Retech Technology Co., Limited

ARBN 615 153 332

Annual Report

for the year ended

31 December 2019

RETECH 睿泰

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

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PART 1

Company Overview

Part 1 Group Overview

1. 2019 Operation and Financial Highlights

In 2019, Retech Technology Co., Limited ("Retech") made important breakthroughs and developments in all its business lines, and achieved a good financial performance. As a leading company in the field of online education and training, our main achievements and progress in 2019 were as follows:

- Sales revenue for FY2019 was RMB167.74 million (A$34.91 million), increasing by 28.5% compared to RMB130.50 million (A$27.41 million) in FY2018.
- Gross profit was RMB107.19 million (A$22.31 million) in FY2019, increasing by 30% compared to RMB82.40 million (A$17.31 million) in FY2018. Our 2019 gross margin was 63.9%, which was 63.1% in FY2018.
- Total Net Profit After tax for the year (NPAT) was RMB50.97 million (A$10.61 million) which increased by 5.6% comparing to RMB48.26 million (A$10.14 million) in FY2018. The slower growth in our net profit reflects higher tax charges, incurred to start paying dividends to our shareholders, as well as investment in our new growth businesses. We believe that both of these moves will enhance long term shareholder value.
- Retech's traditional business of e-learning maintained steady growth in 2019, with revenue of RMB160.06 million (A$33.31 million), a 26.6% increase from RMB126.39 million (A$26.55 million) in FY2018.
- In 2019, working together with Huawei, our Company developed the live virtual classroom product named LVC. The intellectual property for LVC is jointly owned by Retech and Huawei, and we have an exclusive authorization on its use. We expect further cooperation ventures with Huawei in 2020.
- During the course of 2019, Retech has advanced a strategy to diversify its revenue sources, taking skills and technologies learned in providing corporate e-learning services, to delivering these to the education sector. We view this area as an area with vast potential, a strategy that has been re-inforced by events of the past few months.
- On 26 June 2019, the Group completed the acquisition of a 51% equity interest in Aushen Group Pty. Ltd ("Aushen"), trade as Xinjinshan (XJS) Coaching School ("XJS Coaching School"), a well-regarded after-school tutoring company based in Melbourne. This acquisition activates resources for Retech in Australia and has allowed us to launch two new online learning products: Ai English and Ai Chinese.
- In July 2019, our cross-border language training business, "Ai English", was launched with a rapid take-up in services. Ai English provides cross-border interactive English language lessons, livestreamed in 4K resolution. Native English teachers are provided locally from Melbourne Australia, with cooperation agreements signed with both Federation University and Monash University.
- In January 2020, Retech signed a strategic cooperation agreement with Pearson to provide additional content to our Ai English clients, with the cooperation covering copyright licensing, teacher training, market resource sharing, and social learning platform co-construction.
- Our second language learning brand "Ai Chinese" was launched on January 11, 2020 in Shanghai at the same time. Ai Chinese will provide native Mandarin Chinese lessons both domestically and internationally. Mandarin Chinese is the fastest growing language for international learners, and a shortage of qualified teachers outside of China is holding back further growth.
- Following the shutdown of many live offline classes due to COVID-19 we rapidly developed a "Studio2Home" solution, to ensure that off-line classes could be transitioned by our customers to on-line classes at home. By the end of March 2020, we have around 55,000 students. Since the outbreak

of COVID-19 from February, we added approximately 30 new clients and an additional 20,000+ new students were registered.

- Driven by Chinese Government policy to integrate vocational education with industry, Retech is building Digital Media education centres and providing e-Learning courses into vocational and tertiary colleges. On 22 January 2020, Retech signed a Sale and Purchase Agreement to acquire 80% of Shanghai Pantosoft Co., Ltd ("Shanghai Pantosoft"). The acquisition is expected to complete in 2020 Q2. Shanghai Pantosoft is a PRC registered software company with a more than 20 year history of providing first class digital solutions and self-developed software systems to support education management in secondary and vocational schools in China. The acquisition of Shanghai Pantosoft, one of China's largest dedicated software providers to the vocational education sector, will significantly accelerate our tertiary education strategy.
- Despite the economic and health damage caused by COVID-19, for companies like ours involved in online education, the disease has brought new opportunities. Ai Learning Solutions by Retech has received broad positive publicity, including citations in the Chinese and international press, and our online educational services have been listed in the white list of "e-learning solution providers" issued by AUSTRADE, alongside other renowned online solution providers such as Alibaba cloud, China Telecom, Tencent, etc.

2. Chairman's Letter

It is our honour and pleasure to present to our CDI holders, partners and other stakeholders Retech Technology Co. Ltd.'s Annual Report for the financial year ending 31st December 2019.

Major Developments in 2019

1) Ai English

Ai English is a new majority-owned subsidiary of Retech's.

The Chinese word for LOVE is Ai (爱). Ai English was born out of the strategic acquisition of one of Melbourne's leading private tutoring companies in 2019 - XJS Coaching School. Ai English is working with some of the top teacher-training institutions in Australia, including Monash University and Federation University, amongst others, to live-stream native English teachers into classrooms in China. Using this B2B2C business-model, our customer acquisition costs are far lower than our B2C competitors. This is our fastest growing business division, and we expect it to very quickly become one of our largest.

In February 2020, Ai English's Ai Learning Solutions was included in AUSTRADE's whitelist of 12 online education service providers. This whitelist includes Ali Cloud, Tencent Cloud, and Microsoft. This is indeed an honour for a young start-up.

2) Vocational Schools

In 2019, we also established the Retech Digital Media Institute. This Institute will partner with vocational schools in China to enable online training of digital media professionals. We will also be developing content in conjunction with these vocational schools, to raise their training capabilities.

3) Online ESG (Environment, Social, and Governance) platform

In 2019, we established ProSage Sustainability Development Limited ("ProSage") in Hong Kong. ProSage targets companies listed on the Stock Exchange of Hong Kong, as well as corporations involved in social investing and finance. ProSage has established a digital knowledge base for ESG intellectual property, in order to provide online training of ESG best practice for listed companies, as required by the Hong Kong's stock exchanges.

Financial Results FY2019

Retech had another sterling financial year.

Year-on-year revenues grew by RMB37.24 million (A$7.50 million) to RMB167.74 million (A$34.91 million), an increase of 28.5%.

Year-on-year gross profits commensurately increased by RMB24.79 million (A$5 million) to RMB107.19 million (A$22.31 million), an increase of 30%.

NPAT however only increased by RMB2.70 million (A$0.47 million) to RMB50.97 million (A$10.61 million), a growth of 5.6%. This is due to ramping up our new subsidiaries AI English and ProSage company, which we expect to grow very fast in 2020, as well as certain one-off tax charges related to the payment of our first dividend.

Changes in Board of Directors

We have two new directors on the board, Mr. Lapto YAU and Mr. LI Guo. Mr. YAU represents our significant shareholder NASDAQ-listed Hailiang Education Group (NASDAQ: HLG), which is the world's largest K12 education provider. Mr. LI Guo represents another significant shareholder, HKSE-listed Huarong

Investment Stock Corporation (HKEX:2277), which is part of China Huarong Asset Management, the largest financial asset management company in China in terms of total assets.

They both bring the vast experience of their respective organisations to the Board and are a welcome addition.

Separately, Ms. MENG Xiao Shi has left the Board. We thank her for her invaluable services.

Outlook for 2020

As we write this letter, the world and humanity are facing one of the greatest challenges in a generation in the form of the COVID-19 pandemic. Fortunately, Retech is in one of the industries uniquely poised to not only ride out this storm, but to prosper from it.

Due to the closure of schools in China during the lockdown, Retech's services have been in high demand. Having developed an unparalleled brand in China over the last 10 years, as well as being the recognised leader in China for providing online learning technology and solutions, Retech has seen a multi-fold demand for our services, not only amongst education providers, but also from companies looking to use downtown to train their staff.

We expect this demand to continue as social distancing measures will continue to be implemented, until a vaccine is found for COVID-19.

In the longer term, we believe that the world will be fundamentally changed by the COVID-19 pandemic. Online services - whether it is online conferencing, education or entertainment - will see a permanent increase in demand. With our decades of experience in enabling organisations to implement online learning and training solutions, Retech is thus in a very good position to ride this growth.

We would like to wish everyone the best of luck and the best of health, as the world struggles with COVID-19 and its economic fallout in 2020.

Here at Retech, we are optimistic, and we hope you will be too.

Yours sincerely,

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

3. About Retech

Retech Technology Co., Limited ("Retech" or the "Company"), is an investment holding company, incorporated in Hong Kong with its operating subsidiaries located in mainland China, Australia and Hong Kong.

Vision, Strengths and Strategies

Vision

Retech Technology is positioned as a "knowledge service provider" with a vision to become a "learning technology leader" worldwide. The Company's purpose is to deliver high quality online training solutions through its software and platform technology. We create well-designed courses for leading corporate customers to make learning easily and efficiently. We also use our expertise to enable offline education providers to deliver a high quality online education.

- We commit to promote the optimal allocation of learning resources through the Internet and using eLearning technologies, helping learners to access high-quality educational resources anytime, anywhere, and achieve educational equity.
- We commit to help learners realize the humanization of the learning experience, the transparency of processes, and the controllability of results through learning technologies.
- We integrate technologies of big data and artificial intelligence to provide each learner with the most suitable learning solution to achieve "teaching according to his aptitude". We assist employers to deliver essential training to their staff, and to help them raise the quality of their output through.

Strengths and Strategies

Focusing on the field of online education for more than 10 years, we have accumulated the following strengths:

- **Stable, committed core team:** our core team has accompanied Retech's growth and we continuously strengthen our team's cohesion and commitment through effective talent acquisition.
- **Great brand influence:** after many years of designing the industry's leading digital education platforms, we have a deeply cultivated and sound reputation in our target industries: financial services, autos, retail and technology. We are expanding this presence to becoming a leading provider of services to the education sector.
- **High customer stickiness by product matrix:** Our recurring customer rate continues to increase year by year. We have built a deep understanding of our customers' needs during the implementation of our products and services. As a result, our product matrix includes learning platforms, digital content and services, with the accumulation of technology and materials for customer solutions.
- **Leading intelligent platform technology**: Retech's online learning platforms have withstood the test of more than 10 million people. Through technical cooperation with internationally renowned companies such as Netlearning, the largest E-learning company in Japan, technology such as big data analysis, and artificial intelligence has been introduced and further enhanced the transparency and flexibility of our learning platforms.

- **Instructional design standard maker:** Retech has helped customers to develop digital education content such as video, animation, H5, AR & VR, etc., and accumulated a rich experience in online instructional design and techniques.

- **International resources:** international resources have been obtained. We are listed and have established businesses in Australia; we jointly established the AES with leading Japanese and South Korean industry partners; we work with leading universities from China to Australia; and we have strategic cooperation with leading groups such as the UK's Pearson and Singapore Technologies Electronics.

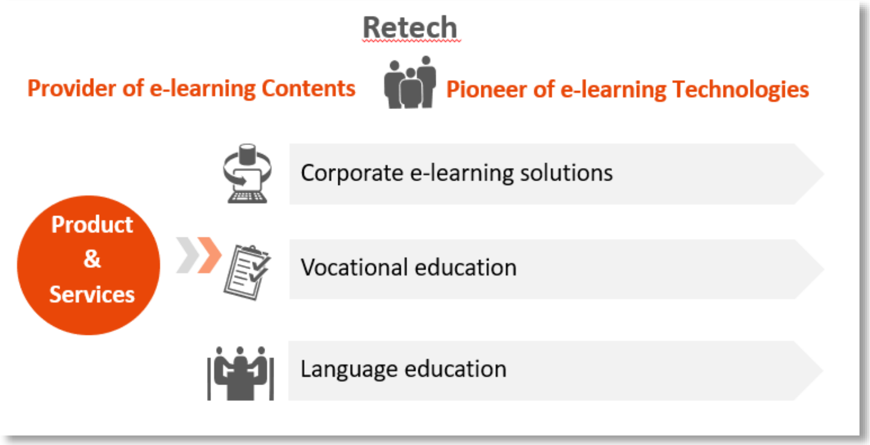
Based on our strengths, Retech aims to become a leading EdTech company in the e-learning industry. Retech will always be technology-oriented, but we will also aim to enhance our market position by providing content in key areas:

- <u>"Technology + IP":</u> we will develop high quality IP based on our eLearning expertise and provide a unique content ecosystem in the fields of corporate training, ESG compliance, language education, and digital media education.

- <u>"Technology + Teachers":</u> through our international education, we will bring in high-quality education from international teachers using advanced online learning technology, and facilitate the growth of our cross-border language education services.

Products & Services

The Company and its operating subsidiaries ("Retech Group" or "the Group") provide products and services as comprehensive e-learning solution packages shown in this chart:



Through our products and services, we not only provide solutions that satisfy changing e-learning technology demand but also build a complete e-learning ecosystem integrated into our clients' training systems. With leading instructional design capabilities and strong digital courseware development capabilities, we provide our customers with a total online education solution.

1) Corporate e-learning solutions

a) Corporates e-learning platform

Our online learning platform is the key channel for Retech to deliver learning modules, comprising complete blended electronic distribution through a PC, mobile, social media apps, and face-to-face live-streaming tools. These platforms have functions such as Q&A, social learning, and interactive videos to keep the program user-friendly and simultaneously accelerate the learning process.

➢ **Platform products features**

RTE focuses on building a comprehensive technology-driven platform that integrates the latest concepts of advanced system planning.

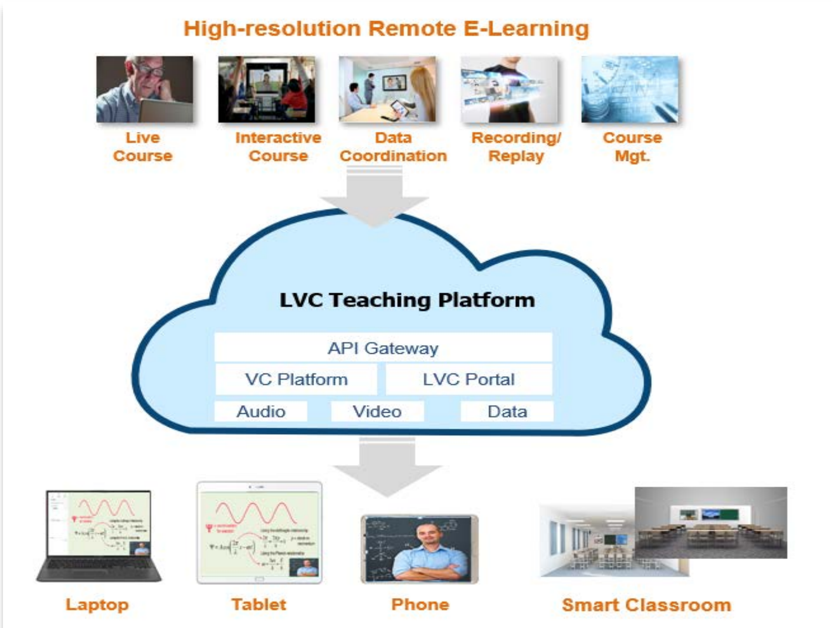
- ✧ Big data collection and analysis. Course learning can be carried out at any time through various forms. Data is collected and analyzed at key learning nodes for report drilling and intelligent mapping.
- ✧ Multi terminal adaptation and synchronization of courseware content, including PC, mobile phone (IOS and Android), via e-book, wechat, game, HTML5, etc. A variety of transmission channels are used to meet different requirements from many different kinds of learner, according to their preferred device and learning style, achieving high participation.
- ✧ Systematic and modular training management function design. By providing training management, test and benchmarking organization, score statistics, performance evaluation and promotion, Retech is able to meet the training needs of the most demanding corporate customers.
- ✧ Large scalability. We help our customers to grow, providing many kinds of learning and

training solutions combined with multi-channel transmission to enable their staff to unlock their potential. For example, RTE can upgrade an existing LMS system to meet the enhanced needs of new and old customers, enabling business growth and meeting increased demand for courseware and learning content. Similarly, Retech works with existing customers to enhance their online learning offering, helping them to expand their systems to incorporate additional online training management modules and solutions.

- ✧ Upgrading with new solutions. Taking into account advances in technology and usability, we enable our customers to continuously upgrade their learning services. Some of our outstanding capabilities include integration with a company's existing LMS, multiple user rights configuration functions, multilingual functions, data analysis, and other upgraded functions.
- ✧ Flexible and secure LMS integration. Services provided by Retech are based on the configuration of independent functions. As a result our customers have the ability to customize and upgrade different functions in their e-learning system and configure the implementation to meet their specific needs, costing less than an entire system upgrade. In addition, Retech has strong encryption and anti-hacker technologies, which are essential for enterprise customers, especially as we service the leading banks and insurers in China's financial services industry.
- ✧ Social and gamified learning. We can provide social learning through social media APPs such as wechat, with modular content that can be obtained anytime, anywhere. In addition, because course content is smaller and interactive, it can easily be integrated with existing APPs of customers, and without occupying too much storage space for mobile users.

- ➢ **LVC (live virtual classroom) real-time interactive educational platform**

Our Live Virtual Classroom was developed by Retech with Huawei for remote real-time interaction between course instructors and students. LVC is now one of the leading real-time teaching platforms in China and can support simultaneous real-time interactions with 1,000 parties or more. With Huawei's exclusive authorization, Retech provides real-time e-course services for Huawei's overseas customers. This platform was developed and delivered for Huawei in 2019 and the software IP is owned by both parties.



LVC product features

✧ Remote ultra HD real-time interactive teaching, matching the experience of on-site teaching:

- Real time two-way ultra HD audio and video, with students and teachers able to carry out remote real-time audio and video interaction, 1080p high-definition image quality, with no time lag, just like an on-site, live learning experience.
- Data interaction and collaboration, able to share desktop, document, program and whiteboard, so that teachers and students can have two-way document annotation and whiteboard interactions.
- Supporting interaction, video-on-demand, and live broadcasts, adapted to daily teaching, self-study and training. Docking with a physical smart classroom while breaking the boundaries of the classroom.
- Simple management functions for teachers to quickly book and release courses by themselves, without the need for administrators.

✧ Various classroom interactive functions, providing efficient real-time interactive experiences:

- Raise hands to speak: online learning students can ask to speak by raising hands.
- Call to speak: in a class, the teacher can call the students on the spot or online, and the broadcast screen will be switched to the speaker video.
- Instant messaging: among teachers and students, also students and students, instant messaging is available for online discussion or questions during the class.
- Class announcement: teachers can publish class announcement online.
- Test evaluation: teachers can launch a classroom test online and evaluate the test results in real time.

✧ HD dual stream high quality teaching video

- The network recording starts automatically, and the whole process of lecture and discussion is recorded with perfect audio, video and data recording. Video of the class can be published released automatically.
- Online sharing of teaching content, supporting course live broadcast and video-on-demand after the live class is completed.

✧ Strong packet loss prevention, ultra-low bandwidth, and super network adaptability:

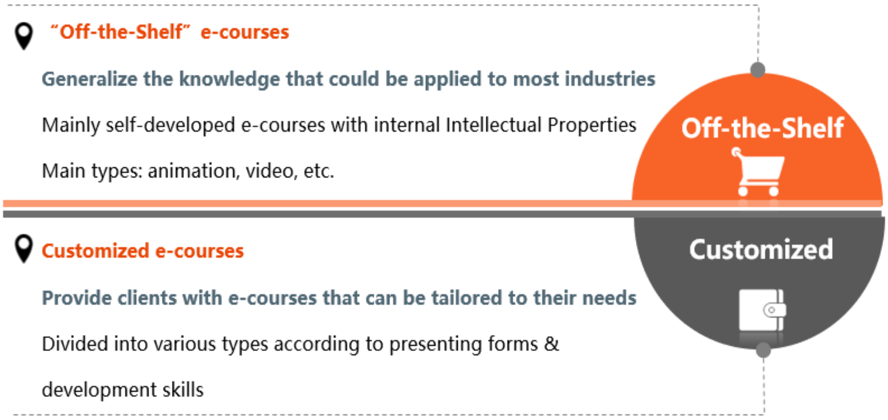
- Advanced technology to prevent communication data pack loss and to adapt to different network environments, maintaining a stable online teaching experience with zero time lag.

✧ Visual statistical report

- Learning results are demonstrated through a series of visual statistical reports, making it easy for teachers and students to evaluate the learning outcomes

b) E-courses: customization and “off-the-shelf” courses

Retech’s e-course services are divided into 2 types: “off-the-shelf” e-courses and customized e-courses. The core of developing successful e-courses that meet the diverse training needs of our clients is effective e-learning instructional design. Retech plays a leading role in research and implementation of instructional design for e-learning market in China. The two types of our e-courses are as follows:



E-course features:

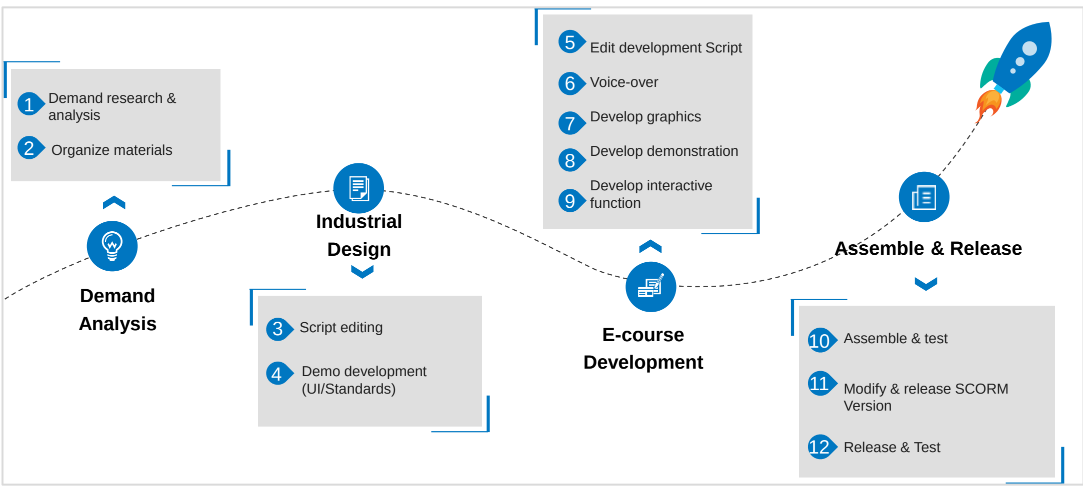
- **The establishment of courseware standards**

  When designing customized e-learning content for our customers, Retech uses performance-oriented online learning concepts as the basis of teaching design. Using a modular structure and design enables students to have a high sense of interactivity and participation.

  Our courseware is developed in accordance with international standards, such as SCORM (Sharable Content Object Reference Model) and AICC (The Aviation Industry Computer-based training Committee). Our courseware follows international standard designs, so it can be easily integrated into the various training platforms of customers. This also makes Retech's courseware a first choice for most enterprises.

- **Standardized development process**

  Retech has standardized online course design with our own quality management system (QMS). Each project has a project manager (PM), who organizes a team of experts, supervises delivery of the project, controls the progress, and controls the delivery and cost of the project. Retech's experts control the quality of online learning solutions at all stages of project planning and execution. Through this practice, Retech not only has the advantages of courseware design and delivery, but also manages the profit of each project well.



- **High level courseware design team**

  Retech has a team of experienced experts who are responsible for the educational design of our e-learning content, focused on efficient learning methodologies and absorbing the latest teaching design concepts. Since 2012, Retech has jointly established teaching design laboratories with five top domestic universities, namely, Beijing Normal University, Capital Normal University, East China Normal University, Central China Normal University and Shanghai International Studies University. Our team develops new methods to prepare updated, user-oriented e-learning content based on research and courseware design models from cooperation with our research teams. Through the implementation of new technologies, such as 3D, AR (Augmented Reality) and VR (Virtual Reality), courseware provided by Retech is appreciated by our customers and is at the forefront of the industry technological development.

- **Diversified courseware types to meet different customer requirements**

  Retech provides clients with courseware that can be tailored to their needs. Retech may take existing instructional content from our customers and then develop new content and content from our own library of resources to produce optimal, customised content. Each module is divided into various categories depending on the progress of the user and is presented in different forms, i.e. gamification, video, or interactive text, etc.

ESG (Environment, Social and Governance)

ESG contents as one of Retech's off-the-shelf common IPs are provided through our subsidy Prosage. In 2019, Retech launched Prosage Sustainability Development Limited ("Prosage"), a new company based in Hong Kong focused on ESG compliance. Prosage will provide listed companies with an online education and compliance platform for listed company reporting, green finance, and sustainable development. With an ESG curriculum developed by our in-house experts, online learning platform, and data systems, Retech will work with partners to deliver ESG consulting services for corporate sustainability.

- ESG online service platform: our subsidiary Prosage provides online training, intelligent reporting and data analysis services for listed companies, enterprises and intermediary institutions in green finance and ESG reporting.

- ESG digital IP tank: ProSage possesses a series of copyrighted "off-the-shelf" ESG e-courses, currently covering topics on ESG, TCSP, and others. It is mainly used to help companies understand what ESG is and how to interpret ESG-related indicators. In the future, Prosage expects to work with a number of well-known ESG experts to jointly develop targeted curriculae that keep pace with changing policies and regulation, and are consistent with corporates' sustainable development strategies. Based on local regulatory requirements and ESG standards, we have completed the first phase of our content systems to provide training and reporting around the ESG requirements of the Hong Kong Stock Exchange.

2) Vocational education

Retech has positioned itself as a solutions provider for "industry-education integration", uniting large industrial companies that employ significant numbers of secondary and tertiary vocational students, and establishing a talent training system to ensure students are work-ready. Our innovative talent training solutions for vocational schools provide effectively trained students that are genuinely qualified to start work in their target industries. In 2019, driven by beneficial policies of the Chinese government for the vocational education sector, Retech established an in-house Digital Media Industry Research Institute and launched an industry-education integration service for digital media professionals in vocational education in mainland China.

Our current products and services for vocational education are as follows:

- Digital resource research and development.
- Educational administration management systems for student credits.
- Products on digital campus/ smart campus.
- Platform for teaching resource management and online teaching.
- Consulting and education management services for digital campus/ smart campus construction
- Digital media industry and education integration solutions: including four modules of teacher training, an online teaching platform, a project management platform, a teaching evaluation platform, and a case library of 100 real enterprise projects each year.
- Technical and maintenance support services for software products that are up-to-date and actively used in modern ecourseware design.

3) Language Education

In June 2019. Retech acquired a 51% stake in Aushen Group Pty. Ltd (“Aushen”), owner of the well-regarded XJS Coaching School in Melbourne. Using XJS Coaching School as a base platform in Australia, Retech is using advanced O2O and e-learning technologies to teach cross-border live-streamed, interactive lessons between Australia and China. This year, the international language learning brand **“Ai English”** and the according **“Ai learning Solutions”** have been developed.

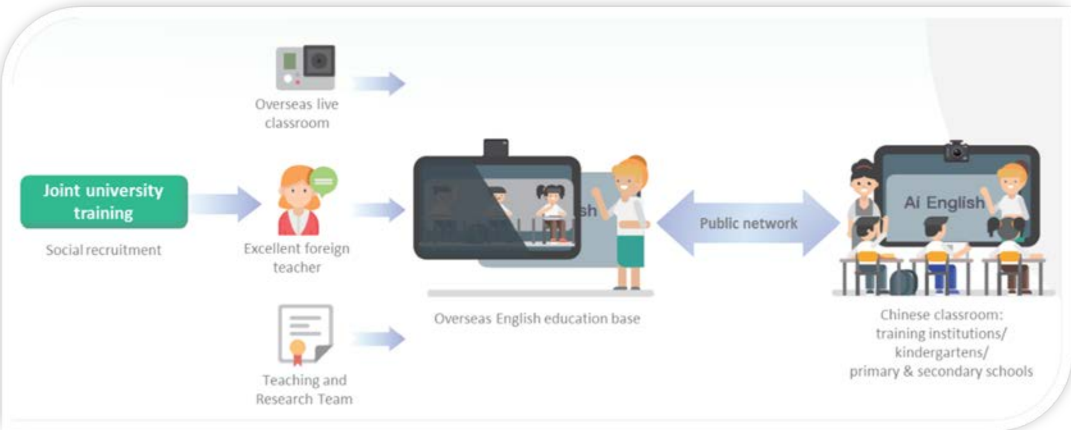
Ai English provides students in China (3-16 years old) the opportunity to learn English from native English teachers, livestreamed from **Retech’s Australia-based studios,** delivering courses in a “dual teacher” mode. Our teachers and technologies provide a live webcast from international teachers in Australia, supported by the school’s own teacher locally in the classroom in China.

Ai Learning Solutions

Ai Learning Solutions provides 2 main e-Learning solutions: firstly targeting larger open classes that students can join by simply scanning the QR code. This type of solution can accommodate up to 500 students at the same time, minimizing the time and cost of education. The second solution targets a much smaller classroom, accommodating up to 25 people, allowing teachers and students to interact through live video and audio, in 4k high definition, with low latency. Ai Learning Solutions provides students with a genuinely immersive classroom experience, with teachers on our platform having an immediacy and interactivity that is unparalleled in distance education. Our services were recently listed on the whitelist provided by AUSTRADE for “Online Delivery Solution Providers Australian Education In China” in February 2020.

Key features are:

- ✧ **4K live-streaming platform** allows “real size” tutors to teach with <40 milliseconds of delay.
- ✧ **Full-time & dedicated Australian, native English-speaking, qualified teachers with TESOL/ TEFL certificates** to teach interactive, high quality lessons into China.
- ✧ **Dual teacher model:** the local teacher assists in the classroom while students enjoy lessons live-streamed from our international teachers.
- ✧ **Time zone and quality advantages in Australia:** Australian native English-speaking teachers command a premium over other regional English teachers (e.g. Philippines) and have significant time zone advantages compared to other established online education providers based in e.g. the US or the UK.
- ✧ **Targeting Tier 3-4 cities** in China where English learning is popular, and native English-speaking teachers are scarce.
- ✧ **Strategic agreement with Pearson** to initiate cooperation in copyright licensing, teacher training, market resource sharing, and social learning platform co-construction.
- ✧ **Academic cooperation** with Federation University and Monash University. Significant cooperation with Rise Education in China, China’s largest dedicated after-school English tutors.
- ✧ **Various class size:** Studio2home (1V1、1V4), Studio2classroom (1V25), Blended Mode (Studio2home+ Studio2classroom)



PART 2

Operating and Financial Reviews, Future Development

Part 2 Operation, Financial Review and Future Developments

1. Operation Performance Review

1) Corporate E-Learning

- E-learning platform

E-learning platform— new upgrades released: Our e-learning platform *Retechwing* has been upgraded from version 3.0 to the current 4.3 version. Further development of our intelligent learning platform *Ruizhi* 2.0 has also been achieved by upgrading our micro-server architecture to realize an ultra-large-scale concurrency, improved user experience, greater transparency and enhanced user controls. Our microservice architecture has been updated to meet the demands of the changing market and higher concurrency requirements. It is more flexible and more scalable. Even if a single node fails, it will not affect the use of the entire system. It uses the same cutting-edge underlying technology as JD.com, Taobao, and Alibaba.

- LVC (live virtual classroom) real-time interactive educational platform

In 2019, we entered the short list of Huawei suppliers. LVC2.0, compared to LVC1.0, has added classroom template, course management and log monitoring functions, further enriched platform functions, and optimized the operation experience of original functions such as classroom creation and classroom management. The concurrency of e-learning course has been improved.

- E-courses

Contemporary and digestible instructional design: our industrial design team has developed various types of e-courses including short video (designed for social media Apps like TikTok), animation Html5, with systematic curriculum framework and vivid displays, attracting users of the young generation. In 2019, we developed more types, more forms of innovation and added new customers such as Zara, Panasonic and Toys R Us.

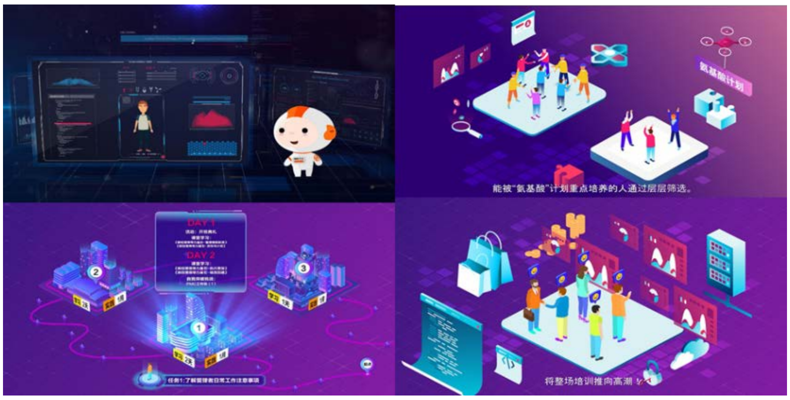
✧ For some of our repeat customers, we also developed a number of new products:

- Content operation services: customized courseware development. In 2019, we have initiated several new content operation projects, including master planning as well as the preparation of supporting courseware. At the same time, we have also introduced new live training services for corporate customers.
- Traditional long course to micro course: during 2019, we saw increased demand for mobile learning. We have modified existing courses for our clients, adapting them for more fragmented, mobile learning, modifying traditional long courses to micro course.

✧ Innovations in the form of courseware:

- Case study courses: we have assisted clients to build on their own in-house experience, designing case study courses drawn from their own business experience. We work with our customers through on-site discussions, extracting knowledge content, then writing the course script, shooting case study videos and integrating materials into their e-learning platforms.

- Audio courses: learning from the wide success of audio courses such as Igetit (Igetit is a knowledge service APP providing audio courses online), Retech has created a number of small footprint learning experiences combining audio and written materials. These courses are popular with time-poor office workers and have achieved a large number of hits and good feedback.
- 2.5D courseware: Retech has provided clients with short, fun instructional courses - designing the plot, content, live performance guidance, and music or songs. Such short video e-learning content is created for platforms such as Tik Tok, suitable for a mobile phone.



Clients and new development

In terms of corporate e-learning, Retech focuses on providing professional technology and services to key customers in targeted industry verticals. The success and growth of our well-known large customers provides a strong driving force for our own business development. In 2019, Ping An Group, Bank of China, Mercedes-Benz Group and Huawei all signed contracts for e-learning services of RMB40 million or more. The following are the updates from our target industries:

- Financial services: Retech has now successfully cooperated with three of China's four leading banks, and has signed contracts with 13 joint-stock banks in China. Since winning an exclusive bid for Bank of China (BOC) in 2016, the Company has continued to provide online learning platforms and e-course services for BOC's over 300,000 employees. We have also been providing online learning solutions for Ping An since 2015. In the past 3 years, revenues from these two clients alone were above RMB30 million. We have also provided online training services for urban commercial banks such as Bank of Tangshan and Huaxia Bank.

- Autos and Industrials: demand for online training from the autos and industrial sector continues to grow strongly with more internet-based applications in these sectors. In 2019, we continued to provide updated and enhanced training materials for more than 500 Mercedes Benz dealers across China. In the past three years Mercedes Benz has contributed over RMB 30 million of revenues to Retech.

- Retail: following our successful experience providing e-learning materials for well-known retailing brands such as Sephora, McDonalds and Haidilao, Retech has continued to win new major customers in the retail sector. In 2019, major new names include Zara, Panasonic and Toys R Us.

- Other major customers: we continued our expansion in providing online education materials for the telecommunications sector. As an important e-learning partner of Huawei, Retech helped Huawei to provide e-learning solutions for a number of its international operations and partners, and our current cooperation contracts with Huawei now exceed RMB 10 million. Retech has also gained other new clients including VIVO (smartphones and accessories) and SF Express (China's leading logistics company), providing micro e-courses and staff training for them.

- <u>ESG e-learning services:</u>

  Retech's subsidy Prosage has provided ESG software, consulting and online services for clients such as Bank of Communications HK, Carbon Care Asia, Karrie International Holdings Limited and SOHO House. In order to actively promote the development of ESG compliance business, we carry out strategic cooperation with corporates, audit groups and distributors. In January 2020, Prosage signed a strategic cooperation agreement with the Beijing Rongzhi Corporate Social Responsibility Institute ("Rongzhi"). Rongzhi is a state-owned professional institution in China that provides research and consultancy on social responsibility and sustainable development. Both sides will build a digital IP bank for corporate and social responsibility with an international vision and Chinese characteristics. In the second half of 2019, we began a cooperation with Singapore Technologies Electronics, a subsidiary of Singapore Technology Group. Singapore Technologies Electronics is a global technology company and a world-class technology integrated solutions provider. Retech and Singapore Technologies Electronics will cooperate in ESG online services, vocational college education and corporate e-learning targeting the Singapore market.

Famous Brandings from our clients:

2) Vocational Education

The Chinese government is actively engaged in encouraging the expansion of the vocational training sector through integration with industry. In January 2019, the PRC State Council issued the "National Vocational Education Reform Implementation Plan" (the "Plan") to promote the development of vocational education in China. The Plan proposes the construction of a "Double High Plan" under which, by 2022, 50 advanced higher vocational schools and 150 core professional groups will be established. The Plan promotes the formation of 300 vocational education groups, and encourages industry groups to jointly develop vocational standards and official qualifications, focusing on the integration of industry and education. Details of the first suite of schools to be developed was unveiled in October 2019. Each school is expected to receive total government funding of RMB 500 million (approximately A$100 million).

Retech has focused on its own core areas of expertise, building "Digital Media Industry and Education Integration Solutions" for vocational schools.

This program aims to help secondary and higher vocational colleges build training systems that are closely aligned to the needs of digital media companies by introducing our own Company's training and development systems into vocational schools. During H2 2019, we also began M&A discussions with Shanghai Pantosoft Co., Ltd. The Pantosoft acquisition was successfully agreed in January 2020 and will greatly enhance Retech's product matrix capabilities, channel acquisition capabilities, and brand influence in vocational education.

Retech's integration of industry and education targets our own core expertise in digital media. Our core talent development model is to form a new kind of training program teaching our own digital media expertise, using up-to-date and market relevant software and skills, in vocational colleges across mainland China. In 2019, we established the Retech Digital Media Industry College to launch a production-education integration service for digital media professionals in vocational schools in mainland China.

Our overall solution includes four modules: teacher training platform, online teaching platform, project management platform, and a teaching evaluation platform. In addition, we are constructing a real-life case database of over 100 real enterprise projects. Our current clients include Shanghai Publishing and Printing College, Shanghai Communications School, Yunnan Jiaotong College, Jiangsu Animal Husbandry & Veterinary College, Ningbo Foreign Affairs School, among others.

3) Language Learning

Following the completion of the acquisition of XJS Coaching School in June 2019, Retech launched the newly established native English education brand "Ai English". At present, it provides high-quality "Dual Teacher Classroom" services for training institutions, primary schools, and kindergartens in China, delivering high quality, native English programs from Australian tutors directly into China's heartlands.

Products of Language Learning:

- Ai English online platform: based on demand for online instruction by international teachers, the Company has developed a set of hardware-based and high resolution interactive live streaming class solutions, and is developing further functions of teaching management, human-computer interaction, AI teaching and evaluation systems.

- Ai English digital curriculum system: under the leadership of renowned professor Zhou Jing, chairman of the committee World Pre-School Education of Science and Technology Organization (OMEP) of China, Retech is developing its own curriculum and materials to deliver in 4K real-time services through Ai English. In 2019 we also introduced Big English, the Longman series of English textbooks, and are developing a digital curriculum system specifically designed for 3-16 years old.

- Ai Learning Solutions Educational organizations have been severely disrupted by the 2019 coronavirus disease (COVID-19), with many educational organizations closed to live teaching. In particular, Chinese students studying in Australia have been unable to return to their universities on time to resume study. In order to minimize any adverse impact and assist students who have been unable to return to Australia, students have been able to study Australian university courses synchronously online. In February 2020, the Australian Trade Commission (Austrade) has recommended and released a white list of " e-learning solution providers" for Australian educational providers including Australian universities, in which "Ai learning" of Retech Group is listed among 10 other enterprises including world-class famous e-learning and technology solution providers such as Alibaba cloud, China Telecom, Tencent and other famous Chinese enterprises.

<u>Clients and new development</u>

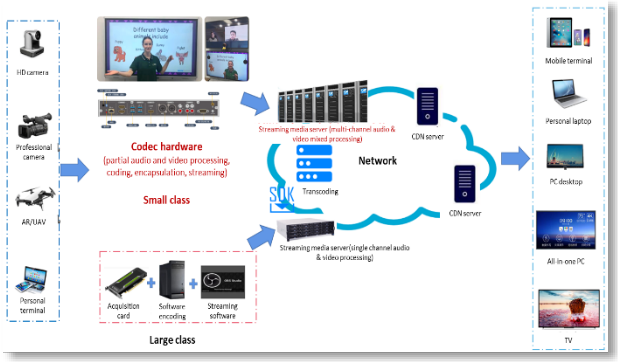
In July 2019, Ai English signed a cooperation agreement with East China Normal University on the development of bilingual textbooks. In H2 2019, Ai English expanded its service coverage to include public kindergartens and primary schools (such as Beijing Jinqiao Primary School), private schools (such as Wuxi Foreign Language School), and major franchisees of China's largest after-school English class provider, RISE. In December 2019, Ai English jointly recruited students and launched a B2C business with institutions affiliated to the education bureau of several major Chinese cities (such as Zhenjiang Runzhou Children's Palace). **In January 2020, we signed a cooperation framework with Pearson Education Publishing Asia Co., Ltd.** Both sides have committed to achieve a deeper cooperation in copyright authorization, vocational education, international teacher training, and jointly expand the global language online education career.

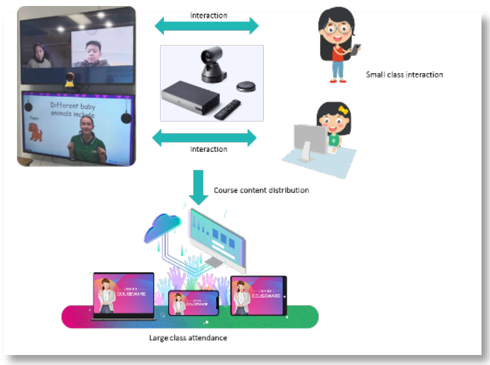
Retech offers its sincerest condolences to all of those affected by the novel coronavirus COVID-19. To assist students under quarantine and affected by school closures, Ai English established a new teaching model ***Studio2Home***, which was quickly launched in early February. Students receive live tutoring at home from international teachers, to ensure no interruption of classes. Based on *Studio2Home*, we have offered several modes of online small class (***Studio2Classroom)*** to our teaching and educational customers (1 teacher v. 1 student, 1 teacher v. 4 students). We have also extended ***Blended class modes*** *with* ***small and large group*** interactive classes. In addition, we are offering our customers upgrades from Classroom to Studio learning, helping customers to maintain their regular courses.

Studio2Home

Studio2classroom （1V25）

Blended class modes with small and large group





These live online interactive courses mimic the interactivity and connection of a live classroom without geographical restrictions. This provides the best effective learning available for students. Besides that, students will be able to repeat classes with just a click away. This will help students in review and revision of language.

4) Awards and Strategic Cooperation

- "Excellent Platform Customization Service Provider" by China Enterprise Online Learning Conference (CEFE) -Boao Award in 2019.
- “Best Software Competitive Power” awarded by the Shanghai Software Industry Association (SSIA) in 2019.
- On 13 November, 2019, Retech co-hosted the Asia Education Technology Summit (AES) in Tokyo, as Sponsor, together with the Japan and Korea E-Learning Associations. AES is the most influential industry summit in Japan and the major e-learning industry event for East and Southeast Asia.

2. Financial Performance Review

- **Retech recorded strong growth for the year 2019. Revenue for FY2019 was RMB167.74 million (A$34.91 million), increasing by 28.5% compared to RMB130.50 million (A$27.41 million) in FY2018**. **Gross profit was RMB107.19 million (A$22.31 million), increased by 30% comparing to RMB82.40 million (A$17.31 million) in FY2018.** Our gross margin was 63.9% (63.1% in FY2018). Total Net Profit After tax for the period (NPAT) was RMB50.97 million (A$10.61 million) which increased by 5.6% comparing to RMB48.26 million (A$10.14 million) in FY2018. The slower growth in our net profit reflects increased investment in our business as well as higher tax charges, related to withholding tax and certain one-off corporate taxes to enable the payment of our first dividend in 2019. In spite of the tax impact on growth in our net profit, we proceeded with the payment of dividends to shareholders to underscore our commitment to enhancing shareholder value.

- **Retech's core business of e-Learning maintained steady growth in 2019, with revenue of RMB160.06 million (A$33.31 million), a 26.6% increase from RMB126.39 million (A$26.55 million) in FY2018.** Retech maintains a strong reputation for quality and innovation among customers and we continue to gain high quality new customers.

- **In FY2019, we invested in in two new strategic business lines which are ProSage, our ESG compliance and education software business; and our cross-border teaching service AI English. Due to increased investment in these emerging businesses, the overall net profit growth of the enterprise slowed down but still increased by 5.6%.** It is expected new business lines to grow very fast in 2020, as well as certain one-off tax charges related to the payment of our first dividend.

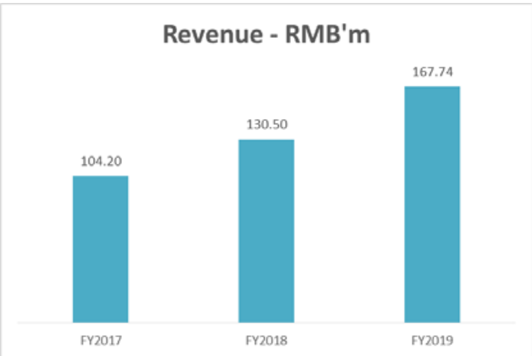
- Selling and distribution expenses were RMB8.69 million (A$1.81 million) in FY2019, increasing by 21.7% compared to RMB7.13 million (A$1.50 million) in FY2018, due to higher promotion and marketing expenses to launch our new businesses. The administrative expenses increased 63.9% from RMB19.60 million (A$4.11 million) in FY2018 to RMB32.13 million (A$6.68 million) in FY2019. This was mainly caused by the increased expense of two new business lines (ESG service and AI English). AI English and related activities started in FY2019 and its administrative expenses were RMB6.27 million (A$1.30 million) in FY2019. The administrative expenses of our ESG business (which opened in November 2018) increased by RMB4.86 million (A$1.01 million) in 2019. Our other general expenses increased by RMB1.39 million (A$0.25 million), growing 7.6% growth compared to FY2018.

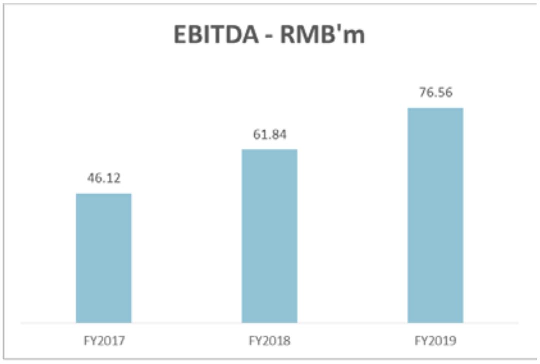
- Our income tax in FY2019 was RMB15.08 million (A$3.13 million), a 94.7% increase from RMB7.74 million (A$1.62 million) in FY2018. Our effective tax rate for FY2019 was 22.8% (2018: 13.8%). Higher effective tax rate in 2019 was mainly due to the provision of withholding taxes (RMB3.56 million, or A$0.74 million) for distribution of dividends from our PRC subsidiaries. In 2018, the Group had lower effective tax rate (i.e. 13.8%) due to the impact of over provision of tax adjustments (RMB1.48 million, or A$0.31 million) for earlier period. The adjusted effective tax rate after exclusion of these items are set out as follows:

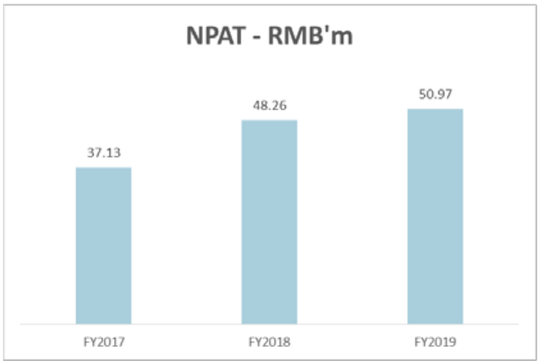
	FY2019	FY2018
Effective tax rate	22.8%	13.8%
Adjusted effective tax rate	17.4%	16.4%

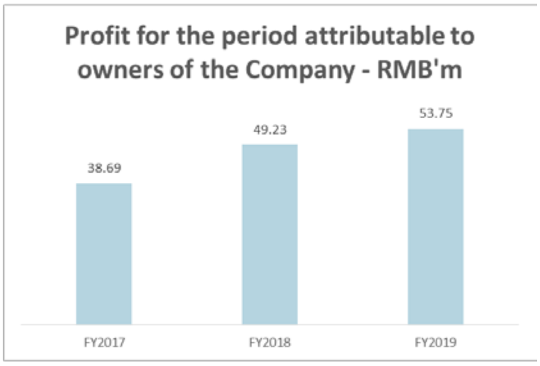
In 2019, we have achieved good results in terms of financials. The indicators for 2019 and 2018 are compared as follows. Meanwhile, the changes of key indicators over the past three years are listed below.

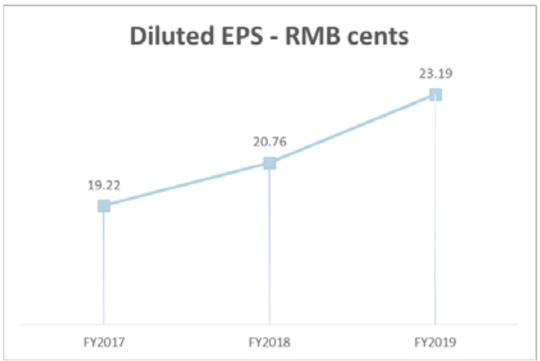
'000s	FY2019 RMB	FY2018 RMB	*change %*	FY2019 A$	FY2018 A$
Revenue	167,740	130,501	*28.5%*	34,915	27,416
Gross profit	107,191	82,409	*30.0%*	22,311	17,313
GP margin %	63.9%	63.1%	—	—	—
Selling and distribution expenses	8,694	7,139	*21.7%*	1,810	1,500
Administrative expenses	32,138	19,606	*63.9%*	6,689	4,119
EBITDA	76,562	61,849	*23.7%*	15,936	12,993
EBIT	70,775	59,584	*18.7%*	14,732	12,518
Profit before income tax	66,053	56,010	*17.9%*	13,749	11,767
Net profit after tax	50,972	48,266	*5.6%*	10,610	10,140
NPAT margin %	30.3%	36.9%	—	—	—
Profit for the period attributable to owners of the Company	53,759	49,233	*9.1%*	11,190	10,343
Total assets	437,436	306,700	*42.6%*	91,051	64,433
In Cents					
Basic EPS	23.19	21.34	*8.6%*	4.82	4.48
Diluted EPS	23.19	20.76	*11.6%*	4.82	4.36

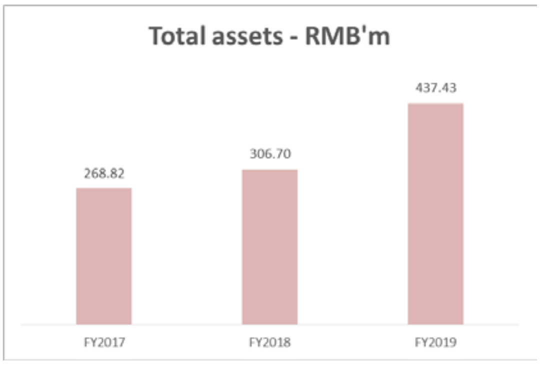












Legend:

1. EBITDA refers to Earnings before Interest expenses, income taxes, depreciations and amortization.
2. EBIT refers to Earnings before Interest expenses and income taxes.
3. The above EBITDA and EBIT are non-GAAP financial measures. We disclose them as we believe they provide useful information for shareholders to assist in understanding the Group's financial performance.
4. Exchange rate for FY2019: 1 A$ = 4.8043 RMB, FY2018: 1 A$ = 4.7600 RMB, FY2017: 1 A$ = 4.8654 RMB.
5. RMB'm refers to RMB million.
6. The numbers are rounded down.

3. Future Growth and Development

- Investment in R&D: We will increase our R&D expenditure in key areas such as big data, artificial intelligence and other technologies. In 2020 we will lead the technology lead in online education.

- Providing valuable contents: We will continue to develop different types of courseware to provide richer contents to our clients. Generate off-the-shelf IPs including ESG contents, English language training contents etc.

- Developing "Digital Media Industry and Education Integration Solutions": By co-constructing education bases and international cooperation, this is expected to help vocational schools build training systems that are closely aligned to the needs of digital media companies by introducing our own Company's true talent training systems.

- Focus on the existing e-Learning market: We continue to increase investment in key industries currently serving and focus on providing industry solutions.

- Expand to new markets: Based on our competitive advantages, Retech has been actively exploring new market segments identified as having tremendous growth potential. At present, three new market segments, namely vocational education, ESG, and Ai English, have been developed.

- The introduction of cross-border resources and market development: Retech chose to list in Australia as it is a major destination for international education, providing high quality tuition to many international tertiary students. We believe that our listing on ASX, together with our Australian operations, enhances our product offering and branding.

- We continue to build international cooperation through ventures such as Ai English, as well as the AES organization with Japanese and South Korean online learning groups. Meanwhile, our international cooperation with leading groups such as Pearson and Singapore Technologies Electronics expand our resources, products and services.

4. Business Risks

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

Risk brought by COVID-19

Due to the COVID-19 disease, business travel is limited and causing delays in expanding our business, for example opening AI English teaching centres in Adelaide and Sydney. In addition, the delivery of products and services are less efficient than before the disease outbreak.

The global economy will continue to be severely affected by COVID-19 for the foreseeable future. Retech is fortunate to enjoy major corporations among its customers, but even these major businesses are not immune to the significant economic downturn. In times of turbulence, corporates have historically reduced their non-core expenses and we expect e-learning training and development expenses may be negatively affected. On the other hand, schools and training institutions are increasingly reliant on online learning, which may offset the negative impact and bring new opportunities for growth.

Political risk
The significant protests and turmoil in Hong Kong during 2019 have damaged the relationship between Hong Kong and mainland China. Retech's core business is mainly in mainland China. We may need to make more effort to build a positive brand image for our ESG service which is based in Hong Kong.

Industrial policy risk
The e-learning industry lacks well-developed industry, regulatory and supervision standards, with limited business qualification requirements. This may leads to disorderly market competition and adversely affect the long-term development of the industry.

By contrast, the introduction of the "Integration of Production and Education Policy" by the Chinese government is highly favorable to the expansion of vocational education in China. Retech's acquisition of Shanghai Pantosoft Co., Ltd., an experienced vocational education software and solutions provider, is expected to result in significant expansion of our vocational and tertiary business. Retech cannot be certain that it will be able to scale to provide delivery capacity for the rapid growth opportunity in our vocational education business.

Risk of intellectual property protection
E-learning is a knowledge intensive industry, which requires large amount of research and development expenditure. However, the results are vulnerable to piracy. Therefore, intellectual property protection has become an extremely prominent and urgent problem in the development of the e-learning industry, and is also one of the risks faced by the company.

Information security risk
The stability of our network systems, online platforms, and hardware equipment will influence the quality of the services we provide. If these systems are not working well or are attacked by hackers, we may experience adverse impacts on our business.

PART 3

Directors’ Report

Part 3 Directors' Report

Based on the operating and financial reviews, the directors of Retech Technology Co., Limited (the "Company") present their annual report and the audited consolidated financial statements for the Company and its subsidiaries (collectively the "Retech Group") for the year ended 31 December 2019.

1. Our Business

Principal Activities and Business Review

The principal activities of the Company and its subsidiaries (the "Group") include the provision of e-learning solutions and related services, provision of referral and consultancy income and provision of online and offline language training. The Group's operations are based in the People's Republic of China (the "PRC"), Hong Kong and Australia. The principal activities of the subsidiaries are disclosed in note 25 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Part 2 Operation, Financial Review and Future Developments set out on pages 17 to 26 of this Annual Report. This discussion forms part of this Directors' Report.

The analysis of the principal activities and geographical locations of the operations of the Group are set out in note 6 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2019 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 40 to 119.

In 2019, the directors have declared an special dividend of A$0.005 per share, totaling RMB5,586,108 which was paid on 27 November 2019.

Share Capital

Details of movements to the Company's share capital during the year ended 31 December 2019 are set out in note 31 of the consolidated financial statements.

2. Board of Directors

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

Mr. AI Shungang

Co-Chairman

Non-Executive Director

founder of Retech Group, and controls the largest shareholder of Retech

more than 14 years' practical experience in the fields of software development, consulting and online education services in China

2014 "Leading Talent of Digital Publishing" in China

Nanjing University of Posts and Telecommunication

Mr. Calvin CHENG

Co-Chairman

Non-Executive Director

has served on various Ministerial advisory boards including the Media Literacy Council, the Singapore Media Festival, Screen Singapore and the Government Feedback REACH supervisory council

an appointed Member of Parliament of Singapore in the Eleventh Parliament

University of Oxford

Ms. LIU Qing

Non-executive Director

Chairwoman of NRM[1]

Member of ARM[2]

over 20 years of experience in equity, securities and finance

partner of OFC, the top 10 "Best Local Investment Institution" in China, with a management capital of RMB 7 billion, over 100 investment projects and a number of projects listed or merged drop out

Huazhong University of Science and Technology

Mr. LU Jiuping

Non-executive Director

Member of ARM

Member of NRM

years of expertise in software development

an elected member of Jiangsu Province at the Tenth National Committee of the Chinese people's Political Consultative Conference (CPPCC) in 2007-2012

Central South University of China, and University of Science and Technology, Beijing

Mr. Ross BENSON

Non-Executive Director

Chairman of ARM

Member of NRM

more than 30 years' experience in the Australian financial services industry and has extensive expertise in securities, transaction advisory and business strategy

lead negotiator for a number of medium to large enterprise divestment or acquisitions in both Australia and China

prior to the formation of Investorlink Group in 1986, he established associated business units in wealth management, private equity, property syndication and structured financial products

Mr. LI Kang

Executive Director

has been engaged in immigration, overseas study and investment consulting services in Australia for years

rich experience as a senior management executive, acquiring expertise in multi-areas such as marketing (for example, domestic and international market development, sales management, etc.), general management, financial management, relationship management, etc.

CEO of Montgomery International Consultants

Mr. LI Guo

Non-Executive Director

over five years' experience in cross-border M&A, asset restructuring and cross-border financing in Hong Kong

possesses the qualification of Certified Alternative Investment Analyst ("CAIA")

currently in charge of the Director of Asset Management Department of Huarong Investment Stock Co., Ltd ("Huarong", Stock Code:2277.HK)

Renmin University of China

Mr. Lapto YAU

Non-Executive Director

was Board Secretary of Hailiang Education group from 2017, one of China's largest K-12 education groups

served as the Vice President of Astronery Power Group in China responsible for the company's IT projects from 2010 to 2012

Chief Information Officer in Suntech Power from 2007 to 2010

Edith Cowan University,

Sunderland University (UK), and Fudan University (Shanghai, China).

Notes:

1. NRM is the abbreviation of Nomination and Remuneration Management Committee.
2. ARM is the abbreviation of Audit and Risk Management Committee.

3. The Company Secretary

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

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

4. Directors of the Company

The name and details of the Company's directors during the financial year and until the date of this report are set out. Below are the directors that were in office for this entire period unless otherwise stated.

AI Shungang	
CHENG Ern Lee, Calvin ("Calvin CHENG")	
LIU Qing	
LU Jiuping	
Ross BENSON	
LI Kang	
LI Guo	(appointed on 30 April 2019)
Lapto YAU	(appointed on 1 Sept 2019)
MENG Xiaoshi	(resigned on 30 April 2019)
MA Hok Wang	(resigned on 18 Jan 2019)

Appointment of New Directors

Mr. LI Guo was appointed as a Non-Executive director of Retech on 30 April 2019 as a representative of City Savvy Limited, replacing outgoing director, Ms. MENG Xiaoshi. Mr Li will leverage off his expertise to provide recommendations on investment and financing, as well as bring new opportunities in capital markets to Retech.

Material terms of Mr. LI Guo's appointment are outlined below:

Remuneration: fixed director fee of RMB70,000 per annum. Should Mr. LI Guo's be appointed as a chairman of any committee of the Board, he will be paid an additional fee of an amount to be agreed with the Board. Term: Appointment commenced on 30 April 2019 without a fixed term.

Mr. Lapto YAU, was appointed as a third Australian resident Non-Executive independent director of the Company on 1 September 2019. Mr. YAU will leverage his experience to provide enterprise management and technology development strategic advice to Retech.

Material terms of Mr. Lapto YAU's appointment are outlined below:

Remuneration: fixed director fee of RMB70,000 per annum. Should Mr. Lapto YAU be appointed as a chairman of any committee of the Board, he will be paid an additional fee of an amount to be agreed with the Board. Term: Appointment commenced on 1 September 2019 without a fixed term.

Mr. LI Kang, previously our Australian independent and non-executive director, has joined the management team of the XJS Coaching School, our 51% owned subsidiary in Melbourne, but will remain on the Board as an independent, executive director.

Resignation of Directors

MENG xiaoshi resigned as the Non-executive Director of the Company with effective from 30 April 2019 for personal reasons. She has confirmed that she has no disagreement with the Board and nothing relating to the affairs of the Company needs to be brought to the attention of the shareholders of the Company.

Directors of the Company's Subsidiaries

Directors of the Company's subsidiaries during the year and up to the date of the report are detailed as follows:

Retech Holdings Co., Limited

LIN Yan

ProSage Sustainability Development Limited

LIU Cheng	
Roy FUNG	
TANG Jianming	(appointed on 29 March 2019)
LO Kwok Kee James	(appointed on 4 April 2019)

Aushen Group Pty Ltd.

AI Shunggang	(appointed on 21 June 2019)
LI Kang	(appointed on 21 June 2019)
SUN Haoliang	

Shanghai Retech Digital Technology Co., Ltd.

WANG Gongshi

Shanghai Ruijian Information Technology Co., Ltd.

LIU Cheng

WANG Gongshi

LIU Yan

Shanghai Ruipengcheng Technology Co., Ltd.

LIU Cheng
WANG Gongshi
GUO Mingmin
CHEN Yanqun
XU Shanshan

Shanghai Reunet Network Technology Co., Ltd.

AI Shungang

LIU Cheng

YU Yangjun

WANG Gongshi

KISHIDA Toru

SATO Hiroyuki

LEE JAE BUM

Shanghai Paishiqi Information Technology Co., Ltd.

LIU Cheng

Ai English Pty Ltd

SUN Haoliang	(appointed on 13 June 2019)
LI Kang	(appointed on 13 June 2019)
AI Shunggang	(appointed on 16 Dec 2019)

Ai Chinese Pty Ltd

SUN Haoliang	(appointed on 8 August 2019)
LI Kang	(appointed on 8 August 2019)
AI Shunggang	(appointed on 8 August 2019)
HAN Xinhua	(appointed on 8 August 2019)

Wuxi Ai English Education Technology Co., Ltd.

LI Man	(appointed on 17 July 2019)

Directors' Meetings

The number of Board meetings, Audit & Risk Committee and Nomination & Remuneration Committee meetings held and attended by each director ended 31 December 2019 are listed as follows:

Directors	Board Meeting		Audit and Risk Management Committee Meeting		Nomination and Remuneration Committee Meeting	
	Entitled	Attended	Entitled	Attended	Entitled	Attended
AI Shungang	5	5	0	0	0	0
Calvin CHENG	5	5	0	0	0	0
LIU Qing	5	3	4	2	1[3]	1[3]
LU Jiuping	5	5	4	4	1[3]	1[3]
Ross BENSON	5	5	4	4	1[3]	1[3]
LI Kang	5	4	0	0	0	0
MA Hok Wang (resigned on 18 Jan 2019)	3	3	0	0	0	0
MENG Xiaoshi (resigned on 30 April 2019)	2	1	0	0	0	0
LI Guo	1	1	0	0	0	0
Lapto YAU	5	5	0	0	0	0

Note:

1. Total of 5 Board meetings held in the reporting period ending 31 December 2019.
2. The Audit and Risk Management Committee had 3 meetings in the reporting period ending 31 December 2019.
3. The Nomination and Remuneration Committee had 1 meeting on 20 January 2020.

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

Director	Independence or affiliciated	Number of Shares and equivalent CDIs held directly	Number of Shares and equivalent CDIs held indirectly
AI Shungang[1]	Non-independent	Nil	54,901,594
Calvin CHENG	Non-independent	9,076,796	6,757
LIU Qing	Independent	Nil	Nil
LU Jiuping	Independent	Nil	Nil
Ross BENSON	Independent	Nil	Nil
LI Kang	Independent	Nil	Nil
MA Hok Wang **(resigned on 18 Jan 2019)**	Non-independent	Nil	Nil
MENG Xiaoshi **(resigned on 30 April 2019)**	Non-independent	Nil	Nil
LI Guo	Non-independent	Nil	Nil
Lapto YAU	Independent	Nil	Nil

Notes:

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

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

Equity-linked Agreements

Details of the equity-linked agreements entered into during the year or subsisting at 31 December 2019 are set out below:

Convertible Note
Details of the Convertible Note issued by the Company are set out in note 29 to the consolidated financial statements. There are no other convertible notes issued by the Company during the year and up to the date of this report.

Permitted Indemnity Provision

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

Significant Changes in the State of Affairs

Acquisition of Aushen Group Pty. Ltd (trade as XJS Coaching School)

During the reporting period, the Group completed the acquisition of a 51% equity interests in Aushen Group Pty. Ltd ("Aushen"). from an independent third party, Suns Group Corporation Pty. Ltd. on 26 June 2019.

Aushen who trade as XJS Coaching school, a private tutoring operations in Australia which offers various education courses/programs in a classroom environment for students from grade 1 to grade 12. The acquisition will allow the Group to apply its e-learning solutions for online language training and enable the Group to offer high quality courses from Australia into China.

Full details of the transactions are set out in note 37 to the consolidated financial statements.

Shanghai Pantosoft Co., Ltd ("Pantosoft")

On 22 January 2020, Retech signed a Sale and Purchase Agreement to acquire 80% of the issued share capital of Shanghai Pantosoft Co., Ltd, by way of its acquisition of the holding company, Pantosoft International Limited.

Shanghai Pantosoft is a PRC registered software company based in Shanghai that has been in operation for more than 20 years. Shanghai Pantosoft provides digital solutions via self-developed software systems to support education management in secondary and vocational schools in China. Shanghai Pantosoft has approximately 3,000 vocational and secondary school clients, among which its major clients are located along coastal areas such as Guangdong, Shandong, and the Yangtze River Delta. According to China's Ministry of Education, there are approximately 11,700 vocational colleges in China serving 26.9 million students.

Driven by Chinese Government policy to integrate vocational education more effectively with industry, Retech is building Digital Media education centers and providing e-Learning courses into vocational and tertiary colleges. The acquisition of Shanghai Pantosoft will significantly accelerate this strategy.

This acquisition of 80% of Pantosoft will cost RMB76 million and is an effective use of some of Retech's net cash holdings.

Environmental Issues

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

Events Subsequent to the End of the Financial Year

There are no significant events occurring after the reporting period.

Auditor

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

Non-audit Services

Grant Thornton Tax Services Limited, an affiliate of GT Hong Kong provides statutory tax compliances services for the Company and its subsidiary incorporated in Hong Kong for HK$20,000 (2018: HK$18,000).

Proceeding on the Behalf of the Company

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

5. Remuneration Report

Key Management Personnel ("KMP")

The remuneration report details the key management personnel ("KMP") remuneration arrangements for the Company for the year ended 31 December 2019 and up to the date of the report, which includes directors listed as below:

Name	Type of KMP	Position
Calvin CHENG	Non-executive director	Co-Chairman
Shungang AI	Non-executive director	Co-Chairman
Jiuping LU	Non-executive director	Member of ARM Member of NRM
Qing LIU	Non-executive director	Chairwoman of NRM Member of ARM
Ross BENSON	Non-executive director	Chairman of ARM Member of NRM
LI Kang	Executive director	Member of the board
LI Guo	Non-executive director	Member of the board
Lapto YAU	Non-executive director	Member of the board

Note: Remuneration of resigned directors are not disclosed.

Main Principles of Remuneration

The performance of the Company depends upon the quality of its directors. The remuneration policy for directors is designed to attract, motivate and retain highly skilled directors and executives to further promote superior performance and long-term commitment to the Company.

The main principles are:

- Provide competitive rewards to attract high skilled directors.
- Executive's reward should be linked to shareholder value.
- Individual reward should be based on the performance evaluation criteria.

Remuneration Policy

Remuneration for the directors consists of annual fixed cash remuneration. Currently there are no incentive plans in operation for directors of the Company.

Remuneration Outcomes of Directors for 2019

Below is a table detailing the amount of remuneration each director of Retech is entitled to receive per annum at the date of this report.

Name	Position	Amount per annum
Calvin CHENG	Co-Chairman	A$100,000 (RMB480,430)
Shungang AI	Co-Chairman	RMB80,000
Jiuping LU	Member of ARM Member of NRM	RMB70,000
Qing LIU	Chairwoman of NRM Member of ARM	RMB80,000
Ross BENSON	Chairman of ARM Member of NRM	A$60,000 (RMB288,258)
LI Kang	Member of the board	RMB70,000
LI Guo	Member of the board	RMB70,000
Lapto YAU	Member of the board	RMB70,000

Note:

1. NRM is the abbreviation of Nomination and Remuneration Management Committee.
2. ARM is the abbreviation of Audit and Risk Management Committee.
3. Directors' fees disclosed are based on their annual remuneration per their contract. In the event that the directors were appointed or resigned during the period, their fees will be apportioned according to their service period in that particular year.
4. Exchange rate: A$/RMB = 4.8043, according to the FY2019 average rate from https://www.oanda.com.
5. Remuneration of resigned directors are not disclosed.

Service Agreements

On appointment to the board, all directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarizes the board policies and terms, including remuneration, vacation of office, service and responsibilities. Other terms of the employment for directors is also formalized in service agreements.

PART 4

Consolidated Financial Statements and Notes

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

	Notes	2019 RMB	2018 RMB
Revenue	5 & 6	**167,740,588**	130,501,401
Cost of services		**(60,549,009)**	(48,092,222)
Gross profit		**107,191,579**	82,409,179
Other income	7	**12,298,646**	7,794,602
Fair value (loss)/gain on derivative financial instruments		**(1,974,310)**	1,290,086
Impairment losses on financial assets	9	**(5,907,270)**	(5,163,149)
Selling and distribution expenses		**(8,694,626)**	(7,139,935)
Administrative expenses		**(32,138,535)**	(19,606,195)
Finance costs	8	**(4,722,253)**	(3,574,072)
Profit before income tax	9	**66,053,231**	56,010,516
Income tax expense	11	**(15,080,814)**	(7,743,984)
Profit for the year		**50,972,417**	48,266,532
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(75,818)**	(7,165)
Total comprehensive income for the year		**50,896,599**	48,259,367
Profit for the year attributable to:			
Owners of the Company		**53,759,636**	49,233,148
Non-controlling interests		**(2,787,219)**	(966,616)
		50,972,417	48,266,532
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**53,717,217**	49,226,700
Non-controlling interests		**(2,820,618)**	(967,333)
		50,896,599	48,259,367
Earnings per share for profit attributable to the owners of the Company during the year			
Basic	13	**23.19 cents**	21.34 cents
Diluted	13	**23.19 cents**	20.76 cents

The Group had initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 47 to 119 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December 2019

	Notes	2019 RMB	2018 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**46,175,408**	695,531
Goodwill	15	**2,640,293**	-
Other intangible assets	16	**2,745,041**	2,296,452
Deposit paid	17	**73,700,000**	-
Deferred tax assets	18	**964,907**	203,458
		126,225,649	3,195,441
Current assets			
Trade and other receivables	19	**61,306,459**	30,756,577
Contract assets	20	**29,504,418**	19,044,518
Amount due from non-controlling shareholders	21(a)	**-**	11,411
Amount due from a non-controlling shareholder of a subsidiary	21(b)	**328,755**	439,000
Amounts due from related companies	21(c)	**12,901,840**	29,271,094
Loan to a related company	22	**12,347,019**	802,630
Derivative financial instruments	23	**9,733,410**	11,135,977
Short term bank deposits	24	**-**	112,486,040
Cash and cash equivalents	24	**185,088,747**	99,557,916
		311,210,648	303,505,163
Current liabilities			
Trade and other payables	26	**23,793,750**	18,718,343
Contract liabilities	20	**3,874,784**	4,721,383
Amount due to a non-controlling shareholder of a subsidiary	21(d)	**-**	436,670
Amount due to a related company	21(e)	**5,974**	6,174
Borrowings	27	**12,984,853**	-
Lease liabilities	28	**9,155,846**	-
Derivative financial instrument	23	**14,281,539**	13,617,235
Income tax payable		**21,086,803**	11,519,665
		85,183,549	49,019,470
Net current assets		**226,027,099**	254,485,693
Total assets less current liabilities		**352,252,748**	257,681,134
Non-current liabilities			
Borrowings	27	**4,888,326**	-
Convertible note	29	**32,781,619**	31,092,542
Contingent consideration liability	30	**1,607,522**	-
Lease liabilities	28	**32,448,233**	-
Deferred tax liability	18	**587,870**	-
		72,313,570	31,092,542
Net assets		**279,939,178**	226,588,592

Consolidated statement of financial position as at 31 December 2019 (Continued)

	Notes	2019 RMB	2018 RMB
EQUITY			
Share capital	31	**145,978,410**	141,905,974
Reserves	32	**(7,795,055)**	(7,752,636)
Retained profits		**142,704,142**	94,530,614
Equity attributable to owners of the Company		**280,887,497**	228,683,952
Non-controlling interests		**(948,319)**	(2,095,360)
Total equity		**279,939,178**	226,588,592

The Group had initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 47 to 119 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019

	Attributable to owners of the Company							
	Share capital RMB	Merger reserve* RMB (note 32.1)	Statutory reserve* RMB (note 32.2)	Translation reserve* RMB (note 32.3)	Retained profits RMB	Total RMB	Non-controlling interests RMB	Total equity RMB
At 1 January 2019	**141,905,974**	**(11,122,696)**	**3,376,508**	**(6,448)**	**94,530,614**	**228,683,952**	**(2,095,360)**	**226,588,592**
Issuance of share under Retech Incentive Plan (note 36)	4,072,436	-	-	-	-	4,072,436	-	4,072,436
Acquisition of a subsidiary (note 37)	-	-	-	-	-	-	820,452	820,452
Special dividend declared during the year (note 12)	-	-	-	-	(5,586,108)	(5,586,108)	-	(5,586,108)
Capital contribution from non-controlling interests of a subsidiary (note 25)	-	-	-	-	-	-	3,147,207	3,147,207
Transactions with owners	**4,072,436**	**-**	**-**	**-**	**(5,586,108)**	**(1,513,672)**	**3,967,659**	**2,453,987**
Profit for the year	-	-	-	-	53,759,636	53,759,636	(2,787,219)	50,972,417
Other comprehensive income for the year:								
Exchange loss on translation of foreign operation recognised	-	-	-	(42,419)	-	(42,419)	(33,399)	(75,818)
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**(42,419)**	**53,759,636**	**53,717,217**	**(2,820,618)**	**50,896,599**
At 31 December 2019	**145,978,410**	**(11,122,696)**	**3,376,508**	**(48,867)**	**142,704,142**	**280,887,497**	**(948,319)**	**279,939,178**

* These equity accounts comprise the reserves of deficit of RMB7,795,055 (2018: deficit of RMB7,752,636) in the consolidated statement of financial position as at 31 December 2019.

Consolidated statement of changes in equity for the year ended 31 December 2019 (Continued)

	Attributable to owners of the Company							
	Share capital RMB	Merger reserve* RMB (note 32.1)	Statutory reserve* RMB (note 32.2)	Translation reserve* RMB (note 32.3)	Retained profits RMB	Total RMB	Non-controlling interests RMB	Total equity RMB
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
Capital contribution by a non-controlling shareholder of a subsidiary of the Company	-	-	-	-	-	-	439,000	439,000
Transfer to statutory reserve	-	-	126,508	-	(126,508)	-	-	-
Transactions with owners	-	-	126,508	-	(126,508)	-	439,000	439,000
Profit for the year	-	-	-	-	49,233,148	49,233,148	(966,616)	48,266,532
Other comprehensive income:								
Exchange loss on translation of foreign operation 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	(2,095,360)	226,588,592

The notes on pages 47 to 119 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2019

	Notes	**2019**	2018
		RMB	RMB
Cash flows from operating activities			
Profit before income tax		**66,053,231**	56,010,516
Adjustments for:			
Depreciation of property, plant and equipment	14	**3,857,226**	105,705
Amortisation of intangible assets	16	**1,929,413**	2,159,613
Expected credit loss on:			
- Trade receivables	19	**3,017,335**	187,387
- Contract assets	20.1	**2,889,275**	16,388
- Other receivables	19	**660**	-
- Amount due from a non-controlling shareholder		**-**	4,959,374
Share based employee compensation		**1,996,449**	-
Interest income		**(6,603,694)**	(5,510,287)
Interest expense	8	**4,722,253**	3,574,072
Fair value loss/(gain) on derivative financial instruments		**1,974,310**	(1,290,086)
Exchange loss		**769,676**	1,647,126
Waiver of other payables		**(908,830)**	-
Operating profit before working capital changes		**79,697,304**	61,859,808
(Increase)/Decrease in trade and other receivables		**(33,221,469)**	4,724,574
Increase in contract assets		**(13,349,175)**	(3,277,580)
Increase in trade and other payables		**7,303,846**	4,312,983
Decrease in contract liabilities		**(846,599)**	(5,321,518)
Cash generated from operations		**39,583,907**	62,298,267
Income tax paid		**(6,299,305)**	(6,006,722)
Net cash generated from operating activities		**33,284,602**	56,291,545
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,978,316)**	(559,138)
Purchase of intangible assets	16	**(240,293)**	(668,644)
Acquisition of a subsidiary, net of cash and cash equivalent acquired	37	**(1,413,386)**	-
Deposit paid for an acquisition	17	**(73,700,000)**	-
Loan to a related company		**(257,918,520)**	(117,136,562)
Repayment of loan to a related company		**273,874,131**	129,955,022
Decrease in amount due from a non-controlling shareholder of a subsidiary		**110,245**	468,785
Decrease in amount due from non-controlling shareholders		**11,411**	-
Increase in amounts due from related companies		**(11,130,746)**	(13,534,427)
Increase in short term bank deposits		**-**	(2,942,920)
Repayment of short term deposits		**112,486,040**	-
Interest received		**6,603,694**	4,857,211
Net cash generated from investing activities		**43,704,260**	439,327

Consolidated statement of cash flows for the year ended 31 December 2019 (Continued)

	Notes	2019 RMB	2018 RMB
Cash flows from financing activities			
Capital contribution from non-controlling interests	25	**3,147,207**	-
Dividend paid during the year	12	**(5,586,108)**	-
Payment of interests on convertible note	29	**(2,778,633)**	(2,630,295)
Drawdown of borrowings		**17,788,326**	-
Payment of interests on borrowings and lease liabilities		**(780,542)**	-
Payment of lease liabilities		**(2,712,637)**	-
(Decrease)/Increase in amount due to a non-controlling shareholder of a subsidiary		**(436,670)**	42,805
Decrease in amounts due to related companies		**(200)**	(4,640,153)
Net cash generated from/(used in) financing activities		**8,640,743**	(7,227,643)
Net increase in cash and cash equivalents		**85,629,605**	49,503,229
Effect of foreign exchange rate changes		**(98,774)**	(7,165)
Cash and cash equivalents at beginning of the year		**99,557,916**	50,061,852
Cash and cash equivalents at end of the year		**185,088,747**	99,557,916

The Group had initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 47 to 119 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2019

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 are Room 1309, 13th Floor, Prince's Building, 10 Charter Road, Central, Hong Kong and Level 18, Block 2, Fudan Technology Parks, 335 Guoding Road, Yangpu District, Shanghai, China, respectively. 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 e-learning solutions and related services, provision of referral and consultancy income and provision of online and offline language training. The Group's operations are based in the People's Republic of China (the "PRC"), Hong Kong and Australia. The principal activities of the subsidiaries are disclosed in note 25 to the consolidated financial statements.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as 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. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and their 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 and contingent consideration liability which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.2 Basis of consolidation

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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 sales of intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

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

In the Company's statement of financial position as set out in note 40, subsidiaries are carried at cost less any impairment loss. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition–date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounting for within equity. Contingent consideration that is classified as a financial liability is remeasured at subsequent reporting dates at fair value with corresponding gain or loss being recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.4 Foreign currency translation

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

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.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into RMB at the closing rates.

2.5 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 2.15) 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 subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

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:

Buildings	Over lease term
Leasehold improvements	Over lease term
Computer and office equipment	$33^1/_3$%
Furniture and fittings	20% - $33^1/_3$%

Upon the application of HKFRS 16, accounting policy for depreciation of right-of-use assets is set out in note 2.15.

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

2.6 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Goodwill (Continued)

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.8).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2.7 Other intangible assets (other than goodwill) and research and development activities

Other intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives (i.e. trademarks) are carried at cost less any subsequent accumulated impairment losses. The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Intangible assets with finite and infinite useful lives are tested for impairment as described below in note 2.8.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Other intangible assets (other than goodwill) and research and development activities (Continued)

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.

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

The following assets are subject to impairment testing:

- Goodwill arising on acquisition of a subsidiary;
- Other intangible assets;
- Property, plant and equipment (including right-of-use assets); and
- The Company's interest in subsidiaries.

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets 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. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets (other than contract assets) (Continued)

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, 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.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2.9 Financial instruments

Recognition and derecognition

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

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

Financial assets

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 at amortised cost and FVTPL. The classification is determined by both of 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 impairment losses on financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (Continued)

Financial assets (Continued)

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 at bank and in hand fall into this category of financial instruments.

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.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, leases liabilities, trade and other payables, amounts due to related parties (including a non-controlling shareholder of a subsidiary and a related company), derivative financial instrument, convertible note and contingent consideration liability.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

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.

Accounting policies of lease liabilities are set out in note 2.15.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Derivative financial instrument and contingent consideration liability

Details of accounting policy of derivative financial instruments and contingent consideration liability are set out in note 2.11.

Trade and other payables and amounts due to related parties (including a non-controlling shareholder of a subsidiary and a related company)

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

2.10 Impairment of financial assets and contract assets

HKFRS 9's 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, 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets and contract assets (Continued)

Trade receivables and contract assets (Continued)

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

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.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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.

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;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets and contract assets (Continued)

Other financial assets measured at amortised cost (Continued)

- 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 note 38.4 to the consolidated financial statements of the Group.

Financial guarantee contracts

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

2.11 Derivative financial instruments and contingent consideration liability

Derivative financial instruments and contingent consideration liability 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.

2.12 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)

2.13 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.18) 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 2.10 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.9).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.18). 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 2.9).

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.

2.14 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. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. 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.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 as set out in note 2.10 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases

Definition of a lease and the Group as a lessee

(Policy applicable from 1 January 2019)

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

(Policy applicable from 1 January 2019) (Continued)

Measurement and recognition of leases as a lessee (Continued)

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

On the consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in "property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

(Policy applicable before 1 January 2019)

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 leases

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.

2.16 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.

2.17 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)

2.18 Revenue recognition

Revenue arises mainly from the rendering of e-learning solutions and related services, provision of referral and consultancy services and tuition and coaching fees from online and offline language training.

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.

Further details of the Group's revenue and other income recognition policies are as follows:

Rendering of e-learning solutions and related services
For e-learning solutions 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 input method, i.e. the cost incurred compared with the budget cost, which depict the Group's performance towards satisfying the performance obligation.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

Tuition and coaching fees

The Group also provides online and offline language training, coaching and related services to their customers. Revenue from are recognised when the relevant services have been provided and the Group received the payment or the right to receive payment has been established.

Property management income

Property management income is recognised on a time-proportion basis over the contract period.

Interest income

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

2.19 Government grants and subsidies

Government grants and subsidies are recognised at their fair value where there is reasonable assurance that the grants and subsidies will be received and all attaching conditions will be complied with. When the grants and subsidies relate to an expense item, they are 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.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

2.20 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.

The employees of the Group who operates in Hong Kong are required to participate in a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (Continued)

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the services are received from the past for reward or the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the “share option reserve” in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in “share option reserve” will be transferred to “share capital”. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in “share option reserve” will be transferred to “retained profits”.

2.21 Borrowing costs

Borrowing costs are expensed when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

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

2.22 Accounting for income taxes (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.

2.23 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 solutions and related 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)

2.24 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.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

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.

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaces HKAS 17 "Leases" along with three Interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

As a Lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

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 2019 (Continued)

HKFRS 16 "Leases" (Continued)

As a Lessee (Continued)

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	RMB
Total operating lease commitments disclosed as at 31 December 2018 representing gross operating lease obligations at 1 January 2019	7,111,036
Discounting using the Group's weighted average incremental borrowing rate of 4.99%	(550,196)
Lease liabilities discounted at relevant incremental borrowing rates at 1 January 2019	6,560,840
Less: Foreign currency translation differences	(32,740)
Lease liabilities as at 1 January 2019	**6,528,100**
Classified as:	
Current lease liabilities	2,024,719
Non-current lease liabilities	4,503,381
Lease liabilities as at 1 January 2019	**6,528,100**

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	Carrying amount under HKAS 17 at 31 December 2018 RMB	Adjustments RMB	Carrying Amount under HKFRS 16 at 1 January 2019 RMB
Net assets			
Right-of-use assets presented in property, plant and equipment	-	6,528,100	6,528,100
Prepayment	186,560	(186,560)	-
Lease liabilities	-	(6,528,100)	(6,528,100)
Deferred rent	(240,800)	240,800	-

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 2019 (Continued)

HKFRS 16 "Leases" (Continued)

As a Lessee (Continued)

Total impact arising from transition to HKFRS 16:

	2019 RMB
Consolidated profit or loss	
Increase in depreciation:	
- Included in administrative expenses	(2,967,204)
Decrease in operating lease expenses:	
- Included in administrative expenses	3,204,361
Increase in finance costs	(491,724)
Decrease in profit before income tax for the year	**(254,567)**
Decrease in profit before income tax for the year attributable to:	
Owners of the Company	(212,930)
Non-controlling interest	(41,637)
	(254,567)

	2019 RMB
Net cash from financing activities as extracted from the consolidated statement of cash flow	8,640,743
Decrease in payment of lease liabilities	2,712,637
Decrease in payment of interests on lease liabilities	491,724
Net cash from financing activities without adopting HKFRS 16 for illustrative purpose	**11,845,104**

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 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective date not yet determined
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.2 Issued but not yet effective HKFRSs (Continued)

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>Amendments to HKFRS 3 "Definition of a business"</u>

The amendments narrowed and clarified the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify that a business is considered as an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Guidance and illustrative examples are provided to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add an optional concentration test that permits simplified assessment of whether an acquired set of activities and assets is not a business; and
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

Amendments to HKFRS 3 is 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 these consolidated financial statements.

<u>Amendments to HKAS 1 and HKAS 8 "Definition of Material"</u>

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;

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.2 Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 1 and HKAS 8 “Definition of Material” (Continued)

- 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 these 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 2019, the carrying amount of the Group’s deferred tax assets was RMB964,907 (2018: RMB203,458).

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

The Group makes allowances on items subjects to ECL (including trade and other receivables, contract assets and other financial assets measured at amortised cost) 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 2.10. As at 31 December 2019, the aggregate carrying amounts of trade and other receivables, contract assets and other financial assets measured at amortised cost amounted to RMB58,892,778 (net of ECL allowance of RMB4,278,019), RMB29,504,418 (net of ECL allowance of RMB2,984,976) and RMB210,666,361 (net of ECL allowance of RMB4,960,034) respectively. Comparatively, the aggregate carrying amounts of trade and other receivables, contract assets and other financial assets as at 31 December 2018 amounted to RMB29,344,239 (net of ECL allowance of RMB1,260,684), RMB19,044,518 (net of ECL allowance of RMB95,701) and RMB242,568,091 (net of ECL allowance of RMB4,959,374) 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 2019, the net fair value of derivative financial instruments is RMB4,548,129 (2018: RMB2,481,258).

Fair value of contingent consideration liability

As described in note 30 to the consolidated financial statements, the contingent consideration liability is measured at fair value. The Group engaged an independent valuer to determine the fair values of this contingent consideration liability. The determination was relied extensively on probability-weighted estimate of the future net profit after tax of the coming 3 years of Aushen Group Pty Ltd. ("Aushen"), numerous assumptions taking into consideration of many uncertainties including discount rate and management's estimation of the performance achieved, 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 2019, the net fair value of contingent consideration liability is RMB1,607,522 (2018: nil).

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

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. 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 solutions and related 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, Hong Kong and Australia. The principal assets of the Group were located in the PRC during the year. Accordingly, no analysis by geographical segment is provided.

6. REVENUE

The Group's principal activities are disclosed in note 1 to the consolidated financial statements. There are included a new revenue generated from tuition and coaching fees during the year.

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

	2019 RMB	2018 RMB
Rendering of e-learning solutions and related services	**160,064,441**	126,398,197
Commission income	**4,245,283**	3,759,296
Tuition and coaching fees	**2,089,987**	-
Consultancy income	**1,340,877**	343,908
	167,740,588	130,501,401

6. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers

The Group derives revenue from rendering of e-learning services, tuition and coaching fees and referral and consultancy services over time and at a point in time in the following major geographical market:

	For the year ended 31 December 2019			
	Rendering of e-learning services RMB	**Tuition and coaching fees RMB**	**Commission income RMB**	**Consultancy income RMB**
Timing of revenue recognition				
- At a point in time	-	-	4,245,283	1,340,877
- Over time	160,064,441	2,089,987	-	-
Total	**160,064,441**	**2,089,987**	**4,245,283**	**1,340,877**
Geographical markets				
- PRC	155,630,941	300,728	4,245,283	92,327
- Hong Kong	4,433,500	-	-	1,184,844
- Australia	-	1,789,259	-	63,706
Total	**160,064,441**	**2,089,987**	**4,245,283**	**1,340,877**
Type of customers				
- Corporate	151,325,546	-	4,245,283	1,340,877
- Vocational schools	8,738,895	300,728	-	-
- Individuals	-	1,789,259	-	-
Total	**160,064,441**	**2,089,987**	**4,245,283**	**1,340,877**

	For the year ended 31 December 2018		
	Rendering of e-learning services RMB	Commission income RMB	Consultancy income RMB
Timing of revenue recognition			
- At a point in time	-	3,759,296	343,908
- Over time	126,398,197	-	-
Total	126,398,197	3,759,296	343,908
Geographical markets			
- PRC	126,398,197	3,759,296	159,433
- Hong Kong	-	-	184,475
Total	126,398,197	3,759,296	343,908
Type of customers			
- Corporate	117,173,065	3,759,296	343,908
- Vocational schools	9,225,132	-	-
Total	126,398,197	3,759,296	343,908

6. REVENUE (CONTINUED)

Unsatisfied e-learning service contracts

All of e-learning service contracts, tuition and coaching courses and consultancy contracts are expected to be completed and billed within one year or less. Therefore, the transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations of these contracts are not disclosed as permitted under HKFRS 15.

7. OTHER INCOME

	2019 RMB	2018 RMB
Interest income from loan to a related company	**4,475,142**	3,278,877
Bank interests	**2,128,552**	2,231,410
Government subsidies income*	**2,158,044**	1,024,870
Property management income from:		
- A related company	**1,054,205**	-
- Non-controlling shareholder of a subsidiary	**1,054,204**	-
Sundry income	**225,390**	456,237
Exchange gain	**294,279**	803,208
Waiver of other payable	**908,830**	-
	12,298,646	7,794,602

* Government subsidies income represents discretionary grants received by subsidiaries of the Company and are recognised in profit or loss when received and no specific conditions have been required to fulfill.

8. FINANCE COSTS

	2019 RMB	2018 RMB
Interest charges on:		
- Borrowings	**373,671**	-
- Convertible notes (note 29)	**3,818,703**	3,574,072
Finance charges on lease liabilities	**491,724**	-
Total interest expense on financial liabilities not at FVTPL	**4,684,098**	3,574,072
Others	**38,155**	-
	4,722,253	3,574,072

9. PROFIT BEFORE INCOME TAX

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

	2019 RMB	2018 RMB
Depreciation:		
- Owned assets	**890,022**	105,705
- Right-of-use assets	**2,967,204**	-
Total depreciation	**3,857,226**	105,705
Amortisation of other intangible assets	**1,929,413**	2,159,613
Impairment losses on:		
- Trade receivables	**3,017,335**	187,387
- Contract assets	**2,889,275**	16,388
- Other receivables	**660**	-
- Amount due from a non-controlling shareholder	**-**	4,959,374
Total impairment losses on financial assets	**5,907,270**	5,163,149
Auditors' remuneration	**1,150,000**	1,050,000
Operating lease charges in respect of office premises	**-**	834,135
Net foreign exchange loss	**810,125**	3,057,436
Staff and related costs (including directors' remuneration)*	**31,650,418**	25,331,543

* There are staff cost of RMB12,559,392 (2018: RMB10,389,781) being included as research and development costs in the cost of services for the respective projects.

10. DIRECTORS' REMUNERATION

The emoluments of the directors, who are also considered as the key management personnel of the Company, disclosed pursuant to section 383(1) of the Hong Kong Company Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Director) Regulation, is as follows:

	2019 RMB	2018 RMB
Directors' emoluments for services as directors of the Company and its subsidiary undertakings		
- Fees	**1,162,530**	1,216,770

11. INCOME TAX EXPENSE

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

	2019 RMB	2018 RMB
Current tax		
PRC		
- Current year	**11,362,287**	9,200,369
- Overprovision in respect of prior years	**-**	(1,482,108)
- Withholding tax on dividend from a PRC subsidiary	**3,567,556**	-
	14,929,843	7,718,261
Hong Kong and Australia		
- Current year	**912,420**	-
Deferred tax (note 18)	**(761,449)**	25,723
	15,080,814	7,743,984

(a) 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;

(b) From 1 January 2019 to 31 December 2021, under relevant PRC EIT Law, for PRC enterprises that qualifies for small enterprises, annual taxable income below RMB3 million and thin-profit enterprises with an annual taxable income of RMB1 million or less are applicable to the effective rate of 5%. Where their annual taxable income exceeds RMB1 million but does not exceed RMB3 million, the RMB1 million portion will be subject to an effective rate of 5%, whereas the excess portion will be subject to the effective rate of 10%;

(c) PRC EIT law also require all retained profits of the PRC subsidiaries arising since 1 January 2008 and distributed and remitted as dividend to the overseas parents are subject to 5% or 10% withholding tax on the amount remitted. Withholding taxes have been provided for the profits that have been declared from a PRC subsidiary of the Group during the period. For the remaining retained profits, it is the intention of the management that the Group would reinvest these profits in the respective subsidiaries and therefore withholding tax would not be applicable for those profits;

11. INCOME TAX EXPENSE (CONTINUED)

(d) According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, PRC enterprises engaging in research and development activities are entitled to claim 175% (2018: 175%) of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The additional deduction of 75% (2018: 75%) of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual CIT filling. The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the year ended 31 December 2019.

(e) The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2 million are taxed at 16.5%. Hong Kong profits tax has not been provided for the year ended 31 December 2018 as the Group has no assessable profits for the year; and

(f) Under relevant tax regulations in Australia, local corporations are subject to corporate tax rate of 27.5% .

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

	2019 RMB	2018 RMB
Profit before income tax	**66,053,231**	56,010,516
Tax on profit before income tax, calculated at 25% (2018: 25%)	**16,513,310**	14,002,629
Tax effect of different tax rates of entities operating in other jurisdictions	**654,135**	999,588
Effect of 15% for HNTE entities	**(7,813,677)**	(6,598,471)
Effect of tax concession and lower rate tax for PRC subsidiaries	**(844,994)**	-
Withholding tax on dividend from a PRC subsidiary	**3,567,556**	-
Tax effect of non-deductible expenses	**2,026,719**	1,968,491
Tax effect of non-taxable revenue	**(248,350)**	(567,644)
Tax effect of temporary differences and tax losses not recognised	**2,836,252**	760,216
Utilisation of tax losses previously not recognised	**(197,206)**	(168,308)
Super deduction of research and development expenses	**(1,412,931)**	(1,170,409)
Overprovision in respect of prior years	**-**	(1,482,108)
Income tax expense	**15,080,814**	7,743,984

12. DIVIDEND

Special dividends attributable to the previous financial period, approved and paid during the year:

	2019 RMB	2018 RMB
Special dividends in respect of the previous financial period, of Australian dollars ("A$") 0.005 per ordinary share	**5,586,108**	-

13. EARNINGS PER SHARE

	2019 RMB	2018 RMB
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**53,759,636**	49,233,148
Effect of dilutive potential ordinary shares:		
- Interest on convertible note	**-**	3,574,072
- Fair value gain on derivative financial instruments	**-**	(1,290,086)
Earnings for the purpose of diluted earnings per share	**53,759,636**	51,517,134
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**231,817,980**	230,750,944
Effect of dilutive potential ordinary shares:		
- Convertible note	**-**	17,362,642
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**231,817,980**	248,113,586

The calculation of diluted earnings per share for the year ended 31 December 2019 does not assume the exercise of the Company's outstanding convertible note which had anti-dilutive effect and would result in an addition in earnings per share. Therefore the diluted earnings per share is the same as the basic earnings per share for the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB	Computer and office equipment RMB	Leasehold Improvements RMB	Furniture and fittings RMB	Total RMB
At 1 January 2018					
Cost	-	299,253	-	-	299,253
Accumulated depreciation	-	(57,155)	-	-	(57,155)
Net book amount	-	242,098	-	-	242,098
Year ended 31 December 2018					
Opening net book amount	-	242,098	-	-	242,098
Additions	-	224,033	335,105	-	559,138
Depreciation	-	(105,705)	-	-	(105,705)
Closing net book amount	-	360,426	335,105	-	695,531
At 31 December 2018 and 1 January 2019					
Cost	-	523,286	335,105	-	858,391
Accumulated depreciation	-	(162,860)	-	-	(162,860)
Net book amount as at 31 December 2018	**-**	**360,426**	**335,105**	**-**	**695,531**
Adjustment from the adoption of HKFRS 16 (note 3)	6,528,100	-	-	-	6,528,100
Net book amount as at 1 January 2019, restated	6,528,100	360,426	335,105	-	7,223,631
Year ended 31 December 2019					
Opening net book amount as at 1 January 2019, restated	6,528,100	360,426	335,105	-	7,223,631
Additions	37,138,358	2,757,225	1,887,376	352,830	42,135,789
Depreciation	(2,967,204)	(512,090)	(377,932)	-	(3,857,226)
Exchange differences	657,128	6,774	9,312	-	673,214
Closing net book amount	**41,356,382**	**2,612,335**	**1,853,861**	**352,830**	**46,175,408**
At 31 December 2019					
Cost	44,359,807	3,291,047	2,237,760	352,830	50,241,444
Accumulated depreciation	(3,003,425)	(678,712)	(383,899)	-	(4,066,036)
Closing net book amount	**41,356,382**	**2,612,335**	**1,853,861**	**352,830**	**46,175,408**

As at 31 December 2019, buildings included in the net carrying amount of property, plant and equipment are right-of-use assets.

During the year ended 31 December 2019, the total additions to right-of-use assets included in property, plant and equipment amounting to RMB37,138,358. The details in relation to these leases are set out in note 28.

15. GOODWILL

During the year ended 31 December 2019, the Group acquired 51% equity interests in Aushen, in an entity incorporated in Australia in which RMB2,640,293 of goodwill was recognised. A full detail of the transaction is further disclosed in note 37.

No impairment loss has been recognised as at 31 December 2019.

15. GOODWILL (CONTINUED)

Impairment test on goodwill

The recoverable amount of goodwill is determined from value in use calculations using cash flow projections based on financial budget approved by management covering five-year period with average revenue growth rate of 8%, zero growth rate is applied to extrapolate the cash flows beyond five-year period during the year ended 31 December 2019. This growth rate is based on the history experience to forecast. The weight average cost of capital applied to the discounted cash flow valuation is 26%. Other key assumptions for the value in use calculation related to the estimation of cash inflows and outflows which include budgeted revenue and budgeted net profit margin. This estimation is determined based on the past performance and management's expectation for the market development.

16. OTHER INTANGIBLE ASSETS

	Trademarks RMB	Content distribution rights RMB	Capitalised software development RMB	Total RMB
1 January 2018				
Cost	-	3,584,906	-	3,584,906
Accumulated amortisations	-	(597,485)	-	(597,485)
Net carrying amount	-	2,987,421	-	2,987,421
Year ended 31 December 2018				
Opening net carrying amount	-	2,987,421	-	2,987,421
Additions	-	-	1,468,644	1,468,644
Amortisations	-	(1,792,452)	(367,161)	(2,159,613)
Closing net carrying amount	-	1,194,969	1,101,483	2,296,452
31 December 2018 and 1 January 2019				
Cost	-	3,584,906	1,468,644	5,053,550
Accumulated amortisations	-	(2,389,937)	(367,161)	(2,757,098)
Net carrying amount	**-**	**1,194,969**	**1,101,483**	**2,296,452**
Year ended 31 December 2019				
Opening net carrying amount	-	1,194,969	1,101,483	2,296,452
Additions	-	-	240,293	240,293
Acquisition of a subsidiary (note 37)	2,137,709	-	-	2,137,709
Amortisations	-	(1,194,969)	(734,444)	(1,929,413)
Closing net carrying amount	**2,137,709**	**-**	**607,332**	**2,745,041**
As at 31 December 2019				
Cost	**2,137,709**	**3,584,906**	**1,708,937**	**7,431,552**
Accumulated amortisations	**-**	**(3,584,906)**	**(1,101,605)**	**(4,686,511)**
Net carrying amount	**2,137,709**	**-**	**607,332**	**2,745,041**

Note

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

2) As disclosed in note 37, the Group acquired 51% equity interests in Aushen which included the trademarks and have an indefinite useful life. There is no foreseeable limit to the period over which the trademark is expected to generate net cash inflows for the Group.

17. DEPOSIT PAID

	2019 RMB	2018 RMB
Purchase consideration paid in connection with acquisition of Pantosoft	**73,700,000**	-

On 18 November 2019, the Board approved the Group's proposed plan to acquire Shanghai Pantosoft Co., Ltd. ("Shanghai Pantosoft"). A deposit of RMB73,700,000 has been paid to secure the whole transaction on 28 November 2019. On 22 January 2020, the Group signed a sale and purchase agreement to acquire Pantosoft International Limited ("Pantosoft") and Shanghai Pantosoft for RMB76,000,000.

Pantosoft owns 80% equity interest in Shanghai Pantosoft. Shanghai Pantosoft provides digital solutions via self-developed software systems to support education management in secondary and vocational schools in China. As of reporting date, the transaction has yet to be completed.

18. DEFERRED TAX

The movement during the year in the deferred tax assets/(liabilities) is as follows:

	2019 RMB	2018 RMB
At 1 January	**203,458**	229,181
Acquisition of a subsidiary (note 37)	**(587,870)**	-
Charged to profit or loss for the year (note11)	**761,449**	(25,723)
At 31 December	**377,037**	203,458

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax assets

	Unpaid accruals RMB	ECL allowance RMB	Total RMB
At 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 and 1 January 2019	-	203,458	203,458
Credited to profit or loss for the year	-	761,449	761,449
At 31 December 2019	**-**	**964,907**	**964,907**

18. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Tax liabilities on arising from acquisition of Aushen RMB
At 31 December 2018 and 1 January 2019	-
Acquisition of a subsidiary (note 37)	(587,870)
At 31 December 2019	**(587,870)**

The amounts recognised in the consolidated statement of financial position are as follows:

	2019 RMB	2018 RMB
Deferred tax assets recognised in the consolidated statement of financial position	**964,907**	203,458
Deferred tax liabilities recognised in the consolidated statement of financial position	**(587,870)**	-
Net deferred tax assets	**377,037**	203,458

The Group has unrecognised tax losses of approximately RMB16,387,000 (2018: RMB 6,722,000) due to unpredictability of future profit streams, of which approximately RMB6,567,000 (2018: RMB5,489,000) will expire within 5 years and approximately RMB9,820,000 (2018: RMB1,233,000) with unlimited expiry date.

19. TRADE AND OTHER RECEIVABLES

	2019 RMB	2018 RMB
Trade receivables, gross	**58,580,709**	28,035,771
Less: ECL allowance	**(4,278,019)**	(1,260,684)
Trade receivables, net	**54,302,690**	26,775,087
Interest receivable	**-**	1,015,534
Other receivables and deposits paid net of ECL allowance	**4,590,088**	1,553,618
Financial assets at amortised cost	**58,892,778**	29,344,239
GST withholding tax received	**164,423**	-
Prepayments	**2,249,258**	1,412,338
	61,306,459	30,756,577

The directors of the Group consider that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception. Overdue balances are reviewed regularly by senior management.

The aging analysis of the Group's trade receivables (net of ECL allowance) based on the invoice date as of the end of the reporting period is as follows:

	2019 RMB	2018 RMB
0 - 90 days	**38,467,208**	16,281,288
91 - 180 days	**5,596,867**	3,016,675
181 - 365 days	**9,178,723**	4,739,000
Over 365 days	**1,059,892**	2,738,124
	54,302,690	26,775,087

The Group generally allows a credit period 15 to 60 days (2018: 15 to 60 days) to its trade customers.

The movement in the ECL allowance of trade receivables is as follows:

	2019 RMB	2018 RMB
1 January	**1,260,684**	1,073,297
ECL allowance recognised during the year	**3,017,335**	187,387
31 December	**4,278,019**	1,260,684

ECL allowance of RMB660 has been provided for other receivables during the year (2018: No ECL allowance was provided for other receivables).

Details of the credit risk and provision of ECL allowance are set out in note 38.4.

20. CONTRACT ASSETS AND LIABILITIES

20.1 Contract assets

	2019 RMB	2018 RMB
Contract assets arising from unbilled revenue from e-learning contracts	**32,489,394**	19,140,219
Less: ECL allowance	**(2,984,976)**	(95,701)
	29,504,418	19,044,518

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

	2019 RMB	2018 RMB
1 January	**95,701**	79,313
ECL recognised during the year	**2,889,275**	16,388
31 December	**2,984,976**	95,701

At 31 December 2019, contract assets, net expected to be recovered after more than one year is RMB3,298,149. All of which relates to state-owned enterprises.

20.2 Contract liabilities

	2019 RMB	2018 RMB
Contract liabilities arising from billings in advance of performance		
- E-learning contracts	**2,901,432**	4,721,383
- Tuition and coaching services	**973,352**	-
31 December	**3,874,784**	4,721,383

The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the Group transfers good or service to the customers. All of the Group's performance obligations for contracts with customers are for periods of one year or less. As a practical expedient as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Contract liabilities outstanding at the beginning of the year accounting to RMB4,721,383 (2018: RMB10,042,901) have been recognised as revenue during the year.

21. 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, except disclosed separately.

(a) Amount due from non-controlling shareholders

	2019 **RMB**	2018 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

* Mr. Calvin Cheng ("Mr. Cheng") is a shareholder and Co-Chairman of the Company. Mr. Cheng is also a shareholder of Lumina.

The movement in the ECL allowance of the amount due from Lumina is as follows:

	2019 **RMB**	2018 RMB
Balance at the beginning of the year	**4,959,374**	-
ECL allowance recognised during the year (note)	**-**	4,959,374
Balance at the end of the year	**4,959,374**	4,959,374

Note: During the year ended 31 December 2018, the management has taken several follow-up actions but remains unable to recover the long-aged receivable from Lumina. In this regard, the management considers there is a significant decrease in Lumina's ability to repay the amount and thus an increase in credit risk. Accordingly, ECL allowance has been recognised in full during the year.

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

	2019 **RMB**	2018 RMB
Hexon Consulting Limited	**328,755**	439,000

Hexon Consulting Limited has 9.2% equity interests in the Company's subsidiary, Prosage Development Limited.

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

(c) Amounts due from related companies

	Maximum balance during the year RMB	**2019 RMB**	2018 RMB
Retech Digital Media Co.,Ltd*	**4,433,500**	**4,433,500**	-
Shanghai Retech Information Technology Co., Ltd ("Shanghai Retech IT") *	**51,209,431**	**8,468,340**	29,271,094
		12,901,840	29,271,094

* Mr. AI Shungang is the ultimate holding controlling shareholder and a Co-Chairman of the Company. He is also the ultimate controlling shareholder and a director of Retech Digital Media Co., Ltd and Shanghai Retech IT.

The amount have been undertaken by Jiangsu Industry Park and Mr. Ai Shungang. In the event of default, both parties will indemnify the Group of any losses with regard to the amount outstanding above.

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 credit risks of the amounts due from related companies and loan to a related company (note 22) are low and thus no ECL allowance is provided (2018: nil) .

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

	2019 RMB	2018 RMB
Hexon Consulting Limited	**-**	436,670

(e) Amounts due to a related company

	2019 RMB	2018 RMB
Jiangsu Yunmei Digital Technology Co., Ltd. ("Jiangsu Yunmei")*	**5,974**	5,974
Shanghai Retech IT	**-**	200
	5,974	6,174

* Mr. AI Shungang being the ultimate controlling shareholder and Co-Chairman of the Company. He is also a controlling shareholder and director at Jiangsu Yunmei.

22. LOAN TO A RELATED COMPANY

	Maximum balance during the year RMB	2019 RMB	2018 RMB
Jiangsu Retech Digital Information Industry Park Co., Ltd. ("Jiangsu Industry Park")	**169,100,265**	**12,347,019**	802,630

Mr. Ai Shungang being the ultimate controlling shareholder and Co-Chairman of the Company. He is also a shareholder and a director of Jiangsu Industry Park.

The loan to a related company above is denominated in RMB and is interest-bearing at fixed rates of 10% (31 December 2018: 8%) per annum and wholly repayable within twelve months from the reporting date. At 31 December 2019, the carrying amount of the loan approximates its fair value.

The directors are of the opinion that the loan to a related party is conducted on normal commercial forms at arm's length basis.

The loan has been undertaken by Mr. Ai Shungang. In the event of default, he will indemnify the Group for any losses with regard to the amount outstanding above.

23. DERIVATIVE FINANCIAL INSTRUMENTS

Management considers the convertible note (note 29) issued on 20 November 2017 as hybrid instruments with main debt contract and embedded derivatives options. As set out in note 29, 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.

Details of the fair value measurements of the derivative financial instruments are set out in note 38.6.

24. CASH AND CASH EQUIVALENTS AND SHORT TERM BANK DEPOSITS

		2019 RMB	2018 RMB
Cash at bank and in hand		**185,088,747**	99,557,916
Fixed bank deposit	(a)	**-**	59,137,040
Pledged bank deposit	(b)	**-**	53,349,000
Short term bank deposits		**-**	112,486,040
		185,088,747	212,043,956

(a) Fixed bank deposit from end of year 2018 earned interest at fixed rate from 1.70% to 2.10% per annum and had an original maturity of one year.

(b) Pledged bank deposit from end of year 2018 earned interest at fixed rate of 1.95% per annum and had an original maturity of six months. The deposit has been pledged as financial guarantee to secure a working capital loan for a related company of the Group, Shanghai Retech Enterprise Management Group Co., Ltd.

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

The amount above represents the Group's maximum exposure under the financial guarantee contract. No provision for the Group's obligation under the financial guarantee contract has been made as the directors considered that it was not probable that the repayment of the loan would be in default. Also the guarantee was released subsequently on 31 July 2019.

25. INTERESTS IN SUBSIDIARIES

There are no individual material non-controlling interests should be disclosed in the note to the consolidated financial statement. Particulars of the subsidiaries at 31 December 2019 and 2018 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
				2019		2018		
				Direct	Indirect	Direct	Indirect	
Retech Holdings Co., Limited ("Retech Holdings")	Hong Kong	Limited liability company	HK$15,000,000	**100%**	**-**	100%	-	Investment holding
Shanghai Retech Digital Technology Co., Ltd ("Retech Digital") 上海睿泰数字科技有限公司	PRC	Limited liability company	RMB6,500,000	**-**	**100%**	-	100%	E-learning solutions and consultancy services
Shanghai Ruijian Information Technology Co., Ltd("Ruijian") 上海睿剑信息科技有限公司	PRC	Limited liability company	RMB26,000,000	**-**	**100%**	-	100%	Provision of software licensing services
Shanghai Ruipengcheng Technology Co., Ltd ("Ruipengcheng") 上海睿朋程科技有限公司	PRC	Limited liability company	RMB2,000,000	**-**	**62.50%**	-	62.50%	E-learning solutions and consultancy services
Shanghai Reunet Technology Network Co., Ltd ("Reunet") 上海睿鹊网络科技有限公司	PRC	Limited liability company	-	**-**	**60.02%**	-	60.02%	Provision of e-learning solutions
Prosage Sustainability Development Limited ("Prosage") (note (a))	Hong Kong	Limited liability company	HK$8,500,000 (2018: HK$5,000,000)	**-**	**82.76% (note a)**	-	90.00%	Provision of ESG related e-learning solutions and consultancy services
Aushen Group Pty. Ltd. (note 37)	Australia	Limited liability company	A$100	**-**	**51.00%**	-	-	Operation of language coaching school
Shanghai Paisiqi Information Technology Co., Ltd. ("Shanghai Paishiqi") 上海派施奇信息科技有限公司 (note b)	PRC	Limited liability company	-	**-**	**82.76%**	-	-	Technical consulting and development
Ai English Pty. Ltd. (note b)	Australia	Limited liability company	A$100	**-**	**51.00%**	-	-	Operation of language coaching school
Ai Chinese Pty. Ltd. (note b)	Australia	Limited liability company	-	**-**	**51.00%**	-	-	Operation of language coaching school
Wuxi Ai English Education Technology Co., Ltd. ("Wuxi Ai English") 无锡爱语教育科技有限公司 (note b)	PRC	Limited liability company	-	**-**	**51.00%**	-	-	Provision of educational software development services

(a) During 21 November 2019, Prosage issued 500,000 new shares to non-controlling interests for an amount of HK$3,500,000 (equivalent to RMB3,147,207). Aa a result, the Group shareholding in Prosage has reduced to 82.76% (2018: 90%).

(b) The subsidiaries of the Company are set up during the year. Ai English Pty Ltd, Ai Chinese Pty Ltd and Wuxi Ai English are wholly owned by Aushen. Shanghai Paisiqi is wholly owned by Prosage.

26. TRADE AND OTHER PAYABLE

	2019 RMB	2018 RMB
Trade payables	**12,442,615**	4,974,516
Other payables		
- Accrued expenses	**2,515,537**	2,041,722
- Payable for acquisition of intangible asset	**800,000**	800,000
- Payroll payable	**2,262,656**	4,455,917
- Other liabilities	**4,001,542**	3,165,039
Trade and other payables as financial liabilities at amortised cost	**22,022,350**	15,437,194
Provision of other tax liabilities	**1,771,400**	3,040,349
Deferred rent	**-**	240,800
	23,793,750	18,718,343

The credit period of the Group is usually 15 to 60 days. All amounts are short term and the directors consider the carrying values of the Group's trade payables, accrued expenses and other payables are approximation of their fair values.

27. BORROWINGS

	2019 RMB	2018 RMB
Bank loans – unsecured (note a)	**12,984,853**	-
Private loan – unsecured (note b)	**4,888,326**	-
Total borrowings	**17,873,179**	-
Less: Amounts shown under current liabilities	**(12,984,853)**	-
	4,888,326	-

(a) Bank loans are denominated in RMB, wholly repayable in 12 months from the date of drawdown and interest bearing at fixed rates of 5.22% and variables rates of 5.34% respectively. These bank loans are secured against:

- Personal guarantees provided by Mr Ai Shungang and his spouse, Ms. Kong Yan.; and
- Loan performance guarantee insurance purchased by the Group.

(b) It is a 3 year unsecured loan with principal amount of A$1,000,000 provided by Hong Kong Fu An Development Co., Limited and wholly repayable on 29 August 2022. The loan bears fixed rate of 4.5% per annum which the interest is repayable every six months.

28. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2019 RMB	2018 RMB
Total minimum lease payments:		
Due within one year	10,617,609	
Due in the second to fifth years	31,964,063	-
Due after the fifth year	3,033,804	-
	45,615,476	-
Less: Future finance charges on lease liabilities	(4,011,397)	-
Present value of lease liabilities	41,604,079	-
Present value of minimum lease payments:		
Due within one year	9,155,846	-
Due in the second to fifth years	29,445,113	-
Due after the fifth year	3,003,120	-
	41,604,079	-
Less: Portion due within one year included under current liabilities	(9,155,846)	-
Portion due after one year included under non-current liabilities	32,448,233	-

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Details for transitions to HKFRS 16 are set out in note 3.

As at 31 December 2019, lease liabilities amounting to RMB41,604,079 are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year, total cash outflows for the leases are RMB3,204,361.

As at 31 December 2019, the Group has entered into leases for various office spaces as follows:

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Office	Buildings carried at cost in "property, plant and equipment"	5	2 to 6 years	*One of the lease with lease term commence on 1 January 2020 to which the Group is committed to occupy .*

The directors consider that no extension option or termination option shall be exercised at the lease commencement date.

29. CONVERTIBLE NOTE

	2019	2018
	RMB	RMB
Convertible note maturing on 2021	**32,781,619**	31,092,542

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") (Listed in Hong Kong Stock Exchange: 2277) 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.

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 Executive 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.

29. CONVERTIBLE NOTE (CONTINUED)

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.

	2019 RMB	2018 RMB
Liability component		
1 January	**31,092,542**	28,591,365
Accrued effective interest charges (note 8)	**3,818,703**	3,574,072
Interest paid	**(2,778,633)**	(2,630,295)
Exchange differences	**649,007**	1,557,400
31 December	**32,781,619**	31,092,542
Fair value of embedded derivative component in respect of the call option - financial assets		
1 January	**(11,135,977)**	(19,758,568)
Changes in fair value	**1,598,435**	9,016,260
Exchange differences	**(195,868)**	(393,669)
31 December	**(9,733,410)**	(11,135,977)
Fair value of embedded derivative component in respect of the conversion and put option - financial liabilities		
1 January	**13,617,235**	23,440,186
Changes in fair value	**375,875**	(10,306,346)
Exchange differences	**288,429**	483,395
31 December	**14,281,539**	13,617,235

As at 31 December 2019, the fair value of the liability component above is approximately RMB34,545,000 (2018: RMB33,460,000). 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 note 38.6 to the consolidated financial statements.

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

	2019 RMB	2018 RMB
Time to maturity	**1.89 years**	2.89 years
Share price	**HK$2.27**	HK$2.37
HK$/A$ exchange rate	**5.467**	5.520
Conversion price (floating)	**HK$2.04**	HK$1.93
Spread	**6.90%**	6.74%
Expected share price volatility	**78%**	80%
Risk-free rate	**2.53%**	2.85%
Discount rate	**9.43%**	9.59%

30. CONTINGENT CONSIDERATION LIABILITY

	2019 RMB
Contingent consideration at acquisition date	**1,541,259**
Change in fair value	**38,155**
Exchange differences	**28,108**
31 December 2019	**1,607,522**

On 26 June 2019, the Group completed an acquisition of 51% equity interests in Aushen from an independent third party, Suns Group Corporation Pty Ltd ("Suns Group"). The acquisition includes a contingent consideration payable by the Group to Suns Group.

The Group is expected pay additional consideration up to A$418,000 (equivalent to approximately RMB2,007,000) on year 2022 depending upon the growth rate of the net profit after tax of Aushen for the years ended 30 June 2020, 2021 and 2022. The detailed calculations are set out in note 37.

The contingent consideration liability is measured at fair value and details of fair value measurements are set out in note 38.6.

31. SHARE CAPITAL

	Notes	Number of shares	RMB
Issued and fully paid ordinary shares			
As at 1 January 2018, 31 December 2018 and 1 January 2019		230,750,944	141,905,974
Issued during the year	(a)	2,161,689	4,072,436
31 December 2019		**232,912,633**	**145,978,410**

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 1 July 2019 and 12 September 2019, the Company issued 2,064,180 and 97,509 CDIs to certain employees with the fair values of RMB3,882,414 and RMB190,022 as under Retech Incentive Plan. Details of the plan have been set out in note 36.

32. RESERVES

32.1 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.

32.2 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.

32.3 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 2.4.

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS AND SIGNIFICANT NON-CASH TRANSACTIONS

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 2019 and 2018.

	Amounts due to related parties (note) RMB	Lease liabilities (current and non-current) RMB	Borrowings (current and non-current) RMB	Convertible note RMB	Dividend payable RMB	Total RMB
1 January 2019	442,844	-	-	31,092,542	-	31,535,386
Impact on initial application of HKFRS 16 (note 3)	-	6,528,100	-	-	-	6,528,100
1 January 2019 (Adjusted)	442,844	6,528,100	-	31,092,542	-	38,063,486
Cash flows:						
Proceeds	-	-	17,788,326	-	-	17,788,326
Repayments	(436,870)	*(3,204,361)	(288,818)	(2,778,633)	-	(6,708,682)
Dividend paid	-	-	-	-	(5,586,108)	(5,586,108)
Non-cash：						
Additions	-	37,138,358	-	-	5,586,108	42,724,466
Interest expenses	-	491,724	373,671	3,818,703	-	4,684,098
Exchange adjustments	-	650,258	-	649,007	-	1,299,265
31 December 2019	**5,974**	**41,604,079**	**17,873,179**	**32,781,619**	**-**	**92,264,851**

* The total amount of RMB3,204,361 included lease principal of RMB2,712,637 and interest paid of RMB491,724, which included in other financing activities.

	Convertible note RMB	Amounts due to related companies (note) RMB	Total RMB
At 1 January 2018	28,591,365	5,040,192	33,631,557
Cash flows	(2,630,295)	(4,597,348)	(7,227,643)
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	442,844	31,535,386

Note:

Amount due to related parties include amount due to a related company and amount due to a non-controlling shareholder of a subsidiary.

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS AND SIGNIFICANT NON-CASH TRANSACTIONS (CONTINUED)

Significant non-cash transaction

The Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated financial statements of cash flows:

(a) The Group transferred an amount due from Shanghai Retech IT of RMB27,500,000 to a related company, Jiangsu Industry Park by way of additional loan were advanced to Jiangsu Industry Park. The detail information of Jiangsu Industry Park are set out in note 22;

(b) During 2019, the consideration transferred for the Group's acquisition of Aushen (note 37) included a contingent payment arrangement of RMB1,541,259 as of the acquisition date. The initial recognition of this liability and the subsequent change in fair value are non-cash transactions which are excluded from the consolidated statement of cash flows.

34. 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 year are as follows:

Name of related parties	**Nature of transactions**	**2019 RMB**	**2018 RMB**
Related companies			
Shanghai Retech IT (note (a))	Services income recharged	**26,725,799**	19,309,869
	Administrative expenses recharged	**627,262**	594,963
	Cost of services recharged	**9,780,468**	9,079,932
Jiangsu Industry Park (note (b))	Interest income received	**4,475,142**	3,278,877
	Purchase of equipment	**320,273**	-
Retech Digital Media Co., Ltd. (note (c))	Rendering of e-learning solutions and related services	**4,433,500**	-
	Property management income	**1,054,205**	-
Shanghai Retech Enterprise Management Group Co., Ltd (note (c))	Services income received	**-**	2,163,545

34. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

(a) Pursuant to service agreement signed between the Company and a related company, Shanghai Retech IT ("the Service Agreement"), Shanghai Retech IT has appointed the Company as its exclusive service provider for technical, consulting and other services from 1 August 2016 to 30 June 2017 ("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 21(c) to the consolidated financial statements.

On 1 January 2019, both parties have agreed to revise the fee to 100% of the revenue received by Shanghai Retech IT beginning 1 January 2019 to 30 August 2026.

(b) The transaction was enacted with Jiangsu Industry Park of which relationship with the Company is described in note 22 to the consolidated financial statements.

(c) Mr. AI Shungang is the ultimate controlling shareholder and a director of Retech Digital Media Co., Ltd. and Shanghai Retech Enterprise Management Group Co., Ltd.

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.

35. COMMITMENT AND CONTINGENCIES

35.1 Lease commitment

As lessee

At the reporting date, the lease commitments for short-term leases (2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	2019 RMB	2018 RMB
Not later than one year	-	2,236,018
Later than one year but not later than 5 years	-	4,875,018
	-	7,111,036

At 31 December 2018, the Group leases office premises under operating lease. The lease run for an initial period two to six years with renewal option and renegotiate terms at the expiry dates or dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rentals.

35.2 Capital commitment

	2019 RMB	2018 RMB
Contracted but not provided for:		
- Property, plant and equipment	-	629,926

36. SHARE BASED EMPLOYEE COMPENSATION

On 20 May 2019, the Board approved a share-based payment scheme for its employee remunerations called Retech Incentive Plan (the "Plan"). The Plan allows eligible employees to be granted options and CDIs. The Group will award options or CDIs to certain key employees of the Group as part of the reward for their past and future service provided to the Group.

The Plan allows eligible employees to be granted CDIs under a free grant. The participant will be entitled to receive an allocation of CDIs with or without consideration and specified in the offer letter. Options represents each option granted under the Plan to eligible employees for and be allotted one CDI. The exercise price payable of an option is for acquiring the underlying CDIs and predetermined at grant date. To be eligible, the participants of the Plan are required to be employed until the issuance of the options or CDIs.

The Group recognised share-based employee compensation on the following manner:

(a) CDIs – recognised over the period where the services are received; and

(b) Options with vesting period – recognised over a straight-line basis over the vesting period with corresponding increase in employee compensation reserve.

36. SHARE BASED EMPLOYEE COMPENSATION (CONTINUED)

The fair value of options with vesting period and CDIs are determined based on the fair value of the Company's share on grant date. All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's CDIs.

The movement of options of underlying CDIs and CDIs and weighed average fair values per share are as follows:

	2019		2018	
	Number of shares	Weighted average fair value per share RMB	Number of shares	Weighted average fair value per share RMB
CDIs, grant and exercised during the year:				
- 24 June 2019	2,064,180	1.88	-	-
Options of underlying CDIs, grant and exercised during the year:				
- 12 September 2019	97,509	1.95	-	-
31 December	**2,161,689**	**1.88**	-	-

During the year, the Board approved to issue 2,064,180 CDIs and 97,509 CDIs under options of underlying CDIs to the employees at nil consideration. An amount of RMB4,072,436 is recognised based on the fair value of option of underlying CDIs and CDIs at the date of grant respectively, in which, an amount of RMB190,022 of option of underlying CDIs and partial amount of RMB1,806,427 of CDIs has been recognised within share-based employee compensation expenses in the consolidated statement of profit or loss during the year 2019. The remaining amount of RMB2,075,987 of CDIs was used to settle the other payables representing the expenses of the services provided in the past.

No options with vesting period or CDIs are outstanding at reporting date.

37. ACQUISITION OF A SUBSIDIARY

On 26 June 2019, the Group completed an acquisition of 51% equity interests as business acquisition in Aushen from an independent third party, Suns Group.

Aushen owns private tutoring operations in Australia which offers various education courses/programs in classroom environment for students from grade 1 to grade 12. The acquisition will allow the Group to apply its e-learning solutions for online language training and enable the Group to offer high quality courses from Australia in China. The cash and contingent considerations are as follows:

		A$	RMB
Fair value of considerations transferred			
Cash consideration		408,000	1,952,974
Contingent consideration	(a)	320,924	1,541,259
		728,924	**3,494,233**

(a) The acquisition includes a contingent consideration payable by the Group to Suns Group calculated as follows:

- Based on net profit after tax ("NPAT") of Aushen for the year ended 30 June 2019 ("FY2019), if the average annual growth rate of NPAT for years ended 30 June 2020, 2021 and 2022 ("FY2020, FY2021 and FY2022") is 5% or more compared to NPAT in FY2019, FY2020, FY2021, the Group is required to pay the Suns Group an amount calculated by NPAT of FY2019 times 8 times 51% and minusing A$408,000; or

- Based on NPAT for FY2019, if the average annual growth rate of the NPAT for FY2020, FY2021 and FY2022 is lower than 5% compared to FY2019, FY2020, FY2021, the Group is required to pay the Suns Group an amount calculated by NPAT of FY2019 times 8 times 51%, minusing A$408,000 and minusing the difference between the aggregate amount of the 5% growth NPAT target for FY2020, FY2021 and FY2022 and the aggregate amount of the actual NPAT for FY2020, FY2021 and FY2022.

During the year, both parties have agreed to replace the term NPAT for FY2019 with fixed amount of A$200,000 and therefore revised the maximum total consideration for the transaction to revised to A$816,000.

The contingent consideration is payable upon completion and issuance of the audited accounts for Aushen for FY2022. The fair value of the contingent consideration initially recognised represents the present value of Aushen's probability-weighted estimated of the future NPAT of FY2020, FY2021 and FY2022. It reflects management's estimate of 85% probability that the contingent consideration will be achieved and is discounted using an interest rate of 5%.

The Group has recognised the contingent consideration above as contingent consideration liability in the consolidated statement of financial position of the Group.

37. ACQUISITION OF A SUBSIDIARY (CONTINUED)

The fair values of the identifiable assets and liabilities acquired at the date of acquisition were as follows:

	RMB
Property, plant and equipment	19,115
Intangible assets	2,137,709
Cash and bank balance	539,588
Trade and other receivables	346,408*
Trade and other payables	(756,378)
Deferred tax liabilities	(587,870)
Income tax payable	(24,180)
Total identifiable net assets acquired	1,674,392

* There are no ECL allowance of trade and other receivables and all trade and other receivables were expected to be recovered within one year.

<u>Goodwill arising on acquisition</u>

	RMB
Fair value of considerations transferred	3,494,233
Non-controlling interests	820,452
Fair value of identifiable net assets acquired	(1,674,392)
Goodwill arising on acquisition	2,640,293

The non-controlling interest recognised at the acquisition date was measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets. Goodwill arose in the acquisition of Aushen as the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Aushen. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. No goodwill is deductible for income tax purpose.

Net cash inflow on the acquisition above is as follows:

	RMB
Consideration paid in cash	1,952,974
Cash and cash equivalents acquired	(539,588)
	1,413,386

Aushen contributed total revenue of RMB2,466,795 and net profit of RMB1,199,118 to the Group for the period from the acquisition date to 31 December 2019. Had Aushen been consolidated from 1 January 2019, the consolidated statement of profit or loss and other comprehensive income would show the increase in pro-forma revenue by RMB3,587,164 and the increase in pro-forma profit from the year by RMB1,588,425. The amount of acquisition-related costs are approximately RMB34,600 and recognsied as administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

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

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

38.1 Categories of financial assets and liabilities

	2019 RMB	2018 RMB
Financial assets		
Financial assets measured at amortised cost:		
Trade and other receivables	**58,892,778**	29,344,239
Amount due from non-controlling shareholders	**-**	11,411
Amount due from a non-controlling shareholder of a subsidiary	**328,755**	439,000
Amount due from a related company	**12,901,840**	29,271,094
Loan to a related company	**12,347,019**	802,630
Short term bank deposits	**-**	112,486,040
Cash and cash equivalents	**185,088,747**	99,557,916
	269,559,139	271,912,330
Financial assets measured at FVTPL:		
Derivative financial instruments	**9,733,410**	11,135,977
	279,292,549	283,048,307
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	**22,022,350**	15,437,194
Amount due to a non-controlling shareholder of a subsidiary	**-**	436,670
Amount due to a related company	**5,974**	6,174
Lease liabilities (current and non-current)	**41,604,079**	-
Borrowings (current and non-current)	**17,873,179**	-
Convertible note	**32,781,619**	31,092,542
	114,287,201	46,972,580
Financial liabilities measured at FVTPL:		
Derivative financial instruments	**14,281,539**	13,617,235
Contingent liability payable	**1,607,522**	-
	15,889,061	13,617,235
	130,176,262	60,589,815

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

38.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk mainly arise from the Group's funding activities in Hong Kong and Australia which are primarily denominated in Hong Kong dollar, Australian dollar and United States dollar ("US$"). These are not the functional currency of the Group's entities to which these transactions relate. The management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	A$	HK$	US$
At 31 December 2019			
Derivative financial instruments (assets)	**-**	**9,733,410**	**-**
Cash and cash equivalents	**80,713**	**29,947**	**552,074**
Derivative financial instruments (liabilities)	**-**	**(14,281,539)**	**-**
Contingent consideration liability	**(1,607,522)**	**-**	**-**
Convertible note	**-**	**(32,781,619)**	**-**
Gross exposure arising from recognised financial assets and liabilities	**(1,526,809)**	**(37,299,801)**	**552,074**

	A$	HK$	US$
At 31 December 2018			
Derivative financial instruments (assets)	-	11,135,977	-
Fixed bank deposits	-	-	59,137,040
Cash and cash equivalents	16,827	8,217	36,524
Derivative financial instruments (liabilities)	-	(13,617,235)	-
Convertible note	-	(31,092,542)	-
Gross exposure arising from recognised financial assets and liabilities	16,827	(33,565,583)	59,173,564

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

38.2 Foreign currency risk (Continued)

The following table illustrates the sensitivity of the Group's profit after income tax for the year and equity as at 31 December 2019 and 2018 in regards to an appreciation in the functional currency of respective entities in the Group against foreign currencies above. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rate.

		2019			2018	
Currencies	**A$**	**HK$**	**US$**	A$	HK$	US$
Sensitivity rate	**5%**	**5%**	**5%**	5%	5%	5%
Increase/(decrease) in profit after income tax	**(63,744)**	**(1,557,267)**	**23,049**	703	(1,401,363)	2,470,496
Increase/(decrease) in equity	**(63,744)**	**(1,557,267)**	**23,049**	703	(1,401,363)	2,470,496

38.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's fair value interest rate risk arises primarily from loan to a related company, borrowings, lease liabilities and convertible note. The Group's loan to a related company, borrowings, lease liabilities and convertible note are at fixed rates.

The Group's variables risk is mainly to one of the borrowing at RMB4,900,000 which is relating to the fluctuation of China Loan Prime Rate. Therefore the Group does not have significant exposure to cash flow interest rate risk at the reporting date.

38.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposures to credit risk mainly arise from granting credit to customers and related parties in the ordinary course of its operations and from its investing activities.

The Group's maximum exposures to credit risk on recognised financial assets are limited to the carrying amount as at 31 December 2019 and 2018 as summarised in note 38.1.

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

38.4 Credit risk (Continued)

(i) Trade receivables and contract assets

Credit risk on trade receivables and contract assets are minimised as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at the end of each reporting period to ensure that adequate ECL allowance is made for irrecoverable amounts.

In addition, as set out in note 2.10, the Group assesses ECL under HKFRS 9 on trade receivables and contract assets based on provision matrix, the expected loss rates are based on the payment profile as well as the corresponding historical credit losses. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables and contract assets are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within credit terms and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 99.18% (2018: 100%) of the total receivables as at 31 December 2019.

On the above basis, the ECL for trade receivables as at 31 December 2019 and 2018 was determined as follows:

	Current RMB	1-90 days past due RMB	91-180 days past dues RMB	181-365 days past due RMB	More than 365 days past due RMB	Total RMB
31 December 2019						
ECL rate	1.30%	4.15%	5.61%	12.21%	64.70%	
Gross carrying amount - trade receivables	31,934,616	7,411,343	5,760,000	10,454,750	3,020,000	**58,580,709**
Lifetime ECL	414,827	309,990	322,883	1,276,352	1,953,967	**4,278,019**
31 December 2018						
ECL rate	0.1%	0.5%	2.5%	10%	$33^1/_3$%	
Gross carrying amount - trade receivables	16,297,586	-	5,453,000	4,230,000	2,055,185	28,035,771
Lifetime ECL	16,298	-	136,325	423,000	685,061	1,260,684

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

38.4 Credit risk (Continued)

(i) Trade receivables and contract assets (Continued)

On the above basis, the ECL for contract assets as at 31 December 2019 and 2018 was determined as follows:

	1-6 months past due RMB	6-12 months pass due RMB	More than 12 months pass due RMB	Total RMB
31 December 2019				
ECL rate	3.89%	12.21%	30.52%	
Gross carrying amount – contract assets	22,237,428	5,505,266	4,746,700	**32,489,394**
Lifetime ECL	864,199	672,226	1,448,551	**2,984,976**
31 December 2018				
ECL rate	0.5%	-	-	
Gross carrying amount – contract assets	19,140,219	-	-	19,140,219
Lifetime ECL	95,701	-	-	95,701

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include 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 at bank and in hand. In order to minimise the credit risk of other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables is considered to be low.

As detailed in note 21(c), in view of the financial undertakings given by Jiangsu Industry Park and Mr. Ai Shungang and the current financial condition of Jiangsu Industry Park, the directors are of the opinion that the credit risk of the amount due from Retech Digital Media Co., Ltd and Shanghai Retech IT (note 21(c)) and loan to Jiangsu Industry Park (note 22) is insignificant and the balances are fully recoverable.

Short term bank deposits and cash at bank are placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant.

Besides, the management is of opinion that credit loss is low based on historical settlement records and past experience. Also there is no significant increase in credit risk on these financial assets since initial recognition as the risk of default is low after considering the factors as set out in note 2.10 and, thus, ECL recognised is based on 12-month ECL and the impact of ECL is insignificant.

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

38.5 Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

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

	Within 1 year or on demand RMB	Over 1 year but within 5 years RMB	Over 5 years RMB	Total undiscounted amount RMB	Carrying amount RMB
As at 31 December 2019					
Non-derivative financial liabilities					
Trade and other payables	22,022,350	-	-	22,022,350	**22,022,350**
Amounts due to a related company	5,974	-	-	5,974	**5,974**
Borrowings	13,531,200	5,473,519	-	19,004,719	**17,873,179**
Lease liabilities	10,617,609	31,964,063	3,033,804	45,615,476	**41,604,079**
Convertible note	2,830,517	36,471,807	-	39,302,324	**32,781,619**
	49,007,650	73,909,389	3,033,804	125,950,843	**114,287,201**
As at 31 December 2018					
Non-derivative financial liabilities					
Trade and other payables	15,437,194	-	-	15,437,194	15,437,194
Amount due to a non-controlling shareholder of a subsidiary	436,670	-	-	436,670	436,670
Amounts due to a related company	6,174	-	-	6,174	6,174
Convertible note	2,769,381	39,788,266	-	42,557,647	31,092,542
	18,649,419	39,788,266	-	58,437,685	46,972,580
Financial guarantee to a related company					
- Maximum amount (note 24 (b))	50,000,000	-	-	50,000,000	**-**

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

38.6 Fair value measurements of financial instruments

(a) Fair value hierarchy

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

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

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

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

	As at 31 December 2019			
	Level 1 RMB	**Level 2 RMB**	**Level 3 RMB**	**Total RMB**
Financial assets				
- Derivative financial instruments (note 23) (i)	-	-	9,733,410	9,733,410
Financial liabilities				
- Derivative financial instruments (note 23) (i)	-	-	(14,281,539)	(14,281,539)
- Contingent consideration liability (note 30) (ii)	-	-	(1,607,522)	(1,607,522)
			(15,889,061)	(15,889,061)
Net fair value	**-**	**-**	**(6,155,651)**	**(6,155,651)**

	As at 31 December 2018			
	Level 1 RMB	**Level 2 RMB**	**Level 3 RMB**	**Total RMB**
Financial assets				
- Derivative financial instruments (note 23)	-	-	11,135,977	11,135,977
Financial liabilities				
- Derivative financial instruments (note 23)	-	-	(13,617,235)	(13,617,235)
Net fair value	**-**	**-**	**(2,481,258)**	**(2,481,258)**

There were no transfers between level 1 and level 2 of the fair value hierarchy during the years ended 31 December 2019 and 2018.

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

38.6 Fair value measurements of financial instruments (Continued)

(a) Fair value hierarchy (Continued)

(i) The fair values of the derivative financial instrument are based on a valuation performed by an independent professional valuer; and

(ii) The fair value of contingent consideration liability is based on the probability-weighted estimate of Aushen's performance between FY2020 to FY2022 as set out in note 37.

The fair values of the derivative financial instruments are based on a valuation performed by an independent professional valuer as at 31 December 2019 and 2018. The methods and valuation techniques used for the purpose of measuring fair values categorised in Level 3 are described below.

(b) Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable inputs	Sensitivity relationship of unobservable inputs to fair value
Financial assets			
Issuer's Call Option	Monte Carlo Simulation Model method	Discount rate: 9.43% (2018: 9.59%)	The higher the discount rate, the lower the fair value, and vice versa.
		Volatility: 78% (2018: 80%)	The higher of the volatility, the higher of the fair value, and vice versa.
Financial liabilities			
Holder's Conversion and Put Option	Monte Carlo Simulation Model method	Discount rate: 9.43% (2018: 9.59%)	The higher the discount rate, the lower the fair value, and vice versa.
		Volatility: 78% (2018: 80%)	The higher of the volatility, the higher of the fair value, and vice versa.
Contingent consideration liability	Discounted cash flow method	Discount rate: 5% (2018: nil)	The higher the discount rate, the lower the fair value, and vice versa.

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

38.6 Fair value measurements of financial instruments (Continued)

(b) Information about Level 3 fair value measurements (Continued)

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

	Issuer's Call Option RMB	Holder's Conversion and Put Options RMB	Contingent consideration liability RMB	Total RMB
1 January 2018	19,758,568	(23,440,186)	-	(3,681,618)
Fair value gain/(loss) recognised in profit or loss	(9,016,260)	10,306,346	-	1,290,086
Exchange (loss)/gain recognised in profit or loss	393,669	(483,395)	-	(89,726)
At 31 December 2018 and 1 January 2019	11,135,977	(13,617,235)	-	(2,481,258)
Acquisition of a subsidiary	-	-	(1,541,259)	(1,541,259)
Fair value loss recognised in profit or loss	(1,598,435)	(375,875)	(38,155)	(2,012,465)
Exchange gain/(loss) recognised in profit or loss	195,868	(288,429)	(28,108)	(120,669)
At **31 December 2019**	**9,733,410**	**(14,281,539)**	**(1,607,522)**	**(6,155,651)**

Other than those disclosed in note 23, 29 and 30, the Group considers the carrying amounts of financial assets and financial liabilities recognised in the consolidated statement of financial position approximate to their fair values.

39. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2019. The Group is not subject to any externally imposed capital requirements.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 RMB	2018 RMB
ASSETS AND LIABILITIES			
Non-current asset			
Interest in a subsidiary	25	**13,394,380**	13,394,380
Current assets			
Prepayments		**113,129**	1,070,616
Amounts due from non-controlling shareholders		**-**	11,411
Amounts due from subsidiaries		**122,782,941**	137,714,809
Dividend receivables		**39,390,000**	-
Derivative financial instruments		**9,733,410**	11,135,977
Cash and cash equivalents		**4,272,422**	25,995
		176,291,902	149,958,808
Current liabilities			
Accruals and other payables		**456,782**	671,677
Amounts due to subsidiaries		**17,700**	655,153
Derivative financial instruments		**14,281,539**	13,617,235
		14,756,021	14,944,065
Net current assets		**161,535,881**	135,014,743
Total assets less current liabilities		**174,930,261**	148,409,123
Non-current liability			
Convertible note		**32,781,619**	31,092,542
Net assets		**142,148,642**	117,316,581
Equity			
Share capital		**145,978,410**	141,905,974
Accumulated losses (note)		**(3,829,768)**	(24,589,393)
Total equity		**142,148,642**	117,316,581

Mr. Ai Shungang
Co-Chairman

Mr. Calvin Cheng
Co-Chairman

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

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

	RMB
At 1 January 2018	10,163,765
Loss for the year	14,425,628
At 31 December 2018 and 1 January 2019	24,589,393
Profit for the year	(26,345,733)
Special dividend declared and paid during the year	5,586,108
At 31 December 2019	**3,829,768**

2. Directors' Declaration

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

In the opinion of the Directors:

a) The consolidated financial statements and the notes are in accordance with the Hong Kong Financial Reporting Standards as stated in note 2 to the consolidated financial statements, and give a true and fair view of the Group's consolidated financial position as at 31 December 2019 and of its consolidated performance and consolidated cash flows for the year ended on that date;

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

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

On behalf of

Mr. AI Shungang

Co-Chairman

Mr. Calvin CHENG

Co-Chairman

30 March 2020

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Auditor's Independence Declaration

To the directors of Retech Technology Co., Limited

As the auditor of Retech Technology Co., Limited and in relation to the audit for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants.

Grant Thornton Hong Kong Limited

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Steve Ng
Partner

30 March 2020

Hong Kong

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of Retech Technology Co., Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 119, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matter

Key audit matter are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*How the matter was addressed in our audit*
Revenue from rendering of e-learning services *Refer to notes 2.18, 4 and 6 to the consolidated financial statements* One of the revenue earned by the Group is from rendering of e-learning solutions and related services to customers. In the current year, revenue from rendering of e-learning solutions and related services of approximately RMB160,064,000 was recognised in profit or loss. Recognition of such revenue involves assessment of the stage of completion of contract works as well as the total outcome of each contract. Assessment of the stage of completion involves significant estimates and judgment over cost allocations, estimate of total costs, and progressive assessment of actual and final outcome of each contract. We have identified the revenue recognition from contracts with customers as a key audit matter considering significance of the amount and the extent of management judgment exercised.	To address these areas of estimate and judgment, we performed, among others, below audit procedures: - review of the contract terms and conditions, including any terms of contingent or adjustable income, reimbursement of costs on a sample basis; - analysis of cost allocation basis including staff cost and overheads; - comparison of the budgeted contract costs with the actual costs incurred to assess if there were any material differences on sample basis; - examination of project documentation and discussion of the status of those projects in progress with management, finance, and project managers of the Group on a sample basis; - review and inquiry of project profit margin with project managers for any exception; and - inquiry of management's judgment of final outcome of each project.

Key Audit Matter (Continued)

Key Audit Matter	*How the matter was addressed in our audit*
Recoverability of trade receivables and contract assets *Refer to notes 2.9, 2.10, 2.13, 4, 19, 20 and 38.4 to the consolidated financial statements* As at 31 December 2019, the Group's trade receivables and contract assets net of expected credit loss ("ECL") allowance (notes 19 and 20) were approximately RMB54,303,000 and RMB29,504,000 respectively. Management applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at the end of the 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. We consider recoverability of trade receivables and contract assets as a key audit matter considering significance of the amounts and the extent of management judgment exercised.	To address these areas of estimate and judgement, we performed, among others, below audit procedures: - understood and discussed the Group's credit control procedures including controls over granting of credits to customers, debt collection and estimate of ECL; - verified the balances of trade receivables by requesting and receiving confirmations on a sample basis; - tested aging of trade receivable balances at year end on a sample basis; - obtained a list of long outstanding receivables and contract assets and identified any debtors with financial difficulties through discussion with management; - assessed the recoverability of these outstanding receivables and contract assets through our discussion with management and latest correspondences with customers; - challenged the information used to determine the ECL by considering cash collection performance against historical trends; - evaluated the reasonableness of the valuation methodology used by management and compared the methodology used for similar instruments; and - discussed the result with management and tested the key inputs adopted in the ECL calculation.

Key Audit Matter (Continued)

Key Audit Matter	*How the matter was addressed in our audit*
Recoverability of loan to and amounts due from related parties *Refer to notes 2.9, 2.10, 4, 21, 22 and 38.4 to the consolidated financial statements* As at 31 December 2019, the Group's amounts due from related parties and loan to a related company (note 21 and 22) were approximately RMB12,902,000 and RMB12,347,000 respectively and no ECL were provided. The provision policy for ECL allowance of amounts due from related parties and loan to a related company are based initially on 12-month ECL and subsequently on lifetime ECL if there is an significant increase in the credit risk of these receivables since initial recognition. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including their current creditworthiness, past collection history, financial condition and indemnification from Jiangsu Retech Digital Information Industry Park Co., Ltd ("Jiangsu Industry Park") and the ultimate controlling shareholder of the Company. If the financial conditions of these related parties, including Jiangsu Industry Park, or the ultimate controlling shareholder were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. We consider the above as a key audit matter considering significance of the amount and the extent of management judgment exercised.	To address these areas of estimate and judgement, we performed, among others, below audit procedures: - understood key controls of the Group over the estimation of ECL of loan to and amounts due from related parties; - assessed the accuracy of management's basis and judgement in determining the ECL based on historical credit loss records and with reference to other factors that have been taken into consideration by management; and - assessed the reasonableness of the basis of estimated loss with reference to historical default records, forward-looking information, the indemnification provided and the latest available financial information of Jiangsu Industry Park.

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Key Audit Matter (Continued)

Key Audit Matter	*How the matter was addressed in our audit*
Valuation of derivative financial instruments *Refer to notes 2.9, 2.11, 4, 23, 29 and 38.6 to the consolidated financial statements* As described in note 29 to the consolidated financial statements, the derivative components of convertible note are measured at fair value. As at 31 December 2019, the net fair value of derivative financial instruments was approximately RMB4,548,000. The Group engaged an independent valuer to determine the fair values of these derivative financial instruments. The determination was based on generally accepted valuation procedures and practices that rely extensively on numerous assumptions taking into consideration of many uncertainties, including discount rate and volatility of the Group's share price, some of which cannot be easily quantified or ascertained. Changes in subjective input assumptions can materially affect the fair value estimate. We consider the valuation of the convertible note as a key audit matter, given the magnitude of these positions and the complexity of the valuation model applied.	To address these areas of estimate and judgement, we performed, among others, below audit procedures: - assessed the experience, competence, capability, independence and objectivity of the valuer; - evaluated the reasonableness of the valuation methodology used by the valuer and compared the methodology used for similar instruments; - discussed the valuations with the valuer in a separate private session and challenged key estimates adopted in the valuations; and - tested the inputs used in fair value calculation. With respect to the discount rates used and inputs for the valuation of the derivative element, the external and internal data are compared with independent source on a sample basis.

Other Information

The directors are responsible for the other information. The other information comprises all the information in the 2019 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Grant Thornton Hong Kong Limited

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

30 March 2020

Ng Ka Kong
Practising Certificate No.: P06919

PART 5

Other Information

Part 5 Other Information

1. ASX Additional Investor Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this Annual Report is as follows. The information is current as of 19 March 2020.

Issued Capital

As at 19 March 2020, the Company had 232,912,633 ordinary fully paid shares on issue, of which 232,912,633 were held by Chess Depositary Nominees Pty Ltd ("CDN"). CDN has issued 232,912,633 CHESS Depositary Interests ("CDIs") in relation to these shares. CDN holds the legal title to shares on behalf of holders of CHESS Depositary Receipts. Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying shares.

CDIs are traded in a manner similar to shares of Australian companies listed on ASX. CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Shareholders cannot trade their Shares on ASX without first converting their Shares into CDIs. There are no shares/CDIs that are currently under trading restrictions. There is currently no on-market buyback in place.

None of Retech's CDIs are currently subject to any form of ASX imposed or voluntary restrictions.

Distribution of Shareholders / CDI Holders

There were 292 Shareholders / CDI Holders at 19 March 2020. Each Shareholder/CDI Holder is entitled to one vote for each security held.

Distribution of Shareholders / CDI Holders (Continued)

Spread of holdings	Number of holders	Number of units	%
1-1,000	9	1,826	**0.00%**
1,001-5,000	156	558,644	**0.24%**
5,001-10,000	38	281,580	**0.12%**
10,001-100,000	50	1,809,918	**0.78%**
100,001 and above	39	230,260,665	**98.86%**
Total	**292**	**232,912,633**	**100.00%**

There are 14 CDI holders who hold less than a marketable parcel as at 19 March 2020.

Voting Rights

(a) Each CDI holder is entitled to 1 vote per CDI at a meeting of members, provided that a CDI Holder undertakes the following steps.

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

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

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

Substantial Shareholders / CDI Holders

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

Holder	Substantial Shareholders / CDI holders	% of issued capital notified to ASX
1	RETECH INVESTMENT GROUP CO LTD	33.78%
2	CITY SAVVY LIMITED	11.89%
3	VICKERS VENTURE FUND IV LP	6.72%
4	RETECH MANAGEMENT CO LTD	6.20%
5	MIAO SHI INVESTMENT GROUP CO LTD	5.45%
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	5.18%
	Total	**69.22%**

Share Buy-back

The Company has no current shareholder approval for share buy-back. The Board from time to time considers the potential for a share buy-back which would be submitted to shareholders at the appropriate time for approval.

Top 20 Share/CDIs as at 19 March 2020

Rank	Top 20 Share/CDIs holders	Shares/CDIs	% of issued capital
1	RETECH INVESTMENT GROUP CO LTD	78,689,400	33.78%
2	CITY SAVVY LIMITED	27,700,700	11.89%
3	VICKERS VENTURE FUND IV LP	15,651,011	6.72%
4	RETECH MANAGEMENT CO LTD	14,451,000	6.20%
5	MIAO SHI INVESTMENT GROUP CO LTD	12,700,700	5.45%
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	12,057,964	5.18%
7	HENGYING FUQUAN COMPANY LTD	10,079,450	4.33%
7	XU SHI TECHNOLOGY INVESTMENT GROUP CO LTD	10,079,450	4.33%
9	CALVIN CHENG ERN LEE	9,076,796	3.90%
10	CITICORP NOMINEES PTY LIMITED	6,268,818	2.69%
11	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,134,906	2.20%
12	THIAM SOON DAVID SEE	4,549,676	1.95%
13	MR. JIANWEI ZHENG	3,545,835	1.52%
14	LUMINA LOOQUE KNOWLEDGE HUBS PTE LTD	2,854,324	1.23%
15	MR. SHENGDONG PANG	2,804,746	1.20%
16	MR. YUE WANG	2,043,945	0.88%
17	MR. RUYONG TAN	2,014,180	0.86%
18	NEBULA LIMITED	2,000,000	0.86%
19	QIUBING CHENG	1,340,736	0.58%
20	DINGSHAN INTERNATIONAL CO LTD	1,000,000	0.43%
	Total	**224,043,637**	**95.76%**

Use of Cash Consistent with Business Objectives

The Company confirms that, between 31 December 2018 and 31 December 2019, it has used cash and other assets readily convertible to cash that it held at time of admission, in a way consistent with its business objectives.

The Company's Place of Incorporation

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

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

Takeovers

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

(a) acquire 30% or more of the voting rights of a company; or

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

Compulsory Acquisition

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

Substantial Share / CDI Holder Notices

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

2. Corporate Governance

The Corporate Governance Statement of the Company for the reporting period ending 31 December 2019 has been prepared based on the 3rd edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') pursuant to ASX Listing rule 4.10.3.

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

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

This Corporate Governance Statement has been separately provided. The Corporate Governance Statement together with the Appendix 4G be accessed at http://www.retech-rte.com/Announcement.html

Corporate Governance Plan will be updated and the relevant contents are available at http://retech-rte.com/CorporateGovernancePlan.html.

3. Corporate Directory

Company – Hong Kong Registered Office & Headquarters
Retech Technology Co., Limited
6th Floor, O.T.B. Building,
259-265 Des Voeux Road Central,
Hong Kong
Phone: +852 2692 3999

Company – PRC Office & Headquarters
Retech Technology Co., Limited
Level 18, Building 2, No.355,
Guoding Road, Yangpu District, Shanghai.
Phone: +86 21 5566 6166

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

Ai English Pty Ltd.
Level 7, 10 Dorcas street,
Southbank Vic 3006 Australia
Phone: +61 0425764392

Company Secretary
Ms. Ji Hui

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

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

ASX Code
RTE
Website
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Disclaimer

Neither Retech nor any other person warrants or guarantees the future performance of Retech or any return on any investment made in Retech securities. Indications of, and guidance on, future financial position and performance and distributions, and statements regarding Retech's future developments and the market outlook, are also forward-looking statements. Any forward-looking statements contained in this document are not guarantees of future performance. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Retech and its directors, officers, employees and agents that may cause actual results to differ materially from those expressed or implied in such statements. Readers should not place undue reliance on forward-looking statements. Subject to applicable law (including the ASX Listing Rules), Retech disclaims any responsibility to update or revise any forward-looking statements to reflect any new information or any change in the events, conditions or circumstances on which a statement is based or to which it relates.

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