ARBN 615 153 332

Retech

Technology Co., Limited

Appendix 4E

Preliminary final report

for the year ended 31 December 2021

Hong Kong Company Registration Number 2374379

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

RETECH
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CONTENTS

About Retech Technology Co., Limited

Retech Technology Co., Limited is a leading Chinese e-learning services and technology provider, based in Shanghai. Retech's products include e-learning solutions, learning analytics, customized and pre-prepared training courses, digital ESG reporting and training and online language learning solutions. Major customers include Bank of China, Ping An Insurance, Huawei and Mercedes Benz etc.

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

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

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

Reporting period	**1 January 2021 to 31 December 2021**
Previous period	1 January 2020 to 31 December 2020

2. Results for announcement to the market

Item	**Reporting period RMB**	**Previous period RMB**	**Changes %**
2.1 Revenue from ordinary activities	187,344,679	195,755,508	-4%
2.2 Profit from ordinary activities after tax attributable to members	12,686,210	54,404,058	-77%
2.3 Net profit for the period attributable to members	12,686,210	54,404,058	-77%

Item	**Reporting period AUD**	**Previous period AUD**	**Changes %**
2.1 Revenue from ordinary activities	38,669,229	41,119,924	-6%
2.2 Profit from ordinary activities after tax attributable to members	2,618,521	11,427,983	-77%
2.3 Net profit for the period attributable to members	2,618,521	11,427,983	-77%

*Exchange rate: AUD/RMB = 4.8448 (FY2021), AUD/RMB = 4.7606 (FY2020), from https://www.oanda.com

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

Not applicable.

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

Not applicable.

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

- Revenue in FY2021 was RMB187.34m (A$38.67m), a decrease of RMB8.42m (A$2.45m), or 4% compared to RMB195.76m (A$41.12m) in FY2020. The decrease in revenue was mainly affected by the economic downturn due to the impact of COVID-19. Meanwhile, the traditional e-learning business remained stable. The company focused on big clients in 2021 and gave up some small to middle clients whose payment capability and business was strongly impacted by the pandemic. Considering the continuation of COVID-19 impacts, big enterprises can maintain spending in employee e-learning, such as our long-term customers Bank of China and Ping An. However, small to medium-sized enterprises have had difficulties in their operations due to COVID-19, and the risk of account turnover is likely to increase. To address this, the businesses has been conducting customer screening and focusing on big enterprise customers as mentioned.

- Gross profit in FY2021 was RMB100.88m (A$20.82m), a decrease of RMB13.10m (A$3.12m), or 11% compared to RMB113.98m (A$23.94m) in FY2020. The gross profit margin was 54%, while in FY2020 it was 58%. This was because that we provide comprehensive e-learning solutions through operational cooperation with big customers. We are paying more attention to intellectual property rights and software platforms to increase customer stickiness, and offered some discount, as they are currently in early exploration stages. The revenue and gross profit of the vocational education business had a steady growth. Despite the influence of the new regulations on education and training industry, the language learning business saw Ai English was focused more towards public school English learning and quality education.

- Selling and distribution expenses in FY2021 were RMB12.90m (A$2.66m), an increase of RMB2.90m (A$0.56m), or 29% compared to RMB10.00m (A$2.10m) in FY2020. The main increase was from vocational education business. As the Chinese government continuously encourages vocational education, we were actively developing this business. Administrative expenses in FY2021 were RMB74.72m (A$15.42m), an increase of RMB17.22m (A$3.34m), or 30% compared to RMB57.50m (A$12.08m) in FY2020. The main reasons for this were the increase in R&D expenses of e-learning, labor expenses and IP amortization of language learning. Impairment losses in FY2021 were RMB12.79m (A$2.64m), an increase of RMB7.86m (A$1.60m), or 159% compared to RMB4.93m (A$1.04m) in FY2020, due to slower customer settlement affected by COVID-19 pandemic.

- Net profit attributed to owners of the company was RMB12.69m (A$2.62m), a decrease of RMB41.71m (A$8.81m), or 77% compared to RMB54.40m (A$11.43m) in FY2020. Net profit is down due to the adverse effect of new government restrictions on private tuition, on Ai English. Our historical, core corporate e-learning business remains unaffected.

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

Please refer to page 11.

4. Consolidated statement of financial position

Please refer to page 12.

5. Consolidated statement of cash flows

Please refer to page 16.

6. Consolidated statement of changes in equity

Please refer to page 14.

7. Notes to the consolidated financial statements

Please refer to Page 18.

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

Not applicable.

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

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

10. Net Tangible Assets ("NTA")

	NTA as of 31 December 2021 RMB cents per share	NTA as of 31 December 2020 RMB cents per share
Net Tangible Assets ("NTA")	108.76	98.11
Ordinary shares in issue	232,912,633	232,912,633

	NTA as of 31 December 2021 AUD cents per share	NTA as of 31 December 2020 AUD cents per share
Net Tangible Assets ("NTA")	22.45	20.61
Ordinary shares in issue	232,912,633	232,912,633

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

Please refer to Page 77, note 36 to the consolidated financial statements.

12. Details of associates and joint venture entities

Not applicable.

13. Other significant information

Not applicable.

14. Accounting standards

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

15. Commentary on the results

Highlights

- The project in Côte d'Ivoire, which was updated in the LVC system, was successfully completed in 2021 and highly recognized by Huawei's overseas business department. Now, a new project in Pakistan is in the process. Additionally, the upgrading and transformation of LVC have been completed and accepted. In January of 2022, Retech earned the "Huawei Annual Award for Excellent Partner of 2021 in Global Government Education Industry".

- Retech has expanded the services scope for the branches of Bank of China and the Research Institute of Bank of China. The projects include Qingyun series courses, science and innovation finance courses, anti-counterfeit money and anti-money laundering courses, financial consumer protection courses, network service standards courses and a Winter Olympics related series. The services have extended from online courseware development to offline activity operations.

- Retech has been involved in the customer list of the National Association of Financial Market Institutional Investors, which is a self-regulated organization of the inter-bank market and is composed of voluntary market participants, including the inter-bank bond market, inter-bank lending market, foreign exchange market, bill market and gold market. Retech will provide the technical e-course services for this association in following years.

- Retech has demonstrated its expertise in the field of digital education and training by winning the Shanghai Software Core Competitiveness Enterprise 2021 (Innovative), for the third year in a row.

- The online open course "Flower Arrangement Art" customized by Retech for the Shanghai Agricultural School has been rated as a "High-quality Course" by the Shanghai Municipal Education Commission. The course has been praised as having exquisite design, excellent production, diverse forms and diversified teaching methods.

- In 2021, Retech finished the development of 16 module courses in a Digital Media major and 100 practice training courses from real projects. These courses aim to resolve the existing gap between college courses and industry practice especially in the Digital Media major.

- Retech provided course development services for more than 60 vocational schools including the electronic commerce course developed for the Shanghai Vocational Education Group for Commerce and Trade, a series of online courses for the Shanghai Art & Design Academy, Shanghai I&C Foreign Languages School, Shanghai Civil Aviation College and Changzhou Vocational Institute of Engineering, etc.

Operational Updates

1) Corporate

Product:

- LVC (live virtual classroom) real-time interactive educational platform: This platform has been developed by Retech from 2016 and provides real-time interactive e-course services for Huawei's overseas customers with Huawei's exclusive authorization. Retech jointly owns the intellectual property rights. The project in Côte d'Ivoire was successfully completed in 2021 and highly recognized by Huawei's overseas business department. Now, a new project in Pakistan is in the process. Additionally, the upgrading and transformation of LVC have been completed and accepted.
- The RetechSmart platform: a section of the software has been reconstructed from the business perspective and the micro service architecture has been upgraded from a technical level. The platform can now support concurrent and business expansion, container deployment and resource scaling configuration.
- E-courses—contemporary and digestible instructional design: The Company launched different new types of training operation services including the whole operation system and the services scope, which have extended from online courseware development to offline activity operations.

Business:

In terms of corporate e-learning, the Company focuses on providing professional technology and services to key customers in targeted industry verticals. The growth of especially well-known large customers provides a strong driving force for business development. More customers have also included Retech into their vendor lists.

- Financial Services:
  - ✧ In the Financial Services industry, Retech keeps on providing services to our existing Bank customers: Bank of China, Ping An Bank, China Minsheng Bank, Shanghai Pudong Developing Bank and Bank of Communications, etc. Also, Retech has new customers, including Beijing Bank and Zhejiang Rural Credit Cooperative. Retech expanded the services scope for the branches of Bank of China and the Research Institute of Bank of China. The projects include Qingyun series courses, science and innovation finance courses, anti-counterfeit money and anti-money laundering courses, financial consumer protection courses, network service standards courses and a Winter Olympics related series. The services have extended from online courseware development to offline activity operations.
  - ✧ In the insurance area, after providing services for Ping An Insurance, Retech also developed business with PICC Property Insurance, China Reinsurance, and Pacific Insurance, etc.
  - ✧ In June 2021, Retech and the National Association of Financial Market Institutional Investors (NAFMII) commenced cooperation and will joint launch e-learning courses on financial topics for all members of NAFMII. Meanwhile, Retech has adopted a consulting operation method, customizing the overall operation service solution for NAFMII and promoting its online training business.
  - ✧ Retech has been involved in the customer list of the National Association of Financial Market Institutional Investors, which is a self-regulated organization of the inter-

bank market and is composed of voluntary market participants, including the inter-bank bond market, inter-bank lending market, foreign exchange market, bill market and gold market. Retech will provide the technical e-course services for the association in following years.

✧ In February, Retech started to provide services to the China Construction Bank University, a new customer. The China Construction Bank University is an enterprise university officially established by the China Construction Bank and Retech is now providing specialized online activities services.

- Industrial: In this business area, Retech has focused on automobile, military and manufacturing industries. In the automobile industry, Retech entered the 5 years courseware suppliers list of Mercedes Benz and achieved successful agreements with sales companies, such as the Daimler Investment Company, Daimler Trucks and Buses (China), Mercedes Benz finance and other subordinate companies.
- Retail: Retech has been continually providing services to Estee Lauder, Shiseido and other companies in the field of cosmetics. Retech has also expanded services to brand customers such as Grundfos Water Pump (Shanghai) Co. Ltd., Distinct HealthCare and CPB etc.
- Energy: Retech continues to provide the service SNPTC (Shanghai Nuclear Engineering Research & Design Institute Co., Ltd.).

2) Vocational Education

Product:

- Digital Media courses: In 2021, Retech finished the development of 16 module courses in the Digital Media major and 100 practice training courses from real projects. These courses aim to resolve the existing gap between college courses and industry practice especially in the Digital Media major.

Business:

- The training center located in Shanghai Publishing and Printing College (SPPC) was put into use in late April. It provided practice training for the Digital Media major and the whole SPPC. In early July, SPPC and Retech co-built 4 training bases located in Shanghai, Yancheng, Zhenjiang and Wuxi.
- In January, Retech won the smart campus construction project of Chongqing Economy and Trade Secondary Vocational School, which reflected a strong start to business operations in China's Southwest region.
- Retech signed agreements with vocational schools, such as Yancheng College of Mechatronic Technology, Retech and Yancheng Children's Teaching College, Lanzhou University of Arts and Science, Shanghai Nanhu Vocational College, Taihu College Of Creative Technologies (Taihu College) and Wuxi Vocational Institute of Commerce (WXVIC), and will provide them with the following services: students practice training, course development, teacher training, joint development of professional courses especially in digital media and "Two Abilities" (Innovation and Entrepreneurship). Moreover, Retech will jointly construct the "Digital Media Industry College" with some schools.
- In May 2021, a launch ceremony was held for the Digital Media Art Design Enterprise College which will be jointly built by Retech and Zhenjiang Higher Vocational and Technical Institute. This College is located in Retech's Digital Industrial Park and both parties will strive to build a cooperation base integrating production, learning, research and application.
- Retech successfully launched the Digital Media Industry College with Wuxi Vocational and Technical College, Yancheng Technician College.
- During July, Retech provided 10 days of training to 40 teachers from Jiangsu Union Technical Institute. This training was a provincial training project and the courses were jointly developed by Jiangsu Union Technical Institute and Retech. Forty key teachers from art and design from Jiangsu Province participated in the training.

15. Commentary on the results (continued)

- During September, the Digital Media major courses developed by Retech officially entered Zhenjiang Vocational Technical College and Wuxi Vocational Institute of Commerce. RTE provides one semester courses including plane animation, Unity VR programming and 3D scenario designing for four classes in both schools.
- The Digital Media Training Camp opened on 15 December. It was created by Retech and Zhongnan Peixin Education Management Co. Ltd., a subsidiary of Zhongnan Media. This is a new business activity in Central China.
- Retech provided course development services for more than 60 vocational schools including the electronic commerce course development for the Shanghai Vocational Education Group for Commerce and Trade, a series of online courses for Shanghai Art & Design Academy, Shanghai I&C Foreign Languages School, Shanghai Civil Aviation College and Changzhou Vocational Institute of Engineering, etc.
- Retech provided system maintenance services for more than 20 vocational schools including Shanghai Communications School, Karamay Vocational & Technical College, Sichuan Vocational College of Information Technology, Shanghai Baoshan Vocational School, etc.

3) ***Language Learning***

Product:

In response to Chinese local policy which was released in late July, Ai English has gradually transitioned to “in-class” services as it is the new core method of delivery for new products.

- <u>Studio2Classroom:</u> From July, Ai English provided in-school services mainly for kindergartens, primary and secondary schools, included in ordinary lessons as a part of the daily education content.
- <u>Ai Growth product launched:</u> During September, Ai English and 21st Century English Education Media signed a strategic cooperation agreement in Beijing for the jointly developed project “Newspaper Reading Time”. 21st Century English Media (21st Century) is a subsidiary of China Daily and focuses on the education industry. 21st Century owns more than ten media platforms including newspapers, websites, mobile App, micro-blog, WeChat official account and electronic newspaper, etc. and some famous sub-brands like <21st CENTURY>, <TEENS Kids>, "The 21st Century Cup", "Global English Education China Assembly", "Classic Reading". 21st Century strives to build a special public opinion position for youngsters through innovative content, innovative expression and innovative communication based on deeply studying teenagers’ cognitive rules and characteristics.
- <u>Family Studio2Classroom:</u> Influenced by the long-term lock down of the Australia, Ai English explored the Family Studio2Classroom mode. In the H2 of 2021, 90% courses were delivered under this new mode, which not only provided a guarantee for the expansion of teachers, but also solved a long-term impact of the COVID-19.

Business:

- In April 2021, Ai English successfully won its bid for the Suzhou industrial park Education Bureau’s “foreign teachers entering campus” project, providing 38 public schools in the whole district with online teacher English classes. Previously, Ai English provided over 100 primary schools and kindergartens with online class services. In 2022, on the basis of completing the centralized procurement and delivery of this project, the dual-teacher classroom will actively promote to other 2 to 3 districts and counties in Suzhou.
- Retech aims to provide English classes to students online in rural areas, further reducing the education gap in China, helping students from all around the nation to achieve their learning dreams, no matter their location. In March, Ai English held the opening ceremony of the public welfare class, which was located in Dingji Town, Huaian City, Jiangsu Province. In the following months, RTE donated the SW+HW products of Ai Learning to 30+ kindergartens in Kashgar, Xinjiang and will keep providing services for the students.

15. Commentary on the results (continued)

- In order to reduce the policy influence, Ai English launched a sub brand: Ai Growth, which provides journalism literacy courses for primary and secondary schools. By the end of 2021, 12 schools had accepted trial courses, and 8 schools have signed or intend to sign contracts.
- Ai English and Foreign Language Teaching and Research Press co-launched the co-teacher class < Lisheng Polaris Levelled Picture Books>, which is exploring the integration of top-quality teaching, curriculum and technology.

4) Awards and Recognition

- During October, Retech gained ‘High Quality Digital Content Customization Service Provider’ of ‘Booaoo Award’. This is the fifth year Retech has won the award.
- Retech has demonstrated its expertise in the field of digital education and training by winning the Shanghai Software Core Competitiveness Enterprise 2021 (Innovative) for the third year in a row.
- The online open course “Flower Arrangement Art” customised by Retech for the Shanghai Agricultural School has been rated as a "High-quality Course" by Shanghai Municipal Education Commission. The course has been praised for its exquisite design, excellent production, diverse forms and diversified teaching methods.
- In January of 2022, Retech earned the “Huawei Annual Awards for Excellent Partner of 2021 in Global Government Education Industry”.

16. Statement as to the audit status

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

Consolidated financial statements

Retech Technology Co., Limited

For the year ended 31 December 2021

Contents

Expressed in Renminbi ("RMB")

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	Notes	2021 RMB (unaudited)	2020 RMB
Revenue	5 & 6	**187,344,679**	195,755,508
Cost of services		**(86,465,302)**	(81,772,245)
Gross profit		**100,879,377**	113,983,263
Other income	7	**10,136,263**	14,540,344
Fair value gain on derivative financial instruments		**1,762,451**	2,563,737
Fair value loss on contingent consideration payable		**(164,404)**	(35,762)
Impairment losses on financial assets		**(12,793,084)**	(4,928,922)
Selling and distribution expenses		**(12,897,523)**	(9,999,306)
Administrative expenses		**(74,716,752)**	(57,496,811)
Finance costs	8	**(7,725,345)**	(7,135,321)
Profit before income tax	9	**4,480,983**	51,491,222
Income tax expense	11	**(8,173,312)**	(11,512,514)
(Loss)/Profit for the year		**(3,692,329)**	39,978,708
Other comprehensive (expense)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		**1,758,211**	(667,271)
Release of exchange reserves upon disposal of subsidiary		**(12,078)**	-
Total comprehensive (expense)/income for the year		**(1,946,196)**	39,311,437
(Loss)/Profit for the year attributable to:			
Owners of the Company		**12,686,210**	54,404,058
Non-controlling interests		**(16,378,539)**	(14,425,350)
		(3,692,329)	39,978,708
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**13,596,169**	54,059,110
Non-controlling interests		**(15,542,365)**	(14,747,673)
		(1,946,196)	39,311,437
Earnings per share for profit attributable to the owners of the Company during the year			
Basic	12	**5.45 cents**	23.36 cents
Diluted	12	**5.45 cents**	22.51 cents

The notes on pages 18 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December 2021

	Notes	**2021 RMB (unaudited)**	2020 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**1,652,272**	36,333,372
Goodwill	14	**62,295,231**	62,295,231
Other intangible assets	15	**20,001,478**	31,967,650
Other receivables	18	**-**	2,083,817
Deferred tax assets	16	**2,728,171**	1,202,332
		86,677,152	133,882,402
Current assets			
Inventories	17	**-**	2,041,565
Trade and other receivables	18	**138,027,364**	69,813,413
Contract assets	19(a)	**63,718,444**	85,006,490
Amounts due from related companies	20(a)	**13,284,341**	8,629,001
Loan to a related company	21	**22,193,292**	31,748,709
Derivative financial instruments	27	**-**	2,616,139
Cash and cash equivalents	22	**223,086,397**	205,816,383
		460,309,838	405,671,700
Assets classified as held for sale	35	**46,735,120**	-
		507,044,958	405,671,700
Current liabilities			
Trade and other payables	24	**49,143,074**	45,061,928
Contract liabilities	19(b)	**21,514,974**	6,560,496
Amount due to a related company	20(d)	**9,314,739**	-
Amount due to a director	20(e)	**-**	578,588
Borrowings	25	**64,242,139**	49,365,092
Lease liabilities	26	**695,020**	8,542,224
Derivative financial instrument	27	**-**	4,469,311
Convertible note	27	**31,355,972**	32,437,927
Contingent consideration liability	28	**1,709,723**	
Income tax payable		**42,413,345**	32,874,309
		220,388,986	179,889,875
Liabilities directly associated with assets classified as held for sale	35	**33,964,829**	-
		254,353,815	179,889,875
Net current assets		**252,691,143**	225,781,825
Total assets less current liabilities		**339,368,295**	359,664,227

Consolidated statement of financial position as at 31 December 2021 (Continued)

	Notes	2021 RMB (unaudited)	2020 RMB
Non-current liabilities			
Borrowings	25	**-**	10,062,400
Contingent consideration liability	28	**-**	1,692,299
Lease liabilities	26	**492,631**	21,586,040
Deferred tax liabilities	16	**3,267,436**	3,561,607
		3,760,067	36,902,346
Net assets		**335,608,228**	322,761,881
EQUITY			
Share capital	29	**145,978,410**	145,978,410
Reserves	30	**(7,230,044)**	(8,140,003)
Retained profits		**212,073,223**	197,108,200
Equity attributable to owners of the Company		**350,821,589**	334,946,607
Non-controlling interests		**(15,213,361)**	(12,184,726)
Total equity		**335,608,228**	322,761,881

The notes on pages 18 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2021

	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 2021	**145,978,410**	**(11,122,696)**	**3,376,508**	**(393,815)**	**197,108,200**	**334,946,607**	**(12,184,726)**	**322,761,881**
Acquisition of a subsidiary	-	-	-	-	-	-	2,146,123	2,146,123
Issuance of shares by a subsidiary to non-controlling interest of a subsidiary	-	-	-	-	-	-	12,646,420	12,646,420
Transaction with non-controlling interests	-	-	-	-	2,278,813	2,278,813	(2,278,813)	-
Transactions with owners (unaudited)	-	-	-	-	2,278,813	2,278,813	12,513,730	14,792,543
Profit for the year (unaudited)	-	-	-	-	12,686,210	12,686,210	(16,378,539)	(3,692,329)
Other comprehensive income for the year:								
Exchange loss on translation of foreign operation recognised (unaudited)	-	-	-	916,119	-	916,119	842,092	1,758,211
Release of exchange reserve upon disposal of a subsidiary	-	-	-	(6,160)	-	(6,160)	(5,918)	(12,078)
Total comprehensive income/(expense) for the year (unaudited)	-	-	-	909,959	12,686,210	13,596,169	(15,542,365)	(1,946,196)
At 31 December 2021 (unaudited)	145,978,410	(11,122,696)	3,376,508	516,144	212,073,223	350,821,589	(15,213,361)	335,608,228

* These equity accounts comprise the reserves of deficit of RMB7,230,044 (2020: deficit of RMB8,140,003) in the consolidated statement of financial position as at 31 December 2021.

Consolidated statement of changes in equity for the year ended 31 December 2021 (Continued)

	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	145,978,410	(11,122,696)	3,376,508	(48,867)	142,704,142	280,887,497	(948,319)	279,939,178
Acquisition of a subsidiary (note 36)	-	-	-	-	-	-	3,511,266	3,511,266
Transactions with owners	-	-	-	-	-	-	3,511,266	3,511,266
Profit for the year	-	-	-	-	54,404,058	54,404,058	(14,425,350)	39,978,708
Other comprehensive income for the year:								
Exchange loss on translation of foreign operation recognised	-	-	-	(344,948)	-	(344,948)	(322,323)	(667,271)
Total comprehensive income/(expense) for the year	-	-	-	(344,948)	54,404,058	54,059,110	(14,747,673)	39,311,437
At 31 December 2020	145,978,410	(11,122,696)	3,376,508	(393,815)	197,108,200	334,946,607	(12,184,726)	322,761,881

The notes on pages 18 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2021

	Note	2021 RMB (unaudited)	2020 RMB
Cash flows from operating activities			
Profit before income tax		**4,480,983**	51,491,222
Adjustments for:			
Depreciation of property, plant and equipment		**9,907,209**	12,015,012
Amortisation of intangible assets		**7,614,387**	2,814,215
Expected credit loss on:			
- Trade receivables		**7,961,211**	1,466,708
- Contract assets		**4,831,873**	2,940,234
- Amount due from non-controlling shareholder of a subsidiary		**-**	521,980
Interest income		**(5,470,002)**	(5,114,775)
Property, plant and equipment written off		**-**	521,713
Interest expense		**7,725,345**	7,135,321
Loss of disposal of property, plant and equipment		**2,383**	-
Loss on modification of lease		**-**	8,032
Fair value gain on derivative financial instruments		**(1,762,451)**	(2,563,737)
Unrealised exchange loss/(gain)		**1,608,987**	(2,992,273)
Fair value loss on contingent consideration payable		**164,404**	35,762
Waiver of other payables		**-**	(942,449)
Gain on termination of leases		**(2,344,782)**	(95,123)
Covid-19-related rent concessions		**-**	(1,005,598)
Operating cash flows before working capital changes		**34,719,547**	66,236,244
Decrease/(Increase) in inventories		**464,903**	(2,041,565)
Increase in trade and other receivables		**(86,241,612)**	(4,215,614)
Decrease/(Increase) in contract assets		**7,725,201**	(56,023,073)
Increase/(Decrease) in trade and other payables		**32,819,371**	(2,715,647)
Increase in contract liabilities		**16,699,785**	2,685,712
Cash generated from operations		**6,187,195**	3,926,057
Income tax paid		**-**	-
Net cash generated from operating activities		**6,187,195**	3,926,057

Consolidated statement of cash flows for the year ended 31 December 2021 (Continued)

	Note	2021 RMB (unaudited)	2020 RMB
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,848,970)**	(7,822,169)
Purchase of intangible assets		**(11,351,721)**	(11,389,328)
Acquisition of subsidiaries, net of cash and cash equivalent acquired	36	**4,219,325**	168,152
Loan to a related company		**(165,580,202)**	(264,665,000)
Repayment of loan to a related company		**174,673,901**	245,263,310
Decrease/(Increase) in amount due from a non-controlling shareholder of a subsidiary		**-**	(193,225)
(Increase)/Decrease in amounts due from related companies		**(4,683,018)**	4,272,839
Interest received		**5,374,971**	5,114,775
Net cash generated from/(used in) investing activities		**804,286**	(29,250,646)
Cash flows from financing activities			
Payment of interests on convertible note		**(2,605,581)**	(2,775,202)
Repayment of convertible note		**(994,910)**	-
Drawdown of borrowings		**54,800,000**	54,396,292
Repayment of borrowings		**(43,654,680)**	(12,900,000)
Payment of interests on borrowings		**(3,207,198)**	(1,378,224)
Payment of interests on lease liabilities		**(756,666)**	(495,377)
Payment of lease liabilities		**(6,374,114)**	(4,406,157)
Decrease in amounts due to a related company		**10,113,198**	(5,974)
Increase in amount due to a director		**2,122,308**	547,469
Deposit received for potential investment		**-**	13,000,000
Net cash generated from financing activities		**9,442,357**	45,982,827
Net increase in cash and cash equivalents		**16,433,838**	20,658,238
Effect of foreign exchange rate changes		**836,176**	69,398
Cash and cash equivalents at beginning of the year		**205,816,383**	185,088,747
Cash and cash equivalents at end of the year		**223,086,397**	205,816,383

The notes on pages 18 to 83 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2021

1. GENERAL INFORMATION

Retech Technology Co., Limited (the "Company") was incorporated in Hong Kong on 10 May 2016 as a limited liability company. The address of the registered office and principal place of business of the Company are Room 2901, 29th Floor, Shui On Centre, 6-8 Harbour Road, Wan Chai and Level 18, Block 2, Fudan Technology Parks, 335 Guoding Road, Yangpu District, Shanghai, China, respectively. The Company's shares were listed on the Australian Securities Exchange ("ASX") since 22 June 2017.

The directors consider Retech Investment Group Co., Ltd, a limited liability company incorporated in the British Virgin Islands, is the immediate and ultimate holding company of the Company.

The principal activities of the Company and its subsidiaries (the "Group") include the provision of e-learning solutions and related services, provision of education management system solutions and related services and provision of online and offline language training. The Group's operations are based in the People's Republic of China (the "PRC"), Hong Kong and Australia. The principal activities of the subsidiaries are disclosed in note 23 to the consolidated financial statements.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the currency of the primary economic environment in which the Company and its major subsidiaries operate (i.e. the functional currency of the Company and its major subsidiaries).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of amended HKFRSs and their impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments and contingent consideration liability which are stated at fair values. The measurement bases are fully described in the accounting policies below.

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

2.2 Basis of consolidation

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

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

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

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

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

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

In the Company's statement of financial position as set out in note 38, subsidiaries are carried at cost less any impairment loss. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

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

2.4 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In consolidated financial statements, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associate recognised for the year. The Group's other comprehensive income for the year includes its share of the associate other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates (Continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

2.5 Foreign currency translation

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

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

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into the RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 2.16) are initially recognised at acquisition cost, including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. They are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation on property, plant and equipment is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

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

Accounting policy for depreciation of right-of-use assets is set out in note 2.16.

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Goodwill

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

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.9).

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

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

<u>Other intangible assets (other than goodwill)</u>

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

Customer list	10 years
Software	5 years
Curriculum development expenditure	3 years
Content distribution rights	2 years
Capitalised software development	2 years

Intangible assets with indefinite useful lives (i.e. acquired trademarks) are carried at cost less any subsequent accumulated impairment losses. The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Intangible assets with finite and infinite useful lives are tested for impairment as described below in note 2.9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Research and development costs

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

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

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

All other development costs are expensed as incurred.

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

The following assets are subject to impairment testing:

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

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

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

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

2.10 Financial instruments

Recognition and derecognition

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets are classified into at amortised cost and FVTPL. The classification is determined by both of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for expected credit losses ("ECL") of trade receivables which is presented within impairment losses on financial assets in profit or loss.

Subsequent measurement of financial assets

Debt investments

<u>Financial assets at amortised cost</u>

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables, amounts due from related parties, loan to a related company and cash at bank and in hand fall into this category of financial instruments.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, amount due to a director, borrowings, leases liabilities, derivative financial instrument, convertible note and contingent consideration liability.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or fair value gain/loss on derivative financial instruments or fair value loss on contingent consideration payable.

Accounting policies of lease liabilities are set out in note 2.16.

Borrowings

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

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

Convertible note

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Convertible note (Continued)

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

Contingent consideration liability

Details of accounting policy of contingent consideration liability are set out in note 2.11.

Trade and other payables and amounts due to a director

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

2.11 Impairment of financial assets and contract assets

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

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets and contract assets (Continued)

Trade receivables and contract assets

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

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

Other financial assets measured at amortised cost

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets and contract assets (Continued)

Other financial assets measured at amortised cost (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in regulatory business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

- an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in annual report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets and contract assets (Continued)

Financial guarantee contracts

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

2.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, which are subject to an insignificant risk of changes in value.

2.14 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.19) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.11 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.10).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.19). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.10).

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

2.15 Financial guarantees contracts

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial guarantees contracts (Continued)

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 as set out in note 2.11 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

2.16 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (Continued)

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

Measurement and recognition of leases as a lessee

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

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

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

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

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

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments changes due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (Continued)

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

Measurement and recognition of leases as a lessee (Continued)

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is any rent concessions which arose as a direct consequence of the Covid-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 "Leases". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

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

2.17 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions and contingent liabilities (Continued)

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

2.18 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.19 Revenue recognition

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

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

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

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

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

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

<u>Rendering of e-learning solutions and related services</u>

For e-learning solutions contracts (other than those that are recognised on a time proportion basis over the period of the contract or when the relevant services have been rendered, as appropriate), the services represent a single performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the work completed to date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (Continued)

Rendering of e-learning solutions and related services (Continued)

Revenue for these performance obligations is recognised over time as the work is performed, using the input method, i.e. the cost incurred compared with the budget cost, which depict the Group's performance towards satisfying the performance obligation.

Provision of education management system solutions and related services

Revenue for these performance obligations is recognised over time as the work is performed, using the input method, i.e. the cost incurred compared with the budget cost, which depict the Group's performance towards satisfying the performance obligation.

Consultancy income

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

Tuition and coaching fees

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

Sales of digital media products

The Group also sells digital media products to their customers. Revenue are recognised at single point in time upon delivery of the digital media when a customer is provided with a right to use the digital media.

Property management income

Property management income is recognised when service have been provided.

Interest income

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

2.20 Government grants and subsidies

Government grants and subsidies are recognised at their fair value where there is reasonable assurance that the grants and subsidies will be received and all attaching conditions will be complied with. When the grants and subsidies relate to an expense item, they are deferred and recognised as income, over the periods necessary to match the grants and subsidies on a systematic basis with the costs that they are intended to compensate. Where the grants and subsidies relate to an asset, they are presented as deferred revenue and are released to the profit or loss on a straight line basis over the expected useful life of the relevant asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Government grants and subsidies (Continued)

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

2.21 Employee benefits

Retirement benefits

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

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

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

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

Short-term employee benefits

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

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

Share-based employee compensation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (Continued)

Share-based employee compensation (Continued)

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

At the time when the share options are exercised, the amount previously recognised in "share option reserve" will be transferred to "share capital". After vesting date, when the vested share options are later forfeited or lapsed at the expiry date, the amount previously recognised in "share option reserve" will be transferred to "retained profits".

2.22 Borrowing costs

Borrowing costs are expensed when incurred.

2.23 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Accounting for income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

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

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

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

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

The executive directors of the Company, being the chief operating decision maker, regard the Group's business of provision of e-learning solutions and related services as a single operating segment and assesses the operating performance and allocates the resources of the Group as a whole.

2.25 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:
  - (i) the entity and the Group are members of the same group.
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) the entity and the Group are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, on 1 January 2021, the Group has early applied the Amendments to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" which will be effective for the Group for financial year beginning on or after 1 April 2021.

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

<u>Amendments to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"</u>

The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions as stated in paragraph 46B of HKFRS 16 for applying the practical expedient are met.

A lessee that chooses to apply this practical expedient would be required to apply it consistently to all lease contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient as a result of the lessee applying this amendment or Amendment to HKFRS 16 "COVID-19-Related Rent Concessions". Additional disclosures are required if this practical expedient is used.

The Group has elected to early adopt the amendment. Consequently, rent concessions received have been recognised in "Other income" in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2021.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.2 Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts and related amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

[3] Effective date not yet determined

[4] Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.2 Issued but not yet effective HKFRSs (Continued)

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

<u>Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)"</u>

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity has a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at that date or at a later date;
- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and
- "Settlements" are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity's own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32, the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose of current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liabilities are current or non-current.

Amendments to HKAS 1 is effective for annual reporting period beginning on or after 1 January 2023 and apply retrospectively. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on these consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.2 Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKAS 37 are effective for annual period beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual period in which the amendments are first applied (i.e. date of initial application). Earlier application is permitted. The directors of the Group anticipate that the application of HKAS 37 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKAS 37 until the Group performs a detailed review.

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Estimates"

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 "Making Materiality Judgements" to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in note 2 may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the Interim Financial Statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND SIGNIFICANT ACCOUNTING JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation of uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimation of goodwill impairment

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of cash-generating units containing goodwill are disclosed in note 14.

As at 31 December 2021, the carrying amount of goodwill was RMB62,295,231 (2020: RMB62,295,231). As of to date, the Group did not incurred any impairment loss on goodwill during the years ended 31 December 2021 and 2020.

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

The Group makes allowances on items subjects to ECL (including trade and other receivables, contract assets and other financial assets measured at amortised cost) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.11. As at 31 December 2021, the aggregate carrying amounts of trade and other receivables, contract assets and other financial assets measured at amortised cost amounting to RMB96,135,620 (net of ECL allowance of RMB11,405,760), RMB63,718,444 (net of ECL allowance of RMB10,189,077) and RMB258,564,030 (net of ECL allowance of RMB nil) respectively.

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

4.1 Key sources of estimation uncertainty (Continued)

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

As at 31 December 2020, the aggregate carrying amounts of trade and other receivables, contract assets and other financial assets measured at amortised cost amounting to RMB51,088,287 (net of ECL allowance of RMB3,644,727), RMB85,006,490 (net of ECL allowance of RMB5,925,210) and RMB246,194,093 (net of ECL allowance of RMB5,482,014) 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 under HKFRS 9 and credit losses in the periods in which such estimate has been changed.

Fair value of contingent consideration liability

As described in note 28 to the consolidated financial statements, the contingent consideration liability is measured at fair value. The Group engaged an independent valuer to determine the fair values of the contingent consideration liability. The determination was relying extensively on probability-weighted estimated of the future net profit after tax of the coming three years to the Aushen Group Pty Ltd. (“Aushen”), numerous assumptions taking into consideration of many uncertainties including discount rate and management’s estimation of the performance achieved, some of which cannot be easily quantified or ascertained. Changes in subjective input assumptions can materially affect the fair value estimate. As at 31 December 2021, the fair value of contingent consideration liability is RMB1,709,723 (2020: RMB1,692,299).

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

4.1 Key sources of estimation uncertainty (Continued)

Income taxes

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

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. As at 31 December 2021, the carrying amount of the Group's deferred tax assets was RMB2,728,171 (2020: RMB1,202,332).

4.2 Significant accounting judgement

Revenue from contracts for services

The Group recognises contract revenue on the rendering of services by reference to the stage of completion of the contract activity at the end of reporting period, when the outcome of a contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs to be incurred under the transaction. Significant assumptions and judgements, such as the budgeted staff hours, are required to estimate the total contract costs and/or the stage of completion. The estimates are made based on past experience and knowledge of management. Because of the nature of the industry the Group entered into, management will make adjustments, where appropriate, to the amounts of contract revenue and/or cost based on regular review of contract work progress and estimated contract revenue and costs.

5. SEGMENT REPORTING

In the current year, the executive directors of the Company, being the chief operating decision maker, regard the Group's business of provision of e-learning solutions and related services as a single operating segment and assess the operating performance and allocate the resources of the Group as a whole. The only operating segment is monitored and strategic decisions are made on the basis of the results of the Group as a whole. Accordingly, no segment analysis information is presented.

Information about major customers

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

Geographic information

The Group's revenue and results from operations are mainly derived from activities in the PRC, Hong Kong and Australia. The principal assets of the Group were located in the PRC during the year. The details are as follows:

Specified non-current assets

	2021 RMB (unaudited)	2020 RMB
The PRC	**83,938,182**	94,555,927
Australia	**-**	35,984,344
Hong Kong	**10,799**	55,982
	83,948,981	130,596,253

6. REVENUE

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

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

	2021 RMB (unaudited)	2020 RMB
Rendering of e-learning solutions and related services	**154,189,287**	169,879,349
Provision of education management system solutions and related services	**11,893,951**	10,247,512
Tuition and coaching fees	**11,026,581**	9,901,333
Consultancy income	**291,841**	509,389
Sales of digital media products	**9,943,019**	5,217,925
	187,344,679	195,755,508

7. OTHER INCOME

	2021 RMB (unaudited)	2020 RMB
Interest income from loan to a related company	**4,607,283**	4,637,290
Bank interest income	**862,719**	477,485
Government subsidies income (note (a))	**2,055,320**	3,164,536
Property management income from:		
- A related company	**-**	1,024,997
- Non-controlling shareholder of a subsidiary	**-**	589,923
Net foreign exchange gain	**47,150**	2,312,301
Waiver of other payables	**-**	942,449
Gain on termination of lease	**2,344,782**	95,123
Covid-19-related rent concessions (note (b))	**-**	1,005,598
Sundry income	**219,009**	290,642
	10,136,263	14,540,344

(a) Government subsidies income represents discretionary grants received by the subsidiaries of the Company and are recognised in profit or loss when received. There are no unfulfilled conditions and other contingencies attached to the receipts of these subsidies.

(b) The Group received Covid-19-related rent concessions for some of its office leases as part of relief measures negotiated with landlords during 2020.

8. FINANCE COSTS

	2021 RMB (unaudited)	2020 RMB
Interest charges on:		
- Borrowings	**3,404,040**	1,378,224
- Convertible note (note 27)	**3,564,639**	4,501,241
Finance charges on lease liabilities	**756,666**	1,255,856
	7,725,345	7,135,321

9. PROFIT BEFORE INCOME TAX

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

	2021 RMB (unaudited)	2020 RMB
Depreciation:		
- Owned assets	**3,589,648**	3,474,787
- Right-of-use assets	**6,317,561**	8,540,225
Total depreciation	**9,907,209**	12,015,012
Amortisation of other intangible assets	**7,614,387**	2,814,215
Write off of property, plant and equipment	**-**	521,713
Provision for slow-moving Inventories	**175,185**	-
Research and development costs included in:		
- Cost of services	**2,533,489**	10,231,464
- Administrative expenses	**10,874,792**	6,317,218
Impairment losses on:		
- Trade receivables	**7,961,211**	1,466,708
- Contract assets	**4,831,873**	2,940,234
- Amount due from non-controlling shareholder of a subsidiary	**-**	521,980
Total impairment losses on financial assets	**12,793,084**	4,928,922
Auditors' remuneration	**1,180,000**	1,171,753
Net foreign exchange gain	**(47,150)**	(2,312,301)
Loss of disposal of property, plant and equipment	**2,383**	-
Loss on disposal of a subsidiary (note 36(a))	**92,615**	-
Gain on termination of leases	**(2,344,782)**	(95,123)
Staff and related costs (including directors' remuneration)*	**46,179,581**	48,758,039

* Staff costs of RMB2,533,489 (2020: RMB10,231,464) have been included as research and development costs in the cost of services for the respective projects.

10. DIRECTORS' REMUNERATION

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

	2021 RMB (unaudited)	2020 RMB
Directors' emoluments for services as directors of the Company and its subsidiary undertakings		
- Fees	**1,201,696**	1,218,707

11. INCOME TAX EXPENSE

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

	2021 RMB (unaudited)	2020 RMB
PRC		
Current tax		
- Current year	**9,794,052**	12,195,656
- Over provision in respect of prior years	**-**	(372,174)
Deferred tax	**(1,820,010)**	(310,968)
	7,974,042	11,512,514
Hong Kong and Australia		
Current year	**199,270**	-
Deferred tax	**-**	-
	8,173,312	11,512,514

(i) 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%. Some of the Group's PRC subsidiaries are qualified as a HNTE;

(ii) From 1 January 2019 to 31 December 2021, under relevant PRC EIT Law, PRC enterprises that qualifies for small enterprises 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%;

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

11. INCOME TAX EXPENSE (CONTINUED)

(iv) 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% 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% of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual Corporate Income Tax ("CIT") filling. The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the year ended 31 December 2021;

(v) Up to date, in respect of the acquisition (note 36(c)) completed, the Group has not yet file any tax returns on behalf of the seller to the PRC tax authority in respect of its acquisition in the PRC. The PRC tax authority has a right to levy penalty for any late filing of tax returns. The amount of such potential penalty cannot be reliably estimated as the range of which is wide. Pursuant to the executed sales and purchase agreement, both the Group and the seller have agreed to bear and pay their own tax liability. In addition, the seller has undertaken to indemnify the Group for any tax liability arising from the above late filing of tax returns prior to the completion date of the acquisition;

(vi) The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 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 Hong Kong dollars ("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 years ended 31 December 2021 and 2020 as the Group has no assessable profits for the year; and

(vii) Under relevant tax regulations in Australia, local corporations are subject to corporate tax rate of 26% (2020: 27.5%).

12. EARNINGS PER SHARE

	2021 RMB (unaudited)	2020 RMB
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**12,686,210**	54,404,058
Effect of dilutive potential ordinary shares:		
- Interest on convertible note	**-**	4,501,241
- Fair value gain on derivative financial instruments	**-**	(2,563,737)
Earnings for the purpose of diluted earnings per share	**12,686,210**	56,341,562
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**232,912,633**	232,912,633
Effect of dilutive potential ordinary shares:		
- Convertible note	**-**	17,362,642
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**232,912,633**	250,275,275

The calculation of diluted earnings per share for the years ended 31 December 2021 and 2020 does not assume the exercise of the Company's outstanding convertible note which had anti-dilutive effect and would result in an addition in earnings per share. Therefore, the diluted earnings per share is the same as the basic earnings per share for that years ended 31 December 2021 and 2020.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB	Computer and office equipment RMB	Leasehold Improvements RMB	Furniture and fittings RMB	Motor vehicles RMB	Total RMB
At 1 January 2020						
Cost	44,359,807	3,291,047	2,237,760	352,830	-	50,241,444
Accumulated depreciation	(3,003,425)	(678,712)	(383,899)	-	-	(4,066,036)
Net book amount	41,356,382	2,612,335	1,853,861	352,830	-	46,175,408
Year ended 31 December 2020						
Opening net book amount	41,356,382	2,612,335	1,853,861	352,830	-	46,175,408
Additions	2,109,578	4,058,638	3,610,713	152,818	-	9,931,747
Acquisition of a subsidiary (note 36)	-	24,334	7,873	5,079	126,498	163,784
Depreciation	(8,540,225)	(1,720,879)	(1,718,584)	(19,728)	(15,596)	(12,015,012)
Write-off	-	(117,320)	(404,393)	-	-	(521,713)
Derecognition upon lease termination	(1,823,597)	-	-	-	-	(1,823,597)
Lease modification	(6,022,128)	-	-	-	-	(6,022,128)
Exchange differences	550,318	(29,269)	(76,166)	-	-	444,883
Closing net book amount	27,630,328	4,827,839	3,273,304	490,999	110,902	36,333,372
At 31 December 2020 and 1 January 2021						
Cost	39,259,038	7,243,112	5,406,689	510,727	126,498	52,546,064
Accumulated depreciation	(11,628,710)	(2,415,273)	(2,133,385)	(19,728)	(15,596)	(16,212,692)
Net book amount as at 31 December 2020	27,630,328	4,827,839	3,273,304	490,999	110,902	36,333,372
Year ended 31 December 2021 (unaudited)						
Opening net book amount	27,630,328	4,827,839	3,273,304	490,999	110,902	36,333,372
Additions	-	1,620,897	228,073	-	-	1,848,970
Depreciation	(6,317,561)	(2,237,850)	(1,287,931)	(1,485)	(62,382)	(9,907,209)
Disposal	-	-	(2,383)	-	-	(2,383)
Derecognition upon lease termination	(17,334,827)	-	-	-	-	(17,334,827)
Exchange differences	(1,675,724)	(332,478)	(388,202)	-	-	(2,396,404)
Reclassified to assets held for sale	(1,213,278)	(3,366,817)	(1,822,861)	(486,291)	-	(6,889,247)
Closing net book amount	1,088,938	511,591	-	3,223	48,520	1,652,272
At 31 December 2021 (unaudited)						
Cost	5,990,165	1,904,562	755,547	5,079	126,498	8,781,851
Accumulated depreciation	(4,901,227)	(1,392,971)	(755,547)	(1,856)	(77,978)	(7,129,579)
Net book amount as at 31 December 2021 (unaudited)	**1,088,938**	**511,591**	**-**	**3,223**	**48,520**	**1,652,272**

As at 31 December 2021 and 2020, buildings included in the net carrying amount of property, plant and equipment are right-of-use assets.

During the year ended 31 December 2021, there are no additions to right-of-use assets included in property, plant and equipment (2020: RMB2,109,578).

14. GOODWILL

	2021 RMB (unaudited)	2020 RMB
Cost and net carrying amount at 1 January	**62,295,231**	2,640,293
Acquisition of subsidiaries	**655,837**	59,654,938
Transfer to assets classified as held for sale	**(655,837)**	-
Cost and net carrying amount at 31 December	**62,295,231**	62,295,231

Impairment test on goodwill

Goodwill acquired through business combinations is allocated to the Group's cash-generating units ("CGUs") for impairment testing.

The carrying amounts of goodwill, net of any impairment loss, were allocated to each CGU at the end of the reporting period as follows:

	2021 RMB (unaudited)	2020 RMB
Shanghai Pantosoft CGU	**59,654,938**	59,654,938
Aushen Group Pty Ltd. CGU ("Aushen CGU")	**2,640,293**	2,640,293
	62,295,231	62,295,231

Management has estimated the reasonably possible changes in those factors and acknowledged that, even if the most unfavourable possible values were assigned to those factors, the recoverable amount of the CGU then calculated, after incorporating any consequential effects of such assignments on the other variables used to measure the recoverable amount of the CGU, would still exceed its carrying amount.

As at 31 December 2021 and 2020, the recoverable amounts of the CGUs were higher than their carrying amounts, and hence no impairment loss was recognised.

15. OTHER INTANGIBLE ASSETS

	Trademarks RMB	Customer list RMB	Software RMB	Curriculum development expenditure RMB	Capitalised software development RMB	Content distribution rights RMB	Total RMB
At 1 January 2020							
Cost	2,137,709	-	-	-	1,708,937	3,584,906	7,431,552
Accumulated amortisation	-	-	-	-	(1,101,605)	(3,584,906)	(4,686,511)
Net carrying amount	2,137,709			-	607,332	-	2,745,041
Year ended 31 December2020							
Opening net carrying amount	2,137,709	-	-	-	607,332	-	2,745,041
Additions	-	-	-	11,389,328	-	-	11,389,328
Acquisition of a subsidiary(note 36)	4,984,874	11,049,222	4,281,101	-	-	-	20,315,197
Amortisation	-	(276,231)	(214,055)	(1,838,845)	(485,084)	-	(2,814,215)
Exchange differences	-	-	-	332,299	-	-	332,299
Closing net carrying amount	7,122,583	10,772,991	4,067,046	9,882,782	122,248	-	31,967,650
As at 31 December2020							
Cost	7,122,583	11,049,222	4,281,101	11,796,011	1,708,937	3,584,906	39,542,760
Accumulated amortisation	-	(276,231)	(214,055)	(1,913,229)	(1,586,689)	(3,584,906)	(7,575,110)
Net carrying amount	7,122,583	10,772,991	4,067,046	9,882,782	122,248	-	31,967,650
Year ended 31 December 2021 (unaudited)							
Opening net carrying amount	7,122,583	10,772,991	4,067,046	9,882,782	122,248	-	31,967,650
Additions	-	-	-	11,347,316	4,404	-	11,351,720
Amortisation	-	(1,104,922)	(856,220)	(5,527,012)	(126,233)	-	(7,614,387)
Reclassified to assets held for sale	-	-	-	(15,011,708)	-	-	(15,011,708)
Exchange differences	-	-	-	(691,378)	(419)	-	(691,797)
Closing net carrying amount (unaudited)	**7,122,583**	**9,668,069**	**3,210,826**	**-**	**-**	**-**	**20,001,478**
As at 31 December 2021 (unaudited)							
Cost	**7,122,583**	**11,049,222**	**4,281,101**	**-**	**-**	**-**	**22,452,906**
Accumulated amortisation	**-**	**(1,381,153)**	**(1,070,275)**	**-**	**-**	**-**	**(2,451,428)**
Net carrying amount (unaudited)	**7,122,583**	**9,668,069**	**3,210,826**	**-**	**-**	**-**	**20,001,478**

Note: The amortisation charge for the year is included in cost of services and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

16. DEFERRED TAX

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

	2021 RMB (unaudited)	2020 RMB
At 1 January	**(2,359,275)**	377,037
Acquisition of a subsidiary (note 36(c))	**-**	(3,047,280)
Charged to profit or loss for the year (note 11)	**1,820,010**	310,968
At 31 December	**(539,265)**	(2,359,275)

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

Deferred tax assets

	ECL allowance RMB
At 1 January 2020	964,907
Charged to profit or loss for the year	237,425
At 31 December 2020 and 1 January 2021	1,202,332
Charged to profit or loss for the year (unaudited)	1,525,839
At 31 December 2021 (unaudited)	**2,728,171**

Deferred tax liabilities

	Tax liabilities on arising from acquisition of subsidiaries RMB
At 1 January 2020	(587,870)
Acquisition of a subsidiary (note 36(c))	(3,047,280)
Credited to profit or loss for the year	73,543
At 31 December 2020 and 1 January 2021	(3,561,607)
Credited to profit or loss for the year (unaudited)	294,171
At 31 December 2021 (unaudited)	**(3,267,436)**

16. DEFERRED TAX (CONTINUED)

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

	2021 RMB (unaudited)	2020 RMB
Deferred tax assets recognised in the consolidated statement of financial position	**2,728,171**	1,202,332
Deferred tax liabilities recognised in the consolidated statement of financial position	**(3,267,436)**	(3,561,607)
Net deferred tax liabilities	**(539,265)**	(2,359,275)

17. INVENTORIES

	2021 RMB (unaudited)	2020 RMB
Learning materials, net	**-**	2,041,565

18. TRADE AND OTHER RECEIVABLES

	2021 RMB (unaudited)	2020 RMB
Current		
Trade receivables, gross	**84,859,047**	45,574,694
Less: ECL allowance	**(11,405,760)**	(3,644,727)
Trade receivables, net	**73,453,287**	41,929,967
Other receivables and deposits paid, net of ECL allowance	**2,682,333**	7,074,503
Supplier advances	**20,000,000**	-
Financial assets at amortised cost	**96,135,620**	49,004,470
Prepayments	**41,891,744**	20,808,943
	138,027,364	69,813,413
Non-current		
Other receivables and deposits paid, net of ECL allowance	**-**	2,083,817

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.

18. 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:

	2021	2020
	RMB	RMB
	(unaudited)	
0 - 90 days	**29,059,159**	28,027,976
91 - 180 days	**16,434,413**	3,853,621
181 - 365 days	**18,292,318**	6,047,279
Over 365 days	**7,664,002**	3,768,538
Over 720 days	**2,003,395**	232,553
	73,453,287	41,929,967

The Group generally allows a credit period 15 to 60 days (2020: 15 to 60 days) to its trade customers.

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

	2021	2020
	RMB	RMB
	(unaudited)	
1 January	**3,644,727**	4,278,019
ECL allowance recognised during the year	**7,961,211**	1,466,708
Amount written off during the year	**-**	(2,100,000)
Transfer to asset reclassified as held for sale	**(200,178)**	-
31 December	**11,405,760**	3,644,727

No ECL allowance has been provided for other receivables during the year (2020: nil).

19. CONTRACT ASSETS AND LIABILITIES

(a) Contract assets

	2021 RMB (unaudited)	2020 RMB
Contract assets arising from unbilled revenue	**73,907,521**	90,931,700
Less: ECL allowance	**(10,189,077)**	(5,925,210)
	63,718,444	85,006,490

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

	2021 RMB (unaudited)	2020 RMB
1 January	**5,925,210**	2,984,976
ECL allowance recognised during the year	**4,831,873**	2,940,234
Transfer to assets reclassified as held for sale	**(568,006)**	-
31 December	**10,189,077**	5,925,210

At 31 December 2021, contract assets expected to be recovered after more than one year amounting to RMB11,303,396 (2020: RMB1,151,881).

(b) Contract liabilities

	2021 RMB (unaudited)	2020 RMB
Contract liabilities arising from billings in advance of performance		
- Rendering of e-learning solutions and related services	**10,053,833**	3,755,691
- Provision of education management system solutions and related services	**11,461,141**	-
- Tuition and coaching services	**-**	2,804,805
31 December	**21,514,974**	6,560,496

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 amounting to RMB6,560,496 (2020: RMB3,874,784) have been recognised as revenue during the year.

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

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

(a) Amounts due from related companies

	Maximum balance during the year RMB (unaudited)	**2021 RMB (unaudited)**	2020 RMB
Retech Digital Media Co., Ltd[(i)]	**5,403,361**	**5,403,361**	5,403,361
Shanghai Retech Information Technology Co., Ltd ("Shanghai Retech IT") [(i)]	**4,293,855**	**4,293,855**	3,225,640
Jiangsu Retech Digital Media Co., Ltd. [(ii)] ("Jiangsu Digital Media")	**2,816,981**	**2,816,981**	-
Jiangsu Ruixin Aiyu Education Technology Co., Ltd. [(i)] ("Jiangsu Ruixin Aiyu")	**770,144**	**770,144**	-
		13,284,341	8,629,001

(i) Mr. Ai Shungang ("Mr. Ai") is the ultimate holding controlling shareholder and a Co-Chairman of the Company. He is also the ultimate controlling shareholder and a director of Retech Digital Media Co., Ltd., Shanghai Retech IT and Jiangsu Ruixin Aiyu.

(ii) Jiangsu Digital Media is a subsidiary of Retech Digital Media Co., Ltd.

The amounts above have been undertaken by Jiangsu Retech Digital Information Industry Park Co., Ltd. ("Jiangsu Industry Park") and Mr. Ai. In the event of default, both parties will indemnify the Group of any losses with regard to the amount outstanding above.

In view of the undertakings given by Jiangsu Industry Park and Mr. Ai and having considered the financial conditions of Jiangsu Industry Park, the directors are of the opinion that credit risks of the amounts due from related companies and loan to a related company (note 21) are low and thus no ECL allowance is provided (2020: nil).

20. AMOUNTS DUE FROM/(TO) NON-CONTROLLING SHAREHOLDERS/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/ A NON-CONTROLLING SHAREHOLDER/A DIRECTOR (CONTINUED)

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

	2021 RMB (unaudited)	2020 RMB
Hexon Consulting Limited	-	521,980
Less: ECL allowance	-	(521,980)
	-	-

Hexon Consulting Limited ("Hexon") has 9.2% equity interests in the Company's subsidiary, Prosage Sustainability Development Limited. Hexon is in the liquidation process. Therefore the related amount due from Hexon is not expected to be recoverable and it was written-off during the year.

(c) Amount due from a non-controlling shareholder

	2021 RMB (unaudited)	2020 RMB
Lumina Looque Knowledge Hubs Pte Ltd ("Lumina")*	-	4,959,374
Less: ECL allowance	-	(4,959,374)
	-	-

* Mr. Calvin Cheng ("Mr. Cheng") is a shareholder and Co-chairman of the Company. Mr. Cheng is also an ex-shareholder of Lumina. The amount due from Lumina was written-off during the year.

(d) Amount due to a related company

	2021 RMB (unaudited)	2020 RMB
Shanghai Retech IT	**9,314,739**	-

* The relationship of Shanghai Retech IT with the Group is described in note 20(a) in the consolidated financial statements.

20. AMOUNTS DUE FROM/(TO) NON-CONTROLLING SHAREHOLDERS/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/ A NON-CONTROLLING SHAREHOLDER/A DIRECTOR (CONTINUED)

(e) Amount due to a director

	2021 RMB (unaudited)	2020 RMB
Li Kang*	**-**	578,588

* Mr. Li Kang is an executive director of the Company. As at 31 December 2021, the amount due to Li Kang amounting to RMB4,617 was reclassified as liabilities directly associated with assets classified as held for sale (note 35).

21. LOAN TO A RELATED COMPANY

	Maximum balance during the year RMB	**2021 RMB (unaudited)**	2020 RMB
Jiangsu Industry Park	**77,521,134**	**22,193,292**	31,748,709

Mr. Ai is 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 a fixed rate of 10% (2020: 10%) per annum and wholly repayable within twelve months from the reporting date. At 31 December 2021, 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. In the event of default, he will indemnify the Group for any losses with regard to the amount outstanding above.

22. CASH AND CASH EQUIVALENTS

	2021 RMB (unaudited)	2020 RMB
Cash at bank and in hand	**223,086,397**	205,816,383

23. INTERESTS IN SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2021 and 2020 are as follows:

Name of company	**Country/ Place and date of incorporation/ establishment**	**Type of legal entity**	**Issued and paid in capital**	**Percentage of ownership interests held by the Company**				**Principal activities**
				2021		2020		
				Direct	**Indirect**	Direct	Indirect	
Retech Holdings Co., Limited ("Retech Holdings")	Hong Kong	Limited liability company	Hong Kong dollar ("HK$") HK$15,000,000	**100%**	**-**	100%	-	Investment holding
Shanghai Retech Digital Technology Co., Ltd ("Retech Digital") 上海睿泰数字科技有限公司	PRC	Limited liability company	RMB6,500,000	**-**	**100%**	**-**	100%	E-learning solutions and consultancy services
Shanghai Ruijian Information Technology Co., Ltd ("Ruijian") 上海睿剑信息科技有限公司	PRC	Limited liability company	RMB26,000,000	**-**	**100%**	**-**	100%	Provision of software licensing services
Shanghai Ruipengcheng Technology Co., Ltd ("Ruipengcheng") 上海睿朋程科技有限公司	PRC	Limited liability company	RMB2,000,000	-	**62.50%**		62.50%	E-learning solutions and consultancy services
Shanghai Reunet Technology Network Co., Ltd ("Reunet") 上海睿鹄网络科技有限公司	PRC	Limited liability company	-	**-**	**60.02%**	-	60.02%	Provision of e-learning solutions
Prosage Sustainability Development Limited ("Prosage")	Hong Kong	Limited liability company	HK$8,500,000	**-**	**82.76%**	**-**	82.76%	Provision of ESG related e-learning solutions and consultancy services
Aushen Group Pty Ltd	Australia	Limited liability company	Australian dollar ("A$")100	-	**51.00%**	**-**	51.00%	Operation of language coaching school
Shanghai Paisiqi Information Technology Co., Ltd. ("Shanghai Paishiqi") 上海派施奇信息技术有限公司	PRC	Limited liability company	-	**-**	**82.76%**	-	82.76%	Technical consulting and development
Ai English Pty Ltd [3] (note 36(b))	Australia	Limited liability company	A$3,060,000	**-**	**44.89%**	**-**	51.00%	Operation of language coaching school
Ai Chinese Pty Ltd (note 36(a))	Australia	Limited liability company	A$100	**-**	**-**	-	51.00%	Operation of language coaching school
Wuxi Ai English Education Technology Co., Ltd. ("Wuxi Ai English") 无锡爱英语教育科技有限公司	PRC	Limited liability company	-	**-**	**44.89%**	-	51.00%	Provision of educational software development services
Shanghai Pantosoft 上海鹏达计算机系统开发有限公司 (note 36(c))	PRC	Limited liability company	RMB14,322,500	**-**	**80.00%**	-	**80.00%**	Provision of education management system solutions and related services

23. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Country/ Place and date of incorporation/ establishment	Type of legal entity	Issued and paid in capital	Percentage of ownership interests held by the Company 2021 Direct	2021 Indirect	2020 Direct	2020 Indirect	Principal activities
Jiangsu Ruizhixing Information Technology Co., Ltd 江苏睿之星信息科技有限公司 [1]	PRC	Limited liability company	-	**-**	**100%**	-	100%	E-learning solutions and consultancy services
English Wonderkid Limited [2, 3]	Cayman	Limited liability company	-	**-**	**92.63%**	-	-	Investment holding
English Wonderkid HK Limited [2, 3]	Hong Kong	Limited liability company	-	**-**	**92.63%**	-	-	Investment holding
Beijing Wonderkid Education Technology Co., Ltd. [2, 3] 北京快乐起跳教育科技有限公司 ("Beijing Wonderkid")	PRC	Limited liability company	-	**-**	**92.63%**	-	-	Provision of educational software development services

[1] 江苏睿之星信息科技有限公司 was incorporated on 10 December 2020.
[2] English Wonderkid Limited, English HK Wonderkid Limited and Beijing Wonderkid were acquired by Ai English Pty Ltd. during 2021 and the transaction was completed in October 2021.
[3] Assets and liabilities of Ai English Pty Ltd, English Wonderkid Limited, English HK Wonderkid Limited and Beijing Wonderkid were classified as assets and liabilities held for sale as at 31 December 2021. Please refer to note 35 for further details.

24. TRADE AND OTHER PAYABLES

	2021 RMB (unaudited)	2020 RMB
Trade payables	**11,317,829**	9,346,185
Other payables		
- Accrued expenses	**8,303,839**	3,811,133
- Payroll payable	**4,451,554**	4,765,088
- Other liabilities	**8,944,785**	8,671,767
- Deposit received for potential investment (note)	**9,973,115**	13,000,000
Trade and other payables as financial liabilities at amortised cost	**42,991,122**	39,594,173
Provision of other tax liabilities	**6,151,952**	5,467,755
	49,143,074	45,061,928

The credit period of the Group is usually 15 to 60 days (2020: 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.

Note
A subsidiary of the Group has entered into investment agreements with third party investors to dispose partial equity interests in Ai English Pty Ltd. As of the date of this report, these transactions have yet to be completed as the terms of the investment agreements have not been fulfilled.

25. BORROWINGS

	2021 RMB (unaudited)	2020 RMB
Guaranteed bank loans (note a)	**47,800,000**	22,900,000
Other loans (note b)	**16,442,139**	16,527,492
Secured bank loan (note c)	**-**	20,000,000
Total borrowings	**64,242,139**	59,427,492
Less: Amounts shown under current liabilities	**(64,242,139)**	(49,365,092)
	-	10,062,400

(a) Guaranteed bank loans are denominated in RMB, wholly repayable in 12 months from the date of drawdown and interest bearing fixed rates of 3.85% - 5.75% (2020: 4.67%). These bank loans are secured against one or more of the following:

- personal guarantees provided by Mr Ai and his spouse, Ms. Kong Yan; and
- loan performance guarantee insurance purchased by the Group.
- corporate guarantee provided by Shanghai Retech Enterprise Management Group Co., Ltd.
- Mr. Ai is the ultimate controlling shareholder and a director of Shanghai Retech Enterprise Management Group Co., Ltd.

(b) Other loans include corporate and personal loans from:

- Hong Kong Fu An Development Co., Limited with loan principal amount of A$2,000,000 (31 December 2020: A$2,000,000) and wholly repayable on August 2022. The loan bears fixed rate of 4.5% per annum which the interest is repayable every six months;
- Shanghai Yangpu Kecheng Xiaoe Daikuan Co., Ltd. with loan principal amount of RMB5,500,000 (31 December 2020: nil) and wholly repayable on 1 September 2022. The loan bears fixed rate of 18% per annum and is guaranteed by Mr. Ai and his spouse, Ms. Kong Yan, Mr. Liu Cheng and Shanghai Retech Enterprise Management Group Co., Ltd.;
- Zhengshi Investment Company Limited with loan principal amount of A$150,000 was interest free and has been fully repaid in 2021.
- A third party investor with loan principal amount of RMB1,500,000 (31 December 2020: nil). The loan is interest free and repayable within 12 months from the date of drawdown.

(c) Secured bank loan is denominated in RMB, wholly repayable in 12 months from the drawdown date and interest bearing at a fixed rate of 5.75%. The bank loans is secured against:

- two properties located in Zhenjiang City owned by Jiangsu Industry Park were pledged as collateral to the bank; and
- corporate guarantee provided by Shanghai Retech Enterprise Management Group Co., Ltd.
- Mr. Ai is the ultimate controlling shareholder and a director of Shanghai Retech Enterprise Management Group Co., Ltd.

The bank loan above has been fully repaid in 2021.

26. LEASE LIABILITIES

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

	2021 RMB (unaudited)	2020 RMB
Total minimum lease payments:		
Due within one year	**737,928**	9,522,932
Due in the second to fifth years	**502,419**	22,972,533
	1,240,347	32,495,465
Less: Future finance charges on lease liabilities	**(52,696)**	(2,367,201)
Present value of lease liabilities	**1,187,651**	30,128,264
Present value of minimum lease payments:		
Due within one year	**695,020**	8,542,224
Due in the second to fifth years	**492,631**	21,586,040
	1,187,651	30,128,264
Less: Portion due within one year included under current liabilities	**(695,020)**	(8,542,224)
Portion due after one year included under non-current liabilities	**492,631**	21,586,040

During the year ended 31 December 2021, the Group early terminated certain leases for buildings and car park.

As at 31 December 2021, lease liabilities amounting to RMB1,187,651 (2020: RMB30,128,264) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group. At 31 December 2021, amount of RMB2,886,890 lease liabilities was reclassified as liabilities held for sale (2020: Nil)

As at 31 December 2021 and 2020, the Group has entered into leases for various office spaces and carpark as follows:

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term
Office	2021: Buildings carried at cost in "property, plant and equipment" and "reclassified to assets held for sale" (2020: Building carried at cost in "property, plant and equipment")	1 (2020: 5)	2 years (2020: 2 to 5 years)

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

27. CONVERTIBLE NOTE

	2021 RMB (unaudited)	2020 RMB
Convertible note	**31,355,972**	32,437,927

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

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

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

The CN will be redeemed if not redeemed or converted prior to their maturity date. The CN cannot be redeemed early unless upon the occurrence of one of the following events:
- Audited net profit after tax of the Group is less than RMB20 million for any year of the four years' period of the CN; or
- The Company's Chairman, Mr. Ai, or Chief Executive Officer, Mr. Liu Cheng, is no longer a director or an employee of the Company.
- In the circumstances above, the CN can be redeemed early at the discretion of the holders at Early Redemption Amount. The redemption option above is hereby referred as the Holders' Put Option.

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

27. CONVERTIBLE NOTE (CONTINUED)

The liability component is classified as liabilities carried at amortised cost using the effective interest method. The derivative components are measured at fair value using the Monte Carlo Simulation Model method. The fair value changes were recognised in profit or loss. The movement of the derivative component are set out as follows:

	2021 RMB (unaudited)	2020 RMB
Fair value of embedded derivative component in respect of the call option - financial assets		
1 January	**(2,616,139)**	(9,733,410)
Changes in fair value	**830,129**	6,913,187
Exchange differences	**14,386**	204,084
Derecognition upon maturity of the CN	**1,771,624**	-
31 December	**-**	(2,616,139)
Fair value of embedded derivative component in respect of the conversion and put option - financial liabilities		
1 January	**4,469,311**	14,281,539
Changes in fair value	**(1,339,862)**	(9,476,924)
Exchange differences	**(105,107)**	(335,304)
Derecognition upon maturity of the CN	**(3,024,342)**	-
31 December	**-**	4,469,311

	2021 RMB (unaudited)	2020 RMB
Time to maturity	**N/A**	0.89 years
Share price	**N/A**	HK$1.79
HK$/A$ exchange rate	**N/A**	5.976
Conversion price (floating)	**N/A**	HK$1.61
Spread	**N/A**	7.20%
Expected share price volatility	**N/A**	55%
Risk-free rate	**N/A**	2.69%
Discount rate	**N/A**	9.89%

The CN has been matured on 19 November 2021 and the derivative components in respect of the CN have been derecognised and charged to profit or loss as no options were taken up by both parties. The Group has not redeemed the principal on their maturity, therefore, the CN carries default interest rate of 15% per annum due to the default of repayment.

Currently, the Group is in the process of negotiating repayment plans with Huarong in good faith and the directors are unware of any intention by Huarong to take legal action to enforce the Company's obligation to repay the principals and related default interest of the CN.

Subsequent to the financial reporting date and up to date of this report, the Group has made settlement of HK$9.79 million.

28. CONTINGENT CONSIDERATION LIABILITY

	2021 RMB (unaudited)	2020 RMB
Contingent consideration at beginning of the year	**1,692,299**	1,607,522
Change in fair value	**164,404**	35,762
Exchange differences	**(146,980)**	49,015
At the end of the year	**1,709,723**	1,692,299
Analysed as:		
Current	**1,709,723**	-
Non-current	**-**	1,692,299
	1,709,723	1,692,299

During the year ended 31 December 2019, the Group acquired of 51% equity interests in Aushen Group Pty Ltd. ("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 to pay additional consideration up to A$408,000 (equivalent to approximately RMB1,884,000) 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 and details of fair value measurements are set out in the Company's annual report.

29. SHARE CAPITAL

	Number of shares	**RMB**
Issued and fully paid ordinary shares		
As at 1 January 2020 (audited), 31 December 2020 (audited), 1 January 2021 and 31 December 2021 (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.

30. RESERVES

30.1 Merger reserve

Merger reserve represents the difference between the share capital of the Company issued as consideration and the aggregate net assets value of the companies, now comprising the Group, transferred in the group restructuring.

30.2 Statutory reserve

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

30.3 Translation reserve

The translation reserve has been set up and is dealt with in accordance with the accounting policy for foreign currency translation as stated in note 2.5.

31. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year are as follows:

Name of related parties	Nature of transactions	2021 RMB (unaudited)	2020 RMB
Related companies			
Shanghai Retech IT (note (a))	Services income recharged	**24,296,081**	26,000,323
	Other income received	**-**	26,633
	Cost of service recharged	**19,574,263**	8,519,136
Jiangsu Industry Park (note (b))	Interest income received	**4,607,283**	4,637,290
Retech Digital Media Co., Ltd. (note (c))	Property management income	**-**	1,024,997
	Provision of education management system solutions and related services	**-**	846,226
Jiangsu Ruixin Aiyu (note (d))	Disposal of interest in a subsidiary	**480**	-
Hexon Consulting Limited (note (e))	Property management income	**-**	589,923

Notes:

(a) Pursuant to service agreement signed between the Company and a related company, Shanghai Retech IT ("the Service Agreement"), Shanghai Retech IT has appointed the Company as its exclusive service provider for technical, consulting and other services from 1 July 2017 to 30 August 2026. Under the terms of the Service Agreement, the services provided by the Company will be charged at a fee equal to 100% of the revenue received by Shanghai Retech IT. Costs and operating expenses will be recharged on a reimbursement basis. The relationship with Shanghai Retech IT is described in note 20(a) to the consolidated financial statements.

(b) The transaction was enacted with Jiangsu Industry Park of which relationship with the Company is described in note 21 to the consolidated financial statements.

(c) The relationship with Shanghai Retech IT is described in note 20(a) to the consolidated financial statements.

(d) As disclosed in note 36(a), the Group sold its wholly owned subsidiary, Ai Chinese at consideration of A$100 (equivalent approximately to RMB480) to a related company, Jiangsu Ruixin Aiyu on 15 June 2021.

(e) The transaction was enacted with Hexon Consulting Limited of which relationship with the Company is described in note 20(b) to the consolidated 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 10.

32. COMMITMENT AND CONTINGENCIES

The Group does not have any significant commitment or contingencies at 31 December 2021 and 2020.

33. CONTINGENT LIABILITIES AND ASSETS

Except for the details of potential tax liabilities with respect to the potential penalty arising from the late filing of tax returns for reporting the PRC Enterprise Income Tax to the PRC tax authority as disclosed in note 11(v) to the consolidated financial statements, the Group has no other contingent assets or contingent liabilities required to be recognised or disclosed in the financial statements as at 31 December 2021 and 2020.

34. SHARE BASED EMPLOYEE COMPENSATION

In prior year, 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 when the services are received; and
(b) Options with vesting period – recognised over a straight-line basis over the vesting period with corresponding increase in employee compensation reserve.

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.

During the year ended 31 December 2021 and 2020, there are no grant and exercise of both CDIs and options of underlying CDIs.

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

35. ASSETS/ LIABILITIES HELD FOR SALE

On 30 November 2021, the Group had committed to a plan to dispose off part of its equity interest in Ai English Pty Ltd. and its subsidiaries ("Ai English Group") and currently negotiating potential sale with its non-controlling interests of Ai English Group.

The Group classified the above investment in Ai English Group as assets held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The adjusted aggregate balances of the assets and liabilities of Ai English Group have been presented in the Group's consolidated statement of financial position as assets classified as held for sale and liabilities classified as held for sale respectively. As of 31 December 2021, the carrying amount of the assets and liabilities held for sale are as follows:

	2021 RMB (unaudited)
Plant and equipment	6,889,247
Goodwill	655,837
Intangible assets	15,011,708
Inventories	1,576,662
Trade and other receivables	13,286,267
Contract assets	8,730,972
Amounts due from related companies	489,396
Cash and cash equivalents	95,031
Assets classified as held for sale	**46,735,120**
Current liabilities	
Trade and other payables	(22,016,123)
Contract liabilities	(1,745,307)
Amount due to related companies	(798,459)
Amounts due to directors	(2,700,896)
Lease liabilities	(2,886,890)
Non-current payable	(3,817,154)
Liabilities directly associated with assets classified as held for sale	**(33,964,829)**

36. BUSINESS COMBINATION

(a) Disposal of a subsidiary

On 15 June 2021, the Group entered into a sale agreement with Jiangsu Ruixin Aiyu, a related company of the Group, to dispose of its 100% equity interest in Ai Chinese Pty Ltd. ("Ai Chinese") at a consideration of A$100 (equivalent approximately to RMB480). The net liabilities of Ai Chinese at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost

	2021 RMB (unaudited)
Cash and bank balance	167,256
Other payables	(62,083)
Net assets disposed of	105,173

Loss on disposal of a subsidiary

	2021 RMB (unaudited)
Consideration received	480
Net assets disposal of	(105,173)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	12,078
Loss on disposal of a subsidiary	(92,615)

Net cash flows on disposal of a subsidiary

	2021 RMB (unaudited)
Consideration received	480
Cash and bank balances at disposal date	(167,256)
Net cash outflows upon disposal	(166,776)

36. BUSINESS COMBINATION (CONTINUED)

(b) Acquisition of English Wonderkid Limited and its subsidiaries

On 20 August 2021, Ai English Group completed an acquisition of 92.63% interests in English Wonderkid Limited through issuance of shares of Ai English to previous owners of English Wonderkid Limited.

	Principal activities	Date of acquisition	Proportion of interest acquired %
English Wonderkid Limited	Investment holding	20 August 2021	92.63
English Wonderkid HK Limited*	Investment holding	20 August 2021	92.63
Beijing Wonderkid*	Provision of educational software development services	20 August 2021	92.63

* English Wonderkid HK Limited and Beijing Wonderkid are wholly-owned subsidiaries of English Wonderkid Limited.

Goodwill arising on acquisition

	2021 RMB (unaudited)
Fair value of the consideration transferred	**5,600,666**
Non-controlling interests	**393,430**
Fair value of identifiable net assets acquired	**(5,338,259)**
	655,837

The non-controlling interests above recognised at the acquisition date was measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Ai English Group has been reclassified to assets held for sale on 30 November 2021, the related goodwill arising from the acquisition is also reclassified to assets held for sale.

36. BUSINESS COMBINATION (Continued)

(c) Acquisition of Pantosoft

On 22 January 2020, the Group signed a Sale and Purchase Agreement ("SPA") to acquire 80% of the issued share capital of Shanghai Pantosoft by way of an acquisition of the holding company, Pantosoft International Limited. This SPA was subsequently revised on 30 September 2020 to a direct acquisition of 80% of the issued share capital of Shanghai Pantosoft.

In addition, pursuant to supplementary agreement signed between the Group and the seller, the consideration of RMB76,000,000, which was subsequently revised to RMB73,700,000.

	Principal activities	Date of acquisition	Proportion of interest acquired %	Consideration transferred RMB
Shanghai Pantosoft	Provision of education management solutions and related services	7 October 2020	80.00	73,700,000

During the year, the Group completed the acquisition of Shanghai Pantosoft. Shanghai Pantosoft provides digital solution via self-developed software systems to support education management to secondary and vocational schools in the PRC.

Assets acquired and liabilities recognised at the date of acquisition

	Consideration transferred RMB
Property, plant and equipment	163,784
Intangible assets	20,315,197
Cash and bank balance	168,152
Trade and other receivables	8,290,342
Contract assets	2,419,233
Trade and other payables	(10,753,100)
Deferred tax liabilities	(3,047,280)
	17,556,328

Goodwill arising on acquisition

	2020 RMB
Consideration transferred	73,700,000
Non-controlling interest	3,511,266
Fair value of identifiable net assets acquired	(17,556,328)
	59,654,938

36. BUSINESS COMBINATION (CONTINUED)

(c) Acquisition of Pantosoft (Continued)

Non-controlling interests

The non-controlling interests (20%) in Shanghai Pantosoft 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 Shanghai Pantosoft 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 Shanghai Pantosoft. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

No goodwill arising from this acquisition is deductible for tax purposes.

Net cash outflow on acquisition of subsidiaries

	Total RMB
Deposit paid in November 2019	73,700,000
Cash and cash equivalent acquired	(168,152)
Net cash inflow to the Group	73,531,848

The net cash inflow for the year ended 31 December 2020 is RMB168,152 after netting-off with the deposit paid for the acquisition in prior year.

Shanghai Pantosoft contributed revenue of RMB10,247,512 and net profit of RMB3,884,578 to the Group for the period of acquisition date to 31 December 2020. Had Shanghai Pantosoft been consolidated from 1 January 2020, the Group would show an increase in pro-forma revenue by RMB6,483,507 and increase in proforma profit by RMB3,285,873. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

37. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2021. The Group is not subject to any externally imposed capital requirements.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 RMB (unaudited)	2020 RMB
ASSETS AND LIABILITIES			
Non-current asset			
Interest in a subsidiary	23	**13,394,380**	13,394,380
Current assets			
Prepayments		**105,582**	-
Loan to a subsidiary		**32,109,245**	14,540,425
Amounts due from subsidiaries		**89,128,331**	109,245,038
Amounts due from related companies		**969,861**	969,861
Dividend receivables		**39,390,000**	39,390,000
Derivative financial instruments		**-**	2,616,139
Cash and cash equivalents		**2,186,721**	2,832,282
		163,889,740	169,593,745
Current liabilities			
Accruals and other payables		**12,027,948**	536,001
Amounts due to subsidiaries		**67,660**	17,700
Derivative financial instruments		**-**	4,469,311
Borrowings		**-**	5,710,412
Convertible note	27	**31,355,972**	32,437,927
		43,451,580	43,171,351
Net current assets		**120,438,160**	126,422,394
Total assets less current liabilities		**133,832,540**	139,816,774
Equity			
Share capital		**145,978,410**	145,978,410
Accumulated losses (note)		**(12,145,870)**	(6,161,636)
Total equity		**133,832,540**	139,816,774

Mr. Ai Shungang
Co-Chairman

Mr. Calvin Cheng
Co-Chairman

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

Note:

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

	RMB
At 1 January 2020	3,829,768
Loss for the year	2,331,868
At 31 December 2020 and 1 January 2021	6,161,636
Loss for the year (unaudited)	**5,984,234**
At 31 December 2021 (unaudited)	**12,145,870**

Disclaimer

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ARBN 615 153 332

Appendix 4E
Preliminary final report
for the year ended 31 December 2021

RETECH 睿泰

Hong Kong Company Registration Number 2374379

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

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