Retech Technology Co., Limited

ARBN 615 153 332

Appendix 4E

Preliminary final report for the year ended 31 December 2018

睿泰科技
RETECH TECHNOLOGY

Hong Kong Company Registration Number 2374379
Retech Technology Co., Limited / www.retech-rte.com

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About Retech Technology Co., Limited

Retech provides technology solutions and related services and builds E-Learning platforms and E-courseware for large companies, social organizations and training providers. With these solutions, Retech enables clients to deliver their offline training contents online through multiple channels, including the internet, mobile and social media platforms.

The preliminary final report covers the consolidated entity, consisting of Retech Technology Co., Limited ("Retech" or the "Company") and its subsidiaries (together "Retech Group" or the "Group"). The consolidated financial statements of the Group are presented in Renminbi ("RMB"), which is the Company's functional currency, unless otherwise stated.

The report is based on accounts which are in the process of being audited.

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

Reporting period	**1 January 2018 to 31 December 2018**
Previous period	1 January 2017 to 31 December 2017

2. **Results for announcement to the market**

Item	**Reporting period RMB**	**Previous period RMB**	**Changes %**
2.1 Revenue from ordinary activities	**130,501,401**	104,201,567	25%
2.2 Profit from ordinary activities after tax attributable to members	**49,233,148**	38,694,619	27%
2.3 Net profit for the period attributable to members	**49,233,148**	38,694,619	27%

2.4 Final dividends

No dividends have been paid nor are any dividends proposed to be paid during the reporting period.

2.5 Explanation of results

Revenue in 2018 was RMB130.5 million and increased by RMB26.3 million or 25% comparing to the result of 2017. Gross profit was RMB82.4 million and increased by RMB17.1 million or 26% comparing to the result of 2017. Net profit for the period attributable to members was RMB49.2 million and increased by RMB10.5 million or 27% compared with 2017.

3. **Consolidated statement of profit or loss and other comprehensive income**

Please refer to page 9.

4. **Consolidated statement of financial position**

Please refer to page 10.

5. **Consolidated statement of changes in equity**

Please refer to page 12.

6. **Consolidated statement of cash flows**

Please refer to page 14.

7. Notes to the consolidated financial statements

Please refer to Page 16.

8. Dividend

The Company has not declared any dividends during the reporting period.

9. Dividend reinvestment plan

The Company has no dividend reinvestment plan during the reporting period.

10. Net Tangible Assets ("NTA")

NTA as of 31 December 2018 RMB cents per share	NTA as of 31 December 2017 RMB cents per share
96.92 (based on 230,750,944 ordinary share in issue)	75.87 (based on 230,750,944 ordinary share in issue)

11. Details of entities over which control has been gained or lost during the period

Prosage Sustainability Development Limited is a subsidiary established by Retech Holdings Co., Ltd. in Hong Kong. Retech owns 90.00% interests in Prosage. Prosage is our vehicle to develop E-Learning business for Environmental, Social and Corporate Governance compliance ("ESG") training. In the future, Prosage will develop ESG online training platform for clients and its employees to learn concepts of ESG and facilitate their ESG reporting.

12. Details of associates and joint venture entities

Not applicable.

13. Other significant information

There are no other significant events or information not otherwise disclosed in these reports needed by an investor to make an informed assessment of the entity's financial performance and financial position.

14. Accounting standards

The reports have been prepared under Hong Kong Financial Reporting Standards ("HKFRSs").

15. Commentary on the results

Financial

The Company had great achievements considering its financial performance in 2018. Revenue in 2018 was RMB130.5 million and increased by RMB26.3 million or 25% comparing to the result of 2017. Gross profit was RMB82.4 million and increased by RMB17.1 million or 26% comparing to the result of 2017. Net profit for the period attributable to members was RMB49.2 million and increased by RMB10.5 million or 27% compared with 2017. Net profit for the period was RMB48.3 million and increased by RMB11.1 million or 30% comparing to the result of 2017.

15. Commentary on the results (Continued)

<u>Operational</u>

The growth during the year was the result of Retech's better business solution released to market and increased market penetration in some of focused industries of the Group in 2018. The internal management for cost and expenses has been improved as well. Highlights from operation activities are as follows:

- *Product*

  The Company has upgraded its E-Learning platform solution to Version 1.2 in 2018. The platform solution has now integrates the key functions and standard practice models in financial and Automobile industries. Thus, management expects this to strengthen the Group's product offerings to potential future clients and our position in the E-Learning market. In 2019, Reunet will continue developing our E-Learning SaaS platform, which will save our time and cost in customisation of projects for future clients.

- *Customers*

  The Company obtained more clients in its focused industries, which include financial, automobile and retail industries etc. Meanwhile, Retech Group has achieved further cooperation with the long-term key customers in its focused industries, such as Bank of China, Ping An, Mercedez-Benz, etc. We expect to continue focusing on these types of customers which expects to generate positive returns to the Group in the future.

- *ESG service line*

  Prosage is a subsidiary established by Retech Holdings Co., Ltd in Hong Kong. Retech owns 90% interests in Prosage. Prosage is our vehicle to develop E-Learning business for ESG compliance training platform which enable clients and its employees to learn concepts of ESG and facilitate their ESG reporting. We anticipate ESG service line to present new growth opportunities to the Group in the future.

- *Potential Acquisition*

  On 8 December 2018, Retech entered into a non-binding, conditional letter of intention to acquire the Victorian based XJS Coaching School. XJS Coaching School is a private Chinese training institution with 6 campuses located in Australia. It has great reputation in Chinese language training in Australia. Retech plans to cooperate with XJS Coaching School for Chinese language training business opportunities in Australia.

- *Management*

  Retech appointed Mr Kang Li and Ms Meng Xiaoshi as the Company's non-executive directors. Mr Kang Li was appointed as one of the second Australian resident non-executive director of the Board. Ms Meng Xiaoshi, joined the Board as a director and a representating of City Savvy Limited on 18 January 2019. They will both leverage off their experience and expertise to provide professional recommendations and bring new opportunities to Retech.

16. Statement as to the audit status

The report is based on accounts which are in the process of being audited. The Company expects that the audit, when completed, will result in an unqualified audit opinion.

Consolidated financial statements

Retech Technology Co., Limited

For the year ended 31 December 2018

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Expressed in Renminbi (“RMB”)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	Notes	2018 RMB (Unaudited)	2017 RMB
Revenue	5 & 6	**130,501,401**	104,201,567
Cost of services		**(48,092,222)**	(38,900,333)
Gross profit		**82,409,179**	65,301,234
Other income	7	**7,794,602**	4,581,916
Fair value gain on derivative financial instruments		**1,290,086**	78,598
Selling and distribution expenses		**(7,139,935)**	(5,703,989)
Administrative expenses		**(24,769,344)**	(18,774,161)
Finance cost	8	**(3,574,072)**	(398,565)
Profit before income tax	9	**56,010,516**	45,085,033
Income tax expense	11	**(7,743,984)**	(7,954,275)
Profit for the year		**48,266,532**	37,130,758
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(7,165)**	-
Total comprehensive income for the year		**48,259,367**	37,130,758
Profit for the year attributable to:			
Owners of the Company		**49,233,148**	38,694,619
Non-controlling interests		**(966,616)**	(1,563,861)
		48,266,532	37,130,758
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**49,226,700**	38,694,619
Non-controlling interests		**(967,333)**	(1,563,861)
		48,259,367	37,130,758
Earnings per share for profit attributable to the owners of the Company during the year			
Basic	12	**21.34 cents**	19.23 cents
Diluted	12	**20.76 cents**	19.22 cents

The notes on pages 16 to 63 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December 2018

	Notes	2018 RMB (Unaudited)	2017 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**695,531**	242,098
Intangible assets	14	**2,296,452**	2,987,421
Deferred tax assets	15	**203,458**	229,181
		3,195,441	3,458,700
Current assets			
Trade and other receivables	16	**30,756,577**	35,338,759
Contract assets	17	**19,044,518**	-
Amounts due from customers for contract works	17	**-**	15,862,639
Amounts due from non-controlling shareholders	18(a)	**11,411**	4,970,785
Amount due from a non-controlling shareholder of a subsidiary	18(b)	**-**	468,785
Amounts due from related companies	18(c)	**29,271,094**	15,736,667
Loan to a related company	19	**802,630**	13,621,090
Derivative financial instruments	20	**11,135,977**	19,758,568
Short term bank deposits		**112,486,040**	109,543,120
Cash and cash equivalents		**99,557,916**	50,061,852
		303,066,163	265,362,265
Current liabilities			
Trade and other payables	22	**19,155,013**	13,605,360
Contract liabilities	17	**4,721,383**	-
Amounts due to customers for contract works	17	**-**	10,042,901
Amount due to a non-controlling shareholder of a subsidiary	18(d)	**-**	393,865
Amounts due to related companies	18(e)	**6,174**	4,646,327
Derivative financial instruments	20	**13,617,235**	23,440,186
Income tax payable		**11,519,665**	9,808,126
		49,019,470	61,936,765
Net current assets		**254,046,693**	203,425,500
Total assets less current liabilities		**257,242,134**	206,884,200
Non-current liability			
Convertible note	23	**31,092,542**	28,591,365
Net assets		**226,149,592**	178,292,835

Consolidated statement of financial position as at 31 December 2018 (Continued)

	Notes	2018 RMB (Unaudited)	2017 RMB
EQUITY			
Share capital	24	**141,905,974**	141,905,974
Reserves	25	**(7,752,636)**	(7,872,696)
Retained profits		**94,530,614**	45,823,418
Equity attributable to owners of the Company		**228,683,952**	179,856,696
Non-controlling interests		**(2,534,360)**	(1,563,861)
Total equity		**226,149,592**	178,292,835

The notes on pages 16 to 63 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2018

	Attributable to owners of the Company							
	Share capital RMB	Merger reserve* RMB (note 25.1)	Statutory reserve* RMB (note 25.2)	Translation reserve* RMB (note 25.3)	Retained profits RMB	Total RMB	Non-controlling interests RMB	Total equity RMB
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2018	**141,905,974**	**(11,122,696)**	**3,250,000**	**-**	**45,823,418**	**179,856,696**	**(1,563,861)**	**178,292,835**
Adjustment from the adoption of HKFRS 9 (note 3.1(i)**)	-	-	-	-	(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**
Transfer to statutory reserve	-	-	126,508	-	(126,508)	-	-	-
Transactions with owners	**-**	**-**	**126,508**	**-**	**(126,508)**	**-**	**-**	**-**
Profit for the year	-	-	-	-	49,233,148	49,233,148	(966,616)	48,266,532
Other comprehensive income:								
Exchange loss on translation of foreign operations recognised	-	-	-	(6,448)	-	(6,448)	(717)	(7,165)
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**(6,448)**	**49,233,148**	**49,226,700**	**(967,333)**	**48,259,367**
At 31 December 2018	**141,905,974**	**(11,122,696)**	**3,376,508**	**(6,448)**	**94,530,614**	**228,683,952**	**(2,534,360)**	**226,149,592**

* These equity accounts comprise the reserves of RMB7,752,636 (2017: RMB7,872,696) in the consolidated statement of financial position as at 31 December 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.

Consolidated statement of changes in equity for the year ended 31 December 2018 (Continued)

	Attributable to owners of the Company							
	Share capital RMB	Merger reserve RMB (note 25.1)	Statutory reserve RMB (note 25.2)	Translation reserve RMB (note 25.3)	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
Issuance of new shares:								
- In connection with the listing of the Company's shares (note 24(a))	92,232,073	-	-	-	-	92,232,073	-	92,232,073
- A placement by an institutional investor (note 24(b))	35,088,077	-	-	-	-	35,088,077	-	35,088,077
Share issuance expenses:								
- In connection with the listing of the Company's shares (note 24(a))	(9,418,995)	-	-	-	-	(9,418,995)	-	(9,418,995)
- A placement by an institutional investor (note 24(b))	(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

The notes on pages 16 to 63 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2018

	2018 RMB (Unaudited)	2017 RMB
Cash flows from operating activities		
Profit before income tax	**56,010,516**	45,085,033
Adjustments for:		
Depreciation of property, plant and equipment	**105,705**	46,627
Amortisation of intangible assets	**2,159,613**	597,485
Expected credit loss/Loss allowance on:		
- trade receivables	**187,387**	750,000
- contract assets	**16,388**	-
- amount due from a non-controlling shareholder	**4,959,374**	-
Interest income	**(5,510,287)**	(1,499,845)
Interest expense	**3,574,072**	398,565
Fair value gain on derivative financial instruments	**(1,290,086)**	(78,598)
Exchange loss/(gain)	**1,647,126**	(591,014)
Operating profit before working capital changes	**61,859,808**	44,708,253
Decrease/(Increase) in trade and other receivables	**4,724,574**	(29,990,808)
Increase in amount due from a related company	**(10,531,656)**	-
Increase in contract assets	**(3,277,580)**	-
Increase in amounts due from customers for contract works	**-**	(10,270,926)
Increase in trade and other payables	**4,749,653**	4,510,450
Decrease in contract liabilities	**(5,321,518)**	-
Increase in amounts due to customers for contract works	**-**	8,855,530
Cash generated from operations	**52,203,281**	17,812,499
Income tax paid	**(6,006,722)**	(4,626,120)
Net cash generated from operating activities	**46,196,559**	13,186,379
Cash flows from investing activities		
Purchase of property, plant and equipment	**(559,138)**	(166,275)
Purchase of intangible assets	**(668,644)**	(3,584,906)
Loan to a related company	**(117,136,562)**	(14,290,881)
Repayment of loan to a related company	**129,955,022**	12,696,142
Increase in amounts due from non-controlling shareholders	**-**	(2,357,848)
Decrease in amount due from a non-controlling shareholder of a subsidiary	**468,785**	-
Increase in amount due from a non-controlling shareholder of a subsidiary	**-**	(468,785)
Increase in amounts due from related companies	**(3,002,771)**	(5,732,816)
Increase in short term bank deposits	**(2,942,920)**	(109,543,120)
Interest received	**4,857,211**	147,572
Net cash generated from/(used in) investing activities	**10,970,983**	(123,300,917)

Consolidated statement of cash flows for the year ended 31 December 2018 (Continued)

	2018 RMB (Unaudited)	2017 RMB
Cash flows from financing activities		
Proceeds from issue of shares	**-**	127,320,150
Proceeds from issue of convertible note	**-**	32,544,030
Payment of interests on convertible note	**(2,630,295)**	-
Share issuance expenses	**-**	(7,884,607)
Increase in amount due to a non-controlling shareholder of a subsidiary	**-**	393,865
Decrease in amount due to a non-controlling shareholder of a subsidiary	**(393,865)**	-
Increase in amounts due to related companies	**-**	3,155,647
Decrease in amounts due to related companies	**(4,640,153)**	-
Net cash (used in)/ from financing activities	**(7,664,313)**	155,529,085
Net increase in cash and cash equivalents	**49,503,229**	45,414,547
Effect of foreign exchange rate changes	**(7,165)**	-
Cash and cash equivalents at beginning of the year	**50,061,852**	4,647,305
Cash and cash equivalents at end of the year	**99,557,916**	50,061,852

The notes on pages 16 to 63 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2018

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 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 principal activities of the subsidiaries are disclosed in note 21 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").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated 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.

Non-statutory financial statements

The unaudited consolidated financial statements relating to the year ended 31 December 2018 included in this preliminary final report are not the Company's statutory annual consolidated financial statements for that year. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the HKCO is as follows:

The Company will deliver these financial statements to the Registrar of Companies in due course as required by section 662(3) of, and Part 3 of Schedule 6 to, the HKCO.

The Company's auditor has yet to report on these financial statements.

2.2 Basis of consolidation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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

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

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 29, 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 (i.e. only translated using the exchange rates at the transaction date).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency translation (Continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB.

Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into the RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly.

Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

2.4 Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are initially recognised at acquisition cost, including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. They are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Construction in progress is stated at cost less impairment losses (if any). Cost includes all construction expenditure and other direct costs attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of assets under construction until it is completed and available for use.

Depreciation on property, plant and 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	$33^1/_3$%

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.5 Intangible assets and research and development activities

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
Capitalised software development	2 years

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

Intangible assets with finite useful lives are tested for impairment as described below in note 2.6.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;
(ii) there is intention to complete the intangible asset and use or sell it;
(iii) the Group's ability to use or sell the intangible asset is demonstrated;
(iv) the intangible asset will generate probable economic benefits through internal use or sale;
(v) sufficient technical, financial and other resources are available for completion; and
(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets (other than contract assets)

Property, plant and equipment and intangible assets are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash generating units are charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 Financial instruments

Policy applicable from 1 January 2018

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Policy applicable from 1 January 2018 (Continued)

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, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets are classified into the following categories:
- amortised cost;
- FVTPL; or
- 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 expected credit losses ("ECL") of trade receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

Debt investments

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.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables, amounts due from related parties (including non-controlling shareholders, a non-controlling shareholder of a subsidiary and related companies), loan to a related company, short term bank deposits and cash and cash equivalents fall into this category of financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Policy applicable from 1 January 2018 (Continued)

Subsequent measurement of financial assets (Continued)

Debt investments (Continued)

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, 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, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under HKFRS 9 apply.

Classification and measurement of 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), derivative financial instruments and convertible note.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, 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 an instrument's fair value that are reported in profit or loss are included within finance costs or fair value gain on derivative financial instruments.

Trade and other payables and amounts due to related parties

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

Convertible note

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Classification and measurement of financial liabilities (Continued)

Convertible note (Continued)

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.

Derivative financial instruments

Details of accounting policy of derivative financial instruments are set out in note 2.9.

2.8 Impairment of financial assets and contract assets

Policy applicable from 1 January 2018

HKFRS 9's new impairment requirements use more forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and contract assets recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, 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.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of financial assets and contract assets (Continued)

Policy applicable from 1 January 2018 (Continued)

Trade receivables and contract assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables, 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.

For contract assets relate to unbilled work in progress, 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 financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of financial assets and contract assets (Continued)

Policy applicable from 1 January 2018 (continued)

Other financial assets measured at amortised cost (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in in the full consolidated financial statements of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of financial assets and contract assets (Continued)

Policy applicable before 1 January 2018

At each reporting date, financial assets other than at FVTPL 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.

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

Financial assets carried at amortised cost

The amount of the impairment 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 the carrying amount of the financial asset at the date of impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

2.9 Derivative financial instruments

Derivative financial instruments are recognised at fair value at the end of each reporting period with gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedged accounting under HKFRS 9.

2.10 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.16) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.8 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.7).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.16). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.7).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2.12 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)

2.13 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 profit or loss 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.

2.14 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.

2.15 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)

2.16 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.

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.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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.

<u>Rendering of e-learning services</u>

Policy applicable from 1 January 2018

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.

Policy applicable before 1 January 2018

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition (Continued)

Policy applicable before 1 January 2018

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.

Commission and consultancy income

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.

Licensing income

Revenue is recognised on a time proportion basis over the license period.

Interest income

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

2.17 Employee benefits

Retirement benefits

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

The employees of the Group who operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute portion of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Taxation (Continued)

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences

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 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.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 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 consolidated financial statements for the annual period beginning on 1 January 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

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 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 "ECL model" for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1 January 2018 in accordance with the transitional requirement and also 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.

There have been no changes to the classification or measurement of financial assets and financial liabilities as a result of the application of HKFRS 9.

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including trade and other receivables, amounts due from non-controlling shareholders/non-controlling shareholder of a subsidiary/related companies, loan to a related company, short term bank deposits and cash and cash equivalents); and
- contract assets as defined in HKFRS 15.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018 (Continued)

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

For contract assets arising from HKFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime ECL as these items do not have a significant financing component. For other financial assets, the Group applies a general approach of recognising ECL.

Upon the adoption of HKFRS 9, the Group recognised additional ECL on the Group's trade receivables and contract assets of RMB323,297 and RMB79,313, respectively, which resulted in a decrease in retained profits and non-controlling interests of RMB399,444 and RMB3,166, respectively, as at 1 January 2018.

The following table reconciles the provision of impairment determined in accordance with HKAS 39 as at 31 December 2017 with the opening ECL determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB
Provision of impairment at 31 December 2017 under HKAS 39	**750,000**
Additional ECL recognised at 1 January 2018 on:	
- Trade receivables	**323,297**
- Contract assets recognised on adoption of HKFRS 15	**79,313**
ECL at 1 January 2018 under HKFRS 9	**1,152,610**

The details of new significant accounting policies are set out in notes 2.7 and 2.8.

HKFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to HKFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "HKFRS 15") replace HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018 (Continued)

(ii) HKFRS 15 "Revenue from Contracts with Customers"

In accordance with the transition guidance under HKFRS 15, the Group has only been applied to contracts that are incomplete as at 1 January 2018.

Summary of nature and effect of the changes on previous accounting policies are set out below:

i. Timing of revenue recognition

Previously, revenue arising from rendering of services was recognised over time, whereas revenue from provision of referral and consultancy services and licensing income from sale of e-learning content licenses were generally recognised at a point in time when the services are rendered and on a time proportion basis over the license period.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

a. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
b. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or
c. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from rendering of services.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018 (Continued)

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

ii. Presentation of contract assets and liabilities

Previously, contract balances relating to contracts in progress were presented in the consolidated statement of financial position under "amounts due from customers for contract works" or "amounts due to customers for contract works" respectively.

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 2.16) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

At the date of initial application of HKFRS 15, unbilled revenue of HK$15,862,639 arising from some of contracts are conditional and hence such balance was reclassified from amounts due from customers for contract works to contract assets. Besides, advances from customers of HK$10,042,901 in respect of e-learning contracts previously included in amounts due to customers for contract works were reclassified to contract liabilities for HK$10,042,901.

iii. Accounting for warranties

As set out in note 2.16, the Group are required to determine whether the warranties under e-learning contracts are assurance-type warranties or service-type warranties under HKFRS 15. No significant impact on the consolidated financial statements as at date of initial application as all of the warranties included in the contracts are considered as assurance-type warranties, which are consistent with their previous accounting treatment.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018 (Continued)

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

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amount under HKAS 18 at 31 December 2017 RMB	Reclassification RMB	Carrying amount under HKFRS 15 at 1 January 2018 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

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 RMB	Hypothetical amounts under HKASs 18 and 11 RMB	Difference: Estimated impact of adoption of HKFRS 15 on 2018 RMB
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:			
Amounts due from customers for contract works	-	19,044,518	(19,044,518)
Contract assets	19,044,518	-	19,044,518
Total current assets	**19,044,518**	**19,044,518**	**-**
Amounts due to customers for contract works	-	4,721,383	4,721,383
Contract liabilities	4,721,383	-	4,721,383
Total current liabilities	**4,721,383**	**4,721,383**	**-**
Net current assets	**14,323,135**	**14,323,135**	**-**
Total assets less current liabilities	**14,323,135**	**14,323,135**	**-**
Net assets	**14,323,135**	**14,323,135**	**-**

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

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 16	Leases[1]
HKFRS 17	Insurance Contract[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
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 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[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. 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 16 "Leases"</u>

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

As disclosed in note 2.13, 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.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.2 Issued but not yet effective HKFRSs (Continued)

HKFRS 16 "Leases" (Continued)

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 lease liability and 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.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of office premises 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 and other comprehensive income over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. Accordingly, the Group's rental contracts disclosed in note 28.1, which will expire after 4 years, will continue to be accounted for as a lease arrangement.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 January 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As disclosed in note 28.1, as at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB7,442,233 for office premises, the majority of which is payable between 1 to 5 years after the reporting date.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.2 Issued but not yet effective HKFRSs (Continued)

HKFRS 16 "Leases" (Continued)

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statement from 2019 onwards.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

Amendments to HKAS 1 and HKAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the Group's consolidated financial statements.

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.

Income taxes

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

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management’s assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. As at 31 December 2018, the carrying amount of the Group’s deferred tax assets was RMB203,458 (2017: RMB229,181).

Estimation of impairment of trade and other receivables, contract assets and other financial assets within the scope of ECL upon application of HKFRS 9

Since the initial adoption of HKFRS 9, the Group makes allowances on items subjects to ECL (including trade and other receivables, contract assets and other financial assets) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.8. As at 31 December 2018, the aggregate carrying amounts of trade and other receivables, contract assets and other financial assets amounted to RMB29,344,239 (net of ECL allowance of RMB1,260,684), RMB19,044,518 (net of ECL allowance of RMB95,701) and RMB242,129,091 (net of ECL allowance of RMB4,959,374) respectively.

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

Key sources of estimation uncertainty (Continued)

Estimation of impairment of trade and other receivables, contract assets and other financial assets within the scope of ECL upon application of HKFRS 9 (Continued)

Before the adoption of HKFRS 9, the Group assesses at the end of each reporting period whether there is any objective evidence that trade and other receivables and other financial assets are impaired. In determining whether there is objective evidence of impairment, the Group takes into consideration the ageing status and the likelihood of collection by reference to the background and repayment history of the debtors and the occurrence of any default or disputes. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on factors such as repayment plans committed by debtors and subsequent collections. An impairment loss is made for trade receivables of which the present values of future cash flows are less than their carrying amount. As at 31 December 2017, the aggregate carrying amount of trade and other receivables and other financial assets amounted to RMB33,407,348 (net of loss allowance of RMB750,000) and RMB194,402,299, respectively.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL upon application of HKFRS 9/other financial instruments before application of HKFRS 9 and credit losses in the periods in which such estimate has been changed.

Fair value of derivative financial instruments

As described in note 23 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 2018, the net fair value of derivative financial instruments is approximately RMB2,481,000 (2017: RMB3,682,000).

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 the consolidated financial statements.

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

	2018 RMB (Unaudited)	2017 RMB
Rendering of services	**126,398,197**	87,985,221
Commission and licensing income	**3,759,296**	14,979,740
Consultancy income	**343,908**	1,236,606
	130,501,401	104,201,567

6. SEGMENT REPORTING

In the current year, 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.

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. Accordingly, no analysis by geographical segment is provided.

7. OTHER INCOME

	2018 RMB (Unaudited)	2017 RMB
Interest income from loan to a related company	**3,278,877**	989,815
Bank interests	**2,231,410**	510,030
Government subsidy income *	**1,024,870**	425,145
Sundry income	**456,237**	15,117
Exchange gain	**803,208**	2,641,809
	7,794,602	4,581,916

* 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

	2018 RMB (Unaudited)	2017 RMB
Interest on convertible note (note 23)	**3,574,072**	398,565

9. PROFIT BEFORE INCOME TAX

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

	2018 RMB (Unaudited)	2017 RMB
Auditor's remuneration	**1,050,000**	1,050,000
Depreciation	**105,705**	46,627
Amortisation of intangible assets	**2,159,613**	597,485
ECL/Loss allowance on:		
- Trade receivables	**187,387**	750,000
- Contract assets	**16,388**	-
- Amount due from a non-controlling shareholder	**4,959,374**	-
Operating lease charges in respect of office premises	**834,135**	671,830
Other listing expenses	**-**	2,447,124
Exchange gain	**(803,208)**	(2,641,809)
Staff and related costs (including directors' remuneration)	**25,331,543**	26,879,208

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:

	2018 RMB (Unaudited)	2017 RMB
Directors' emoluments for services as directors of the Company and its subsidiary undertakings		
- Fees	**1,216,770**	1,430,906
Other emoluments in connection with the management of the affairs of the Company and its subsidiary undertakings	**-**	-
	1,216,770	1,430,906

11. INCOME TAX EXPENSE

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

	2018 RMB (Unaudited)	2017 RMB
Current tax – PRC		
- Current year	**9,200,369**	7,819,516
- Overprovision in respect of prior years	**(1,482,108)**	-
	7,718,261	7,819,516
Deferred tax (note 15)	**25,723**	134,759
	7,743,984	7,954,275

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 Company was qualified as a HNTE in November 2017 and the HNTE certificate is valid until November 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 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of entities 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 years ended 31 December 2018 and 2017 as the Group has no assessable profits for the years.

12. EARNINGS PER SHARE

	2018 RMB (Unaudited)	2017 RMB
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**49,233,148**	38,694,619
Effect of dilutive potential ordinary shares:		
- Interest on convertible note	**3,574,072**	398,565
Fair value gain on derivative financial instruments	**(1,290,086)**	(78,598)
Earnings for the purpose of diluted earnings per share	**51,517,134**	39,014,586
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**230,750,944**	201,176,542
Effect of dilutive potential ordinary shares:		
- Convertible note	**17,362,642**	1,837,988
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**248,113,586**	203,014,530

13. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment RMB	Construction in progress RMB	Total RMB
Cost			
At 1 January 2017	132,978	-	132,978
Additions	166,275	-	166,275
At 31 December 2017 and 1 January 2018	299,253	-	299,253
Additions	224,033	335,105	559,138
At 31 December 2018	**523,286**	**335,105**	**858,391**
Accumulated depreciation			
At 1 January 2017	10,528	-	10,528
Charge for the year	46,627	-	46,627
At 31 December 2017 and 1 January 2018	57,155	-	57,155
Charge for the year	105,705	-	105,705
At 31 December 2018	**162,860**	**-**	**162,860**
Net carrying amount			
At 31 December 2018	**360,426**	**335,105**	**695,531**
At 31 December 2017	242,098	-	242,098

14. INTANGIBLE ASSETS

	Content distribution rights RMB	Capitalised software development RMB	Total RMB
Cost			
At 1 January 2017	-	-	-
Additions	3,584,906	-	3,584,906
At 31 December 2017 and 1 January 2018	3,584,906	-	3,584,906
Additions	-	1,468,644	1,468,644
At 31 December 2018	**3,584,906**	**1,468,644**	**5,053,550**
Accumulated amortisation			
At 1 January 2017	-	-	-
Charge for the year	597,485	-	597,485
At 31 December 2017 and 1 January 2018	597,485	-	597,485
Charge for the year	1,792,452	367,161	2,159,613
At 31 December 2018	**2,389,937**	**367,161**	**2,757,098**
Net carrying amount			
At 31 December 2018	**1,194,969**	**1,101,483**	**2,296,452**
At 31 December 2017	2,987,421	-	2,987,421

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:

	2018 RMB (Unaudited)	2017 RMB
At 1 January	**229,181**	363,940
Charged to profit or loss for the year (note11)	**(25,723)**	(134,759)
At 31 December	**203,458**	229,181

Deferred tax assets

	Temporary differences on accruals RMB	Allowance for doubtful debts RMB	Total RMB
At 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 and 1 January 2018	116,681	112,500	229,181
(Charged)/Credited to profit or loss for the year	(116,681)	90,958	(25,723)
At 31 December 2018	**-**	**203,458**	**203,458**

16. TRADE AND OTHER RECEIVABLES

	2018 RMB (Unaudited)	2017 RMB
Trade receivables, gross	**28,035,771**	32,981,849
Less: ECL allowance/loss allowance	**(1,260,684)**	(750,000)
Trade receivables, net	**26,775,087**	32,231,849
Interest receivable	**1,015,534**	362,458
Other receivables and deposits paid	**1,553,618**	813,041
Financial assets at amortised cost/Loan and receivables	**29,344,239**	33,407,348
Prepayments	**1,412,338**	1,931,411
	30,756,577	35,338,759

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.

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

17.1 Contract assets

	2018 RMB (Unaudited)	2017 RMB
Contract assets arising from unbilled revenue of e-learning contracts	**19,140,219**	-
Less: ECL allowance	**(95,701)**	-
	19,044,518	-

The Group has initially applied HKFRS 9 and HKFRS 15 using the cumulative effect transition method and adjusted the opening balances as at 1 January 2018.

Upon the adoption of HKFRS 15, amounts previously included under "Amounts due from customers for contract work" were reclassified to contract assets.

17.2 Contract liabilities

	2018 RMB (Unaudited)	2017 RMB
Contract liabilities arising from e-learning contracts from billings in advance of performance	**4,721,383**	-

The Group has initially applied HKFRS 9 and HKFRS 15 using the cumulative effect transition method and adjusted the opening balances as at 1 January 2018.

Upon the adoption of HKFRS 15, amounts previously included under "Amounts due to customers for contract work" were reclassified to contract liabilities.

At 31 December 2018, all contract liabilities were expected to be settled within one year.

Movements in contract liabilities are as follows:

	2018 RMB (Unaudited)
Balance at 1 January (upon adoption of HKFRS 15)	**10,042,901**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(10,042,901)**
Increase in contract liabilities as a result of billing in advance of performance	**4,721,383**
Balance at 31 December	**4,721,383**

17. CONTRACT ASSETS AND LIABILITIES/AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS (CONTINUED)

17.3 Amounts due from/(to) customers for contract works

	2018 RMB (Unaudited)	2017 RMB
Contracts in progress at the end of the reporting period:		
Contract cost incurred plus recognised attributable profit or loss to date	**-**	55,207,598
Less: Progress billings	**-**	(49,387,860)
	-	5,819,738
Recognised and included in the consolidated statement of financial position:		
Amounts due from customers for contract works	**-**	15,862,639
Amounts due to customers for contract works	**-**	(10,042,901)
	-	5,819,738

All amounts due from customers for contract works are 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

	2018 RMB (Unaudited)	2017 RMB
Lumina Looque Knowledge Hubs Pte Ltd (“Lumina”)	**4,959,374**	4,959,374
Less: ECL allowance	**(4,959,374)**	-
	-	4,959,374
Investorlink Securities Limited	**11,411**	11,411
	11,411	4,970,785

The movement in the ECL allowance (2017: loss allowance) of the amount due from Lumina is as follows:

	2018 RMB (Unaudited)	2017 RMB
Balance at the beginning of the year	**-**	-
ECL allowance recognised during the year	**4,959,374**	-
Balance at the end of the year	**4,959,374**	-

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

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

	2018 RMB (Unaudited)	2017 RMB
Shanghai Xinpengcheng Information Technology Co., Ltd ("Xinpengcheng")	**-**	468,785

(c) Amounts due from related companies

	Maximum balance during the year RMB (Unaudited)	**2018 RMB (Unaudited)**	2017 RMB
Shanghai Retech Information Technology Co., Ltd ("Shanghai Retech IT") *	**29,271,094**	**29,271,094**	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") #	**1,001,957**	**-**	1,001,957
		29,271,094	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.

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 related companies and loan to a related company (note 19) are fully recoverable and thus no ECL allowance (2017: loss allowance) is considered necessary.

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

	2018 RMB (Unaudited)	2017 RMB
Xinpengcheng	**-**	393,865

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

(e) Amounts due to related companies

	2018 RMB (Unaudited)	2017 RMB
Jiangsu Yunmei Digital Technology Co., Ltd. (“Jiangsu Yunmei”)*	**5,974**	-
Retech Enterprise Management	**-**	4,002,708
Shanghai Retech IT	**200**	643,619
	6,174	4,646,327

* 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 Jiangsu Yunmei.

19. LOAN TO A RELATED COMPANY

	Maximum balance during the year RMB (Unaudited)	2018 RMB (Unaudited)	2017 RMB
Jiangsu Industry Park	**62,801,295**	**802,630**	13,621,090

The loan to a related company is denominated in RMB and is unsecured, interest-bearing at fixed rates of 8% (2017: 8%) per annum and wholly repayable within twelve months from the reporting date. The carrying amount of the loan approximates its fair value.

20. DERIVATIVE FINANCIAL INSTRUMENTS

Management considers the convertible note (note 23) issued on 20 November 2017 as hybrid instruments with main debt contract and embedded derivatives options. As set out in note 23, 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 and therefore designated them as derivatives financial instruments in current assets and current liabilities measured at fair value through profit or loss.

21. INTERESTS IN SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2018 and 2017 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				Principal activities
				2018		2017		
				Direct	Indirect	Direct	Indirect	
Retech Holdings Co., Limited ("Retech Holdings")	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	RMB6,500,000	**-**	**100%**	-	100%	E-learning solutions and consultancy services
Shanghai Ruijian Information Technology Co., Ltd("Ruijian")	PRC	Limited liability company	RMB26,000,000	**-**	**100%**	-	100%	Provision of software licensing services
Shanghai Ruipengcheng Technology Co., Ltd ("Ruipengcheng")	PRC	Limited liability company	RMB28,000	**-**	**62.50%**	**-**	62.50%	E-learning solutions and consultancy services
Shanghai Reunet Technology Network Co., Ltd ("Reunet")	PRC	Limited liability company	-	**-**	**60.02%**	-	60.02%	Provision of e-learning service
Prosage Sustainability Development Limited ("Prosage")	Hong Kong	Limited liability company	-	**-**	**90.00%**	NA	NA	Provision of ESG related e-learning solutions and consultancy services

21. INTERESTS IN SUBSIDIARIES (CONTINUED)

The Group includes two subsidiaries (2017: one subsidiary) with material non-controlling interests ("NCI"), the details and the summarised financial information before intra-group eliminations, are as follows:

	Ruipengcheng 2018 RMB (Unaudited)	Ruipengcheng 2017 RMB	**Ruenet 2018 RMB (Unaudited)**	Ruenet 2017 RMB
Proportion of ownership interests and voting rights held by the NCI	**37.50%**	37.50%	**39.98%**	39.98%
Current assets	**5,963,954**	3,300,403	**1,273,799**	-
Non-current assets	**71,170**	92,797	**1,101,483**	-
Current liabilities	**(9,703,744)**	(7,457,134)	**(4,733,890)**	(99,765)
Net liabilities	**(3,668,620)**	(4,063,934)	**(2,358,608)**	(99,765)
Carrying amount of NCI	**(1,386,233)**	(1,523,975)	**(942,971)**	(39,886)
Revenue	**8,765,577**	2,466,799	**943,396**	-
Total expenses	**(8,389,819)**	(6,530,733)	**(3,202,239)**	(99,765)
Profit/(Loss) and total comprehensive income/(expense) for the year	**375,758**	(4,063,934)	**(2,258,843)**	(99,765)
Profit/(Loss) and total comprehensive income/(expense) for the year attributable to NCI	**140,909**	(1,523,975)	**(903,085)**	(39,886)
Net cash (used in)/ from operating activities	**(2,877)**	(3,090,156)	**250,247**	-
Net cash flows generated from financing activities	**-**	3,537,791	**-**	-
Net (decrease)/increase in cash and cash equivalents	**(2,877)**	447,635	**250,247**	-

22. TRADE AND OTHER PAYABLES

	2018 RMB (Unaudited)	2017 RMB
Trade payables	**4,974,516**	5,097,533
Accrued expenses	**2,841,722**	869,724
Other payables	**8,057,626**	5,440,778
Trade and other payables as financial liabilities at amortised cost	**15,873,864**	11,408,035
Provision of other tax liabilities	**3,040,349**	2,197,325
Deferred rent	**240,800**	-
	19,155,013	13,605,360

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 and other payables are considered to be a reasonable approximation of their fair values.

23. CONVERTIBLE NOTE

	2018 RMB (Unaudited)	2017 RMB
Convertible note maturing on 2021	**31,092,542**	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 Holders' Conversion Option.

23. CONVERTIBLE NOTE (CONTINUED)

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 Holders' 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.

	2018 RMB (Unaudited)	2017 RMB
Liability component		
Balance at the beginning of the year/ Fair value at inception	**28,591,365**	29,250,605
Issuing costs	**-**	(536,120)
Accrued effective interest charges (note 8)	**3,574,072**	398,565
Interest paid	**(2,630,295)**	-
Exchange differences	**1,557,400**	(521,685)
Balance at the end of the year	**31,092,542**	28,591,365
Fair value of embedded derivative component in respect of the call option - financial assets		
Balance at the beginning of the year/ Fair value at inception	**(19,758,568)**	(13,207,029)
Changes in fair value	**9,016,260**	(6,884,680)
Exchange differences	**(393,669)**	333,141
Balance at the end of the year	**(11,135,977)**	(19,758,568)
Fair value of embedded derivative component in respect of the conversion and put option - financial liabilities		
Balance at the beginning of the year/ Fair value at inception	**23,440,186**	17,036,574
Changes in fair value	**(10,306,346)**	6,806,082
Exchange differences	**483,395**	(402,470)
Balance at the end of the year	**13,617,235**	23,440,186

23. CONVERTIBLE NOTE (CONTINUED)

As at 31 December 2018, the fair value of the liability component above is approximately RMB33,460,000 (2017: RMB29,196,000). The fair values of the liability component and embedded derivative components above are based on a valuation performed by an independent professional valuer using discounted cash flow method and Monte Carlo Simulation Model, respectively, 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 the full consolidated financial statements of the Group.

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

	2018 RMB (Unaudited)	2017 RMB
Time to maturity	**2.89 years**	3.89 years
Share price	**HK$2.37**	HK$2.90
HK$/A$ exchange rate	**5.520**	6.102
Conversion price (floating)	**HK$1.93**	HK$2.51
Spread	**6.74%**	8.31%
Expected share price volatility	**80%**	144%
Risk-free rate	**2.85%**	3.75%
Discount rate	**9.59%**	12.27%

24. SHARE CAPITAL

	Notes	**Number of shares**	**RMB**
Issued and fully paid ordinary shares			
As at 1 January 2017		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 and 31 December 2018		**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.

25. RESERVES

25.1 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.

25.2 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.

25.3 Translation reserve

The translation reserve has been set up and is dealt with in accordance with the accounting policy for foreign currency translation as stated in note 2.3.

26. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities for the years ended 31 December 2018 and 2017.

	Convertible note RMB	Amount due to a non-controlling shareholder RMB	Amounts due to related companies RMB	Total RMB
At 1 January 2017	-	-	1,490,680	1,490,680
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 and 1 January 2018	28,591,365	393,865	4,646,327	33,631,557
Cash flows	(2,630,295)	(393,865)	(4,640,153)	(7,664,313)
Non-cash changes				
Interest expense	3,574,072	-	-	3,574,072
Exchange adjustments	1,557,400	-	-	1,557,400
At 31 December 2018	**31,092,542**	**-**	**6,174**	**31,098,716**

27. 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	2018 RMB (Unaudited)	2017 RMB
Related companies			
Shanghai Retech IT (note (a))	Services income recharged	**19,309,869**	39,647,442
	Administrative expenses recharged	**594,963**	1,963,908
	Cost of services recharged	**9,079,932**	9,171,448
Jiangsu Industry Park (note (b))	Interest income received	**3,278,877**	989,815
Retech Enterprise Management (note (c))	Services income received	**2,163,545**	4,000,000
Zhenjiang Retech Asset Management Co., Ltd ("Zhenjiang Retech") (note (d))	Cost of services charged	**-**	5,458,251

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) 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.

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

Compensation of key management personnel

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.

28. COMMITMENT AND CONTINGENCIES

28.1 Operating lease commitment

The Group has entered into commercial leases for office premises. The lease run for an initial period 2 to 5 years (2017: 2 years) with no renewal option included in the contract. There were no restrictions placed on the Group by entering into these leases. None of the leases include contingent rentals.

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

	2018 RMB (Unaudited)	2017 RMB
Not later than one year	**2,442,860**	333,549
Later than one year but not later than 5 years	**4,999,373**	-
	7,442,233	333,549

28.2 Capital commitment

	2018 RMB (Unaudited)	2017 RMB
Contracted but not provided for		
- Property, plant and equipment	**629,926**	-

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2018 RMB (Unaudited)	2017 RMB
ASSETS AND LIABILITIES			
Non-current asset			
Interest in a subsidiary	21	**14,312,160**	14,312,160
Current assets			
Prepayments		**1,070,616**	1,903,411
Amounts due from non-controlling shareholders		**11,411**	4,757,225
Amounts due from subsidiaries		**137,714,809**	139,826,631
Amount due from a related company		**-**	1,018,560
Derivative financial instruments		**11,135,977**	19,758,568
Cash and cash equivalents		**25,995**	5,594,104
		149,958,808	172,858,499
Current liabilities			
Accruals and other payables		**671,677**	419,724
Amounts due to subsidiaries		**655,153**	849,042
Amounts due to related companies		**-**	2,128,133
Derivative financial instruments		**13,617,235**	23,440,186
		14,944,065	26,837,085
Net current assets		**135,014,743**	146,021,414
Total assets less current liabilities		**149,326,903**	160,333,574
Non-current liability			
Convertible note		**31,092,542**	28,591,365
Net assets		**118,234,361**	131,742,209
Equity			
Share capital		**141,905,974**	141,905,974
Accumulated losses (note)		**(23,671,613)**	(10,163,765)
Total equity		**118,234,361**	131,742,209

Note:

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

	RMB
At 1 January 2017	8,203,099
Loss for the year	1,960,666
At 31 December 2017 and 1 January 2018	10,163,765
Loss for the year	13,507,848
At 31 December 2018	**23,671,613**