



ASX Announcement

30 August 2019

Half Year Market Update

Highlights

- Revenue for the reporting period was RMB65.79m (A\$13.66m)¹ which increased by 35%
- NPBT was RMB25.31m (A\$5.26m) which increased 24% compared with the corresponding period
- Dividend payment is expected in mid-November with details under preparation
- Mr. Lapto Yau has been appointed to the Board, to enhance technology background and accelerate growth in Australia

Retech Technology Co., Limited ("**Retech**" or "**Group**") (ASX: **RTE**) a leading Chinese e-learning technology provider, is pleased to provide the following financial and operational update to accompany the Half Year FY2019 report.

Financial Update

Revenue for the reporting period was RMB65.79m (A\$13.66m) which increased by 35%. This was driven by strong demand for our enterprise online training solutions in mainland China especially in finance, auto and high-tech industries. Net profit before tax ("NPBT") was RMB25.31m (A\$5.26m) which increased 24% comparing with the corresponding period in 2018. Net profit after tax ("NPAT") was RMB18.15m (A\$3.77m) which increased 6%. Our taxation expenses costs increased significantly for the period due to the accrual of withholding taxes for distribution of profits out of China, however our enterprise income tax rate remains broadly unchanged.

Operational Update

➤ Corporate clients

The Company maintained cooperation with major and repeat corporate clients such as Bank of China, Ping An, and Mercedes-Benz. New clients increased during the period, especially in the finance industry, including

¹ Exchange rate: A\$1-RMB4.8156 (based on 28 June 2019)

Industrial Bank of China and China Minsheng Bank, following our successful work for the Bank of China. In the Technology sector, the Company has been developing an e-learning platform for overseas employees of Huawei Technology Co., Ltd., bringing another new, major customer for Retech.

➤ *Vocational schools*

Retech Vocational School's digital education system is positioned as an integrated solution provider of "industry and education." The Company has successfully been awarded contracts for new online e-course projects involving Shanghai Urban Construction Vocational College, Shanghai Commercial School, Shanghai Communications School and Shanghai Mechanical Industry School, etc. The launch of municipal-level vocational school projects has provided a clear model for working with training colleges, promoting our services for major new college-level projects in terms of construction and design. Meanwhile, Retech has successfully signed a curriculum development project in the first half of 2019 through the close cooperation with a number of vocational school groups established by the government, such as Shanghai Vocational Education Group for Commerce and Trade and Hongkou Vocational Education Group, etc. The content of these e-courses is generally applicable to member schools and the structure can be duplicated in the future. This will bring more opportunities for future projects.

➤ *ESG services*

ProSage Sustainability Development Limited ("ProSage"), the Company's subsidiary to develop ESG e-learning and reporting services, has leveraged a "B2P2B" model to empower ESG consulting organizations. Since its establishment, ProSage has completed building its SaaS ESG training platform, created 55 high quality ESG IP training programs, and provided online learning services for government authorities and enterprises including the Hong Kong Export Credit Insurance Corporation, Carbon Care Asia Limited, etc. ProSage will further build up its ESG courseware library to facilitate listed companies in Asia and other capital markets to realize sustainable development.

➤ *Language learning*

On 26 June 2019, Retech acquired 51% of Melbourne-based XJS Coaching School by way of a share acquisition. Aushen Group Pty Ltd ("Aushen"), an Australian registered entity, owns the XJS Coaching School. XJS Coaching School is a locally renowned tutoring institution providing language and subjects tuition, located across 6 centres in Victoria. Australia has the largest English-speaking population of qualified language teachers within a similar time zone to China. The XJS acquisition allows Retech to utilize its advanced O2O and e-learning technologies to assist XJS to teach cross-border live-streamed, interactive lessons between Australia and China. "Ai English" and "Ai Chinese" are among such programs, using qualified teachers in the source country to teach interactive, high quality lessons into the broadcast country. Ai English has started teaching and has already signed up a number of leading after-school tutoring and educational groups in China as its clients.

Post-completion of the acquisition of Aushen, the integration has proceeded smoothly. Following confirmation of Aushen's latest financial results, "FY2019 NPAT" in the Sale and Purchase Agreement for Aushen will be replaced with a fixed price of A\$200,000. Accordingly the following adjustment will be made: the second payment will be maximum of \$408,000, calculated based on the formula in the Sales and Purchase Agreement. This payment may be subject to downward adjustment based on the performance of Aushen during FY2020, FY2021 and FY2022 and the maximum price purchase has been adjusted to A\$816,000.

➤ *Dividend Plan*

In the Company's Annual General Meeting on 13 June 2019, the shareholders approved a general mandate for the directors to declare dividend. The directors had proposed a special dividend of Australian dollars ("A\$") 0.005 per share. The proposed amount of A\$1,164,076 (i.e. RMB5,569,618) have been reflected as an appropriation of retained profits for the six months ended 30 June 2019. The proposed dividends were subsequently approved by the Board of Directors on 26 August 2019. Additional information on the dividend (including timing of payment of the dividend) will be subject to disclosure as required by the ASX Listing Rules.

➤ *New Board Director*

It is anticipated that Mr. Lapto Yau will join the Board as the Company's Australian non-executive independent director commencing on 1 September 2019. Mr. Yau served as Associate Vice President from 2012, and then from 2017, was Board Secretary of Hailiang Education group, one of China's largest K-12 education groups. Before joining Hailiang Education, from 2010 to 2012, Mr. Yau served as the Vice President of Astronery Power

Group in China responsible for the company's IT projects. From 2007 to 2010, Mr. Yau worked in Suntech Power in Wuxi as the group's Chief Information Officer. Mr. Yau obtained his Bachelor's Degree in Computer Science and Graduated Diploma of Computer Education in Edith Cowan University in Australia. He also obtained a Master's Degree in Data Management from Sunderland University (UK) and an Executive MBA Degree from Fudan University (Shanghai, China). Mr. Yau will leverage his experience to provide enterprise management and technology development strategic advice to Retech.

Mr. Kang Li, previously our Australian independent and non-executive director, has joined the management team of XJS Coaching School, but will remain on the Board as a non-independent, non-executive director.

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About Retech

Retech Technology Co., Limited is a leading Chinese e-learning services and technology provider. Retech's products include e-learning solutions, learning analytics, customized and pre-prepared training courses and digital ESG reporting and training. Customers include Bank of China, Ping An Insurance and Mercedes Benz. Based in Shanghai, Retech has around 260 staff by 2018. In the year to December 2018, Retech's net profit was RMB 48.27 million (A\$ 10.05mn equivalent)². As at 30 June 2019, Retech's market capitalization was A\$93 million.

² Exchange Rate: A\$ 1 – RMB 4.8 (30 June 2019)