set out in the Corporate Governance Plan. The functions of the Board and Chairman and those delegated to management are specifically set out in the Board Charter. The Board Charter also explains the relationship between the Board and management. The Board has established committees to oversee certain functions of the Board, including the Audit and Risk Management Committee and the Nomination and Remuneration Committee.
Recommendation 1.2: Companies should: • undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and • provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Complies	The Nomination and Remuneration Committee undertakes appropriate checks, including police clearance checks, bankruptcy searches, verification of qualifications and experience of potential Directors, before appointing a Director or putting forward to Shareholders a candidate for election as a Director. All material information in relation to potential Directors will be provided to Shareholders as the need arises, including in the form of disclosures contained in an explanatory memorandum to a notice of meeting, seeking the approval of Shareholders for the election or re-election of Directors. The Board's responsibilities in relation to director appointments are set out in Retech's Board Charter. Retech's Board Charter is set out in the Corporate Governance Plan. In regards to the current Board, appropriate checks, including bankruptcy checks and police checks were conducted as part of the listing process. On 16 March 2018, Chris Ryan and Neville Ide resigned as Non-Executive Directors and Ross Benson was appointed as a Non-Executive Director. All Directors will stand down and stand for re-election at the 2018 Annual General Meeting.
Recommendation 1.3: Companies should have a written agreement with each director and senior executive	Complies	Retech has entered into a written agreement with each Director and senior executives. Each of the Directors has consented to act as a director.

Corporate Governance Statement

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
setting out the terms of their .		Each Non-Executive Director has executed a formal letter of appointment which sets out their duties and responsibilities, rights and remuneration entitlements. Each executive employee is employed under a Service Agreement which sets out the terms on which that executive Director is employed, including details of the executive's duties and responsibilities, rights and remuneration entitlements.
Recommendation 1.4: The Company Secretary must be directly accountable to the Board, through the chair on all matters to do with the proper functioning of the board.	Complies	The Company Secretary is directly accountable to the Board in relation to matters of governance. The Company Secretary's role includes advising the Board and its committees on governance matters, monitoring that policies and procedures are followed, coordinating the timely completion and despatch of Board papers, ensuring that the business at Board and committee meetings is accurately captured in the minutes and helping to organise and facilitate the induction and professional development of Directors. Further description of the role is set out in the Board Charter. The Company Secretary is accessible to all Directors. The Board is responsible for the appointment and removal of the Company Secretary.
Recommendation 1.5: Companies should: • have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; • disclose that policy or a summary of it; and • disclose as at the end of each reporting period the measurable objectives for achieving gender.	Complies	The Board has established a Diversity Policy. The Diversity Policy is set out in the Corporate Governance Plan which can be viewed on the Company's website. The Company has a strong commitment to diversity in business which is evidenced through its Diversity Policy. The Diversity Policy includes requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. The Nomination and Remuneration Committee recommends to the Board of the Company that the Company work towards achieving a Board with at least 30% female representation in 2018. The Company will provide further details as to compliance with this Recommendation 1.5 in its future annual reports, including the

Corporate Governance Statement

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them.		matters set out in Recommendation 1.5(c).
Recommendation 1.6: Companies should: • have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and • disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Complies	The Board has appointed the Nomination and Remuneration Committee to oversee the process of appointment, performance and remuneration of the Directors. The process for evaluating the performance of the Board, its committees and individual Directors is set out in the Company's Corporate Governance Plan on its website In December 2017, the Nomination and Remuneration Committee undertook a performance evaluation of the Board, its committees and individual Directors in the reporting period ending 31 December 2017.
Recommendation 1.7: Companies should: • have and disclose a process for periodically evaluating the performance of its senior executives; and • disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Complies	The Board has appointed the Nomination and Remuneration Committee to oversee the process of appointment, performance and remuneration of senior executives and employees of the Company. The process for evaluating the performance of the senior executives is set out in the Nomination and Remuneration Committee Charter in the Company's Corporate Governance Plan, which is available on its website. The Nomination and Remuneration Committee reviewed and evaluated the performance of the senior executives during the 2017 financial year.

Corporate Governance Statement

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Principle 2 – Structure the board to add value		
Recommendation 2.1: The board should establish a nomination committee which • consists of a majority of independent directors; • is chaired by an independent director;and • has at least three members. The board must disclose the charter of the committee, the members of the committee, and the number of times the committee has met throughout a reporting period and the individual attendances of the members at those meetings.	Complies	The Board has established a Nomination and Remuneration Committee to oversee the process of appointment, performance and remuneration of senior executives and employees of the Company. The function of the Nomination and Remuneration Committee is set out in the Nomination and Remuneration Committee Charter. Retech's Nomination and Remuneration Committee Charter is set out in the Corporate Governance Plan which is available on the Company's website. The Nomination and Remuneration Committee is chaired by Ms Liu Qing, an independent director. The Nomination and Remuneration Committee consists of three non-executive directors. Of these members, all are independent Non-Executive Directors. The members of the Nomination and Remuneration Committee are: (a) Liu Qing (Chairwoman); (b) Ross Benson; and (c) Lu Jiuping Given the short time since the committee's establishment, the Nomination and Remuneration Committee met in once in the reporting period ending 31 December 2017. All three members attended that meeting.
Recommendation 2.2: Companies should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Complies	The Board maintains a Board Skills Matrix which sets out the mix of appropriate skills, experience, expertise and diversity for Board membership. The Company's Board Skills Matrix is set out in the Board Charter which is set out in the Corporate Governance Plan available on the Company's website.

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Recommendation 2.3: Companies should disclose: • the names of the directors considered by the board to be independent directors; • if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and • the length of service of each director.	Complies	The Company considers a Director to be independent if the Director is independent of management and free of any business or other relationship that could materially interfere, or be perceived as interfering, with the exercise of an unfettered and independent judgment in relation to matters concerning the Company. The Board considers that the following Non-Executive Directors of the Company are independent: (a) Liu Qing; (b) Ross Benson; (c) Lu Jiuping; and (d) Ma Hok Wang. Information relating to the Directors of the Company, including whether they are independent, their skills, experience, expertise and period of office they have held are contained in the Director's Report section of this Annual Report. The length of service of each Director is as follows: (a) Ai Shungang - 1 years and 3 months; (b) Calvin Cheng - 1 years and 3 months; (c) Liu Qing - 1 years and 2 months; (d) Ross Benson - 1 months; (e) Lu Jiuping - 10 months; (f) Ma Hok Wang- 4 months
Recommendation 2.4: A majority of the board should be independent directors.	Complies	The full Board determines the size and composition of the Board, subject to limits imposed by the Company's Constitution. Of the six Directors, all are Non-Executive Directors and four of the Non-Executive Directors are deemed by the Board to be independent. In view of the size of the Company and the nature of its activities, the Board considers that the current mix of skills, qualifications and experience on the Board is consistent with the Company's current circumstances and its long-term interests. This Board structure will be reviewed at the appropriate stages of the Company's development. If it deems it appropriate, the Board may appoint additional independent Directors in the future.

Corporate Governance Statement

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Recommendation 2.5: The chair of the Board should be an independent director and should not be the same person as the Chief Executive Officer.	Does not comply	The Co-Chairmen of the Board are both Non-Executive Directors but are not considered independent under the ASX Corporate Governance Principles. The Board considers that having Co-Chairmen is good for business development and decision making in Hong Kong. Retech has adequate procedures to ensure the independence of the Co-Chairmen's decisions. Neither of the Co-Chairmen are the Chief Executive Officer of Retech.
Recommendation 2.6: Companies should have a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their roles as directors effectively.	Complies	The Nomination and Remuneration Committee Charter and Board Charter demonstrate the Company's compliance with this Recommendation. The Nomination and Remuneration Committee is responsible for the induction program for new directors and the development program for Directors. The Directors have been provided with either an executive services agreement or a formal letter of appointment setting out the key terms and conditions of appointment, including duties, rights, responsibilities and the Board's expectations regarding their involvement with committee work. A formal induction is provided to all new directors, including meetings with the Chief Executive Officer, Chairman and information on key corporate and Board policies, and visits to the Company's operations.

Corporate Governance Statement

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Principle 3 – Act ethically and responsibly		
Recommendation 3.1: Companies should: (a) establish a code of conduct for its directors, senior executives and employees; and (b) disclose the code or a summary of the code or a summary of it.	Complies	The Board has established a Code of Conduct, which is set out in the Corporate Governance Plan available on the Company's website. The Code of Conduct sets out the Company's commitment to making positive economic, social and environmental contributions to each of the communities in which it operates, while complying with all applicable laws and regulations and acting in a manner that is consistent with the Company's foundational principles of honesty, integrity, fairness and respect. The Code of Conduct further provides that the Directors will act with honesty and integrity, will avoid conflicts of interest, protect confidential and proprietary information and treat others equitably and with professionalism, courtesy and respect.

Corporate Governance Statement

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Principle 4 – Safeguard integrity in corporate reporting		
Recommendation 4.1: The board should establish an audit committee which: • consists of at least three members all of whom are non-executive directors, the majority of independent directors; • is chaired by an independent director who is not the chairman of the Board. The board must disclose the charter of the audit committee, the relevant qualifications and experience of the members of the committee and the number of times the committee has met during a reporting period and the individual attendances of the members at those meetings.	Complies	The Board has established an Audit and Risk Management Committee and has adopted an Audit and Risk Management Committee Charter to assist with ensuring the integrity and reliability of information prepared for use by the Board. The function of the Audit and Risk Management Committee is set out in the Audit and Risk Management Committee Charter, in the Corporate Governance Plan, which is available on the Company's website. The Audit and Risk Management Committee is chaired by Neville Ide, an independent director who is not chairman of the Board. The Audit and Risk Management Committee consists of three members, all of whom are independent Non-Executive Directors. The members of the Audit and Risk Management Committee are: (a) Ross Benson (Chairman); (b) Lu Jiuping; and (c) Liu Qing.

Corporate Governance Statement

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Principle 4 – Safeguard integrity in corporate reporting		
		The experience of each of the above is as follows: **Ross Benson** Mr Benson established financial services and advisory company, Investorlink Group in 1986 and is currently Executive Chairman of the company. Mr Benson has also established associated business units in wealth management, private equity, property syndication and structured financial products. He brings more than 30 years' experience in the Australian financial services industry and has extensive expertise in securities, transaction advisory and business strategy. He has acted as lead negotiator for a number of medium to large enterprise divestment or acquisitions in both Australia and China. **Lu Jiuping** Mr. Lu Jiuping was appointed as the Non-executive director of the Board. He has over years' expertise in software development, and used to serve as a senior manager in iSoftstone, WSN Group and Yungu Capital. From 2007 to 2012, he held the role as an elected member of Jiangsu Province at the Tenth National Committee of the Chinese people's Political Consultative Conference (CPPCC). He holds a Bachelor of Computer Science from the Central South University of China and an MBA from the University of Science and Technology, Beijing.

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Principle 4 – Safeguard integrity in corporate reporting		
		The experience of each of the above is as follows: **Liu Qing** Ms Liu Qing was appointed as the Non-executive director of Retech's Board. She has over 20 years of experience in equity, securities and finance. Liu Qing was also the partner of OFC, the top 10 "Best Local Investment Institution" in China, with a management capital of RMB7 billion, over 100 investment projects and a number of projects listed or merged drop out. Liu Qing graduated from Huazhong University of Science and Technology with a master's degree in management. In 2009 Liu Qing was hired as an MBA part-time professor at Lanzhou University of Finance and Economics.
		The Audit and Risk Management Committee had 6 meetings in the reporting period ending 31 December 2017. All members attended those meetings.

Corporate Governance Statement

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Recommendation 4.2: Before approving a company's financials, the Board must receive declarations from Retech's Chief Executive Officer and Chief Financial Officer that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Complies	The Board Charter makes provision for the Chief Executive Officer and Chief Financial Officer to provide this declaration in accordance with section 295A of the Corporations Act 2001 (Corporations Act). The Chief Executive Officer and Chief Financial Officer provide a declaration to the Board in accordance with section 295A of the Corporations Act for each financial report and assure the Board that such declaration is founded on a sound system of risk management and internal control. The Board receives the relevant signed declaration from the Chief Executive Officer and Chief Financial Officer prior to the approval of the Company's Annual Accounts and Half Yearly Accounts.
Recommendation 4.3: Companies must ensure that its external auditor attends its Annual General Meeting and is available to answer questions from security holders relevant to the audit.	Will comply	The Company's auditor will attend its Annual General Meeting to answer questions, and is invited to attend every Annual General Meeting for the purpose of answering questions from security holders relevant to the audit.

Corporate Governance Statement

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Principle 5 – Make timely and balanced disclosure		
Recommendation 5.1: Companies should: (a) have a written policy for complying with its continuous disclosure obligations under the ASX Listing Rules; and (b) disclose that policy or a summary of it.	Complies	Communications Strategy which is set out in the Corporate Governance Plan. This policy sets out, amongst other matters, the manner in which the Board will ensure compliance with the disclosure requirements of the ASX Listing Rules. The Company respects the rights of its shareholders and facilitates the exercise of those rights, the Company is committed to communicating effectively with shareholders, providing shareholders with ready access to balanced and understandable information about the Company and corporate proposals and making it easier for shareholders to participate in general meetings of the Company.
Principle 6 – Respect the rights of security holders		
Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.	Complies	The Company has established on its website a corporate governance landing page from where all relevant corporate governance material can be accessed (http://www.retech-rte.com/CorporateGovernancePlan.html). The Corporate Governance Plan contains information about the Company and its corporate governance policies and procedures and is available on the Company's website.
Recommendation 6.2: Companies should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complies	The Company has adopted the Continuous Disclosure Policy and Communications Strategy which sets out, amongst other things, the manner in which the Company will promote effective communication with Shareholders and encourage their participation at general meetings and respond to Shareholder enquiries. A copy of the Continuous Disclosure Policy and Communications Strategy is contained in the Corporate Governance Plan available on the Company's website. The Company also intends to establish an investor relations program in calendar year 2018.

Corporate Governance Statement

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Recommendation 6.3: Companies should disclose the policies it has in place to facilitate and encourage participation at meetings of shareholders.	Complies	The Company has adopted the Continuous Disclosure Policy and Communications Strategy which sets out, amongst other things, the manner in which the Company will promote effective communication with security holders and encourage their participation at general meetings. The shareholders communication policy is set out in the Continuous Disclosure Policy and Communications Strategy set out in the Corporate Governance Plan and is designed to ensure that shareholders are informed of all relevant developments. The Company also intends to establish on its website a facility for all shareholder communications.
Recommendation 6.4: Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complies	The Company does give its shareholders the option to give and receive communications to and from both the Company and its security registry electronically. Electronic communications to the Company may be sent via email to Hayley Deng at dengs@retechcorp.com. The Company's share register is managed and maintained by Computershare Investor Services Pty Limited (Computershare). Shareholders can access their shareholding details or make enquiries about their current shareholding electronically by quoting their Shareholder Reference Number or Holder Identification Number via https://www.computershare.com/au or by following the online enquiry prompts on Computershare's website. Shareholders can also contact Computershare by telephone from Monday to Friday, 8am-7pm AEST: (Australia) 1300 555 159 (Overseas) +61 3 9415 4062

Corporate Governance Statement

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Principle 7 – Recognise and manage risk		
Recommendation 7.1: The board should establish a risk management committee which: (a) has at least 3 members, the majority of whom are independent directors; (b) is chaired by an independent director. The board must disclose the charter of the risk management committee, members of the risk management committee, the number of times the committee has met during a reporting period and the individual attendances of the members at those meetings .	Complies	The Board has established an Audit and Risk Management Committee to assist with risk oversight, risk management and internal control. The function of the Audit and Risk Management Committee is set out in the Audit and Risk Management Committee Charter. The Company's Audit and Risk Management Committee Charter has been adopted by the Board and is set out in the Corporate Governance Plan, which is available on the Company's website. The Audit and Risk Management Committee is chaired by Ross Benson, an independent director who is not chairman of the Board. The Audit and Risk Management Committee consists of three members, all of whom are independent Non-Executive Directors. The members of the Audit and Risk Management Committee are: (a) Ross Benson (Chairman); (b) Lu Jiuping ; and (c) Liu Qing. The Company has disclosed in this Annual Report the names and relevant qualifications and experience of the members of the Audit and Risk Management Committee. The Audit and Risk Management Committee had 6 meetings in the reporting period ending 31 December 2017.
Recommendation 7.2: The board should: (a) review the company's risk management framework at least annually; and (b) disclose whether such review has taken place.	Complies	The Audit and Risk Committee is responsible for the review of the Company's risk management program at least annually. The Company's Audit and Risk Management Committee Charter is set out in the Corporate Governance Plan, which is available on the Company's website. The Committee reviewed the Company's risk management framework, annual internal auditing report, development of the Enterprise Resource Program (ERP) system and implementation and internal audit function, Treasury Function etc. in December 2017.

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Recommendation 7.3: Companies should disclose; (a) their internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Complies	Beginning in 2017, Retech established an internal audit group and launched an internal control management risk assessment to develop a comprehensive risk management system and build the overall program through continuous integration of risk management concept and strength risk control measures.
Recommendation 7.4: Companies should disclose whether they have any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Complies	The Company has disclosed its risks, including environmental and social sustainability risks and how those risks are mitigated the Company's Audit and Risk Management Committee Charter.

Corporate Governance Statement

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Principle 8 – Remunerate fairly and responsibly		
Recommendation 8.1: The board should establish a remuneration committee which: • have at least 3 members, the majority of whom are independent directors; • is chaired by an independent director. The board must disclose the charter of the remuneration committee, members of the remuneration committee, the number of times the committee has met during a reporting period and the individual attendances of the members at those meetings.	Complies	The Board has established a Nomination and Remuneration Committee. The function of the Nomination and Remuneration Committee is set out in the Nomination and Remuneration Committee Charter set out in the Corporate Governance Plan. The Nomination and Remuneration Committee is chaired by Liu Qing, an independent director. The Nomination and Remuneration Committee consists of three non-executive directors, all of whom are independent. The members of the Nomination and Remuneration Committee are: (a) Liu Qing (Chairwoman); (b) Ross Benson; and (c) Lu Jiuping . The Company has disclosed above the names and relevant qualifications and experience of the members of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee had one meeting in the reporting period ending 31 December 2017, and all three members attended.
Recommendation 8.2: Companies should separately disclose its policies and practices regarding the remuneration of non-executive directors from that of executive directors and other senior executives.	Complies	The Board has adopted the Nomination and Remuneration Committee Charter, which sets out the role and the responsibilities of the Nomination and Remuneration Committee in overseeing the process of appointment and remuneration of senior executives and employees of the Company. A copy of the Nomination and Remuneration Committee Charter is contained in the Corporate Governance Plan which is available on the Company's website.

Principles/ recommendations	Does Retech comply?	Particulars of compliance & if not why not
Recommendation 8.3: Companies which have equity-based remuneration schemes should have and disclose a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.	Not applicable	The Company does not have an equity based remuneration scheme in the reporting period ending 31 December 2017.

Corporate Directory

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ASX Additional Shareholder / CDI Holder Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this Annual Report is as follows. The information is current as of 28 March 2018.

Issued capital

As at 28 March 2018, the Company has 230,750,944 ordinary fully paid shares on issue, of which 230,750,944 are held by Chess Depositary Nominees Pty Ltd ("**CDN**"). CDN has issued 230,750,944 CHESS Depositary Interests ("**CDIs**") in relation to these shares. CDN holds the legal title to shares on behalf of holders of CHESS Depositary Receipts. Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying shares.
CDIs are traded in a manner similar to shares of Australian companies listed on ASX. CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Shareholders cannot trade their Shares on ASX without first converting their Shares into CDIs.

There is currently no on-market buyback in place.
A summary of all shares/CDI showing restrictions is set out below:

Description	No of Shares/CDIs
Retech Investment Group Co.,Ltd	All 88,768,850 CDIs held for 12 months following the listing date
Retech Management Co.,Ltd	All 14,451,000 CDIs held for 12 months following the listing date.
Unrestricted	127,531,094 CDIs

Distribution of Shareholders / CDI Holders

There were 234 Shareholders / CDI Holders at 28 March 2018. Each Shareholder/CDI Holder is entitled to one vote for each security held.

Distribution of Shareholders / CDI Holders (continued)

Spread of holdings	Number of holders	Number of units	%
1-1,000	**1**	**1,000**	0.0004%
1,001-5,000	**150**	**595,611**	0.2581%
5,001-10,000	**24**	**171,500**	0.0743%
10,001-100,000	**21**	**1,154,750**	0.5004%
100,001 and above	**38**	**228,828,033**	99.1667%
Total	**234**	**230,750,944**	**100%**

Voting Rights

The voting rights are that each CDI holder is entitled to 1 vote per CDI at a meeting of members, provided that a CDI Holder undertakes the following steps.

a) Instructing CDN as the legal owner to vote the shares underlying in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting and this must be completed and returned to the share registry prior to the meeting.

b) Informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their shares underlying the CDIs for the purposes of attending and voting at the general meeting or;

c) Converting their CDIs into a holding of these shares and voting these shares at the meeting.

Substantial Shareholders / CDI holders

The substantial holders of Share/CDI are the following Share/CDI holders listed below who have notified the Company that they are a substantial holder under the Corporations Act 2001 in Australia. In general, under the Corporations Act (Australia), a person who holds a relevant interest in Shares/CDIs of more than 5% of the Company's issued share capital is a substantial holder.

Substantial Shareholders / CDI holders (continued)

Holder	Number of Shares and equivalent CDIs	% of issued capital
RETECH INVESTMENT GROUP CO LTD	88,768,850	38.47%
CITY SAVVY LIMITED	27,700,700	12.00%
RETECH MANAGEMENT CO LTD	14,451,000	6.26%
MIAO SHI INVESTMENT GROUP CO LTD	12,700,700	5.50%
FAME BEST INTERNATIONAL LTD	12,000,000	5.20%
Total	**155,621,250**	**67.43%**

On market buy-back

There is no current on market buy-back.

Top 20 Share/CDIs as at 28 March 2018

Rank	Name	Shares/CDIs	% of issued capital
1	RETECH INVESTMENT GROUP CO LTD	88,768,850	38.47%
2	CITY SAVVY LIMITED	27,700,700	12.00%
3	RETECH MANAGEMENT CO LTD	14,451,000	6.26%
4	MIAO SHI INVESTMENT GROUP CO LTD	12,700,700	5.50%
5	FAME BEST INTERNATIONAL LTD	12,000,000	5.20%
6	VICKERS VENTURE PARTNERS IV LTD <VICKERS VENTURE A/C>	11,051,011	4.79%
7	XU SHI TECHNOLOGY INVESTMENT	10,079,450	4.37%
8	CALVIN CHENG ERN LEE	9,076,796	3.93%
9	LUMINA LOOQUE KNOWLEDGE HUBS PTE LTD	7,875,615	3.41%

Rank	Name	Shares/CDIs	% of issued capital
10	VICKERS VENTURE FUND IV LP	4,600,000	1.99%
11	THIAM SOON DAVID SEE	4,549,676	1.97%
12	MR HUI SUN	4,400,000	1.91%
13	MR SHENGDONG PANG	2,804,746	1.22%
14	PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	2,755,000	1.19%
15	NEBULA LIMITED	2,000,000	0.87%
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,847,708	0.80%
17	QIUBING CHENG	1,340,736	0.58%
18	MS MAN LI	1,098,024	0.48%
19	DINGSHAN INTERNATIONAL CO LTD	1,000,000	0.43%
20	LAN KONG	1,000,000	0.43%
Total		**221,674,911**	**95.82%**

Use of cash consistent with business objectives

The Company confirms that, between 31 December 2016 and 31 December 2017, it has used cash and other assets readily convertible to cash that it held at time of admission, in a way consistent with its business objectives.

The Company's place of incorporation

As the Company is incorporated in Hong Kong and not established in Australia, its corporate activities (apart from the offering of securities in Australia) are not regulated by the Corporations Act of the Commonwealth of Australia or by the Australian Securities and Investments Commission but instead are regulated by the Hong Kong Companies Ordinance and the Hong Kong Securities and Futures Commission. The Company is not subject to Chapters 6,6A, 6B and 6C of the Corporations Act 2001 in Australia.

The following information is provided on an annual basis to comply with the conditions on listing on ASX.

Takeovers

The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") regulates takeovers and mergers in Hong Kong and applies to public companies in Hong Kong. The Takeovers Code provides that when a person, or two or more persons acting in concert collectively:

a) acquire 30% or more of the voting rights of a company; or
b) hold not less than 30% but not more than 50% of the voting rights of the company and acquires more than 2% of the voting rights of a company from the lowest percentage holding of that person or persons collectively within a 12 month period, then a general offer must be made to all other shareholders of the company.

Compulsory acquisition

Part 13 of the Hong Kong Companies Ordinance sets out the right to buy out minority shareholders. If within four months of making an offer to buy shares, a company has acquired 90% in value of the shares, the acquiring company may give notice to the remaining shareholders that it desires to acquire their shares. Provided that notice is given within five months of the original offer, the acquiring company is entitled and bound to acquire those shares on the same terms as the offer.

Substantia share / CDI holder notices

Part XV of the Hong Kong Securities and Futures Ordinance requires the disclosure by substantial shareholders, directors, shadow directors and chief executives of a listed corporation (collectively "Corporate Insiders") of their interests in the securities of a listed corporation when their interests reach the notifiable percentage level. The notifiable percentage level is an interest in shares of an aggregate nominal value of 5% or more of the relevant shares in the listed corporation.

Corporate Directory

Company – Hong Kong Registered Office & Headquarters
Retech Technology Co., Limited
Room 1803, 18th Floor, Hutchison House,
10 Harcourt Road,
Central, Hong Kong
Phone: +852 2692 3999

Company – PRC Office & Headquarters
Retech Technology Co., Limited
Level 18, Building 2, No.355,
Guoding Road, Yangpu District, Shanghai.
Phone: +86 21 55666166

Company - Australian Registered Office
Investorlink Corporate Limited
Level 26, 56 Pitt Street, Sydney
New South Wales 2000 Australia
Phone: +61 2 9276 2000

Company Secretary

Ms Ji Hui supported by Ms Lin Yan.

Auditor

Grant Thornton Hong Kong Limited
Level 12, 28 Hennessy Road
Wanchai, Hong Kong.

Share Registry
Computershare Investor Services Pty
452 Johnston Street
Abbotsford, Victoria 3067
Phone: (Australia) 1300 555 159 or (Overseas) +61 3 9415 4062

ASX Code
RTE

Website

www.retech-rte.com


Retech Technology
www.retech-rte.com
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