



APPENDIX 4D

HALF YEAR REPORT

for the six months ended 30 June 2021



ARBN 615 153 332

Hong Kong Company Registration Number 2374379

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

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Results for Announcement to the Market

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

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

Reporting period: 1 January 2021 to 30 June 2021

Previous corresponding period: 1 January 2020 to 30 June 2020

2. Results for announcement to the market

		Six months ended			
		30-Jun-21	30-Jun-20	Change	
		RMB'000	RMB'000	RMB'000	%
2.1	Revenue from ordinary activities	89,465	63,844	25,621	40%
2.2	Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	21,584	19,249	2,335	12%
2.3	Profit from ordinary activities before tax	8,813	10,415	-1,602	-15%
2.4	Profit from ordinary activities after tax attributable to members of the Company	10,819	14,521	-3,702	-25%
2.5	Net profit attributable to members of the Company	10,819	14,521	-3,702	-25%

		Six months ended			
		30-Jun-21	30-Jun-20	Change	
		A\$'000	A\$'000	A\$'000	%
2.1	Revenue from ordinary activities	17,937	13,136	4,801	37%
2.2	Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	4,327	3,961	366	9%
2.3	Profit from ordinary activities before tax	1,767	2,143	-376	-18%
2.4	Profit from ordinary activities after tax attributable to members of the Company	2,169	2,988	-819	-27%
2.5	Net profit attributable to members of the Company	2,169	2,988	-819	-27%

*Exchange rate for HY2021: 1 AUD = 4.9878 RMB, HY2020: 1 AUD = 4.8602 RMB, same below

2.6 Dividends

No dividend proposed to be paid during the reporting period.

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

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

As of 30 June 2021 (RMB cents per share)	As of 30 June 2020 (RMB cents per share)
98.14	119.32

As of 30 June 2021 (A\$ cents per share)	As of 30 June 2020 (A\$ cents per share)
19.68	24.55

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

On 15 June 2021, the Company entered into a sale agreement with Jiangsu Ruixin Aiyu Education Technology Co., Ltd (“Jiangsu Ruixin Aiyu”), a related company of the Group, to dispose of its 100% equity interest in Ai Chines Pty Ltd. at a consideration of A\$100 (equivalent approximately to RMB480).

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

Not applicable.

6. Accounting standards used in compiling this report

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

7. Audit Review

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

8. Signed

On behalf of the directors

A handwritten signature in black ink, appearing to be "Ai Shungang".

Mr Ai Shungang
Co-Chairman
31 August 2021

A handwritten signature in black ink, appearing to be "Calvin Cheng".

Mr Calvin Cheng
Co-Chairman
31 August 2021

About Retech Technology Co., Limited

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

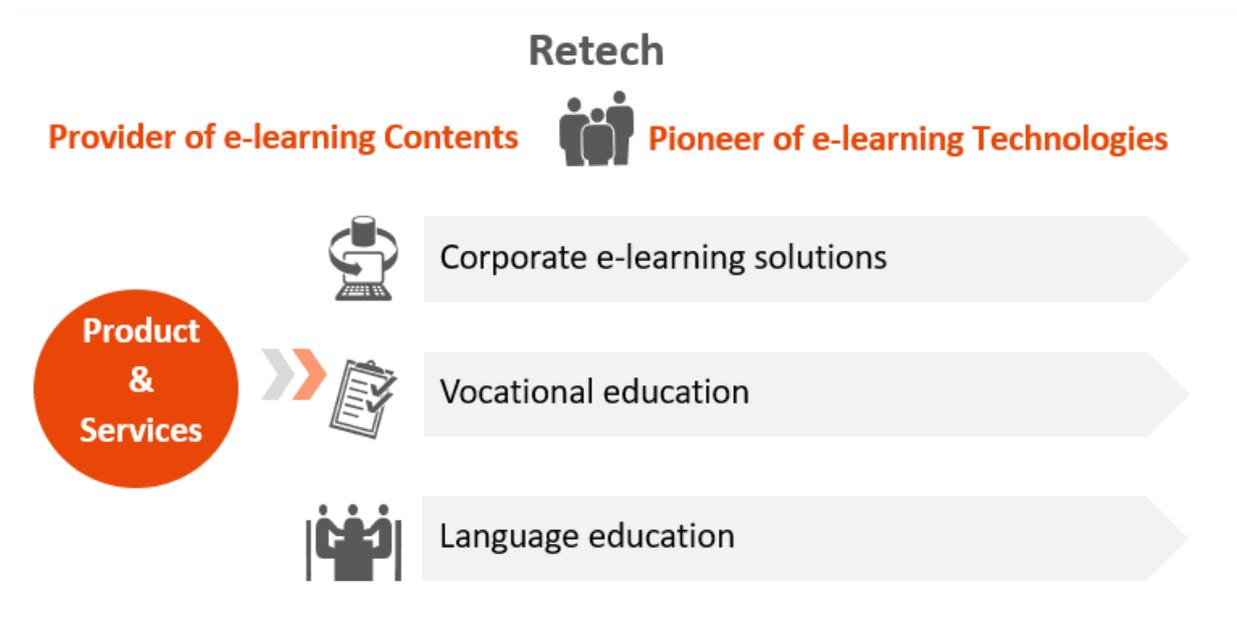
Vision

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

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

Products and Services

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



Business Review

Retech Technology Co., Limited (the “Company”) summarizes its financial and operational performances for the period ended 30 June 2021.

Financial update

Highlights

- Revenue for HY2021 was RMB89.46m (A\$17.94m), an increase of RMB25.62m (A\$4.80m), or 40% compared to RMB63.84m (A\$13.14m) in HY2020.
- Gross profit was RMB52.45m (A\$10.52m), an increase of RMB16.04m (A\$3.03m), or 44% compared to RMB36.41m (A\$7.49m) in HY2020. The gross margin was 59%, (57% in HY2020).

Further analysis

- Revenue for HY2021 was RMB89.46m (A\$17.94m), an increase of RMB25.62m (A\$4.80m), or 40% compared to RMB63.84m (A\$13.14m) in HY2020. The majority was our traditional e-Learning related services and consultancy revenue, which was RMB65.93m (A\$13.22m), an increase of RMB4.19m (A\$0.52m), or 7% compared to RMB61.74m (A\$12.70m) in HY2020. Tuition and related revenue including media products was RMB17.54m (A\$3.52m), an increase of RMB15.44m (A\$3.09m), or 735% compared to RMB2.10m (A\$0.43m) in HY2020, which was a great progress in Ai English business. Revenue from provision of vocational training solutions and related services was RMB5.99m (A\$1.20m, HY2020: nil), which benefited from the acquisition of Shanghai Pantosoft Co., Ltd (Pantosoft) in Sep 2020, as well as the continuous emphasis on vocational education from Chinese government. Gross profit was RMB52.45m (A\$10.52m), an increase of RMB16.04m (A\$3.03m), or 44% compared to RMB36.41m (A\$7.49m) in HY2020. The gross margin was 59%, (57% in HY2020). The increase in gross margin resulted from the development of Ai English and vocational education business and improved cost management in traditional business.
- Selling and distribution expenses were RMB6.16m (A\$1.24m), an increase of RMB1.92m (A\$0.37m), or 45% compared to RMB4.24m (A\$0.87m) in HY2020. Administrative expenses were RMB30.36m (A\$6.09m), an increase of RMB8.39m (A\$1.57m), or 38% compared to RMB21.97m (A\$4.52m) in HY2020. The increase in above expenses were caused by development of Ai English and Pantosoft business. Other income was RMB3.70m (A\$0.74m), a decrease of RMB4.61m (A\$0.97m), or 55% compared to RMB8.31m (A\$1.71m) in HY2020. It was higher in HY2020 because the government introduced a series of supporting policies at that time to help companies recover from the impact of Covid-19. Other loss/(gain) were RMB10.82m (A\$2.17m), an increase of RMB2.72m (A\$0.50m), or 34% compared to RMB8.10m (A\$1.67m) in HY2020. Consequently, net profit before tax was RMB8.81m (A\$1.77m), a decrease of RMB1.60m (A\$0.37m), or 15% compared to RMB10.41m (A\$2.14m) in HY2020.

Operational Update

1. Corporate E-Learning business developing

1) Products:

- Solutions for financial and banking industries: The Group has gathered extensive experience from serving huge banks/insurance/financial institutions and is able to offer comprehensive and thoughtful solutions to customers in these industries.
- RetechSmart (used to be called Ruizhi) platform product: in order to increase the flexibility and adaptability of future products to avoid the risk of market uncertainty, Retech has updated its products. In the first half of the year, our RetechSmart platform was completed, and in the process of improving its technical performance in the second half of the year.
- LVC: Retech and Huawei have joined together to provide a real-time virtual classroom platform and online learning platform for 100 schools under the Higher Education Council of Pakistan, which can be used by approx. 20,000 students. The platform intends to counteract education imbalances in these regions, bringing higher education to students of various fiscal circumstances. In April 2021, the learning platform project of the Ministry of education of Cote d'Ivoire was delivered online.

2) Courseware Development and Business Operations

As COVID-19 continues to spread its influence across the globe, Chinese corporations and institutions have come to realize that on-line training and communication has become the norm, with customers in China and overseas reflecting a trend of fully transitioning to online services.

- ✧ In March, Retech won the bid of Mercedes Benz which means in the following three years Retech will provide a series of online courses for their internal training.
- ✧ In February, Retech started to provide services to China Construction Bank University which is a new customer of Retech's. China Construction Bank University is an enterprise university officially established by China Construction Bank and the service provided is the specialized online activities operation service.
- ✧ Retech continues to provide services to Michelin. This current year is seen as a new milestone as Retech will develop a new online course "e-Primacy" for all Michelin store staff in China.
- ✧ In the first half of 2020, Retech won the bid for the e-learning platform project of Shanghai Nuclear Engineering Research and Design Institute Co., Ltd. of State Power Investment Corporation, this was delivered online in February 2021.
- ✧ In the second half of 2020, Retech won the e-learning platform project of Zhejiang Energy Group, the largest state-owned enterprise in Zhejiang Province, to build an online training platform and provide content and platform operation services. In June 2021, the e-learning platform project was delivered online.
- ✧ In the second half of 2020, Retech and Fuji Xerox established a cooperation and completed the delivery of the e-learning platform project in May 2021.
- ✧ Retech and Bank of China Beijing Branch have formally established a cooperative relationship and will cooperate on the digital communication project. Retech has maintained a good relationship with Bank of China and has provided multi-dimensional services for its branches in Guangdong, Sichuan, Jiangsu, Yunnan, Shanxi, Heilongjiang, Shenzhen and other provinces and cities. The

service scope includes consulting diagnosis, content operation, platform construction and courseware production.



3) New highlights in business and customers development:

In H1 2021, the company's business increased mainly in Finance, which is showing as following:

- In June 2021, Retech and the National Association of Financial Market Institutional Investors (NAFMII) commenced cooperation and will jointly launch e-learning courses on financial topics for all members of NAFMII. Meanwhile, Retech has adopted a consulting operation method as the breakthrough point, customizing the overall operation service solution for NAFMII, and promoting its online training business.
- In June 2021, Retech and the Bank of China Beijing Branch have formally established a co-operation regarding a digital communication project. Retech has maintained a good relationship with the Bank of China and has provided multi-dimensional services for its branches in Guangdong, Sichuan, Jiangsu, Yunnan, Shanxi, Heilongjiang, Shenzhen and other provinces and cities. The service scope includes consulting diagnosis, content operation, platform construction and courseware production.
- In June 2021, Retech commenced providing course developing services and an annual management team training program to its new client- Hangzhou Bank.
- Retech has been involved in the customer list of the National Association of Financial Market Institutional Investors, which is a self-regulatory 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 the following years.
- In late of July, Retech started new business with Northeast Securities and Retech will run the "Intern Training Program" for this client.

2. Vocational Education

At the beginning of April, the Chinese government continued to emphasize the importance of vocational education and its increasing prominence in corporations. Retech has years of experience in this industry, thus, in light of this announcement, more and more schools have started to communicate with Retech to engage in further co-developing of digital media.



- ◇ Retech was selected in 2020 by the Shanghai Development and Reform Commission as an Integration of industry and education pilot Enterprise.

上海市2020年产教融合型企业建设培育试点名单公示

发布机关：上海市发展和改革委员会 发布日期：2021-03-05

00:00

根据国家发展改革委、教育部《关于印发〈建设产教融合型企业实施办法（试行）〉的通知》（发改社会〔2019〕590号），经市区相关部门推荐、企业自愿申报和专家评估，聚焦战略性新兴产业、先进制造业、现代服务业和社会服务业等相关领域，确定84家企业为上海市第二批产教融合型企业试点企业，并纳入产教融合型企业建设培育库，现予公示。

公示时间：2021年3月5日-3月14日
 联系人：李文涛（市发展改革委）23113496
 马骏（市教委）23116721

序号	企业名称	企业统一社会信用代码
25	上海睿泰数字科技有限公司	91310000MA108TSL3E

Retech in the pilot enterprises list

- ◇ In January, Retech won the smart campus construction project of Chongqing Economy and Trade Secondary Vocational School, which reflected a strong start of business in China's Southwest region.
- ◇ Retech signed a contract deal with Yancheng College of Mechatronic Technology and will provide them with the following services: one-month teachers training per year, joint development of professional courses especially in digital media and "Two Abilities" (Innovation and Entrepreneurship), providing practice projects for students which are revised from real projects.
- ◇ In the past several months, Retech has provided services to Wuxi Vocational Institute of Commerce (WXVIC) such as teacher training, student practice training, course development, etc. on the 7th of April, Retech has an agreement to jointly construct the "WXVIC-Retech Digital Media Industry College".
- ◇ In January, Retech completed the practice training for the students from Lanzhou University of Arts and Science and a preliminary strategic agreement has been signed with the school.
- ◇ According to the agreement signed between Retech and Yancheng Children's Teaching College, both parties will make full use of their respective advantages and carry out in-depth cooperation in the areas of teacher training, course development, talent training and internship and industry employment research using the platform of the Digital Media Industry College.
- ◇ The training center located in Shanghai Publishing and Printing College (**SPPC**) was put into use in late April. It provided the practice training Digital Media majors and the whole SPPC. In early July, SPPC and Retech co-built 4 training bases located in Shanghai, Yancheng, Zhenjiang and Wuxi.



- ◇ In May 2021, the Digital Media Art Design Enterprise College which will be jointly built by Retech and Zhenjiang Higher Vocational and Technical Institute held a launch ceremony. 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.

3. Language and Competence Education

In the H1 of 2021, Ai English has several breakthroughs especially in the fields of technology, courseware and customer development.

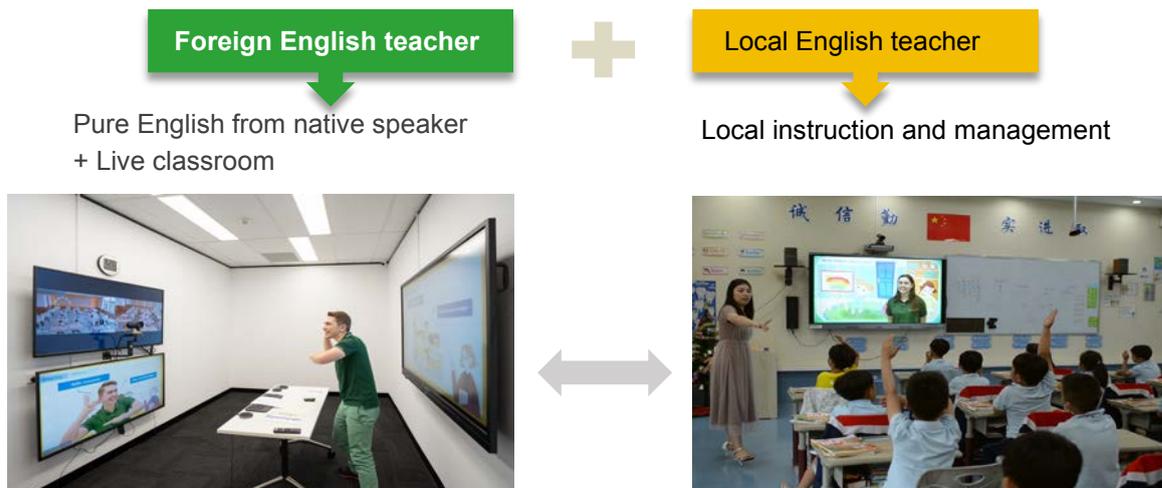
- ◇ Technical breakthrough: Ai English independently developed and customized 4K green screen multi-layer overlay technology, which brings to life the simultaneous rendering of multiple people, multiple places and multiple pictures into the classroom with the inclusion of 4K quality pictures. The minimal delay of the whole system is less than 50ms, which is significantly ahead of 200-3,000ms of the mainstream wire editing platform in the industry. This breakthrough ensures the mobility and real-time quality of the co-teacher classroom.
- ◇ With the trend of Internet+ Education undergoing constant development, Retech rebuilt an English classroom teaching method and promoted English teaching reforms based on the unique situation of different regions in China. We have provided such services to many public and private schools and have brought the English co-teacher classrooms into the normal teaching system. With the help of top-quality teacher resources, teaching research ability and curriculum advantages of Ai English, the schools reformed the traditional mode of English teaching and enabled sharing of English learning resources.
- ◇ In the start of the winter holidays, Ai English arranged the English drama camp: <A Cottage in the Woods> for 3-6 years old kids and <Character Matters> for 7-12-year-old students. These drama courses aim to help the children developing potential, stimulate creativity and cultivate innovative thinking in the stage art re-creation arena.

1) Services :

➤ I-School Model :

In H1 of 2021, AiEnglish focused on developing in I-School model, which matches the policies Chinese government released in the late of July.

- ✧ Target Customers: Provide joint operation model for K-12 schools, small and medium-sized English training institutions and general training centres.



- Courses:
 - ✧ 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.
 - ✧ Retech developed series of co-teacher interactive international early childhood and youth on-line courses. Meanwhile, Retech applied the patent in July.

2) Business

- In February 2021, Ai English started the cooperation with Cultivation of Elite Education and will conduct joint enrollment on the basis of Ai English I-school model.
- On the 24th of March, Ai English held the opening ceremony of the public welfare class, which was located in Dingji Town, Huaian City, Jiangsu Province. This class is a new project of Ai English which 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 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 c—teacher English classes. Previously, Ai English provided over 100 primary schools and kindergartens with online class services.
- By the end of June 2021, Ai English completed co-editing the 'Standardisation of recruitment and management of foreign teachers' publication and '**standardisation** of the employment and management of online foreign language teaching in offline campuses' publication (lead by the Chinese Education Association for International Exchange.)
- In response to Chinese local policy, Ai English has gradually moved away from the provision of mainstream after school/off-campus services, transitioning to 'in-class' services as its the new core method of delivery.

4. Changes in Chinese Government Policy on Private Tuition and its impact on Retech

- ✧ The proposed ban is on online and offline businesses offering private tuition, specifically on the national curriculum, leading to the Gaokao exams at 18.
- ✧ The main business of RTE is in building training platforms for corporate and vocational training.
- ✧ The proposed ban thus has absolutely no relevance to our core business.

- ✧ The business of our subsidiary, Ai English, is to provide streaming English teaching to businesses and institutions. It is a B2B business not B2C.
- ✧ 8% of the business is providing streaming English teaching into national schools. As this is not private tuition, it is not affected.
- ✧ 7% of Ai English's clients provide EXTRA-CURRICULAR English teaching through drama, and other enrichment classes. This is not affected.
- ✧ 15% of Ai English's clients provide tuition on national curriculum English. Only this will be affected. And therefore, because they are Ai English's clients, we will be affected as well.
- ✧ Retech owns less than 50% shares of Ai English. The contributing revenue of Ai English to Retech is small. 85% of Ai English's revenue will not be affected.
- ✧ RTE's core business of being a platform developer for corporate and vocational training is not affected at all 100%.
- ✧ Therefore, the impact of the proposed ban on RTE's performance will be marginal.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Notes	Six months ended 30 June	
		2021 RMB (Unaudited)	2020 RMB (Unaudited)
Revenue	4	89,464,518	63,843,799
Cost of services		(37,012,134)	(27,432,334)
Gross profit		52,452,384	36,411,465
Other income	5	3,697,926	8,311,491
Fair value gain on derivative financial instruments		512,284	233,922
Fair value loss of the contingent consideration payable		(41,943)	(172,600)
ECL allowance on financial assets and contract assets	7	(7,052,266)	(5,070,189)
Selling and distribution expenses		(6,155,882)	(4,235,639)
Administrative expenses		(30,364,636)	(21,970,915)
Finance costs	6	(4,234,470)	(3,092,619)
Profit before income tax	7	8,813,397	10,414,916
Income tax expense	9	(3,190,936)	(1,293,568)
Profit for the period		5,622,461	9,121,348
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		932,344	(325,137)
Release of exchange reserve upon disposal of a subsidiary		(12,078)	-
Total comprehensive income for the period		6,542,727	8,796,211
Profit for the period attributable to:			
Owners of the Company		10,818,519	14,521,452
Non-controlling interests		(5,196,058)	(5,400,104)
		5,622,461	9,121,348
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		11,291,314	14,369,599
Non-controlling interests		(4,748,587)	(5,573,388)
		6,542,727	8,796,211
Earnings per share for profit attributable to the owners of the Company during the period			
Basic	11	4.64 cents	6.23 cents
Diluted	11	4.64 cents	6.23 cents

The notes on pages 19 to 50 are an integral part of these condensed consolidated interim financial statements.

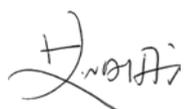
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	31,249,522	36,333,372
Goodwill		62,295,231	62,295,231
Other intangible assets	13	38,394,294	31,967,650
Other receivables	15	2,006,728	2,083,817
Deferred tax assets		2,040,444	1,202,332
		135,986,219	133,882,402
Current assets			
Inventories	14	1,827,564	2,041,565
Trade and other receivables	15	90,224,658	69,813,413
Contract assets	16.1	94,763,235	85,006,490
Amount due from a non-controlling shareholder	17(a)	-	-
Amount due from a non-controlling shareholder of a subsidiary	17(b)	-	-
Amounts due from related companies	17(c)	8,380,901	8,629,001
Loans to related companies	18	39,029,265	31,748,709
Derivative financial instruments	23	1,749,825	2,616,139
Cash and cash equivalents	19	205,721,168	205,816,383
		441,696,616	405,671,700
Current liabilities			
Trade and other payables	20	75,904,250	45,061,928
Contract liabilities	16.2	7,313,912	6,560,496
Amount due to a related company	17(d)	10,567,779	-
Amount due to a director	17(e)	-	578,588
Borrowings	21	39,900,000	49,365,092
Lease liabilities	22	9,830,892	8,542,224
Derivative financial instrument	23	3,069,139	4,469,311
Income tax payable		37,030,151	32,874,309
Convertible note	23	32,668,123	32,437,927
		216,284,246	179,889,875
Net current assets		225,412,370	225,781,825
Total assets less current liabilities		361,398,589	359,664,227
Non-current liabilities			
Borrowings	21	9,690,152	10,062,400
Contingent consideration liability	24	1,670,437	1,692,299
Lease liabilities	22	17,318,871	21,586,040
Deferred tax liabilities		3,414,521	3,561,607
		32,093,981	36,902,346
Net assets		329,304,608	322,761,881

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021 (CONTINUED)**

	Notes	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
EQUITY			
Share capital	25	145,978,410	145,978,410
Reserves		(7,667,208)	(8,140,003)
Retained profits		207,926,719	197,108,200
Equity attributable to owners of the Company		346,237,921	334,946,607
Non-controlling interests		(16,933,313)	(12,184,726)
Total equity		329,304,608	322,761,881

The notes on pages 19 to 50 are an integral part of these condensed consolidated interim financial statements.



Mr. Ai Shungang
Co-Chairman



Mr. Calvin Cheng
Co-Chairman

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Attributable to owners of the Company						Non-controlling interests RMB	Total equity RMB
	Share capital RMB	Merger reserve* RMB	Statutory reserve* RMB	Translation reserve* RMB	Retained profits RMB	Total RMB		
At 1 January 2021 (audited)	145,978,410	(11,122,696)	3,376,508	(393,815)	197,108,200	334,946,607	(12,184,726)	322,761,881
Profit for the period	-	-	-	-	10,818,519	10,818,519	(5,196,058)	5,622,461
Other comprehensive income/(expense) for the period:								
Exchange gain on translation of financial statements of foreign operations	-	-	-	478,955	-	478,955	453,389	932,344
Release of exchange reserve upon disposal of a subsidiary	-	-	-	(6,160)	-	(6,160)	(5,918)	(12,078)
Total comprehensive income for the period	-	-	-	472,795	10,818,519	11,291,314	(4,748,587)	6,542,727
At 30 June 2021 (unaudited)	145,978,410	(11,122,696)	3,376,508	78,980	207,926,719	346,237,921	(16,933,313)	329,304,608

* These equity accounts comprise the reserves of deficit of RMB7,667,208 (31 December 2020: deficit of RMB8,140,003) in the condensed consolidated statement of financial position as at 30 June 2021.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021 (CONTINUED)**

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

The notes on pages 19 to 50 are an integral part of these condensed consolidated interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	Six months ended 30 June	
	2021	2020
	RMB	RMB
	(Unaudited)	(Unaudited)
<i>Net cash used in operating activities</i>	(8,941,624)	(3,029,743)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,434,450)	(6,902,313)
Additions to intangible assets	(9,692,769)	(5,806,454)
Loans to related companies	(68,034,201)	(197,044,625)
Repayment of loans to a related companies	60,751,983	188,060,000
Interest received	3,276,956	3,861,579
Other investing activities	248,100	(332,963)
Net cash outflow of disposal of a subsidiary	(166,776)	-
<i>Net cash used in investing activities</i>	(15,051,157)	(18,164,776)
Cash flows from financing activities		
Drawdown of short term borrowings	5,000,000	4,513,814
Lease payment	(2,182,709)	(2,336,687)
Payment of borrowings	(8,754,680)	-
Payment of interests on borrowings and lease liabilities	(1,614,241)	(600,193)
Payment of interests on convertible note	(1,304,122)	(1,415,891)
Other financing activities	31,959,961	353,278
<i>Net cash generated from financing activities</i>	23,104,209	514,321
Net decrease in cash and cash equivalents	(888,572)	(20,680,198)
Effect of foreign exchange rate changes	793,357	(436,698)
Cash and cash equivalents at beginning of the period	205,816,383	185,088,747
Cash and cash equivalents at end of the period	205,721,168	163,971,851

The notes on pages 19 to 50 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

Retech Technology Co., Limited (the “Company”) was incorporated in Hong Kong on 10 May 2016 as a limited liability company. The address of the registered office and principal place of business of the Company are Room 2901, 29th Floor, Shui On Centre, 6-8 Harbour Road, Wan Chai and Level 18, Block 2, Fudan Technology Park, 335 Guoding Road, Yangpu District, Shanghai, China, respectively. The Company’s shares have been 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, provision of online and offline language training and sales of digital media products. The Group’s operations are based in the People’s Republic of China (the “PRC”), Hong Kong and Australia.

The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) are for the six months ended 30 June 2021 and 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 operates (i.e. the functional currency of the Company and its major subsidiaries).

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Statements does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). Except as described in note 2, the basis of preparation and accounting policies adopted in preparing the Interim Financial Statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

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

The financial information relating to the financial year ended 31 December 2020 that is included in the Interim Financial Statements for the six months ended 30 June 2021 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

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

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

In the current period, the Group has applied for the first time the amended HKFRS issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's Interim Financial Statements for the annual period beginning on 1 January 2021. On 1 January 2021, the Group has early adopted the Amendment to HKFRS 16 "COVID-19-Related Rent Concession beyond 30 June 2021" which will be mandatorily effective for the Group for the 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.

Amendment to HKFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"

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.

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

2.1 Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2021 (Continued)

Interest Rate Benchmark Reform – Phase 2

These amendments address the accounting issues that arise when existing IBORs included in financial instruments are replaced with alternative benchmark risk-free rates.

The amendments mainly affect the following areas:

- financial instruments (measured at amortised costs) where the basis for determining the contractual cash flows changes as a result of the Reform — providing a practical expedient that an entity will not have to derecognise the carrying amount of financial instruments and recognise an immediate gain or loss for changes solely arising from the Reform, but will instead revise the effective interest rate of the financial instruments;
- modifications of lease liabilities as a result of the Reform – providing a similar practical expedient that lessee will remeasure the lease liability by discounting the revised lease payments using a discount rate that reflects the change in the interest rate, instead of applying the original lease modification guidance in HKFRS 16; and
- additional disclosures — an entity will be required to disclose information about new risks arising from the Reform and how it manages those risks as well as additional disclosure requirements for transitioning from IBORs to alternative benchmark risk-free rates.

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

2.2 Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts 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 and 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 (Revised)	5 Merger Accounting for Common Control Combinations 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

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

2.2 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 are expected to have impact on the Group's Interim Financial Statements. Other new and amended HKFRSs are not expected to have a material impact on the Group's Interim Financial Statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2” Disclosure of Accounting Policies”

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.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND SIGNIFICANT ACCOUNTING JUDGEMENT

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

Key sources of estimation uncertainty

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

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 consistently reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. As at 30 June 2021, the carrying amount of the Group's deferred tax assets was RMB2,040,444 (31 December 2020 (audited): RMB1,202,332).

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

The Group makes allowances on items subjects to ECL (including trade and other receivables, contract assets and other financial assets measured at amortised cost) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. As at 30 June 2021, the aggregate carrying amounts of trade and other receivables, contract assets and other financial assets measured at amortised cost amounting to RMB77,835,938 (net of ECL allowance of RMB5,556,441), RMB94,763,235 (net of ECL allowance of RMB11,019,759) and RMB253,313,334 (net of ECL allowance of RMB5,482,014) respectively. As at 31 December 2020, the aggregate carrying amounts of trade and other receivables, contract assets and other financial assets amounted 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.

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

Key sources of estimation uncertainty (Continued)

Fair value of derivative financial instruments

As described in note 23 to the Interim Financial Statements, the derivative components of convertible note are measured at fair value. The Group engaged an independent valuer to determine the fair values of these derivative financial instruments. The determination was based on generally accepted valuation procedures and practices that rely extensively on numerous assumptions taking into consideration of many uncertainties, including discount rate and volatility of the Group's share price, some of which cannot be easily quantified or ascertained. Changes in subjective input assumptions can materially affect the fair value estimate. As at 30 June 2021, the net fair value of derivative financial instruments (financial liability) is RMB1,319,314 (31 December 2020 (audited): RMB1,853,172).

Fair value of contingent consideration liability

As described in note 24 to the Interim Financial Statements, the contingent consideration liability is measured at fair value. The Group engaged an independent valuer to determine the fair values of this contingent consideration liability. The determination was relied extensively on probability-weighted estimate of the future net profit after tax of Aushen Group Pty Ltd. ("Aushen") for years ended 30 June 2020, 2021 and 2022, numerous assumptions taking into consideration of many uncertainties including discount rate and management's estimation of the performance achieved, some of which cannot be easily quantified or ascertained. Changes in subjective input assumptions can materially affect the fair value estimate. As at 30 June 2021, the fair value of contingent consideration liability is RMB1,670,437 (31 December 2020 (audited): RMB1,692,299).

Significant accounting judgement

Revenue from contracts for service

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

4. REVENUE AND SEGMENT REPORTING

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

	Six months ended 30 June	
	2021 RMB (Unaudited)	2020 RMB (Unaudited)
Rendering of e-learning solutions and related services	65,765,267	61,484,662
Sale of digital media products	9,943,019	-
Provision of education management system solutions and related services	5,992,339	-
Tuition and coaching fees	7,599,297	2,099,721
Consultancy income	164,596	259,416
Total	89,464,518	63,843,799

Disaggregation of revenue from contracts with customers

	Six months ended 30 June 2021 (Unaudited)					
	Rendering of e-learning solutions and related services RMB	Sale of digital media products RMB	Provision of education management system solutions and related services RMB	Tuition and coaching fees RMB	Consultancy income RMB	Total RMB
Timing of revenue recognition						
- At a point in time	-	9,943,019	-	-	-	9,943,019
- Over time	65,765,267	-	5,992,339	7,599,297	164,596	79,521,499
Total	65,765,267	9,943,019	5,992,339	7,599,297	164,596	89,464,518
Geographical markets						
- PRC	65,765,267	9,943,019	5,992,339	6,122,242	-	87,822,867
- Hong Kong	-	-	-	-	164,596	164,596
- Australia	-	-	-	1,477,055	-	1,477,055
Total	65,765,267	9,943,019	5,992,339	7,599,297	164,596	89,464,518
Type of customers						
- Corporate	64,680,184	9,943,019	4,741,939	-	164,596	79,529,738
- Schools and training institutions	1,085,083	-	1,250,400	6,122,242	-	8,457,725
- Individuals	-	-	-	1,477,055	-	1,477,055
Total	65,765,267	9,943,019	5,992,339	7,599,297	164,596	89,464,518

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

Disaggregation of revenue from contracts with customers (Continued)

Six months ended 30 June 2020 (Unaudited)

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

Unsatisfied revenue contracts

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

Segment reporting

In the current period, there is a change in segment reporting. The executive directors of the Company, being the chief operating decision maker for the purpose of resources allocation and performance assessment, focuses on the operating results corporate e-learning business developing and language education. For management purposes, the Group is organised into business units bases on their principal activities and has two reportable operating segments as follows: (i) corporate e-learning business developing and (ii) language and competence education. Management monitors the results of the Group's operating segments separately for the purpose of making decisions about the resource allocation and performance assessment.

Information about major customers

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

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

Geographic information

The Group's revenue and results from operations are mainly derived from activities in the PRC, Hong Kong and Australia. The non-current assets of the Group (other than financial instruments and deferred tax assets) are divided into the following geographical area:

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
PRC	93,523,738	94,555,927
Hong Kong	33,137	55,982
Australia	38,382,172	35,984,344
	131,939,047	130,596,253

5. OTHER INCOME

	Six months ended 30 June	
	2021 RMB (Unaudited)	2020 RMB (Unaudited)
Interest income from loan to a related company (Note 18 and 26)	2,958,217	3,670,225
Bank interests	318,739	191,354
Government subsidies income (note (a))	117,167	1,950,447
Property management income from:		
- A related company (note 26)	-	569,499
- A non-controlling shareholder of a subsidiary	-	569,499
Sundry income	303,803	189,176
Payable waived	-	907,449
Covid-19-related rent concessions (note (b))	-	263,842
	3,697,926	8,311,491

- (a) Government subsidies income represents discretionary grants received by the subsidiaries of the Group and is recognised in profit or loss when received and no further specific conditions are required to fulfil.
- (b) The Group received Covid-19-related rent concession for some of its office leases as part of relief measures negotiated with landlords during the six months ended 30 June 2020.

6. FINANCE COSTS

	Six months ended 30 June	
	2021 RMB (Unaudited)	2020 RMB (Unaudited)
Interest charges on:		
- Convertible note	1,934,883	2,030,249
- Borrowings	1,755,052	462,177
Finance charges on lease liabilities	544,535	600,193
	4,234,470	3,092,619

7. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2021 RMB (Unaudited)	2020 RMB (Unaudited)
Depreciation:		
- Owned assets	1,971,447	1,508,727
- Right-of-use assets	3,643,175	3,657,719
Total depreciation	5,614,622	5,166,446
Amortisation of other intangible assets	2,921,901	575,475
ECL allowance on:		
- Trade receivables	1,911,714	2,180,896
- Contract assets	5,094,549	2,889,293
- Other receivables	46,003	-
Total ECL allowance on financial assets	7,052,266	5,070,189
Auditors' remuneration	280,000	250,000
Fair value loss of the contingent consideration payable	41,943	172,600
Net foreign exchange loss	429,959	236,904
Loss of disposal of property, plant and equipment	2,383	-
Loss on disposal of a subsidiary (note 29)	92,615	-
Staff and related costs (including directors' remuneration)*	23,492,691	20,198,965

* There are staff costs of RMB3,627,266 (For the six months ended 30 June 2020 (unaudited): RMB5,478,249) being included as research and development costs in the cost of services for the respective projects.

8. DIRECTORS' REMUNURATION

	Six months ended 30 June	
	2021 RMB (Unaudited)	2020 RMB (Unaudited)
Directors' emoluments for services as directors of the Company and its subsidiary undertakings		
- Fees	668,690	616,937

9. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021 RMB (Unaudited)	2020 RMB (Unaudited)
Current tax		
<i>PRC</i>		
- Current year	4,115,554	4,941,832
- Under provision in respect of prior years	-	165,394
	4,115,554	5,107,226
<i>Hong Kong and Australia</i>		
- Current year	60,580	-
- Over provision in respect of prior years	-	(372,174)
	60,580	(372,174)
Deferred tax*	(985,198)	(3,441,484)
	3,190,936	1,293,568

* During the six months ended 30 June 2021, the movement of the deferred tax assets was mainly from ECL allowance (For the six months ended 30 June 2020 (unaudited): unutilised tax loss and ECL allowance).

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

9. INCOME TAX EXPENSE (CONTINUED)

- (d) PRC EIT law also require all retained profits of the PRC subsidiaries arising since 1 January 2008 and distributed and remitted as dividend to the overseas parents are subject to 5% or 10% withholding tax on the amount remitted. Withholding taxes have been provided for the profits that have been declared from a PRC subsidiary of the Company during the six months ended 30 June 2020. For the remaining retained profits, it is the intention of the management that the Group would reinvest these profits in the respective subsidiaries and therefore withholding tax would not be applicable for those profits during the six months ended 30 June 2021;
- (e) 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 200% (2020: 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% (2020: 75%) of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual CIT filling. The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the six months ended 30 June 2021;
- (f) Up to date, in respect of the acquisition (note 28) 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;
- (g) 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 HK\$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2 million are taxed at 16.5%. Hong Kong profits tax has not been provided for the six months ended 30 June 2021 and 2020 as the Group has no assessable profits for the period; and
- (f) Under relevant tax regulations in Australia, local corporations are subject to corporate tax rate of 26.5% (2020: 27.5%).

10. DIVIDENDS

There are no dividends declared during the six months ended 30 June 2021 and 2020.

11. EARNINGS PER SHARE

	Six months ended 30 June	
	2021 (Unaudited) RMB	2020 (Unaudited) RMB
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	10,818,519	14,521,452
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	232,912,633	232,912,633

The calculation of diluted earnings per share for the six months ended 30 June 2021 and 2020 does not assume the exercise of the Company's outstanding convertible note which had anti-dilutive effects and would result in an additional in earnings per share. Therefore, the diluted earnings per share is the same as the basic earnings per share for the periods.

12. PROPERTY, PLANT AND EQUIPMENT

The movements of the property, plant and equipment (including right-of-use assets) for the period/year are set out below:

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Net carrying amount		
At the beginning of the period/year	36,333,372	46,175,408
Additions	1,434,450	9,931,747
Acquisition of a subsidiary	-	163,784
Disposals/Written off	(2,383)	(521,713)
Derecognition upon lease termination	-	(1,823,597)
Lease modification	-	(6,022,128)
Depreciation	(5,614,622)	(12,015,012)
Exchange differences	(901,295)	444,883
At the end of the period/year	31,249,522	36,333,372

The Group has obtained the right to use office space through the tenancy agreements. The leases typically run on initial periods from two to five years. The Group makes fixed payments during the contract period. During the six months ended 30 June 2021, there are no additions to right-of-use assets (For the six months ended 30 June 2020 (unaudited): RMB433,234).

As at 30 June 2021, the aggregate carrying amount of the Group's right-of-use assets in relation to the buildings is RMB23,204,414 (31 December 2020 (audited): RMB27,630,328).

13. OTHER INTANGIBLE ASSETS

The movements of the other intangible assets for the period/year are set out below:

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Net carrying amount		
At the beginning of the period/year	31,967,650	2,745,041
Additions	9,692,769	11,389,328
Acquisition of a subsidiary	-	20,315,197
Amortisation	(2,921,901)	(2,814,215)
Exchange differences	(344,224)	332,299
At the end of the period/year	38,394,294	31,967,650

The amortization charge for the period/ year is included in cost of service and administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

14. INVENTORIES

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Learning materials	1,827,564	2,041,565

15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Current		
Trade receivables, gross	71,182,019	45,574,694
Less: ECL allowance	(5,556,441)	(3,644,727)
Trade receivables, net	65,625,578	41,929,967
Other receivables and deposits paid, net of ECL allowance	4,203,632	7,074,503
Supplier advances	6,000,000	-
Financial assets at amortised cost	75,829,210	49,004,470
GST withholding tax received	364,460	-
Prepayments	14,030,988	20,808,943
	90,224,658	69,813,413
Non-current		
Other receivables and deposits paid, net of ECL allowance	2,006,728	2,083,817

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
0 - 90 days	28,373,887	28,027,976
91 - 180 days	13,082,091	3,853,621
181 - 365 days	18,096,502	6,047,279
Over 365 days	5,679,545	3,768,538
Over 720 days	393,553	232,553
	65,625,578	41,929,967

The Group generally allows a credit period of 15 to 60 days (31 December 2020 (audited): 15 to 60 days) to its customers.

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

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Balance at the beginning of the period/year	3,644,727	4,278,019
ECL allowance recognised during the period/year	1,911,714	1,466,708
Amount written off during the period/year	-	(2,100,000)
Balance at the end of the period/year	5,556,441	3,644,727

During six months ended 30 June 2021, ECL allowance of RMB46,003 (31 December 2020 (audited): RMB Nil) has been provided for other receivables during the period.

16. CONTRACT ASSETS AND LIABILITIES

16.1 Contract assets

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Contract assets arising from unbilled revenue	105,782,994	90,931,700
Less: ECL allowance	(11,019,759)	(5,925,210)
	94,763,235	85,006,490

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

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Balance at the beginning of the period/year	5,925,210	2,984,976
ECL recognised during the period/year	5,094,549	2,940,234
Balance at the end of the period/year	11,019,759	5,925,210

At 30 June 2021, RMB3,212,108 is expected to be recovered more than one year (31 December 2020 (audited): RMB1,151,881 was expected to be recovered more than one year).

16.2 Contract liabilities

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Contract liabilities arising from billings in advance for performance		
– Rendering of e-learning solutions and related services contracts	4,157,329	3,755,691
– Provision for education management system solutions and related services	1,047,894	-
– Tuition and coaching services	2,108,689	2,804,805
	7,313,912	6,560,496

Contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at 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.

16. CONTRACT ASSETS AND LIABILITIES (CONTINUED)

16.2 Contract liabilities (continued)

Contract liabilities outstanding at the beginning of the year accounting to RMB6,560,496 (31 December 2020 (audited): RMB3,874,784 were recognised as revenue during the year) were recognised as revenue during the period.

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

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

(a) Amount due from a non-controlling shareholder

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Lumina Looque Knowledge Hubs Pte Ltd ("Lumina")*	4,959,374	4,959,374
Less: ECL allowance	(4,959,374)	(4,959,374)
	-	-

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

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

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Hexon Consulting Limited	521,980	521,980
Less: ECL allowance	(521,980)	(521,980)
	-	-

Hexon Consulting Limited ("Hexon") has 9.2% equity interests in the Company's subsidiary, Prosage Sustainability Development Limited ("Prosage"). Hexon is in the liquidation process and therefore the amount due from prosage is expected to be not recoverable.

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

(c) Amounts due from related companies

	Maximum balance during the period RMB	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Shanghai Retech Information Technology Co., Ltd (“Shanghai Retech IT”) *	3,225,640	2,102,650	3,225,640
Retech Digital Media Co., Ltd *	5,403,361	5,352,104	5,403,361
Zhenjiang Retech Education Technology Co., Ltd. (“Zhenjiang Retech ET”)#	118,454	118,454	-
Beijing Retech Digital Industry Research Institute (“Beijing Retech Digital IRI”)*	85,050	85,050	-
Jiangsu Ruixin Aiyu Education Technology Co., Ltd (“Jiangsu Ruixin Aiyu”)	712,311	712,311	-
Ai Chinese Pty Ltd	10,332	10,332	-
		8,380,901	8,629,001

* Mr. Ai Shungang (“Mr. Ai”) is the ultimate controlling shareholder and a Co-Chairman of the Company. He is also the ultimate controlling shareholder and a director of Shanghai Retech IT, Retech Digital Media Co. Ltd. and Beijing Retech Digital IRI.

Mr. Ai is a shareholder of the holding company of Zhenjiang Retech ET.

(d) Amount due to a related company

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Shanghai Retech IT	10,567,779	-

(e) Amount due to a director

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Li Kang *	-	578,588

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

18. LOANS TO RELATED COMPANIES

	Maximum balance during the period RMB	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Jiangsu Retech Digital Industry Park Co., Ltd. ("Jiangsu Industry Park") *	73,944,125	39,029,265	31,748,709

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

The loan above is denominated in RMB and is unsecured, interest-bearing at a fixed rate of 10% (31 December 2020: 10%) per annum and wholly repayable within twelve months from the reporting date.

At 30 June 2021, the carrying amount of the loans 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.

19. CASH AND CASH EQUIVALENTS

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Cash at bank and in hand	205,721,168	205,816,383

20. TRADE AND OTHER PAYABLES

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Trade payables	13,596,903	9,346,185
Other payables:		
- Accrued expenses	6,019,673	3,811,133
- Payroll payable	4,732,693	4,765,088
- Other liabilities	6,203,397	8,671,767
- Deposit received for investment	35,948,489	13,000,000
- Accrued interest charges	657,613	-
Trade and other payables as financial liabilities at amortised cost	67,158,768	39,594,173
Provision of other tax liabilities	8,745,482	5,467,755
	75,904,250	45,061,928

The credit period of the Group is usually from 15 to 60 days (31 December 2020 (audited): 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.

During the period under review, a subsidiary of the Group was involved in a monetary claim to demand outstanding rental expense in the sum of approximately HK\$3.8 million (equivalent to RMB 3.2 million) claimed by the landlord, which was included in accrued expense.

Deposit received for investment

During the six months ended 30 June 2021 and the year ended 31 December 2020, a subsidiary of the Group has entered into investment agreements with third party investors to dispose partial interests in Ai English Pty Ltd. As of the date of the report, these transactions have yet to be completed as the terms of the investment agreement have not been fulfilled.

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

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
0 - 90 days	9,540,899	3,230,851
91 - 180 days	1,628,024	2,304,670
181 - 365 days	313,723	577,400
Over 365 days	2,114,257	3,233,264
	13,596,903	9,346,185

21. BORROWINGS

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Secured bank loan (note a)	20,000,000	20,000,000
Guaranteed bank loans (note b)	19,900,000	22,900,000
Other unsecured loans (note c)	9,690,152	16,527,492
Total borrowings	49,590,152	59,427,492
Less: Amounts shown under current liabilities	(39,900,000)	(49,365,092)
	9,690,152	10,062,400

- (a) Bank loans are denominated in RMB, wholly repayable in 12 months from the date of drawdown and interest bearing at variable rate of 5.75% per annum (31 December 2020 (audited): 5.75%). The bank loan 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.
- (b) Guaranteed bank loans are denominated in RMB, wholly repayable in 12 months from the date of drawdown and interest bearing at fixed rates of 4.2% - 4.67% per annum (31 December 2020 (audited): 4.67%). These bank loans are secured against:
- personal guarantees provided by Mr Ai and his spouse, Ms. Kong Yan; and
 - loan performance guarantee insurance purchased by the Group.
- (c) Other unsecured 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 (audited): A\$2,000,000) and wholly repayable on August 2022. The loan bears fixed rate of 4.5% (31 December 2020 (audited): 4.5%) per annum which the interest is repayable every six months;
 - The loan with Zhengshi Investment Company Limited with loan principal amount of A\$150,000 (31 December 2020 (audited): A\$150,000) has been repaid in current year.

22. LEASE LIABILITIES

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Total minimum lease payments:		
Due within one year	10,653,954	9,522,932
Due in the second to fifth years	18,284,569	22,972,533
	28,938,523	32,495,465
Less: Future finance charges on leases liabilities	(1,788,760)	(2,367,201)
	27,149,763	30,128,264
Present value of minimum lease payments:		
Due within one year	9,830,892	8,542,224
Due in the second to fifth years	17,318,871	21,586,040
	27,149,763	30,128,264
Less: Portion due within one year included under current liabilities	(9,830,892)	(8,542,224)
Portion due after one year included under non-current liabilities	17,318,871	21,586,040

During the six months ended 30 June 2021, total cash outflows for the leases are RMB2,648,232 (For the six months ended 30 June 2020: RMB2,936,880).

23. CONVERTIBLE NOTE

Details of the terms of the convertible note have set out in the Group's annual report for the year ended 31 December 2020. Convertible note contains a liability component and the embedded derivatives (comprising the issuer's call option, and the holders' put option and conversion option), which are required to be accounted for separately. The derivative components are measured at fair value using the Monte Carlo Simulation Model method. The fair value changes were recognised in profit or loss.

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

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Liability component		
Balance at the beginning of the period/year	32,437,927	32,781,619
Accrued effective interest charges	1,934,883	4,501,241
Interest paid	(1,304,122)	(2,775,202)
Exchange difference	(400,565)	(2,069,731)
Balance at the end of the period/year	32,668,123	32,437,927
Fair value of embedded derivative component in respect of the call option - financial assets		
Balance at the beginning of the period/year	(2,616,139)	(9,733,410)
Change in fair value	836,129	6,913,187
Exchange difference	30,185	204,084
Balance at the end of the period/year	(1,749,825)	(2,616,139)
Fair value of embedded derivative component in respect of the put option and conversion option – financial liabilities		
Balance at the beginning of the period/year	4,469,311	14,281,539
Change in fair value	(1,348,413)	(9,476,924)
Exchange difference	(51,759)	(335,304)
Balance at the end of the period/year	3,069,139	4,469,311

As at 30 June 2021, the fair value of the liability component is approximately RMB32,256,000 (31 December 2020 (audited): RMB32,408,000). The fair values of embedded derivative components are based on a valuation performed by an independent professional valuer using Monte Carlo Simulation Model method and is classified within Level 3 of the fair value hierarchy. Details of the fair value measurements of the embedded derivative components are set out in note 30.

24. CONTINGENT CONSIDERATION LIABILITY

	As at 30 June 2021 RMB (Unaudited)	As at 31 December 2020 RMB (Audited)
Contingent consideration at the beginning of the period/acquisition date	1,692,299	1,607,522
Change in fair value	41,943	35,762
Exchange differences	(63,805)	49,015
	1,670,437	1,692,299

In prior years, the Group completed an acquisition of 51% equity interests in Aushen from an independent third party, Suns Group Corporation Pty Ltd (“Suns Group”). The acquisition includes a contingent consideration payable by the Group to Suns Group.

The Group is expected to pay additional consideration up to A\$408,000 (equivalent to approximately RMB1,977,000) on year 2022 depending upon the growth rate of the net profit after tax of Aushen for the years ended 30 June 2020, 2021 and 2022.

The contingent consideration liability is measured at fair value at the reporting date and details of fair value measurements were set out in note 30 to the condensed consolidated interim financial statements and the Group’s annual report for the year ended 31 December 2020.

25. 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 30 June 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.

26. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the unaudited Interim Financial Statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the six months ended 30 June 2021 and 2020 are as follows:

Name of related parties	Nature of transactions	Six months ended 30 June	
		2021 RMB (Unaudited)	2020 RMB (Unaudited)
Related companies			
Shanghai Retech IT (note (a))	Services income recharged	9,311,019	9,627,781
	Cost of services recharged by	3,199,171	3,872,914
Jiangsu Industry Park (note (b))	Interest income received	2,958,217	3,670,225
Retech Digital Media Co., Ltd. (note (c))	Property management income	-	569,499
Jiangsu Ruixin Aiyu (note (d))	Disposal of interest in a subsidiary	480	-

Notes:

- (a) Pursuant to service agreement signed between a subsidiary of the Company, Shanghai Retech Digital Technology Co., Ltd. ("Shanghai Retech Digital") and a related company, Shanghai Retech IT ("the Service Agreement"), Shanghai Retech IT has appointed Shanghai Retech Digital as its exclusive service provider for technical, consulting and other services from 1 July 2017 to 30 August 2026 ("Service Period"). Under the terms of the Service Agreement, the services provided by Shanghai Retech Digital will be charged at a fee equal to 100% of the revenue received by Shanghai Retech IT during the Service Period. Costs and operating expenses will be recharged on a reimbursement basis. The Group's relationship with Shanghai Retech IT is described in note 17(c) to the Interim Financial Statements.
- (b) The transaction was enacted with Jiangsu Industry Park of which relationship with the Group is described in note 18 to the Interim Financial Statements.
- (c) The transaction was enacted with Retech Digital Media Co., Ltd. of which relationship with the Group is described in note 17(c) to the Interim Financial Statements.
- (d) As disclosed in note 29, 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.

Compensation of key management personnel

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

27. SHARE BASED EMPLOYEE COMPENSATION

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

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

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

- (a) CDIs – recognised over the period where the services are received; and
- (b) Options with vesting period – recognised on a straight-line basis over the vesting period with corresponding increase in employee compensation reserve.

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

During the six months ended 30 June 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.

28. BUSINESS COMBINATION

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 Co., Ltd. (“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 of 2020, 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

	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

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.

28. BUSINESS COMBINATION (CONTINUED)

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.

29. DISPOSAL OF A SUBSIDIARY

On 15 June 2021, the Company 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. 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

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

Loss on disposal of a subsidiary

	RMB
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

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

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

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

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
As at 30 June 2021 (Unaudited)				
Financial assets				
Derivative financial instruments (i)	-	-	1,749,825	1,749,825
Financial liabilities				
Derivative financial instruments (i)	-	-	(3,069,139)	(3,069,139)
Contingent consideration liability (ii)	-	-	(1,670,437)	(1,670,437)
	-	-	(4,739,576)	(4,739,576)
Net fair value	-	-	(2,989,751)	(2,989,751)
As at 31 December 2020 (Audited)				
Financial assets				
Derivative financial instruments (i)	-	-	2,616,139	2,616,139
Financial liabilities				
Derivative financial instruments (i)	-	-	(4,469,311)	(4,469,311)
Contingent consideration liability (ii)	-	-	(1,692,299)	(1,692,299)
	-	-	(6,161,610)	(6,161,610)
Net fair value	-	-	(3,545,471)	(3,545,471)

There were no transfers between level 1 and level 2 of the fair value hierarchy during the six months ended 30 June 2021 and 2020.

- The fair values of the derivative financial instrument are based on a valuation performed by an independent professional valuer; and
- The fair value of contingent consideration liability is based on the probability-weighted estimate of Aushen's performance between FY2020 to FY2022 as set out in details in annual financial statements.

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Information about Level 3 fair value measurements

	Valuation technique	Significant unobservable inputs	Sensitivity relationship of unobservable inputs to fair value
Financial assets			
Issuer's Call Option	Monte Carlo simulation model method	Discount rate: 9.75% (2020: 9.89%)	The higher the discount rate, the lower the fair value, and vice versa.
		Volatility: 68% (2020: 55%)	The higher of the volatility, the higher of the fair value, and vice versa.
Financial liabilities			
Holder's Conversion and Put Option	Monte Carlo simulation model method	Discount rate: 9.75% (2020: 9.89%)	The higher the discount rate, the lower the fair value, and vice versa.
		Volatility: 68% (2020: 55%)	The higher of the volatility, the higher of the fair value, and vice versa.
Contingent consideration liability	Discounted cash flow method and probability-weighted estimated	Discount rate: 5% (2020: 5%)	The higher the discount rate, the lower the fair value, and vice versa.
		Probability: 89% (2020: 91%)	The higher the probability-weighted estimate, the higher of the fair value, and vice versa.

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

	Issuer's Call Option RMB	Holder's Conversion and Put Options RMB	Contingent consideration liability RMB	Total RMB
At 1 January 2020 (audited)	9,733,410	(14,281,539)	(1,607,522)	(6,155,651)
Fair value loss recognised in profit or loss	(6,913,187)	9,476,924	(35,762)	2,527,975
Exchange gain/(loss) recognised in profit or loss	(204,084)	335,304	(49,015)	82,205
At 31 December 2020 (audited) and 1 January 2021	2,616,139	(4,469,311)	(1,692,299)	(3,545,471)
Fair value (loss)/gain recognised in profit or loss	(836,129)	1,348,413	(41,943)	470,341
Exchange (loss)/gain recognised in profit or loss	(30,185)	51,759	63,805	85,379
At 30 June 2021 (unaudited)	1,749,825	(3,069,139)	(1,670,437)	(2,989,751)

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

31. COMPARATIVE FIGURES

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

32. EVENTS AFTER THE REPORTING PERIOD

(a) On 31 May 2021, a wholly-owned subsidiary of the Group, Ai English Pty Ltd. ("Ai English"), entered into a sale and purchase agreement with the sellers, independent third parties of the Group, pursuant to which the sellers conditionally agreed to sell, and Ai English conditionally agreed to buy the 100% equity interest of English Wonderkid Limited for consideration of:

- First payment: Ai English to issue ordinary shares equivalent to US\$1.75 million to the seller;
- Final payment will be based on the operating results of newly acquired business during 1 June 2021 to 31 May 2022 ("Transition Period") as follows:
 - (i) If the new acquired business generates more than RMB1 million net profit, the related payment will be determined based on the two-year average net profits of newly acquired business after the Transition Period (i.e. 1 June 2022 to 31 May 2024). The equivalent amount of Ai English shares will be issued to the sellers and subject to a minimum amount of US\$0.6 million.
 - (ii) If the newly acquired business not able to generate more than RMB1 million net profit, US\$0.6 million equivalent of RTE shares (or Ai English share if new shares of RTE are not approved by the board of directors) shall be issued to sellers.

On 23 August 2021, the acquisition was completed and Ai English issued 376,545 new ordinary shares to the seller as first payment.

(b) In December 2020 and January 2021, Ai English entered into investment agreements with third party investors in relation to share investment in Ai English. The transaction is subject to condition precedent to complete and not yet completed up to the date of this report. The transaction is subject to condition precedent to complete and not yet completed up to the date of this report.

(c) In July 2021, the General Office of State Council in China issued series of policies to reduce the workload on Chinese students and to reduce the financial pressure on Chinese parents when it comes to educating their children. For details of influence by this policy, please refer to Business Review section of this half year report.

Directors' Declaration

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

In the opinion of the directors:

- (a) The condensed and consolidated interim financial statements (Interim Financial Statements") and the notes thereto are in compliance with the Corporations Act 2001 and are in accordance with the Hong Kong Financial Reporting Standards as stated in note 1 in the Interim Financial Statements, and give a true and fair view of the condensed consolidated financial position of the Group as of 30 June 2021, and of its condensed consolidated performance for the period ended on that date; and
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the directors,



Mr Ai Shungang
Co-Chairman
31 August 2021



Mr Calvin Cheng
Co-Chairman
31 August 2021

Auditor's Independence Declaration

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

As the auditor of Retech Technology Co., Limited and in relation to the review for the six months ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants.

Grant Thornton Hong Kong Limited



Steve Ng
Partner

31 August 2021

Hong Kong



Independent review report

To the members of Retech Technology Co., Limited

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial statements of Retech Technology Co., Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 13 to 50, which comprise the condensed consolidated statement of financial position as at 30 June 2021, and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended, and other explanatory notes.

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

Scope of Review

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

Conclusion

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



Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

31 August 2021

Ng Ka Kong

Practising Certificate No.: P06919

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