Retech Technology Co., Limited

APPENDIX 4D

HALF YEAR REPORT

for the six months ended 30 June 2018

ARBN 615 153 332

Hong Kong Company Registration Number 2374379

Retech Technology Co., Limited / www.retech-rte.com

Contents

About Retech Technology Co., Limited

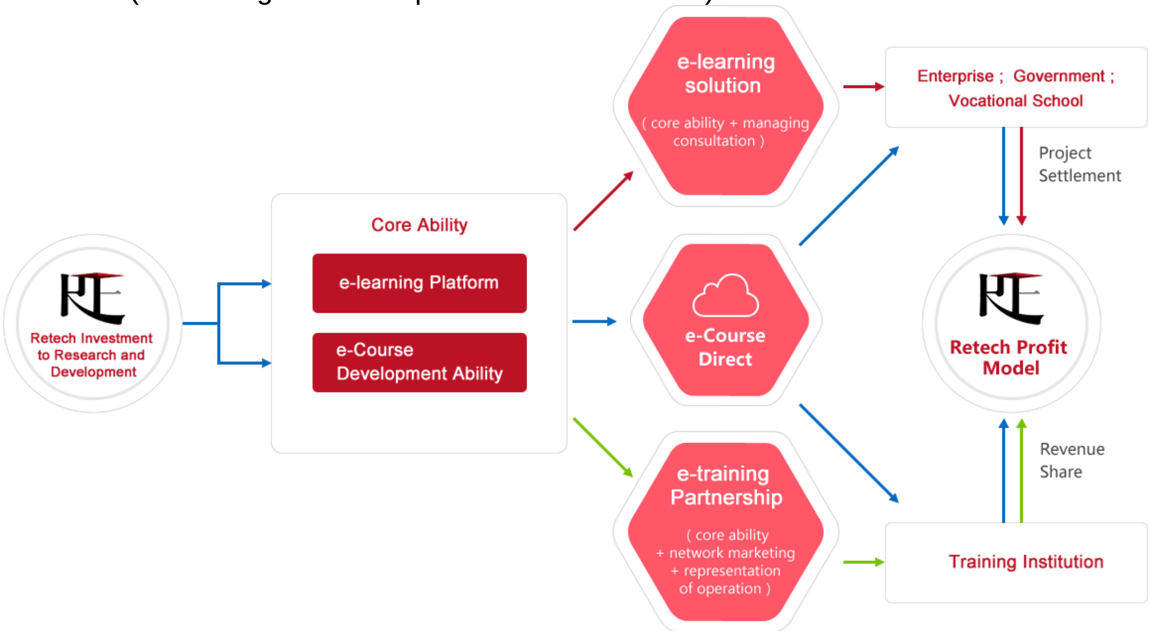
Retech Technology Co., Limited ("Retech" or the "Company") (ASX: RTE) is a company incorporated in Hong Kong together with its subsidiaries, the Company's operations is based in Shanghai, China, which provides technology solutions to, and builds E-Learning platforms and E-Courseware for large companies, government and social organizations and training providers, enabling them to deliver their offline training content online through multiple channels, including the internet, mobile and social media platforms.

Retech 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.

Retech provides and intends to provide is organised into three business channels comprising:

- 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.
- 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.
- E-Course Direct – originating original online training content and licensing IP from content owners that is then sold on to corporates and organisations.

Retech offers its E-Learning Solution business channel and intends to offer its other business channels (E-Training Partnership and E-Course Direct) to a diversified user base as detailed below.



For more information, please refer to our website at [www.retech-rte.com.](http://www.retech-rte.com)

Results for Announcement to the Market

The following information is given to ASX under listing rule 4.2A.3.

1. Details of the reporting period and the previous corresponding period

Reporting period: 1 January 2018 to 30 June 2018

Previous corresponding period: 1 January 2017 to 30 June 2017

2. Results for announcement to the market

	%	Change	Six months ended 30 June 2018	Six months ended 30 June 2017
		RMB'000	RMB	RMB
2.1 Revenue from ordinary activities	21%	8,546	48,644,976	40,099,151
2.2 Profit from ordinary activities after tax attributable to members of the Company	48%	5,621	17,390,147	11,768,726
2.3 Net profit attributable to members of the Company	48%	5,621	17,390,147	11,768,726

2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.

No dividend proposed to be paid up to the date of this report.

2.5 The record date for determining entitlements to the dividends (if any).

Not applicable.

2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

- Revenue - Revenue for the reporting period was increased by 21% which was because of the strong demand for enterprise online training solutions in mainland China especially in finance, auto and high-tech industries.

- Cost and expenses - Cost of sales for the reporting period was RMB18.69m which was 38% of revenue. Comparing with previous corresponding period, the cost-revenue structure was stable resulting from the best controlling of direct labour and outsourcing cost. Selling and administration expenses were RMB11.62m which was RMB0.95m increased comparing with 1HY2017. It was mainly caused by the increased staff cost and professional fee for services from lawyers and consultants.
- NPBT was RMB20.36m which increased 29% comparing with previous corresponding period. NPAT was RMB17.04m which increased 50% resulting from the preferential tax rate enjoyed by the Group's PRC subsidiaries for earning high and new technology enterprise status.

3. Net tangible assets per security with the comparative figure for the previous corresponding period.

As of 30 June 2018 (RMB cents per share)	As of 30 June 2017 (RMB cents per share)
82.95 (based on the 230,750,944 ordinary share in issued)	54.72 (based on the 215,750,944 ordinary security in issued)

4. Details of entities over which control has been gained or lost during the period, including the following.

The Company did not acquire or dispose any entity during the current reporting period.

5. Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable, and (if known) the amount per security of foreign sourced dividend or distribution.

Not applicable.

6. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.

Not applicable.

7. Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities and – where material to an understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.

Not applicable.

8. Accounting standards used in compiling this report

These condensed consolidated interim 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").

9. Audit Review

Please refer to page 36 under the heading of "Independent review report" on review of the condensed consolidated interim financial statements.

10. Signed

On behalf of the directors

Mr Ai Shungang	Mr Calvin Cheng
Co-Chairman	Co-Chairman
30 August 2018	30 August 2018

Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB (Unaudited)	2017 RMB (Unaudited)
Revenue	4	**48,644,976**	40,099,151
Cost of services		**(18,685,338)**	(15,103,564)
Gross profit		**29,959,638**	24,995,587
Other income	5	**2,339,859**	1,480,339
Selling and distribution expenses		**(2,763,101)**	(2,173,243)
Administrative expenses		**(8,860,815)**	(8,505,287)
Fair value gain on derivative financial instruments	18	**1,385,785**	-
Finance cost	6	**(1,696,919)**	-
Profit before income tax	7	**20,364,447**	15,797,396
Income tax expense	8	**(3,321,560)**	(4,460,792)
Profit and total comprehensive income for the period		**17,042,887**	11,336,604
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**17,390,147**	11,768,726
Non-controlling interests		**(347,260)**	(432,122)
		17,042,887	11,336,604
Earnings per share for profit attributable to the owners of the Company during the period			
Basic	10	**7.54 cents**	6.43 cents
Diluted	10	**7.13 cents**	6.43 cents

The notes on pages 12 to 33 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of financial position as at 30 June 2018

	Notes	As at 30 June 2018 RMB (Unaudited)	As at 31 December 2017 RMB (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Equipment		**242,992**	242,098
Intangible assets	11	**3,526,977**	2,987,421
Deferred tax assets		**213,701**	229,181
		3,983,670	3,458,700
Current assets			
Trade and other receivables	12	**47,252,721**	35,338,759
Contract assets	13	**22,728,789**	-
Amounts due from customers for contract works	13	**-**	15,862,639
Amounts due from non-controlling shareholders	14(a)	**4,970,785**	4,970,785
Amount due from a non-controlling shareholder of a subsidiary	14(b)	**-**	468,785
Amounts due from related companies	14(c)	**8,617,984**	15,736,667
Loan to a related company	15	**30,812,992**	13,621,090
Derivative financial instruments	18	**11,196,203**	19,758,568
Short term bank deposits	16	**110,272,830**	109,543,120
Cash and cash equivalents	16	**29,807,894**	50,061,852
		265,660,198	265,362,265
Current liabilities			
Trade and other payables	17	**9,117,332**	13,605,360
Contract liabilities	13	**2,533,996**	-
Amounts due to customers for contract works	13	**-**	10,042,901
Amount due to a non-controlling shareholder of a subsidiary	14(d)	**-**	393,865
Amounts due to related companies	14(e)	**13,073,184**	4,646,327
Derivative financial instruments	18	**13,487,642**	23,440,186
Income tax payable		**7,107,483**	9,808,126
		45,319,637	61,936,765
Net current assets		**220,340,561**	203,425,500
Total assets less current liabilities		**224,324,231**	206,884,200
Non-current liability			
Convertible note	18	**29,391,119**	28,591,365
Net assets		**194,933,112**	178,292,835

Condensed consolidated statement of financial position as at 30 June 2018 (Continued)

	Notes	**As at 30 June 2018 RMB (Unaudited)**	As at 31 December 2017 RMB (Audited)
EQUITY			
Share capital	19	**141,905,974**	141,905,974
Reserves		**(7,872,696)**	(7,872,696)
Retained profits		**62,814,121**	45,823,418
Equity attributable to owners of the Company		**196,847,399**	179,856,696
Non-controlling interests		**(1,914,287)**	(1,563,861)
Total equity		**194,933,112**	178,292,835

The notes on pages 12 to 33 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity
for the six months ended 30 June 2018

	Attributable to owners of the Company						
	Share capital RMB	*Merger reserve RMB	*Statutory reserve RMB	Retained profits RMB	Total RMB	Non-controlling interests RMB	Total equity RMB
At 1 January 2018 (audited)	**141,905,974**	**(11,122,696)**	**3,250,000**	**45,823,418**	**179,856,696**	**(1,563,861)**	**178,292,835**
Effect from adoption of HKFRS 9 (note 2.1(ii))**	-	-	-	(399,444)	(399,444)	(3,166)	(402,610)
Adjusted balance at 1 January 2018	**141,905,974**	**(11,122,696)**	**3,250,000**	**45,423,974**	**179,457,252**	**(1,567,027)**	**177,890,225**
Profit and total comprehensive income for the period (unaudited)	**-**	**-**	**-**	**17,390,147**	**17,390,147**	**(347,260)**	**17,042,887**
At 30 June 2018 (unaudited)	**141,905,974**	**(11,122,696)**	**3,250,000**	**62,814,121**	**196,847,399**	**(1,914,287)**	**194,933,112**

* These equity accounts comprise the reserves of RMB7,872,696 (31 December 2017 (audited): RMB7,872,696) in the condensed consolidated statement of financial position as at 30 June 2018.

** The initial application of HKFRS 9 has led to adjustments of retained profits and non-controlling interests of RMB399,444 and RMB3,166 respectively.

Condensed consolidated statement of changes in equity for the six months ended 30 June 2018 (Continued)

	Attributable to owners of the Company						
	Share capital RMB	Merger reserve RMB	Statutory reserve RMB	Retained profits RMB	Total RMB	Non-controlling interests RMB	Total equity RMB
At 1 January 2017 (audited)	**24,657,544**	**(11,122,696)**	**-**	**10,378,799**	**23,913,647**	**-**	**23,913,647**
Issuance of new shares in connection of the listing of the Company's shares	92,232,073	-	-	-	92,232,073	-	92,232,073
Share issuance expenses in connection of the listing of the Company's shares	(9,418,995)	-	-	-	(9,418,995)	-	(9,418,995)
Transactions with owners of the Company	**82,813,078**	**-**	**-**	**-**	**82,813,078**	**-**	**82,813,078**
Profit and total comprehensive income for the period (unaudited)	**-**	**-**	**-**	**11,768,726**	**11,768,726**	**(432,122)**	**11,336,604**
At 30 June 2017 (unaudited)	**107,470,622**	**(11,122,696)**	**-**	**22,147,525**	**118,495,451**	**(432,122)**	**118,063,329**

The notes on pages 12 to 33 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows for the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB	RMB
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(9,366,846)**	(11,030,245)
Cash flows from investing activities		
Purchase of equipment	**(48,276)**	-
Purchase of intangible assets	**(668,644)**	-
Loan to a related company	**(55,485,000)**	(5,329,800)
Repayment of loan to a related company	**39,478,899**	6,000,000
Increase in short term bank deposits	**(729,710)**	-
Interest received	**31,625**	-
Other investing activities	**(246,716)**	(1,972,190)
Net cash used in investing activities	**(17,667,822)**	(1,301,990)
Cash flows from financing activities		
Proceeds from issuance of new shares in connection with the listing of the Company's shares	**-**	88,798,749
Share issuance expenses	**-**	(5,803,341)
Payment of interests on convertible note	**(1,252,282)**	-
Other financing activities	**8,032,992**	7,096,009
Net cash generated from financing activities	**6,780,710**	90,091,417
Net (decrease)/increase in cash and cash equivalents	**(20,253,958)**	77,759,182
Cash and cash equivalents at beginning of the period	**50,061,852**	4,647,305
Cash and cash equivalents at end of the period	**29,807,894**	82,406,487

The notes on pages 12 to 33 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2018

1. GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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 1309, 13th Floor, Prince's Building, 10 Charter 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 and related services 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 unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") are for the six months ended 30 June 2018 and are represented in Renminbi ("RMB"), unless otherwise stated.

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Interim Financial Statements does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). Except as described in note 2, the basis of preparation and accounting policies adopted in preparing the Interim Financial Statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

1. GENERAL INFORMATION, BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (CONTINUED)

The financial information relating to the financial year ended 31 December 2017 that is included in the Interim Financial Statements for the six months ended 30 June 2018 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company will deliver the financial statements for the year ended 31 December 2017 to the Registrar of Companies in due course as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

2.1 New and amended HKFRSs adopted as at 1 January 2018

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's Interim Financial Statements for the annual period beginning on 1 January 2018. 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.

(i) 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 over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.1 New and amended HKFRSs adopted as at 1 January 2018 (Continued)

(i) HKFRS 15 "Revenue from Contracts with Customers" (Continued)

In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 January 2018):

	Carrying amount as at 1 January 2018 under HKAS 18 RMB	Reclassification RMB	Carrying amount as at 1 January 2018 under HKFRS 15 RMB
Current assets			
Amounts due from customers for contract works	**15,862,639**	(15,862,639)	-
Contract assets	**-**	15,862,639	15,862,639
Current liabilities			
Amounts due to customers for contract works	**10,042,901**	(10,042,901)	-
Contract liabilities	**-**	10,042,901	10,042,901

Management has reclassified amounts due from customers for contract works as contract assets and amounts due to customers for contract works as contract liabilities in the condensed consolidated statement of financial position.

The adoption of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of cash flows.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out in note 2.2(i).

(ii) HKFRS 9 "Financial instruments"

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.

When adopting HKFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained profits.

The adoption of HKFRS 9 has impacted the following areas:

- for trade receivables and contract assets, the Group applies simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.1 New and amended HKFRSs adopted as at 1 January 2018 (Continued)

(ii) HKFRS 9 "Financial instruments" (Continued)

	Impact of adopting HKFRS 9 on opening balance RMB
Recognition of expected credit losses under HKFRS 9 and impact on 1 January 2018	
- Retained profits	**(399,444)**
- Non-controlling interests	**(3,166)**
	(402,610)

The loss allowances for trade receivables and contract assets as at 31 December 2017 reconcile to the opening loss allowances as at 1 January 2018 as follows:

	Contract assets RMB	Trade receivables RMB
At 31 December 2017 – calculated under HKAS 39	**-**	**750,000**
Adoption of HKFRS 9	**79,313**	**323,297**
Opening loss allowance as at 1 January 2018 – calculated under HKFRS 9	**79,313**	**1,073,297**

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out in note 2.2(ii).

For those new or amended HKFRSs which are not yet effective and have not been early adopted by the Group, the Group is in the process of assessing their impact on the Group's results and financial position.

2.2 Significant accounting policies

The Interim Financial Statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2017, except for the effects of applying HKFRS 15 and HKFRS 9.

(i) Revenue recognition

Revenue arises mainly from the rendering of e-learning services, provision of referral and consultancy services, and licensing income from sales of e-learning content licenses.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(i) Revenue recognition (Continued)

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the condensed consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its condensed consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

<u>Rendering of e-learning services</u>
For e-learning contracts (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), the services represent a single performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the work completed to date.

Revenue for these performance obligations is recognised over time as the work is performed, using the cost-to-cost method to estimate progress towards completion. As costs are generally incurred uniformly as the work progresses and are considered to be proportionate to the Group's performance, the cost-to-cost method provides a faithful depiction of the transfer of goods and services to the customer.

<u>Commission and consultancy income</u>
The Group also provides referral and consultancy services to their customers. Revenue from referral and consultancy services are recognised when the relevant services have been provided and the Group received the payment or the right to receive payment has been established.

<u>Licensing income</u>
Revenue is recognised on a time proportion basis over the license period.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(ii) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss ("FVTPL")
- fair value through other comprehensive income ("FVOCI")

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for impairment of trade receivables and contract assets which is presented within administrative expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Subsequent measurement of financial assets (Continued)

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables, amounts due from non-controlling shareholders/a non-controlling shareholder of a subsidiary/related companies, loan to a related company, short term bank deposits and cash and cash equivalents fall into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model than "hold to collect" or "hold to collect and sell", and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets

HKFRS 9's new impairment requirements use more forward-looking information to recognise expected credit losses – the "expected credit loss" model. This replaces HKAS 39's "incurred loss model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, trade receivables and contract assets recognised and measured under HKFRS 15.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Group's financial assets fall into this category.

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Impairment of financial assets (Continued)

Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument.

As at 1 January 2018, the adoption of HKFRS 9 led to a decrease in trade receivables and contract assets of RMB323,297 and RMB79,313 respectively and a decrease in retained profits and non-controlling interests of RMB399,444 and RMB3,166 respectively.

Trade receivables

The Group makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses.

These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group allows 0.1% for amounts that are neither past due nor impaired, 0.5% for amounts that are 1 to 90 days past due, 2.5% for amounts that are between 91 and 180 days past due, 10% for amounts that are amounts that are between 181 and 365 days and $33^1/3$% for amounts more than 365 days past due.

Contract assets

The Group makes use of a simplified approach in accounting for contract assets and records the loss allowance as lifetime expected credit losses.

These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group allows 0.5% for amounts that are expected to be recovered within one year and $33^1/3$% for that is expected to be recovered more than one year.

Other receivables, amounts due from non-controlling shareholders/a non-controlling shareholder of a subsidiary/related companies and loan to a related company

These receivables are measured as either 12-month expected credit losses or life time expected credit loss depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The Group has concluded that the impact of expected credit loss on these financial assets is insignificant as at 1 January 2018.

2. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (Continued)

(ii) Financial instruments (Continued)

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under HKFRS 9 compared to HKAS 39, the Group's financial liabilities were not impacted by the adoption of HKFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include convertible note, trade and other payables, amounts due to related companies and a non-controlling shareholder of a subsidiary and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivative financial instruments, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in fair value of derivative financial instruments that are reported in profit or loss are included within finance costs and fair value change on derivative financial instruments respectively.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND SIGNIFICANT ACCOUNTING JUDGEMENT

The preparation of the Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2017, except for the newly applied HKFRS 9 as stated below.

Impairment of trade and other receivables

The Group estimates the amount of loss allowance for expected credit losses on trade and other receivables that are measured at amortised cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. As at 30 June 2018, the carrying amount of trade and other receivables was RMB47,252,721 (31 December 2017: RMB35,338,759). Details of movements of allowance for impairment of trade receivables are disclosed in note 12.

4. REVENUE AND SEGMENT INFORMATION

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.

For the six months ended 30 June 2018, revenue from rendering of services of RMB44,801,718 and revenue from referral and consultancy services and licensing income of RMB3,843,258 were recognised over time and at a point in time by the Group respectively.

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

	Six months ended 30 June	
	2018	2017
	RMB	RMB
	(Unaudited)	(Unaudited)
Rendering of services	**44,801,718**	33,908,507
Commission and licensing income	**3,759,296**	5,738,286
Consultancy income	**83,962**	452,358
	48,644,976	40,099,151

5. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB	RMB
	(Unaudited)	(Unaudited)
Interest income from loan to a related company (notes 15 and 21)	**1,185,801**	461,991
Bank interest	**714,651**	806
Government subsidy income*	**-**	100,000
Exchange gain	**-**	897,279
Sundry income	**439,407**	20,263
	2,339,859	1,480,339

* For the six months ended 30 June 2017, government subsidy income received by a subsidiary of the Company has recognised in profit or loss when received and no specific conditions have been required to fulfill.

6. FINANCE COST

	Six months ended 30 June	
	2018	2017
	RMB	RMB
	(Unaudited)	(Unaudited)
Interest on convertible note	**1,696,919**	-

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018	2017
	RMB	RMB
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**929,088**	-
Auditor's remuneration	**250,000**	200,000
Depreciation	**47,382**	21,054
Exchange loss/(gain)	**131,728**	(897,279)
Impairment loss on contract assets	**34,902**	-
Impairment loss on trade receivables	**618,744**	-
Reversal of impairment loss on trade receivables	**(750,000)**	-
Operating lease charges in respect of office premises	**314,216**	340,408
Other listing expenses	**-**	2,447,124
Staff and related costs (including directors' remuneration)	**13,891,096**	12,610,172

8. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2018	2017
	RMB	RMB
	(Unaudited)	(Unaudited)
Current tax		
- PRC Enterprise Income Tax	**3,306,080**	4,667,565
Deferred tax	**15,480**	(206,773)
	3,321,560	4,460,792

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 enterprise in November 2017 and the HNTE certificate is valid until October 2020.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. Hong Kong profits tax has not been provided for the six months ended 30 June 2018 and 2017 as the Group has no assessable profits for the period.

9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

10. EARNINGS PER SHARE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Earnings	**RMB**	RMB
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**17,390,147**	11,768,726
Effect of dilutive potential ordinary shares:		
- Interests on convertible note	**1,696,919**	-
Fair value gain on derivative financial instruments	**(1,385,785)**	-
Earnings for the purpose of diluted earnings per share	**17,701,281**	11,768,726
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**230,750,944**	182,962,785
Effect of dilutive potential ordinary shares:		
- Convertible note	**17,362,642**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**248,113,586**	182,962,785

11. INTANGIBLE ASSETS

During the six months ended 30 June 2018, additions to intangible assets by capitalisation in respect of development costs amounted to RMB1,468,644 (six months ended 30 June 2017: nil).

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 RMB (Unaudited)	As at 31 December 2017 RMB (Audited)
Trade receivables, gross	**39,525,115**	32,981,849
Less: allowance for impairment of trade receivables	**(942,041)**	(750,000)
Trade receivables, net	**38,583,074**	32,231,849
Interest receivable	**1,045,484**	362,458
Other receivables	**5,626,427**	813,041
Trade and other receivables as financial assets at amortised cost	**45,254,985**	33,407,348
Prepayments	**1,997,736**	1,931,411
	47,252,721	35,338,759

12. 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.

The Group generally allows a credit period 15 to 60 days to its trade customers. At the end of the reporting period, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at 30 June 2018 RMB (Unaudited)	As at 31 December 2017 RMB (Audited)
0 - 90 days	**15,331,115**	25,344,639
91 - 180 days	**4,532,000**	4,272,210
181 - 365 days	**19,662,000**	-
Over 365 days	**-**	3,365,000
	39,525,115	32,981,849
Less: allowance for impairment of trade receivables	**(942,041)**	(750,000)
	38,583,074	32,231,849

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amounts are remote, in which case the impairment losses are written off against trade receivables directly. The movement in the allowance for impairment of trade receivables is as follows:

	As at 30 June 2018 RMB (Unaudited)	As at 31 December 2017 RMB (Audited)
Balance at the beginning of the period/year	**750,000**	-
Adoption of HKFRS 9	**323,297**	-
Adjusted balance	**1,073,297**	-
Impairment loss recognised during the period/year	**618,744**	750,000
Reversal of impairment loss during the period/year (note)	**(750,000)**	-
Balance at the end of the period/year	**942,041**	750,000

Note: For the six months ended 30 June 2018, the amount was recovered from a third party customer.

13. CONTRACT ASSETS/(LIABILITIES) / AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	As at 30 June 2018 RMB (Unaudited)	As at 31 December 2017 RMB (Audited)
Contracts in progress at the end of the reporting period:		
Contract cost incurred plus recognised attributable profit or loss to date	**42,588,151**	55,207,598
Less: Progress billings	**(22,279,143)**	(49,387,860)
Less: Provision for impairment loss	**(114,215)**	-
	20,194,793	5,819,738
Recognised and included in the condensed consolidated statement of financial position:		
Contract assets, net of allowance for impairment	**22,728,789**	15,862,639
Contract liabilities	**(2,533,996)**	(10,042,901)
	20,194,793	5,819,738

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

The movement in the allowance for impairment of contract assets is as follows:

	As at 30 June 2018 RMB (Unaudited)	As at 31 December 2017 RMB (Audited)
Balance at the beginning of the period/year	**-**	-
Adoption of HKFRS 9	**79,313**	-
Adjusted balance	**79,313**	-
Impairment loss recognised during the period/year	**34,902**	-
Balance at the end of the period/year	**114,215**	-

14. 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

	As at 30 June 2018 RMB (Unaudited)	As at 31 December 2017 RMB (Audited)
Lumina Looque Knowledge Hubs Pte Ltd	**4,959,374**	4,959,374
Investorlink Securities Limited	**11,411**	11,411
	4,970,785	4,970,785

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

	As at 30 June 2018 RMB (Unaudited)	As at 31 December 2017 RMB (Audited)
Shanghai Xinpengcheng Information Technology Co., Ltd ("Xinpengcheng")	**-**	468,785

(c) Amounts due from related companies

	Maximum balance during the period RMB	**As at 30 June 2018 RMB (Unaudited)**	As at 31 December 2017 RMB (Audited)
Shanghai Retech Information Technology Co., Ltd ("Shanghai Retech IT") *	**12,734,710**	**4,713,315**	12,734,710
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 15) #	**3,911,879**	**3,904,669**	1,001,957
		8,617,984	15,736,667

* 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.

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

(c) Amounts due from related companies (Continued)

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.

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

	As at 30 June 2018 RMB (Unaudited)	As at 31 December 2017 RMB (Audited)
Xinpengcheng	**-**	393,865

(e) Amounts due to related companies

	As at 30 June 2018 RMB (Unaudited)	As at 31 December 2017 RMB (Audited)
Retech Enterprise Management	**1,629,113**	4,002,708
Shanghai Retech IT	**11,444,071**	643,619
	13,073,184	4,646,327

15. LOAN TO A RELATED COMPANY

	Maximum balance during the period RMB	**As at 30 June 2018 RMB (Unaudited)**	As at 31 December 2017 RMB (Audited)
Jiangsu Industry Park	**35,242,191**	**30,812,992**	13,621,090

The loan to a related company is denominated in RMB and is unsecured, interest-bearing at fixed rates of 8% (31 December 2017: 8%) per annum and wholly repayable within twelve months from the reporting date. As at 30 June 2018, the balance included interest receivable of RMB1,185,801 (notes 5 and 21). 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 14(c)) are fully recoverable and thus no impairment provision is considered necessary.

16. CASH AND CASH EQUIVALENTS AND SHORT TERM BANK DEPOSITS

		As at 30 June 2018 RMB (Unaudited)	As at 31 December 2017 RMB (Audited)
Cash at bank and in hand		**29,807,894**	50,061,852
Fixed bank deposit	(a)	**56,923,830**	56,194,120
Pledged bank deposit	(b)	**53,349,000**	53,349,000
Short term bank deposits		**110,272,830**	109,543,120
		140,080,724	159,604,972

(a) Fixed bank deposit earns 1.70% (31 December 2017: 1.70%) interest per annum and has an original maturity of one year.

(b) Pledged bank deposit earns 0.30% (31 December 2017: 1.65%) interest per annum and has an original maturity of six 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.

17. TRADE AND OTHER PAYABLES

	As at 30 June 2018 RMB (Unaudited)	As at 31 December 2017 RMB (Audited)
Trade payables	**1,721,110**	5,097,533
Accrued expenses	**1,408,110**	869,724
Other payables	**5,068,152**	5,440,778
Trade and other payables as financial liabilities at amortised cost	**8,197,372**	11,408,035
Receipts in advance	**200,000**	-
Provision of other tax liabilities	**719,960**	2,197,325
	9,117,332	13,605,360

18. CONVERTIBLE NOTE

Details of the terms of the convertible note are set out in the Group's annual report for the year ended 31 December 2017. Convertible note contains a liability component and the embedded derivatives (comprising the issuer's call option, and the holders' put option and conversion option), which are required to be accounted for separately. The movements of the convertible note for the period are set out below:

	As at 30 June 2018 RMB (Unaudited)	As at 31 December 2017 RMB (Audited)
Liability component		
Balance at the beginning of the period/ Fair value at inception	**28,591,365**	29,250,605
Issuing costs	**-**	(536,120)
Accrued effective interest charges	**1,696,919**	398,565
Interest paid	**(1,252,282)**	-
Exchange difference	**355,117**	(521,685)
Balance at the end of the period/year	**29,391,119**	28,591,365
Fair value of embedded derivative component in respect of the call option - financial assets		
Balance at the beginning of the period/ Fair value at inception	**(19,758,568)**	(13,207,029)
Change in fair value	**8,499,605**	(6,884,680)
Exchange difference	**62,760**	333,141
Balance at the end of the period/year	**(11,196,203)**	(19,758,568)
Fair value of embedded derivative component in respect of the put option and conversion option – financial liabilities		
Balance at the beginning of the period/ Fair value at inception	**23,440,186**	17,036,574
Change in fair value	**(9,885,390)**	6,806,082
Exchange difference	**(67,154)**	(402,470)
Balance at the end of the period/year	**13,487,642**	23,440,186

As at 30 June 2018, the fair value of the liability component is approximately RMB31,881,000 (31 December 2017: RMB29,196,000). The fair values of the liability component and embedded derivative components are based on a valuation performed by an independent professional valuer using Monte Carlo simulation model method and discounted cash flow method and are classified within Level 3 of the fair value hierarchy.

Details of the fair value measurements of the embedded derivative components are set out in note 22.

19. SHARE CAPITAL

	Notes	Number of shares	RMB
Issued and fully paid ordinary shares			
As at 1 January 2017 (audited)		180,000,000	24,657,544
Issue of shares in connection with the listing of the Company's shares	(a)	35,750,944	82,813,078
Issue of shares upon a placement by an institutional investor	(b)	15,000,000	34,435,352
As at 31 December 2017 and 1 January 2018 (audited) and 30 June 2018 (unaudited)		**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) 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.

(b) 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.

20. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the unaudited condensed consolidated interim 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:

		Six months ended 30 June	
Name of related parties	**Nature of transactions**	**2018 RMB (Unaudited)**	2017 RMB (Unaudited)
Related companies			
Shanghai Retech IT (note (a))	Services income recharged	**5,392,685**	24,233,514
	Administrative expenses recharged	**214,265**	827,846
	Cost of services recharged	**3,870,646**	-
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	**986,609**	-
Jiangsu Industry Park (note (d))	Interest income received	**1,185,801**	461,991

20. RELATED PARTY TRANSACTIONS (CONTINUED)

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 (the "Service Period") and from 1 July 2017 to 30 August 2026 (the "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 14(c) to the condensed consolidated interim 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 14(c) to the unaudited condensed consolidated interim financial statements

(d) The transaction was enacted with Jiangsu Industry Park of which relationship with the Company is described in note 14(c) to the unaudited condensed consolidated interim 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 as follows:

	Six months ended 30 June	
	2018	2017
	RMB	RMB
	(Unaudited)	(Unaudited)
Fees	**635,404**	701,694

21. SIGNIFICANT NON-CASH TRANSACTION

As disclosed in notes 5 and 15, the Group earned interest income from a related company of RMB1,185,801 which yet to be received as at 30 June 2018.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

Fair value hierarchy

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

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
As at 30 June 2018 (Unaudited)				
Financial assets				
Derivative financial instruments	**-**	**-**	**11,196,203**	**11,196,203**
Financial liabilities				
Derivative financial instruments	**-**	**-**	**(13,487,642)**	**(13,487,642)**
Net fair value	**-**	**-**	**(2,291,439)**	**(2,291,439)**
As at 31 December 2017 (Audited)				
Financial assets				
Derivative financial instruments	-	-	19,758,568	19,758,568
Financial liabilities				
Derivative financial instruments	-	-	(23,440,186)	(23,440,186)
Net fair value	-	-	(3,681,618)	(3,681,618)

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

There were no transfers between the levels of the fair value hierarchy during the six months ended 30 June 2018.

There were also no changes made to any of the valuation techniques applied as at 31 December 2017. The methods and valuation techniques used for the purpose of measuring fair values categorised in Level 3 are described below.

The fair values of the derivative financial instruments are based on a valuation performed by an independent professional valuer.

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 9.72% to 12.27% (31 December 2017: 12.06% to 12.27%)	The higher the discount rate, the lower the fair value, and vice versa.
		Volatility ranging from 102% to 144% (31 December 2017: 73% to 144%)	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 9.72% to 12.27% (31 December 2017: 12.06% to 12.27%)	The higher the discount rate, the lower the fair value, and vice versa.
		Volatility ranging from 102% to 144% (31 December 2017: 73% to 144%)	The higher of the volatility, the higher of 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 2017 and 1 January 2018 (audited)	**19,758,568**	**(23,440,186)**	**(3,681,618)**
Fair value (loss)/gain recognised in profit or loss	(8,499,605)	9,885,390	1,385,785
Exchange (loss)/gain recognised in profit or loss	(62,760)	67,154	4,394
At 30 June 2018 (unaudited)	**11,196,203**	**(13,487,642)**	**(2,291,439)**

Other than those disclosed in note 18, the Group considers the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated statement of financial position approximate to their fair values.

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 condensed consolidated interim financial statements and the notes thereto are in compliance with the Corporations Act 2001 and are in accordance with the Hong Kong Financial Reporting Standards as stated in note 1, and give a true and fair view of the condensed consolidated financial position of the Group as at 30 June 2018, and of its condensed consolidated performance for the period ended on that date; and

(b) There are reasonable grounds to believe that 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	Mr Calvin Cheng
Co-Chairman	Co-Chairman
30 August 2018	30 August 2018

Grant Thornton
致同

Auditor's Independence Declaration

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To the Board of Directors of Retech Technology Co., Limited

As the auditor of Retech Technology Co., Limited and in relation to the review for the six months ended 30 June 2018, 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

30 August 2018

Hong Kong

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Independent review report

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

Introduction

We have reviewed the condensed consolidated interim financial statements of Retech Technology Co., Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 6 to 33, which comprise the condensed consolidated statement of financial position as at 30 June 2018, and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended, and other explanatory notes.

The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Grant Thornton Hong Kong Ltd

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

30 August 2018

Chiu Wing Ning
Practising Certificate No.: P04920

Corporate Directory

Company – Hong Kong Registered Office & Headquarters

Retech Technology Co., Limited
Room 1309, 13th Floor, Prince's Building
10 Charter Road, Central
Hong Kong

Phone: +86 21 55666166

Company – PRC Office & Headquarters

Retech Technology Co., Limited
Level 18, Building 2, No.335,
Guoding Road,
Yangpu District, Shanghai.

Phone: +86 21 55666166

Board of Directors

Name	Position
Ai Shungang	Co-Chairman and Non-Executive Director
Calvin Cheng	Co-Chairman and Non-Executive Director
Liu Qing	Non-Executive Director
Ma Hok Wang	Non-Executive Director
Lu Jiuping	Non-Executive Director
Ross Benson	Non-Executive Director

Company Secretary

Jeffrey Mak Law Firm supported by Ms Lin Yan

Auditor

Grant Thornton Hong Kong Limited

Level 12, 28 Hennessy Road

Wanchai, Hong Kong

Share Registry

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Abbotsford, Victoria 3067

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