# APPENDIX 4D
# HALF YEAR REPORT

for the six months ended 30 June 2020


RETECH

ARBN 615 153 332
Hong Kong Company Registration Number 2374379
Retech Technology Co., Limited / www.retech-rte.com

# Contents

# Results for Announcement to the Market

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

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

Reporting period: 1 January 2020 to 30 June 2020

Previous corresponding period: 1 January 2019 to 30 June 2019

## 2. Results for announcement to the market

| | | Six months ended | | | |
|---|---|---|---|---|---|
| | | **30-Jun-20** | 30-Jun-19 | Change | |
| | | **RMB'000** | RMB'000 | RMB'000 | % |
| 2.1 | Revenue from ordinary activities | **63,844** | 65,794 | -1,950 | -3% |
| 2.2 | Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) | **19,249** | 30,264 | -11,015 | -36% |
| 2.3 | Profit from ordinary activities before tax | **10,415** | 25,308 | -14,893 | -59% |
| 2.4 | Profit from ordinary activities after tax attributable to members of the Company | **14,521** | 16,336 | -1,814 | -11% |
| 2.5 | Net profit attributable to members of the Company | **14,521** | 16,336 | -1,814 | -11% |

| | | Six months ended | | | |
|---|---|---|---|---|---|
| | | **30-Jun-20** | 30-Jun-19 | **Change** | |
| | | **A$'000** | A$'000 | A$'000 | **%** |
| 2.1 | Revenue from ordinary activities | **13,136** | 13,663 | -527 | -4% |
| 2.2 | Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) | **3,961** | 6,285 | -2,324 | -37% |
| 2.3 | Profit from ordinary activities before tax | **2,143** | 5,255 | -3,112 | -59% |
| 2.4 | Profit from ordinary activities after tax attributable to members of the Company | **2,988** | 3,392 | -404 | -12% |
| 2.5 | Net profit attributable to members of the Company | **2,988** | 3,392 | -404 | -12% |

*Exchange rate for HY2020: 1 AUD = 4.8602 RMB, HY2019: 1 AUD = 4.8156 RMB, same below

2.6 Dividends

No dividend proposed to be paid during the reporting period.

2.7 A brief explanation of any of the figures in 2.1 to 2.5 necessary to enable the figures to be understood. Please refer to “Financial and operating performance review” in the Director’s report for further detailed explanation.

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

| | As of 30 June 2020 (RMB cents per share) | As of 30 June 2019 (RMB cents per share) |
|---|---|---|
| | **119.32** | 103.89 |

| | As of 30 June 2020 (A$ cents per share) | As of 30 June 2019 (A$ cents per share) |
|---|---|---|
| | **24.55** | 21.57 |

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

Not applicable.

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

Not applicable.

## 6. Accounting standards used in compiling this report

These condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with Hong Kong Financial Reporting Standards (''HKFRSs'') which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong. These Interim Financial Statements also comply with the applicable requirements of the Hong Kong Companies Ordinance (the "HKCO").

## 7. Audit Review

Please refer to page 53 under the heading of "Independent Auditors' Review Report" on review opinion of Interim Financial Statements.

## 8. Signed

On behalf of the directors

Mr Ai Shungang
Co-Chairman
31 August 2020

Mr Calvin Cheng
Co-Chairman
31 August 2020

# About Retech Technology Co., Limited

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

## 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 more efficient for their staff and stakeholders. We also use our expertise to enable offline education providers to deliver a high quality online education.

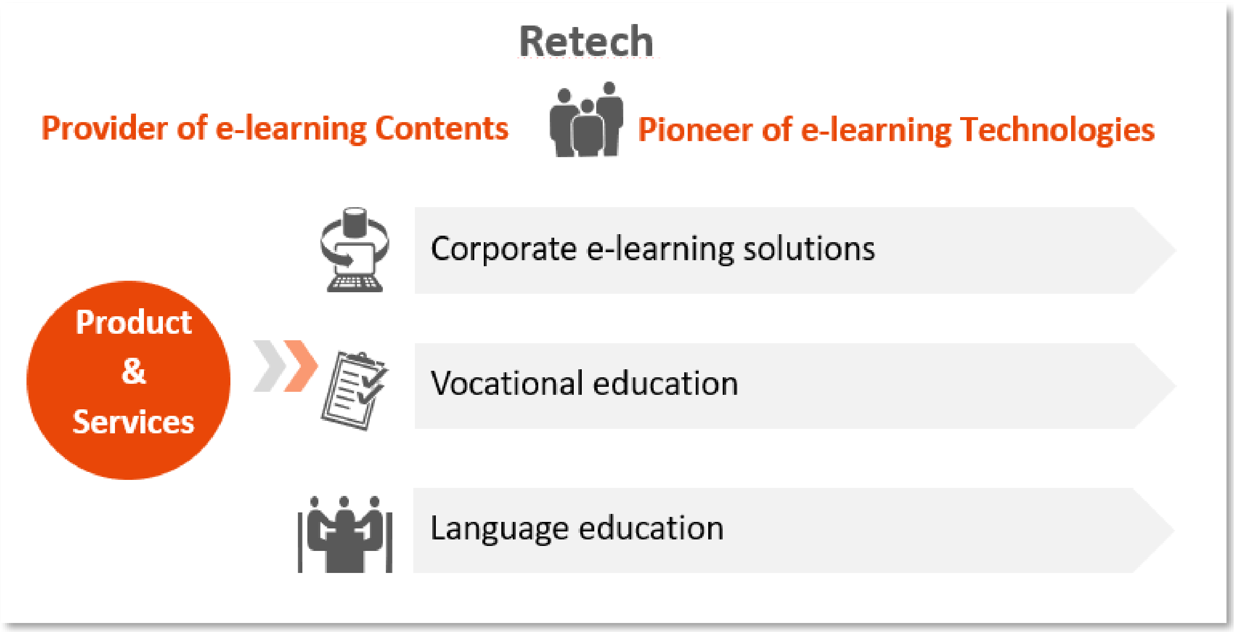
- ✧ We commit to promote the optimal allocation of learning resources through the Internet and using e-learning technologies, helping learners to access high-quality educational resources anytime, anywhere, and achieve educational equity.

- ✧ 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.

## Products and Services

The Company and its operating subsidiaries ("Retech Group" or "the Group") provide our products and services through the 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 demands but also build a complete e-learning ecosystem integrated with our clients' training needs. With leading instructional design capabilities and strong digital courseware development capabilities, we provide our customers with a comprehensive online education solution.

From June 2019, Retech started a language education business known as AiEnglish for K-12 online English study. By taking advantage of high quality foreign teacher resources from Australia and a self-developed online learning system, AiEnglish provides native English education services to junior and middle schools, training institutes and kindergartens located in China.

# Business Review

Retech Technology Co., Limited (the "Company") summarizes its financial and operational performances for the period ended 30 June 2020.

## Financial update

### Highlights

- In HY2020, the consolidated revenue was RMB63.84 million (A$13.14 million[1]), and Net profit after tax ("NPAT") was RMB9.12 million (A$1.88 million).

- NPAT decreased 50% compared to HY2019 mainly due to increased cost and expenses in language learning business in HY2020.

- Consequently, the net profit of traditional business was RMB18.69 million (A$3.85 million), and the net loss of language learning business was RMB9.57 million (A$1.97 million), so the consolidated net profit after tax in HY2020 was RMB9.12 million (A$1.88 million).

- Profit attributable to the owners of the company is RMB14.52 million (A$2.99 million). Among them, traditional business contributed RMB19.40 million (A$3.99 million), and Ai English had a loss of RMB4.88 million (A$1 million), which was because the Group holds 51% of Ai English.

### Further analysis

- Revenue - Revenue for the reporting period was RMB63.84 million (A$13.14 million) which was 3% less than HY2019. The revenue from e-learning solutions and related services decreased 4% to RMB61.48 million (A$12.65 million) due to delay in project deliveries and acceptance as a result of the COVID-19 pandemic. However, the impact was offset by contribution from the Group language training business of RMB2.10 million (A$0.43 million) in HY2020 as a result of our live broadcast language classes between China from Australia.

- Gross margin – Gross margin for HY2020 was 57% (HY2019: 64%). Lower gross margin in HY2020 mainly due to different revenue composition compared to HY2019. In HY2020, the Group have slightly higher contribution from sale of IT related equipment and tuition incomes which have lower gross margin compared to e-learning solutions business of the Group. Nevertheless, these revenue streams are expected to grow and strengthen. They are expected complement the Group's businesses in the future.

- Selling and distribution expenses were RMB4.24 million (A$0.87 million), increased 17% compared to HY2019, due to additional marketing efforts on the Group language learnings businesses. Administration expenses were RMB21.97m (A$4.52m), which was RMB9.03 million (A$1.86 million) more than HY2019. The significant increase in HY2020 was due to start-up expenses (mainly staff costs and depreciation of right of assets) of RMB10.80 million (A$2.22 million) in language learnings business in HY2020. The amount was offset by savings in share based employees' compensation of RMB1.81 million (A$0.38 million) in HY2019 (HY2020: nil).

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[1] Exchange rate for HY2020: 1 AUD = 4.8602 RMB, HY2019: 1 AUD = 4.8156 RMB (https://www.oanda.com)

Net profit after tax (“NPAT”) was RMB9.12 million (A$1.88 million) in HY2020, a decrease of RMB9.03 million (A$1.86 million) or 50% compared to HY2019. This is mainly due to the start-up expenditure in language-learning business. Profit for the period attributable to owners of the Company was RMB14.52 million (A$2.99 million), which decreased 11% compared to HY2019. The magnitude of decrease in profit for the period attributable to the owners of the Company is significantly less than NPAT due to share of loss by the non-controlling interests of RMB5.40 million (A$1.11 million).

## Operational Update

## 1. Corporate E-Learning business developing

The COVID-19 pandemic has played a strong role in promoting the application of online education, hugely benefiting the online education industry. Original training was traditionally held offline in the industry, yet this period has restricted the hosting of large gatherings, resulting in a large number of enterprises transferring more of their training activities online and devoted more of their budget on online training solutions. These represent opportunities for the Group to capture additional revenues in e-learning solutions business. At the same time, the Ministry of Human Resources and Social Security of the People’s Republic of China has given enterprises some training subsidies. Due to offline business not being able to be carried out, this part of the subsidies is used by many enterprises to conduct online training projects. This move has also activated the corporates e-Learning market. For example, recent data showed that the average daily living accounts of our BOC platform increased by roughly 20% compared with the same period in December 2019. There has been an increased demand of online learning from employees, and the online learning needs are thus well met.

### 1) Products：

- Solutions for financial and banking industries: The Group has gathered extensive experience from serving huge banks/insurance/financial institutions and is able to offer comprehensive and thoughtful solutions to customers in these industries.

- RetechSmart (used to be called Ruizhi) platform product: In order to increase the flexibility and adaptability of future products to avoid the risk of market uncertainty, Retech has updated its products. In the first half of the year, our RetechSmart platform was completed, and in the process of improving its technical performance in the second half of the year.

- LVC: The new function requirements are communicating with Huawei. In this period, Huawei and Retech have a smooth collaboration to develop new online training and e-learning solutions i.e. IOS screen project.

### 2) Courseware Development and Business Operations

Our core corporate courseware business saw a small decline in H1 2020 revenues due to the impact of COVID-19; however, demand levels for our products have risen. Various kinds of learning resources provide a variety of choices for employees to meet the personalized learning requirements.


- Live training: Some customers increased live training in the first half of 2020 including Ping An Bank and BOC. For example, BOC organized about 160 live training sessions from January to June which was about 8 times the quantity compared with the same period in December 2019. As a new training form that has arisen since the digital transformation of training work, the use of live training has increased significantly, strongly supporting company's training needs under the conditions of non-centralized teaching. Based on our technology ability, we expect such increase to bring more opportunities in the future.

- **IP distribution and collaboration：**
  **Compliance and anti-money laundering IP:** AML and compliance training are of high importance in the financial services industry. AML training is universally applied by banks and insurance companies. At present, Retech is cooperating with Ruihe, a partner which is engaged in face-to-face training on best practice AML and owns the IP of its courses. Both Retech and this bank have confirmed plans to promote these services. Retech has developed a SaaS version of its e-learning platform to provide anti-money laundering training. This development was implemented and ready for sale in the first half of this year.

  **ESG (Environmental, Social, and Governance) online IP:** ProSage is Retech's dedicated ESG compliance and training SaaS business. In the first half of 2020, Prosage mainly cooperated with partners, Carbon Care Asia Limited ("CCA") and Allied Environmental Consultants Limited ("AEC"), to provide both content and platform services to the customers such as Shanghai Commercial Bank (content project), Hong Kong Land (content project) and AEC (platform project). Meanwhile, Prosage continued to provide an outsourcing service for SOHO house (Hong Kong) Limited. After COVID-19, we believe the emphasis on ESG will be increased globally to regulate public health governance. As the exclusive owner of ESG online IP, Retech expects that ProSage will become more valuable as the Chinese market opens up.

### 3) New highlights in business and customers development：

In H1 2020, the company's business increased and saw increased profitability across several key industries (finance, industry, retail, etc.). Retech will maintain its deep knowledge in these industry verticals:

- **Financial services:** Training for the financial services sector continued to grow strongly with repeat customers such as Agricultural Bank of China, China Construction Bank, Bank of China, Bank of Communications and so on. Financial institutions have relatively high annual training budgets, and there has been an increase in demand as these large corporates convert from offline to online. Meanwhile, Retech developed new business relationship with China Minsheng Bank and Wuxi Banking Regulatory Commission.

- **Industrials and automotive sector:** In this business area, Retech also has a focus on automobile, military and manufacturing industries. In the automobile industry, Mercedes Benz is a long-term customer that has been affected by the COVID-19 pandemic this year and has been forced to close some of its auto factories. However, due to the improvement of this epidemic situation in China, Mercedes Benz investment in China has relatively increased, and Mercedes Benz continued to choose Retech as a key supplier for online learning services in the first half of the year. Among new customers, Panasonic, and Beijing Aerospace Intelligent Manufacturing Technology Development Co., Ltd. Both confirmed their contracts with Retech.

- **Retail sector:** In addition to its long-term customers, Sephora continued to expand its customer relationship with Retech; while Estee Lauder group is a new customer for Retech, requesting online learning materials for one of its brands.

- **Energy sector:** Retech saw expanded demand from energy sector companies this year. Due to Retech's successful cooperation with Shanghai Nuclear Engineering Research & Design Institute Co., Ltd., Retech successfully acquired a cooperation with State Power Investment Corporation Ltd. as a customer and won a bid to provide services to Smartac Group (Zhejiang).

While some customers of Retech require design and building of e-Learning systems, for some customers with an established platform, our role is to use the existing platform more efficiently. This business has increased, such as with CCB, China CITIC Bank, Shanghai Pudong Development Bank, Bank of China, and Smartac Group (Zhejiang), for which Retech recently won a competitive tender. For Ping An Bank, Retech significantly increased its participation across their e-Learning services, participating in the whole process of the planning and operation, from the packaging and promotion of courses and case studies to the onboarding of new employees, and other enterprise training activities.

## 2. Vocational Education

In 2019, the Chinese government started to put more emphasis onto vocational education and promoted a series of important new policies. Based on these policy dividends and rich experience in the digital media field and cooperation with vocational schools, Retech has started to build a solution for the integration of industry and vocational education, focused on digital media studies. This solution aims to help vocational colleges to build talent training systems by introducing real corporate talent training systems into vocational schools, adhering to enterprise needs. Retech has established the Retech Digital Media Industry College and the Production and Education Integration Training Base to offer digital media majors and integrated education services for Chinese vocational schools.

以高质量产教融合推进现代职业教育改革

——上海出版印刷高等专科学校产业学院建设纪实

高起点高标准出发

强强联手

以一流专业做先导

产教融合机制深化

改革治理体系

做好协同创新顶层设计

人才核心竞争力打造

引领培养标准

配备优质师资与实训基地

人才就业保障与发展提升

开设高水平订单班

及规划贯通衔接培养

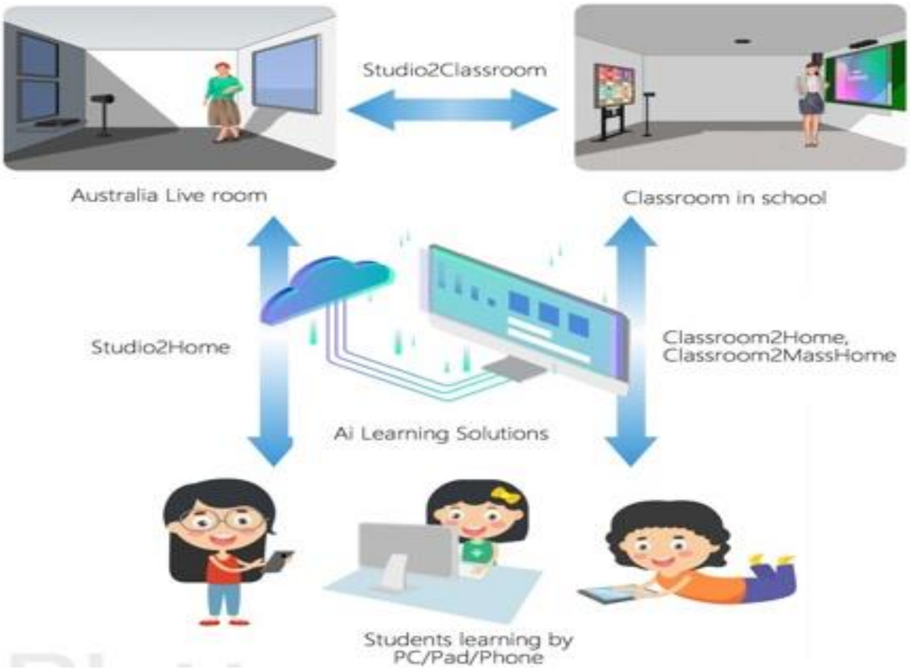
Report on “Jiefang Daily”

In January 2020, Shanghai Publishing and Printing College (SPPC) and Retech signed a strategic cooperation agreement to jointly found a Retech Digital Media Industry College. Classes are planned to commence in September 2020. This cooperation was reported in Jiefang Daily and has received a good response from other vocational schools. SPPC and Retech will continue their cooperation in the research and co-establishment of digital media majors, with the aim of establishing a set of professional teaching methodologies suitable for the needs of the digital media industry and to facilitate its growth. The methodologies include professional talent training schemes, practical training curriculum systems, internship curriculum systems, as well as career guidance, and also provides training services and practice guidance for teachers. At the same time, in order to solve the problem more effectively, Retech has designed a series of teaching management and AI campus service platforms for secondary and higher vocational schools.

The cooperation between Retech and SPPC provides a benchmark for other vocational schools and demonstrates the feasibility of Retech’s future development in digital media major education, attracting the attention of many secondary and higher vocational schools. Following the Jiefang Daily report, the leaders of other vocational schools visited Retech engage in cooperation discussions and we are confident this business will see further growth.

## 3. Language Learning

Following the imposition of lockdowns due to the COVID-19 pandemic, junior and middle schools in China were closed from February until April and later. Online learning became the regular mode for all study. With live classroom teaching more popular, AiEnglish benefited. Native English teachers returned home from China, leading to a shortage of quality teachers, while AiEnglish’s capability to deliver livestreamed lessons from qualified Australian teachers saw a rapid growth in demand.




## 1) Services：

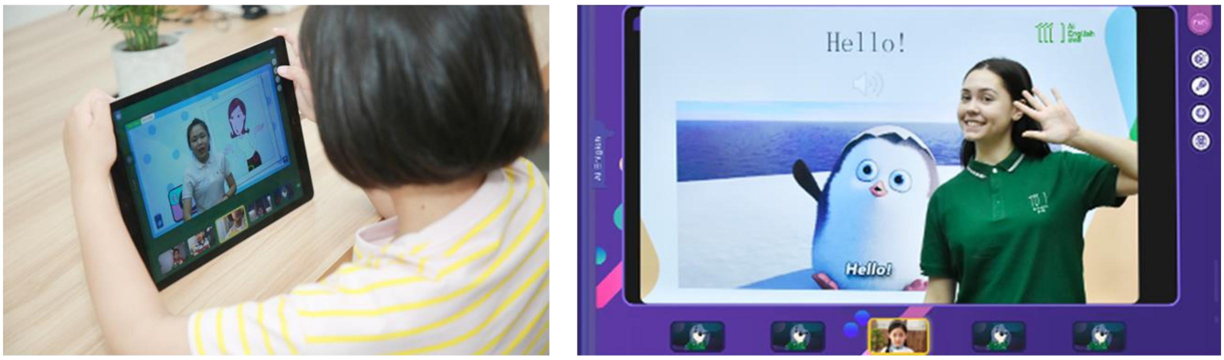
- live broadcasting language learning solutions：

  From February 2020, during lockdowns imposed under the COVID-19 pandemic in China, Retech adjusted its teaching models into three categories: "studio2home", "studio2classroom" and "blended class modes":

  a) Studio2home: At the beginning of February, the new mode of ‘studio2home’ was rapidly launched. International teachers were still in the live-broadcasting studio, and students were distributed in their homes. Meanwhile, Chinese teachers managed the offline discipline and class activities to ensure that the original classes were not suspended.

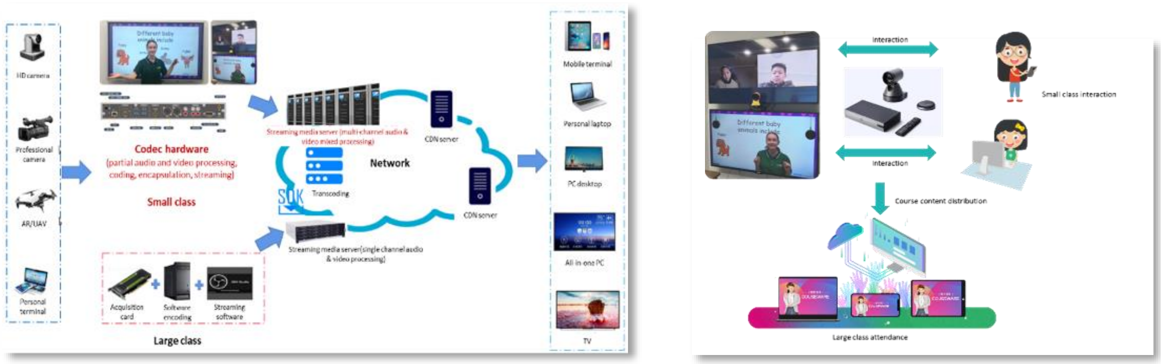

Studio2Home

  b) Studio2home (1v1, 1v4): Based on the above model, Retech has developed 1v1, 1v4 and other small online classes, and expanded to after school family learning;




Studio2classroom （1V25）

c) Blended Class: Based on the studio2home mode and to adjust to the temporary pausing of live junior and middle school teaching, AiEnglish extended its blended class mode to small class interaction and large class live broadcast;




Blended class modes with small and large group

d) Classroom to Studio: Providing a quick transformation from live classroom to online learning in order to help customers keep their own programs ongoing as per normal.

- Courses: After introducing Pearson’s BIG English and Longman’s English series teaching materials into the curriculum, we updated our digital resources and developed online courses for co-teacher classroom environments. Retech has also extended its relationship with Pearson to further cooperate in Pearson published books as well as in digital resources. We have developed online classes for BIG English and AiEnglish Reading courses, which are English programs mainly for 3-16 year olds. The AiEnglish team continues to develop additional learning products and courses to bring better learning experiences for our customers.

## 2) Business

- AiEnglish has achieved a deep level of cooperation to help educational institutions execute a smooth transition to Online-Mobile-Offline (OMO) teaching. Our OMO approach incorporates the essence of good education whilst promoting online education and smart education.

- **Deepening our strategic cooperation with Pearson:** Building on our initial cooperation with Pearson, on June 22, Pearson and AiEnglish signed the “Cooperation agreement between AiEnglish and Pearson for online international teaching services” which is aiming to deepen our strategic cooperation, with Pearson promoting AiEnglish in China and with Retech extending its cooperation with Pearson in teacher training.

- **Agreement with RISE English headquarter:** Retech has signed an agreement to provide live online teaching services to RISE + centres all over China, providing live broadcast classes and online boutique small class after school classes. This helps to develop our business through RISE centres.

- **Entry into the Japanese market:** On August 18 2020, Retech signed an MOU with Yaruki Switch Group, the largest training institution in K12 education in Japan to launch a live simultaneous co-teacher classroom for young Japanese children. Yaruki Switch Group was founded in 1989 and has 31 years of history with a strong reputation in Japan. As the largest K12 after school teaching institution in Japan, Yaruki Switch owns nearly 1700 centres in Japan and overseas, including cram schools, e-learning, early childhood education, English dialogue, trusteeship classes, kindergarten, sports and other fields, and has more than 110,000 students. This collaboration will bring help us to enter into Japanese market with further growth opportunity.

## 4. Influence by COVID-19 and Our Response

COVID-19 has impacted on our business, our partners and our customers, restricting our business growth, affecting communication with our customers and partners, and restricting travel between our offices in China as well as in Melbourne and Hong Kong.

**Response：**

- Active response to pandemic enabling our customers to ensure the health and safety of their employees. Due to lockdowns, the lack of travel and the need for social distancing, many of our corporate customers have increased their budgets for e-learning. Retech’s largest customers are major corporations such as Bank of China and Huawei, whose operational and financial strength have not been significantly impacted by the business interruption caused by COVID-19. Our customers prefer to use safe, efficient and cost-effective online courses to meet their needs to train employees. On the "BOC Learning" platform, Retech strengthened various functions and achieved a fast launch for new modules to provide training for new customer business lines. We have strengthened support for live training, providing live "Seminar Class" functions, facilitating employees to carry out online discussion, providing template courseware processing tools, and encouraging employees to "create" online courses.

- We have rapidly developed online learning content on COVID-19 prevention and control, covering all aspects of daily protection, mental health, daily life and other aspects of knowledge. This content has undergone continuous improvement and assisted learners to improve their understanding of COVID-19 and its prevention. Our courses have actively guided them how to respond to COVID-19 and to help learners to work with new ideas and methods under special conditions.

- We have established a "special online group” to stay connected to our customers 24 hours a day to ensure a timely, smooth and accurate response to customer queries via telephone conference, voice conference and video conference. Although offline customer visits cannot be carried out, our special online group provides a linkage between customer requirements and online resources and puts into practice tracking and promotion of project progress in the form of daily reports and weekly plans. In the world of zero-contact, Retech is using modern scientific and technological methodologies such as all-round online and cloud integration to maintain a dialogue with our customers.

- Meanwhile, for our AiEnglish business, Retech has adjusted its product solutions quickly to the evolving situation. Due to increased restrictions in Melbourne due to the second wave of the pandemic in August 2020, our teachers cannot travel to our offices. Retech has adjusted its studio-based live streamed classes in one of two ways: providing direct online classes, and by moving our studio equipment into the homes of our top tutors.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
# FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | Notes | Six months ended 30 June<br>2020<br>RMB<br>(Unaudited) | <br>2019<br>RMB<br>(Unaudited) |
|---|---|---|---|
| **Revenue** | 4 | **63,843,799** | 65,793,642 |
| Cost of services | | **(27,432,334)** | (23,829,737) |
| **Gross profit** | | **36,411,465** | 41,963,905 |
| Other income | 5 | **8,311,491** | 3,826,516 |
| Fair value gain/(loss) on derivative financial instruments | | **233,922** | (795,711) |
| Fair value loss of the contingent consideration payable | | **(172,600)** | - |
| ECL allowance on financial assets and contract assets | 7 | **(5,070,189)** | (1,051,901) |
| Selling and distribution expenses | | **(4,235,639)** | (3,609,629) |
| Administrative expenses | | **(21,970,915)** | (12,938,106) |
| Finance costs | 6 | **(3,092,619)** | (2,087,043) |
| **Profit before income tax** | 7 | **10,414,916** | 25,308,031 |
| Income tax expense | 9 | **(1,293,568)** | (7,159,362) |
| **Profit for the period** | | **9,121,348** | 18,148,669 |
| **Other comprehensive expense** | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange loss on translation of financial statements of foreign operations | | **(325,137)** | (21,321) |
| **Total comprehensive income for the period** | | **8,796,211** | 18,127,348 |
| **Profit for the period attributable to:** | | | |
| Owners of the Company | | **14,521,452** | 16,335,942 |
| Non-controlling interests | | **(5,400,104)** | 1,812,727 |
| | | **9,121,348** | 18,148,669 |
| **Total comprehensive income/(expense) for the period attributable to:** | | | |
| Owners of the Company | | **14,369,599** | 16,316,566 |
| Non-controlling interests | | **(5,573,388)** | 1,810,782 |
| | | **8,796,211** | 18,127,348 |
| **Earnings per share for profit attributable to the owners of the Company during the period** | | | |
| Basic | 11 | **6.23 cents** | 7.08 cents |
| Diluted | 11 | **6.23 cents** | 7.08 cents |

The notes on pages 21 to 50 are an integral part of these condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

| | Notes | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **38,888,631** | 37,344,792 |
| Goodwill | | **2,640,293** | 2,640,293 |
| Other intangible assets | 13 | **8,182,012** | 2,745,041 |
| Deposit paid | 14 | **73,700,000** | 73,700,000 |
| Deferred tax assets | | **4,549,192** | 964,907 |
| | | **127,960,128** | 117,395,033 |
| **Current assets** | | | |
| Trade and other receivables | 15 | **65,117,572** | 61,306,459 |
| Contract assets | 16.1 | **49,300,052** | 29,504,418 |
| Amount due from a non-controlling shareholder | 17(a) | **-** | - |
| Amount due from a non-controlling shareholder of a subsidiary | 17(b) | **661,718** | 328,755 |
| Amounts due from related companies | 17(c) | **8,161,808** | 12,901,840 |
| Loan to a related company | 18 | **21,331,644** | 12,347,019 |
| Derivative financial instruments | 23 | **9,662,111** | 9,733,410 |
| Cash and cash equivalents | 19 | **163,971,851** | 185,088,747 |
| | | **318,206,756** | 311,210,648 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **23,318,874** | 23,793,750 |
| Contract liabilities | 16.2 | **4,780,820** | 3,874,784 |
| Amount due to a related company | 17(d) | **5,974** | 5,974 |
| Amount due to a director | 17(e) | **353,278** | - |
| Borrowings | 21 | **13,125,236** | 12,984,853 |
| Lease liabilities | 22 | **9,036,369** | 7,075,796 |
| Derivative financial instrument | 23 | **14,061,221** | 14,281,539 |
| Income tax payable | | **25,605,130** | 21,086,803 |
| | | **90,286,902** | 83,103,499 |
| **Net current assets** | | **227,919,854** | 228,107,149 |
| **Total assets less current liabilities** | | **355,879,982** | 345,502,182 |
| **Non-current liabilities** | | | |
| Borrowings | 21 | **9,720,400** | 4,888,326 |
| Convertible note | 23 | **34,013,699** | 32,781,619 |
| Contingent consideration liability | 24 | **1,781,055** | 1,607,522 |
| Lease liabilities | 22 | **21,041,569** | 25,697,667 |
| Deferred tax liabilities | | **587,870** | 587,870 |
| | | **67,144,593** | 65,563,004 |
| **Net assets** | | **288,735,389** | 279,939,178 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
# AS AT 30 JUNE 2020 (CONTINUED)

| | Notes | As at 30 June 2020 RMB (Unaudited) | As at 31 December 2019 RMB (Audited) |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 25 | **145,978,410** | 145,978,410 |
| Reserves | | **(7,946,908)** | (7,795,055) |
| Retained profits | | **157,225,594** | 142,704,142 |
| **Equity attributable to owners of the Company** | | **295,257,096** | 280,887,497 |
| Non-controlling interests | | **(6,521,707)** | (948,319) |
| **Total equity** | | **288,735,389** | 279,939,178 |

The notes on pages 21 to 50 are an integral part of these condensed consolidated interim financial statements.

**Mr. Ai Shungang**
**Co-Chairman**

**Mr. Calvin Cheng**
**Co-Chairman**

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital RMB | Merger reserve* RMB | Statutory reserve* RMB | Translation reserve* RMB | Retained profits RMB | Total RMB | Non-controlling interests RMB | Total equity RMB |
| **At 1 January 2020 (audited)** | **145,978,410** | **(11,122,696)** | **3,376,508** | **(48,867)** | **142,704,142** | **280,887,497** | **(948,319)** | **279,939,178** |
| Profit for the period | **-** | **-** | **-** | **-** | **14,521,452** | **14,521,452** | **(5,400,104)** | **9,121,348** |
| Other comprehensive expense for the period | **-** | **-** | **-** | **(151,853)** | **-** | **(151,853)** | **(173,284)** | **(325,137)** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **(151,853)** | **14,521,452** | **14,369,599** | **(5,573,388)** | **8,796,211** |
| **At 30 June 2020 (unaudited)** | **145,978,410** | **(11,122,696)** | **3,376,508** | **(200,720)** | **157,225,594** | **295,257,096** | **(6,521,707)** | **288,735,389** |

* These equity accounts comprise the reserves of deficit of RMB7,946,908 (31 December 2019: deficit of RMB7,795,055) in the condensed consolidated statement of financial position as at 30 June 2020.

RETECH

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONTINUED)

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB | Merger reserve* RMB | Statutory reserve* RMB | Translation reserve* | Retained profits RMB | Proposed special dividend RMB | Total RMB | Non-controlling interests RMB | Total equity RMB |
| **At 1 January 2019 (audited)** | **141,905,974** | **(11,122,696)** | **3,376,508** | **(6,448)** | **94,530,614** | **-** | **228,683,952** | **(2,095,360)** | **226,588,592** |
| Acquisition of a subsidiary (note 29) | - | - | - | - | - | - | - | 820,452 | 820,452 |
| **Transaction with owners** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **820,452** | **820,452** |
| Profit for the period | - | - | - | - | 16,335,942 | - | 16,335,942 | 1,812,727 | 18,148,669 |
| Other comprehensive expense for the period | - | - | - | (19,376) | - | - | (19,376) | (1,945) | (21,321) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **(19,376)** | **16,335,942** | **-** | **16,316,566** | **1,810,782** | **18,127,348** |
| **2019 special dividend proposed** | **-** | **-** | **-** | **-** | **(5,569,618)** | **5,569,618** | **-** | **-** | **-** |
| **At 30 June 2019 (unaudited)** | **141,905,974** | **(11,122,696)** | **3,376,508** | **(25,824)** | **105,296,938** | **5,569,618** | **245,000,518** | **535,874** | **245,536,392** |

* These equity accounts comprise the reserves of deficit of RMB7,772,012 (31 December 2018: deficit of RMB7,752,636) in the condensed consolidated statement of financial position as at 30 June 2019.

The notes on pages 21 to 50 are an integral part of these condensed consolidated interim financial statements.

RETECH

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB** | RMB |
| | **(Unaudited)** | (Unaudited) |
| *Net cash used in operating activities* | **(3,029,743)** | (229,606) |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(6,902,313)** | (1,526,550) |
| Addition to intangible assets | **(5,806,454)** | - |
| Loan to a related company | **(197,044,625)** | (56,653,735) |
| Repayment of loan to a related company | **188,060,000** | 50,946,664 |
| Interest received | **3,861,579** | 1,917,908 |
| Net cash inflow from acquisition of a subsidiary (note 29) | **-** | 539,588 |
| Other investing activities | **(332,963)** | (447,108) |
| *Net cash used in investing activities* | **(18,164,776)** | (5,223,233) |
| **Cash flows from financing activities** | | |
| Drawdown of short term borrowings | **4,513,814** | 8,000,000 |
| Lease payment | **(2,336,687)** | (1,178,683) |
| Payment of interests on borrowings and lease liabilities | **(600,193)** | (214,122) |
| Payment of interests on convertible note | **(1,415,891)** | (1,352,178) |
| Other financing activities | **353,278** | (436,870) |
| *Net cash generated from financing activities* | **514,321** | 4,818,147 |
| **Net decrease in cash and cash equivalents** | **(20,680,198)** | (634,691) |
| Effect of foreign exchange rate changes | **(436,698)** | 71,559 |
| Cash and cash equivalents at beginning of the period | **185,088,747** | 99,557,916 |
| **Cash and cash equivalents at end of the period** | **163,971,851** | 98,994,784 |

The notes on pages 21 to 50 are an integral part of these condensed consolidated interim financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

Retech Technology Co., Limited (the "Company") was incorporated in Hong Kong on 10 May 2016 as a limited liability company. The address of the registered office and principal place of business of the Company is 6th Floor, O.T.B., Building 259-265 Des Voeux Road Central, Hong Kong and Level 18, Block 2, Fudan Technology Park, 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 service, provision of online and offline language training and sale of IT related equipment. The Group's operations are based in the People's Republic of China (the "PRC"), Hong Kong and Australia.

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") are for the six months ended 30 June 2020 and are presented in Renminbi ("RMB"), which is the same as the currency of the primary economic environment in which the Company operates (the functional currency of the Company). The functional and presentation currency of the Company's subsidiaries are either in RMB, Australian dollar or Hong Kong dollar.

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Interim Financial Statements does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). Except as described in note 2, the basis of preparation and accounting policies adopted in preparing the Interim Financial Statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

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

The financial information relating to the financial year ended 31 December 2019 that is included in the Interim Financial Statements for the six months ended 30 June 2020 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

## 2. NEW, AMENDED AND EARLY ADOPTED HKFRSs AND SUMMARY OF ACCOUNTING POLICIES

### 2.1 New, amended and early adopted HKFRS as at 1 January 2020

In the current period, the Group has applied for the first time the new and amended HKFRS issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's Interim Financial Statements for the annual period beginning on 1 January 2020 and has early adopted Amendments to HKFRS 16 "COVID-19-Related Rent Concessions". 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.

#### Amendment to HKFRS 16 "COVID-19-Related Rent Concessions"

The Group has early adopted the Amendment, which is effective on 1 June 2020, for the Group's annual reporting period commencing on 1 January 2020. Amendments to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments add a practical expedient to provide a relief for lessees to bypass the need to carry out an assessment to decide whether a COVID-19 related rent concession received is a lease modification or not and allow lessees to account for such rent concessions as if the change was not a lease modification. Where the Group is a lessee, the practical expedient is applied to account for the change in lease payments resulting from rent concessions granted as a direct consequence of the COVID-19 pandemic and elects not to assess these concessions as lese modifications when all of the following conditions are met:

(i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(iii) there is no substantive change to other terms and conditions of the lease.

## 2. NEW, AMENDED AND EARLY ADOPTED HKFRSs AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

### 2.1 New, amended and early adopted HKFRS as at 1 January 2020 (Continued)

**Amendment to HKFRS 16 "COVID-19-Related Rent Concessions" (Continued)**

During the current period, rent concessions received by the Group satisfied the conditions under Amendments to HKFRS 16. The Group chooses to apply this practical expedient and has applied it consistently to all lease contracts with similar characteristics and in similar circumstances. As a result, the Group recognised a deduction in lease liabilities of RMB263,842, which resulted in an increase in other income during the six months period ended 30 June 2020.

### 2.2 Issued but not yet effective HKFRSs

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

| | |
|---|---|
| HKFRS 17 | Insurance Contracts[1] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[5] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current[4] |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use[3] |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[3] |
| Amendments to HKFRSs | Annual Improvements to HKFRS Standards 2018-2020[3] |

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective date not yet determined
[3] Effective for annual periods beginning on or after 1 January 2022
[4] Effective for annual periods beginning on or after 1 January 2023
[5] Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

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 are not expected to have a material impact on the Group's condensed consolidated financial statements.

### 2.3 Summary of accounting policies

**Revenue recognition**

Details of the Group's revenue recognition policy are set out in the Group's annual report for the year ended 31 December 2019. During the six months ended 30 June 2020, the Group has also provided sale of e-learning solution related equipment to their customers. Revenue from the related equipment sale are recognised at a point in time when the relevant equipment has been provided and the Group received the payment or the right to receive payment has been established.

## 3. 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 condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

<u>Income taxes</u>

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

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's assessment is consistently 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 30 June 2020, the carrying amount of the Group's deferred tax assets was RMB4,549,192 (31 December 2019: RMB964,907).

<u>Estimation of impairment of trade and other receivables, contract assets and other financial assets within the scope of expected credit loss ("ECL") of HKFRS 9</u>

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 ECL 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 at 30 June 2020, the aggregate carrying amounts of trade and other receivables, contract assets and other financial assets measured at amortised cost amounted to RMB55,075,293 (net of ECL allowance of RMB6,459,575), RMB49,300,052 (net of ECL allowance of RMB5,874,269) and RMB194,127,021 (net of ECL allowance of RMB4,959,374) respectively. As at 31 December 2019, the aggregate carrying amounts of trade and other receivables, contract assets and other financial assets amounted to RMB58,892,778 (net of ECL allowance of RMB4,278,679), RMB29,504,418 (net of ECL allowance of RMB2,984,976) and RMB210,666,361 (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 of HKFRS 9 and credit losses in the periods in which such estimate has been changed.

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

***Key sources of estimation uncertainty (Continued)***

Fair value of derivative financial instruments

As described in note 23 to the Interim 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 30 June 2020, the net fair value of derivative financial instruments is RMB4,399,110 (31 December 2019: RMB4,548,129).

Fair value of contingent consideration liability

As described in note 24 to the Interim 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 Aushen Group Pty Ltd. ("Aushen") for years ended 30 June 2020, 2021 and 2022, 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 30 June 2020, the fair value of contingent consideration liability is RMB1,781,055 (31 December 2019: RMB1,607,522).

***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.

## 4. REVENUE AND SEGMENT REPORTING

The Group's principal activities are disclosed in note 1 to the Interim Financial Statements. The Group's revenue recognised during the period is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2020 RMB (Unaudited)** | 2019 RMB (Unaudited) |
| Rendering of e-learning solutions and related equipment sale | **61,484,662** | 63,755,304 |
| Tuition and coaching fees | **2,099,721** | - |
| Consultancy income | **259,416** | 623,244 |
| Commission income | **-** | 1,415,094 |
| | **63,843,799** | 65,793,642 |

Disaggregation of revenue from contracts with customers

| | Six months ended 30 June 2020 (Unaudited) | | | |
|---|---|---|---|---|
| | **Rendering of e-learning solutions and related equipment sale RMB** | **Tuition and coaching fees RMB** | **Consultancy income RMB** | **Total RMB** |
| **Timing of revenue recognition** | | | | |
| - At a point in time | 5,371,212 | - | 66,617 | 5,437,829 |
| - Over time | 56,113,450 | 2,099,721 | 192,799 | 58,405,970 |
| **Total** | **61,484,662** | **2,099,721** | **259,416** | **63,843,799** |
| **Geographical markets** | | | | |
| - PRC | 61,484,662 | 1,649,445 | 6,792 | 63,140,899 |
| - Hong Kong | - | - | 252,624 | 252,624 |
| - Australia | - | 450,276 | - | 450,276 |
| **Total** | **61,484,662** | **2,099,721** | **259,416** | **63,843,799** |
| **Type of customers** | | | | |
| - Corporate | 59,811,395 | - | 259,416 | 60,070,811 |
| - Schools and training institutions | 1,673,267 | 1,657,924 | - | 3,331,191 |
| - Individuals | - | 441,797 | - | 441,797 |
| **Total** | **61,484,662** | **2,099,721** | **259,416** | **63,843,799** |

## 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

Disaggregation of revenue from contracts with customers (Continued)

| | Six months ended 30 June 2019 (Unaudited) | | | |
|---|---|---|---|---|
| | **Rendering of e-learning solutions and related equipment sale RMB** | **Consultancy income RMB** | **Commission income RMB** | **Total RMB** |
| **Timing of revenue recognition** | | | | |
| - At a point in time | - | 623,244 | 1,415,094 | 2,038,338 |
| - Over time | 63,755,304 | - | - | 63,755,304 |
| **Total** | **63,755,304** | **623,244** | **1,415,094** | **65,793,642** |
| **Geographical markets** | | | | |
| - PRC | 59,134,924 | 100,262 | 1,415,094 | 60,650,280 |
| - Hong Kong | 4,620,380 | 522,982 | - | 5,143,362 |
| **Total** | **63,755,304** | **623,244** | **1,415,094** | **65,793,642** |
| **Type of customers** | | | | |
| - Corporate | 57,296,838 | 623,244 | 1,415,094 | 59,335,176 |
| - Schools and training institutions | 6,458,466 | - | - | 6,458,466 |
| **Total** | **63,755,304** | **623,244** | **1,415,094** | **65,793,642** |

Unsatisfied revenue contracts

All of e-learning solutions and related equipment sales 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 “Revenue from Contracts with Customers”.

Segment reporting

In the current period, the executive directors of the Company, being the chief operating decision maker, regard all of the Group’s business operations related to the provision of e-learning solutions and related services with similar economic characteristics. Accordingly, the executive directors 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. No segment analysis information is presented.

Information about major customers

There is no single customer contributing over 10% of total revenue of the Group during the period.

## 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

Geographic information

The Group's revenue and results from operations are mainly derived from activities in the PRC, Hong Kong and Australia. The non-current assets of the Group (excluding deferred tax assets and right-of-use assets) were located in following locations:

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| PRC | **81,750,799** | 79,719,870 |
| Hong Kong | **911,412** | 1,174,731 |
| Australia | **11,405,568** | 3,009,759 |
| | **94,067,779** | 83,904,360 |

## 5. OTHER INCOME

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020 RMB (Unaudited)** | 2019 RMB (Unaudited) |
| Interest income from loan to a related company (note 18 and 26) | **3,670,225** | 1,256,342 |
| Bank interests | **191,354** | 1,281,079 |
| Government subsidies income (note (a)) | **1,950,447** | - |
| Property management income from: | | |
| - A related company (note 26) | **569,499** | 543,583 |
| - A non-controlling shareholder of a subsidiary | **569,499** | 543,583 |
| Sundry income | **189,176** | 201,929 |
| Payable waived | **907,449** | - |
| Rents waiver (note (b)) | **263,842** | - |
| | **8,311,491** | 3,826,516 |

(a) 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 are required to fulfil.

(b) The Group received two-month rental waiver for some of its office leases as part of relief measures negotiated with landlords during the outbreak of the COVID-19 pandemic.

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB** | RMB |
| | **(Unaudited)** | (Unaudited) |
| Interest charges on: | | |
| - Convertible note | **2,030,249** | 1,862,799 |
| - Borrowings | **462,177** | 22,882 |
| Finance charges on lease liabilities | **600,193** | 201,362 |
| Total interest expenses on financial liabilities not at FVTPL | **3,092,619** | 2,087,043 |

## 7. PROFIT BEFORE INCOME TAX

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB** | RMB |
| | **(Unaudited)** | (Unaudited) |
| Depreciation: | | |
| − Owned assets | **1,508,727** | 332,454 |
| − Right-of-use assets | **3,657,719** | 1,273,477 |
| Total depreciation | **5,166,446** | 1,605,931 |
| Amortisation of other intangible assets | **575,475** | 1,263,388 |
| ECL allowance on: | | |
| − Trade receivables | **2,180,896** | 926,856 |
| − Contract assets | **2,889,293** | 125,045 |
| Total ECL allowance on financial assets | **5,070,189** | 1,051,901 |
| Auditors' remuneration | **250,000** | 234,000 |
| Fair value loss of the contingent consideration payable | **172,600** | - |
| Net foreign exchange loss | **236,904** | 135,826 |
| Staff and related costs (including directors' remuneration)* | **20,198,965** | 15,636,050 |

* There are staff costs of RMB5,478,249 (For the six months ended 30 June 2019 (unaudited): RMB5,158,690) being included as research and development costs in the cost of services for the respective projects.

## 8. DIRECTORS' REMUNURATION

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB** | RMB |
| | **(Unaudited)** | (Unaudited) |
| Directors' emoluments for services as directors of the Company and its subsidiary undertakings | | |
| - Fees | **616,937** | 575,827 |

## 9. INCOME TAX EXPENSE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB** | RMB |
| | **(Unaudited)** | (Unaudited) |
| Current tax | | |
| *PRC* | | |
| - Current year | **4,941,832** | 3,873,647 |
| - Underprovision in respect of prior years | **165,394** | - |
| - Withholding tax on dividend from a PRC subsidiary | **-** | 3,438,667 |
| | **5,107,226** | 7,312,314 |
| *Hong Kong* | | |
| - Overprovision in respect of prior years | **(372,174)** | - |
| Deferred tax* | **(3,441,484)** | (152,952) |
| | **1,293,568** | 7,159,362 |

* During the six months ended 30 June 2020, the movement of the deferred tax assets mainly from tax loss and ECL allowance (Six months ended 30 June 2019: ECL allowance).

(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 enterprise 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 Company during the six months ended 30 June 2019. 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 during the six months ended 30 June 2020;

## 9. 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% (2019: 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% (2019: 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 six months ended 30 June 2020.

(e) The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 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 six months ended 30 June 2020 and 2019 as the Group has no assessable profits for the period; and

(f) Under relevant tax regulations in Australia, local corporations are subject to corporate tax rate of 27.5% (2019: 27.5%). Australia profits tax has not been provided for the six months ended 30 June 2020 as the Australia subsidiary of the Company has no assessable profits for the period.

## 10. DIVIDENDS

There are no dividends declared during the six months ended 30 June 2020. For the six months ended 30 June 2019, the shareholders approved a general mandate for the director to declare dividend in the Company's Annual General Meeting on 13 June 2019. The directors proposed a special dividend of Australian dollars ("A$") 0.005 per share. The proposed amount of A$1,164,076 (i.e. RMB5,569,618) was reflected as an appropriation of retained profits for the six months ended 30 June 2019 and was paid on 27 November 2019.

## 11. EARNINGS PER SHARE

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | **(Unaudited)** | (Unaudited) |
| | **RMB** | RMB |
| Earnings | | |
| Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company) | **14,521,452** | 16,335,942 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **232,912,633** | 230,750,944 |

The calculation of diluted earnings per share for the six months ended 30 June 2020 does not assume the exercise of the Company's outstanding convertible note which had anti-dilutive effects and would result in an additional in earnings per share. Therefore, the diluted earnings per share is the same as the basic earnings per share for the period.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Buildings RMB | Computer and office equipment RMB | Leasehold improvements RMB | Furniture and fittings RMB | Total RMB |
|---|---|---|---|---|---|
| At 1 January 2019 | | | | | |
| Cost | 6,528,100 | 523,286 | 335,105 | - | 7,386,491 |
| Accumulated depreciation | - | (162,860) | - | - | (162,860) |
| Net book amount | 6,528,100 | 360,426 | 335,105 | - | 7,223,631 |
| Year ended 31 December 2019 | | | | | |
| Opening net book amount | 6,528,100 | 360,426 | 335,105 | - | 7,223,631 |
| Additions | 28,307,742 | 2,757,225 | 1,887,376 | 352,830 | 33,305,173 |
| 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 | 32,525,766 | 2,612,335 | 1,853,861 | 352,830 | 37,344,792 |
| At 31 December 2019 and 1 January 2020 | | | | | |
| Cost | 35,529,191 | 3,291,047 | 2,237,760 | 352,830 | 41,410,828 |
| Accumulated depreciation | (3,003,425) | (678,712) | (383,899) | - | (4,066,036) |
| Net book amount | 32,525,766 | 2,612,335 | 1,853,861 | 352,830 | 37,344,792 |
| **Period ended 30 June 2020 (unaudited)** | | | | | |
| Opening net book amount | 32,525,766 | 2,612,335 | 1,853,861 | 352,830 | 37,344,792 |
| Additions | 433,234 | 3,195,236 | 3,121,025 | 152,818 | 6,902,313 |
| Depreciation | (3,657,719) | (662,818) | (841,070) | (4,839) | (5,166,446) |
| Exchange differences | 41,876 | (71,302) | (162,602) | - | (192,028) |
| **Closing net book amount** | **29,343,157** | **5,073,451** | **3,971,214** | **500,809** | **38,888,631** |
| **At 30 June 2020 (unaudited)** | | | | | |
| Cost | 35,985,861 | 6,414,395 | 5,200,536 | 505,648 | 48,106,440 |
| Accumulated depreciation | (6,642,704) | (1,340,944) | (1,229,322) | (4,839) | (9,217,809) |
| **Closing net book amount** | **29,343,157** | **5,073,451** | **3,971,214** | **500,809** | **38,888,631** |

As at 30 June 2020 and 31 December 2019, buildings included in the net carrying amount of property, plant and equipment are right-of-use assets from leases of office space contracted by the Group.

## 13. OTHER INTANGIBLE ASSETS

| | Trademarks RMB (note (b)) | Content distribution rights RMB | Capitalised software development RMB | Curriculum development expenditure RMB (note (c)) | Total RMB |
|---|---|---|---|---|---|
| 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 | 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 |
| **31 December 2019 and 1 January 2020** | | | | | |
| 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** |
| **Period ended 30 June 2020 (unaudited)** | | | | | |
| Opening net carrying amount | 2,137,709 | - | 607,332 | - | 2,745,041 |
| Additions | - | - | - | 5,806,454 | 5,806,454 |
| Amortisations | - | - | (426,541) | (148,934) | (575,475) |
| Exchange differences | - | - | 27 | 205,965 | 205,992 |
| **Closing net carrying amount** | **2,137,709** | **-** | **180,818** | **5,863,485** | **8,182,012** |
| **As at 30 June 2020 (unaudited)** | | | | | |
| Cost | **2,137,709** | **3,584,906** | **1,708,985** | **6,018,303** | **13,449,903** |
| Accumulated amortisations | **-** | **(3,584,906)** | **(1,528,167)** | **(154,818)** | **(5,267,891)** |
| **Net carrying amount** | **2,137,709** | **-** | **180,818** | **5,863,485** | **8,182,012** |

Note

(a) The amortisation charge for the period/year is included in cost of services in the condensed consolidated statement of profit or loss and other comprehensive income.

(b) Trademarks arises from the acquisition of 51% equity interests in Aushen which have indefinite useful lives. There is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group.

(c) During the six months ended 30 June 2020, the Group incurred costs on projects to develop curriculums for its live broadcast online language training class. They are capitalised and amortised over useful life of 3 years when the classes commence.

## 14. DEPOSIT PAID

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Purchase consideration paid in connection with acquisition of Pantosoft | **73,700,000** | 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 was 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 interests 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.

## 15. TRADE AND OTHER RECEIVABLES

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Trade receivables, gross | **56,629,361** | 58,580,709 |
| Less: ECL allowance | **(6,458,915)** | (4,278,019) |
| Trade receivables, net | **50,170,446** | 54,302,690 |
| Other receivables and deposits paid net of ECL allowance | **4,904,847** | 4,590,088 |
| Financial assets at amortised cost | **55,075,293** | 58,892,778 |
| GST withholding tax received | **333,526** | 164,423 |
| Prepayments* | **9,708,753** | 2,249,258 |
| | **65,117,572** | 61,306,459 |

* There are payment in advance of RMB8,309,000 (31 December 2019: nil) for the animation and software are provided by the vendors in e-learning solutions services.

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.

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## 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| 0 - 90 days | **10,594,746** | 38,467,208 |
| 91 - 180 days | **5,886,271** | 5,596,867 |
| 181 - 365 days | **22,423,124** | 9,178,723 |
| Over 365 days | **11,266,305** | 1,059,892 |
| | **50,170,446** | 54,302,690 |

The Group generally allows a credit period 15 to 60 days (Year ended 31 December 2019: 15 to 60 days) to its customers.

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

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Balance at the beginning of the period/year | **4,278,019** | 1,260,684 |
| ECL allowance recognised during the period/year | **2,180,896** | 3,017,335 |
| Balance at the end of the period/year | **6,458,915** | 4,278,019 |

No ECL allowance has been provided for other receivables during the period (Year ended 31 December 2019: RMB660).

## 16. CONTRACT ASSETS AND LIABILITIES

### 16.1 Contract assets

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Contract assets arising from: | | |
| – Unbilled revenue from e-learning solutions and related contracts | **54,274,040** | 32,489,394 |
| – Unbilled tuitions and language learning fees | **900,281** | - |
| Less: ECL allowance | **(5,874,269)** | (2,984,976) |
| | **49,300,052** | 29,504,418 |

## 16. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

### 16.1 Contract assets (Continued)

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

| | **As at 30 June 2020 RMB (Unaudited)** | As at 30 June 2019 RMB (Audited) |
|---|---|---|
| Balance at the beginning of the period/year | **2,984,976** | 95,701 |
| ECL recognised during the period/year | **2,889,293** | 2,889,275 |
| Balance at the end of the period/year | **5,874,269** | 2,984,976 |

At 30 June 2020 and 31 December 2019, all contract assets were expected to be recovered within one year.

### 16.2 Contract liabilities

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Contract liabilities arising from e-learning contracts from billings in advance for performance | | |
| – E-learning solutions and related contracts | **3,031,837** | 2,901,432 |
| – Tuition and coaching services | **1,748,983** | 973,352 |
| | **4,780,820** | 3,874,784 |

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 RMB3,874,784 (2019: RMB4,712,383) were recognised as revenue during the period/year.

## 17. AMOUNTS DUE FROM/(TO) A NON-CONTROLLING SHAREHOLDER/A NON CONTROLLING SHAREHOLDER OF A SUBSIDIARY/RELATED COMPANIES/ A DIRECTOR

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

### (a) Amount due from a non-controlling shareholder

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Lumina Looque Knowledge Hubs Pte Ltd ("Lumina")* | **4,959,374** | 4,959,374 |
| Less: ECL allowance | **(4,959,374)** | (4,959,374) |
| | **-** | - |

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

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

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Hexon Consulting Limited | **661,718** | 328,755 |

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

### (c) Amounts due from related companies

| | **Maximum balance during the period RMB** | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|---|
| Shanghai Retech Information Technology Co., Ltd ("Shanghai Retech IT") * | **8,468,340** | **3,156,779** | 8,468,340 |
| Retech Digital Media Co., Ltd * | **5,005,029** | **5,005,029** | 4,433,500 |
| | | **8,161,808** | 12,901,840 |

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

## 17. AMOUNTS DUE FROM/(TO) A NON-CONTROLLING SHAREHOLDER/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/RELATED COMPANIES/ A DIRECTOR (CONTINUED)

### (d) Amount due to a related company

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Jiangsu Yunmei Digital Technology Co., Ltd. ("Jiangsu Yunmei") * | **5,974** | 5,974 |

* 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.

### (e) Amount due to a director

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Kang Li * | **353,278** | - |

* Mr. Kang Li is an executive director of the Company. He is also a director of the subsidiary of the Company, Ai English Pty. Ltd.

## 18. LOAN TO A RELATED COMPANY

| | **Maximum balance during the period RMB** | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|---|
| Jiangsu Retech Digital Industry Park Co., Ltd. ("Jiangsu Industry Park") * | **164,899,840** | **21,331,644** | 12,347,019 |

* 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 unsecured, interest-bearing at fixed rates of 10% (31 December 2019: 10%) per annum and wholly repayable within twelve months from the reporting date. At 30 June 2020, 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.

## 19. CASH AND CASH EQUIVALENTS

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Cash at bank and in hand | **163,971,851** | 185,088,747 |

## 20. TRADE AND OTHER PAYABLES

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Trade payables | **10,312,027** | 12,442,615 |
| Other payables: | | |
| - Accrued expenses | **2,091,624** | 2,515,537 |
| - Payable for acquisition of intangible asset | **-** | 800,000 |
| - Payroll payable | **4,701,938** | 2,262,656 |
| - Other liabilities | **5,864,437** | 4,001,542 |
| Trade and other payables as financial liabilities at amortised cost | **22,970,026** | 22,022,350 |
| Provision of other tax liabilities | **348,848** | 1,771,400 |
| | **23,318,874** | 23,793,750 |

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.

Based on the invoice dates, the aging analysis of the trade payables were as follows:

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| 0 - 90 days | **6,291,301** | 6,766,051 |
| 91 - 180 days | **447,428** | 2,417,866 |
| 181 - 365 days | **476,725** | 3,054,325 |
| Over 365 days | **3,096,573** | 204,373 |
| | **10,312,027** | 12,442,615 |

## 21. BORROWINGS

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Bank loans – unsecured (note a) | **12,910,122** | 12,984,853 |
| Private loans – unsecured (note b) | **9,935,514** | 4,888,326 |
| Total borrowings | **22,845,636** | 17,873,179 |
| Less: Amounts shown under current liabilities | **(13,125,236)** | (12,984,853) |
| | **9,720,400** | 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 5.66% 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) Private loans relate to two (31 December 2019: one) unsecured loans with principal amount of A$1,000,000 each, totally A$2,000,0000 (31 December 2019: A$1,000,000) provided by Hong Kong Fu An Development Co., Limited. Both loans carry 3-year term and wholly repayable on 29 August 2022 and 7 May 2023 respectively. They bear fixed rate of 4.5% per annum in which the interests are repayable every six months.

## 22. LEASE LIABILITIES

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Total minimum lease payments: | | |
| Due within one year | **10,052,122** | 8,255,503 |
| Due in the second to fifth years | **22,490,442** | 25,467,460 |
| Due after the fifth years | **-** | 2,147,933 |
| | **32,542,564** | 35,870,896 |
| Less: Future finance charges on leases liabilities | **(2,464,626)** | (3,097,433) |
| | **30,077,938** | 32,773,463 |
| Present value of minimum lease payments: | | |
| Due within one year | **9,036,369** | 7,075,796 |
| Due in the second to fifth years | **21,041,569** | 23,570,987 |
| Due after the fifth year | **-** | 2,126,680 |
| | **30,077,938** | 32,773,463 |
| Less: Portion due within one year included under current liabilities | **(9,036,369)** | (7,075,796) |
| Portion due after one year included under non-current liabilities | **21,041,569** | 25,697,667 |

## 22. LEASE LIABILITIES (CONTINUED)

During the six months ended 30 June 2020, total cash outflows for the leases are RMB2,936,880 (Six months ended 30 June 2019: RMB1,380,045).

## 23. CONVERTIBLE NOTE

Details of the terms of the convertible note are set out in the Group's annual report for the year ended 31 December 2019. Convertible note contains a liability component and the embedded derivatives (comprising the issuer's call option, and the holders' put option and conversion option), which are required to be accounted for separately. The derivative components are measured at fair value using the Monte Carlo Simulation Model method. The fair value changes were recognised in profit or loss.

The movements of the convertible note for the period are set out below:

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| **Liability component** | | |
| Balance at the beginning of the period/year | **32,781,619** | 31,092,542 |
| Accrued effective interest charges | **2,030,249** | 3,818,703 |
| Interest paid | **(1,415,891)** | (2,778,633) |
| Exchange difference | **617,722** | 649,007 |
| **Balance at the end of the period/year** | **34,013,699** | 32,781,619 |
| **Fair value of embedded derivative component in respect of the call option - financial assets** | | |
| Balance at the beginning of the period/year | **(9,733,410)** | (11,135,977) |
| Change in fair value | **254,603** | 1,598,435 |
| Exchange difference | **(183,304)** | (195,868) |
| **Balance at the end of the period/year** | **(9,662,111)** | (9,733,410) |
| **Fair value of embedded derivative component in respect of the put option and conversion option – financial liabilities** | | |
| Balance at the beginning of the period/year | **14,281,539** | 13,617,235 |
| Change in fair value | **(488,525)** | 375,875 |
| Exchange difference | **268,207** | 288,429 |
| **Balance at the end of the period/year** | **14,061,221** | 14,281,539 |

As at 30 June 2020, the fair value of the liability component is approximately RMB34,951,000 (31 December 2019: RMB34,545,000). The fair values of embedded derivative components are based on a valuation performed by an independent professional valuer using Monte Carlo simulation model method and discounted cash flow method and are classified within Level 3 of the fair value hierarchy. Details of the fair value measurements of the embedded derivative components are set out in note 30.

## 24. CONTINGENT CONSIDERATION LIABILITY

| | **As at 30 June 2020 RMB (Unaudited)** | As at 31 December 2019 RMB (Audited) |
|---|---|---|
| Contingent consideration at the beginning of the period/acquisition date | **1,607,522** | 1,541,259 |
| Change in fair value | **172,600** | 38,155 |
| Exchange differences | **933** | 28,108 |
| Total borrowings | **1,781,055** | 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 RMB2,032,000) 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 contingent consideration liability is measured at fair value at the reporting date and details of fair value measurements are set out in note 30.

## 25. SHARE CAPITAL

| | Note | **Number of shares** | **RMB** |
|---|---|---|---|
| Issued and fully paid ordinary shares | | | |
| As at 1 January 2019 | | 230,750,944 | 141,905,974 |
| Issued during the year | (a) | 2,161,689 | 4,072,436 |
| 31 December 2019 (audited), 1 January 2020 and 30 June 2020 (unaudited) | | **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 CHESS Depository Interests to certain employees with their fair values of RMB3,882,414 and RMB190,022 respectively as under Retech Incentive Plan.

## 26. RELATED PARTY TRANSACTIONS

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

| | | Six months ended 30 June | |
|---|---|---|---|
| **Name of related parties** | **Nature of transactions** | **2020 RMB (Unaudited)** | 2019 RMB (Unaudited) |
| **Related companies** | | | |
| Shanghai Retech IT (note (a)) | Services income recharged | **9,627,781** | 9,967,652 |
| | Administrative expenses recharged | **-** | 152,045 |
| | Cost of services recharged | **-** | 4,338,927 |
| Jiangsu Industry Park (note (b)) | Interest income received | **3,670,225** | 1,256,342 |
| | Purchase of fixed assets | **-** | 320,273 |
| Retech Digital Media Co., Ltd. (note (c)) | Rendering of e-learning solutions and related services | **-** | 4,433,500 |
| | Property management income | **569,499** | 543,583 |

Notes:

(a) Pursuant to service agreement signed between a subsidiary of the Company, Shanghai Retech Digital Technology Co., Ltd. ("Shanghai Retech Digital") and a related company, Shanghai Retech IT (“the Service Agreement”), Shanghai Retech IT has appointed Shanghai Retech Digital 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 Shanghai Retech Digital 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.

On 1 January 2019, both parties agreed to revise the fee to 100% of the revenue received by Shanghai Retech IT beginning from 1 January 2019 to 30 August 2026. The Group’s relationship with Shanghai Retech IT is described in note 17(c) to the Interim Financial Statements.

(b) The transaction was enacted with Jiangsu Industry Park of which relationship with the Group is described in note 18 to the Interim Financial Statements.

(c) The transaction was enacted with Retech Digital Media Co., Ltd. of which relationship with the Group is described in note 17(c) to the Interim Financial Statements.

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

The key management personnel of the Group consist only certain directors of the Company and directors of its subsidiaries. Compensation to these directors is disclosed in note 8.

## 27. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

**Reconciliation of liabilities arising from financing activities**

The table below set out the reconciliation of liabilities arising from financing activities for the six months ended 30 June 2020 and 2019.

| | Borrowings (current and non-current) RMB | Convertible note RMB | Lease Liabilities (current and non-current) RMB | Amount due to director RMB | Amount due to a related company RMB | Total RMB |
|---|---|---|---|---|---|---|
| **At 1 January 2020 (audited)** | 17,873,179 | 32,781,619 | 32,773,463 | - | 5,974 | 83,434,235 |
| Cash flows | 4,513,814 | (1,415,891) | (2,936,880)* | 353,278 | - | 514,321 |
| *Non-cash changes* | | | | | | |
| Interest expense | 462,177 | 2,030,249 | 600,193 | - | - | 3,092,619 |
| Rents waiver | - | - | (263,842) | - | - | (263,842) |
| Exchange adjustments | (3,534) | 617,722 | (94,996) | - | - | 519,192 |
| **At 30 June 2020 (unaudited)** | **22,845,636** | **34,013,699** | **30,077,938** | **353,278** | **5,974** | **87,296,525** |

* The total amount of RMB2,936,880 included lease principal of RMB2,336,687 and interest paid of RMB600,193, which included in financing activities.

| | Borrowings (current and non-current) RMB | Convertible note RMB | Lease Liabilities (current and non-current) RMB | Amount due to a non-controlling shareholder of a subsidiary RMB | Amount due to related companies RMB | Total RMB |
|---|---|---|---|---|---|---|
| **At 1 January 2019 (audited)** | - | 31,092,542 | - | 436,670 | 6,174 | 31,535,386 |
| Adoption of HKFRS 16 | - | - | 6,528,100 | - | - | 6,528,100 |
| Cash flows | 7,987,240 | (1,352,178) | (1,380,045)* | (436,670) | (200) | 4,818,147 |
| *Non-cash changes* | | | | | | |
| Addition | - | - | 2,085,598 | - | - | 2,085,598 |
| Interest expense | 22,882 | 1,862,799 | 201,362 | - | - | 2,087,043 |
| Exchange adjustments | - | 38,806 | - | - | - | 38,806 |
| **At 30 June 2019 (unaudited)** | **8,010,122** | **31,641,969** | **7,435,015** | **-** | **5,974** | **47,093,080** |

* The total amount of RMB1,380,045 included lease principal of RMB1,178,683 and interest paid of RMB201,362, which included in other financing activities.

## 28. 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 on a straight-line basis over the vesting period with corresponding increase in employee compensation reserve.

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 was as follows:

| | As at 31 December 2019 | |
|---|---|---|
| | Number of shares (Audited) | Weighted average fair value per share RMB (Audited) |
| CDIs, grant and exercised during the period/year: | | |
| - 24 June 2019 | 2,064,180 | 1.88 |
| Options of underlying CDIs, grant and exercised during the period/ year: | | |
| - 12 September 2019 | 97,509 | 1.95 |
| | 2,161,689 | 1.88 |

During the six months period ended 30 June 2020, there are no grant and exercise of both CDIs and options of underlying CDIs.

During the year ended 31 December 2019, 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.

## 29. 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 ended 31 December 2019, 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 condensed consolidated statement of financial position.

## 29. 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.

Goodwill arising on acquisition

| | 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 condensed 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 was approximately RMB34,600 and recognised as administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

## 30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

Financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of 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, and not using significant unobservable inputs.
- Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement. The financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

| | Level 1<br>RMB | Level 2<br>RMB | Level 3<br>RMB | Total<br>RMB |
|---|---|---|---|---|
| **As at 30 June 2020 (Unaudited)** | | | | |
| **Financial assets** | | | | |
| Derivative financial instruments (i) | **-** | **-** | **9,662,111** | **9,662,111** |
| **Financial liabilities** | | | | |
| Derivative financial instruments (i) | **-** | **-** | **(14,061,221)** | **(14,061,221)** |
| Contingent consideration liability (ii) | **-** | **-** | **(1,781,055)** | **(1,781,055)** |
| | **-** | **-** | **(15,842,276)** | **(15,842,276)** |
| **Net fair value** | **-** | **-** | **(6,180,165)** | **(6,180,165)** |
| **As at 31 December 2019 (Audited)** | | | | |
| **Financial assets** | | | | |
| Derivative financial instruments (i) | - | - | 9,733,410 | 9,733,410 |
| **Financial liabilities** | | | | |
| Derivative financial instruments (i) | - | - | (14,281,539) | (14,281,539) |
| Contingent consideration liability (ii) | | | (1,607,522) | 1,607,522) |
| | | | (15,889,061) | (15,889,061) |
| **Net fair value** | - | - | (6,155,651) | (6,155,651) |

There were no transfers between level 1 and level 2 of the fair value hierarchy during the six months ended 30 June 2020 and 2019.

(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 estimated of Aushen's performance between FY2020 to FY2022 as set out in details in note 29.

## 30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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 and discounted cash flow method | Discount rate: 10.40% (2019: 9.43%) | The higher the discount rate, the lower the fair value, and vice versa. |
| | | Volatility: 71% (2019: 78%) | 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 and discounted cash flow method | Discount rate: 10.40% (2019: 9.43%) | The higher the discount rate, the lower the fair value, and vice versa. |
| | | Volatility: 71% (2019: 78%) | The higher of the volatility, the higher of the fair value, and vice versa. |
| Contingent consideration liability | Discounted cash flow method and probability-weighted estimated | Discount rate: 5% (2019: 5%) | The higher the discount rate, the lower the fair value, and vice versa. |
| | | Probability: 85% (2019: 85%) | The higher the probability-weighted estimate, the higher of the fair value, and vice versa. |

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 |
|---|---|---|---|---|
| **At 1 January 2019 (audited)** | **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 (audited) and 1 January 2020** | **9,733,410** | **(14,281,539)** | **(1,607,522)** | **(6,155,651)** |
| Fair value (loss)/gain recognised in profit or loss | (254,603) | 488,525 | (172,600) | 61,322 |
| Exchange gain/(loss) recognised in profit or loss | 183,304 | (268,207) | (933) | (85,836) |
| **At 30 June 2020 (unaudited)** | **9,662,111** | **(14,061,221)** | **(1,781,055)** | **(6,180,165)** |

## 30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Other than those disclosed in note 23 and note 24, the Group considers the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated statement of financial position approximate to their fair values.

## 31. COMPARATIVE FIGURES

Certain comparative figures in these Interim Financial Statements were reclassified to confirm to the current period's presentation.

# Directors' Declaration

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

In the opinion of the directors:

(a) The condensed and consolidated interim financial statements (Interim Financial Statements") and the notes thereto are in compliance with the Corporations Act 2001 and are in accordance with the Hong Kong Financial Reporting Standards as stated in note 1 in the Interim Financial Statements, and give a true and fair view of the condensed consolidated financial position of the Group as of 30 June 2020, and of its condensed consolidated performance for the period ended on that date; and

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

On behalf of the directors,

| | |
|---|---|
| Mr Ai Shungang | Mr Calvin Cheng |
| Co-Chairman | Co-Chairman |
| 31 August 2020 | 31 August 2020 |

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# Auditor's Independence Declaration

**To the Board of Members of Retech Technology Co., Limited**

As the auditor of Retech Technology Co., Limited and in relation to the review for the six months ended 30 June 2020, 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**

**Steve Ng**
Partner

31 August 2020

Hong Kong

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# Independent review report

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

**Introduction**
We have reviewed the condensed consolidated interim financial statements of Retech Technology Co., Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 15 to 50, which comprise the condensed consolidated statement of financial position as at 30 June 2020, and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended, and other explanatory notes.

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

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

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**Conclusion**

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

Grant Thornton Hong Kong Limited

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

31 August 2020

Ng Ka Kong
Practising Certificate No.: P06919

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**Company Secretary** Ms. Ji Hui

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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, guidance on, future financial position 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.