

ASX Announcement

31 January 2020

Market Update

Highlights

- **Net operating cash flow of RMB43.025 million (A\$9.174 million)¹ in Q4, a year-over-year increase of 107% compared with Q4 2018, driven by income from new projects.**
- **New international and domestic industry recognition and awards for our software, competitive power and innovative business model.**
- **Our first dividend was paid out of net income on 27 November, 2019.**
- **On 22 January 2020, Retech signed a Sale and Purchase Agreement to acquire 80% of the issued share capital of Shanghai Pantosoft Co., Ltd, by way of an acquisition of the holding company, Pantosoft International Limited. This new acquisition will advance our progress in the key vocational and tertiary education sector.**

Retech Technology Co., Ltd (ASX: RTE, “**Retech**”), a leading Chinese e-Learning technology provider, is pleased to announce its operational commercial initiatives and provide commentary on its cashflow for Q4 2019.

Financial Update

Net cash flow from operating activities in Q4 2019 was RMB 43.025 million (A\$9.174 million), a year-over-year increase of 107% compared with RMB20.8 million (A\$4.43 million) in Q4 2018. This was mainly driven by improved procedures of cash management in 2019. Net cash flow from investment activities was RMB-4.667 million (A\$-9.95 million), reflecting the RMB73.7 million (A\$15.714 million) acquisition of Shanghai Pantosoft in Q4 2019, which is expected to be completed in FY 2020. During the 12 months to 31 December 2019, net cash from operating activities was RMB22.1 million (A\$4.7 million). During the same period, net cash inflow from investment activities was approximately RMB56.7 million (A\$12.1 million), as a result of fixed bank deposits offset by acquisition-related expenditure. As at the end of 31 December 2019, Retech’s net cash balance was RMB185.06 million (A\$39.5 million).

Operational Update

➤ **Business Development**

In H2 2019, Retech continued its successful cooperation with repeat customers such as Bank of China, Ping An, Mercedes-Benz as well as successfully entering into contracts with new clients.

In our corporate e-learning solutions business, new contracts were signed with clients in the financial services, retail, and high-tech industries. Retech has signed contracts to provide new e-learning platforms with Bank of Tangshan, Panasonic and Industrial Bank Co., Ltd. to help them build up their online training platforms, helping our customers to attract better talent and providing superior levels of training support. In terms of new e-course services, Retech has commenced business with VIVO, Algenist, Panasonic, Toys R Us and Huaxia Bank. The

¹ Exchange Rate: A\$ 1 – RMB 4.69 (27 January 2020)

objective being to help these customers to help them refine their training materials and step by step to build a scientific and rigorous e-course system. Retech will be providing preliminary online courseware services and support to these major new clients.

In respect to e-learning solutions for vocational schools, Retech has continued its cooperation with vocational education groups and schools with new "Online Open Courses" projects. The Company has provided training for Hongkou Vocational Education Group and Shanghai Publishing and Printing College to improve their teachers' capabilities in digital education. Retech has also signed a contract with Shanghai Information Management School to co-construct a digital media learning centre, to jointly improve the professional standards of vocational school students through "industry-education integration".

Our advances in the area of providing e-learning and training services to vocational and tertiary schools will be significantly advanced by the acquisition of Shanghai Pantosoft Co., Ltd. Shanghai Pantosoft has a client base of over 3,000 vocational schools and over 1,000 active customers. We expect to rapidly expand on our strategy to build new centres of excellence in digital media education, working with many vocational schools and government to provide courseware, training, apprenticeships and work placement to students, integrating industry and education in accordance with the State Council's "National Vocational Education Reform Implementation Plan" announced in 2019.

Following the completion of the acquisition of XJS Coaching School in June 2019, the newly established English education brand "Ai English" has developed rapidly. At present, it provides A-Teacher, After-School and other high-quality "Dual Teacher Classroom" services for training institutions, primary schools, and kindergartens in China, delivering high quality English programs from Australia into China's heartlands. RTE has coverage across East, North and Southwest China, including cities such as Beijing, Shanghai, Nanjing, Jinan, Wuxi, and Hefe. Cooperation partners include Wuxi Foreign Language Primary School, Nantong Yongxing Primary School, Beijing Jinqiao Primary School, and branches of Rise Education (the largest after-school English tutoring group in China) in Yixing, Nanjing, Beijing and Shanghai. Our Australian "Dual Teacher Classrooms" are delivering high quality English into China while improving students' communication and language skills, cultural understanding as well as broadening their horizons.

➤ **Coronavirus**

Retech notes with concern the outbreak of the novel Coronavirus (nCOV) that originated in Wuhan in late 2019. The management and board of Retech are being kept fully informed on a daily basis and are monitoring the health and welfare of all our employees. To date, we are pleased to say that, so far as we are aware, none of our staff has been infected. Our business continues to thrive as education groups turn to online resources to train and educate their employees, while schools and after-school classes turn to offshore delivery of English language education due to the low local availability of foreign teachers.

➤ **Dividend Payment**

On 13 June 2019, Company's shareholders approved its first dividend payment at the 2019 Annual General Meeting. The dividend of AUD 0.005 per share was paid on 27 November 2019. Given Retech's total share capital of 232,912,633 CDIs on the record date of 15 November 2019, the total amount distributed to CDI holders was A\$1.165 million.

Since the Company's listing on ASX in June 2017, Retech has focused on delivering value to its equity owners. This was the first dividend payment implemented by Retech.

➤ **Acquisition of Shanghai Pantosoft**

On 22 January 2020 Retech's wholly owned subsidiary, Retech Holdings Co., Limited signed a Sale and Purchase Agreement for the acquisition of 100% of the issued share capital in Pantosoft International Limited, the holding company of 80% of the issued share capital in Shanghai Pantosoft Co., Limited (Proposed Acquisition). Retech is currently in negotiations with the remaining shareholder of Shanghai Pantosoft, Zhenjiang Letai Digital Industry Venture Capital Fund Partnership (limited partnership), to acquire the balance 20% of Shanghai Pantosoft through Shanghai Retech Digital Technology Co., Ltd (a wholly owned subsidiary of Retech).

Industrial Update

➤ **Industrial Awards**

In November 2019, Shanghai Retech Digital Technology Co., Ltd., a wholly-owned subsidiary of Retech, has been awarded “Best Software Competitive Power” by the Shanghai Software Industry Association (SSIA). With its outstanding performance in various aspects such as enterprise scale, operating performance, R&D capabilities, high-tech achievements, etc., Retech stands out among participating companies and was highly appraised by the SSIA for its innovation.

On September 5, “Ai English” won the “Business Model Innovation of Online Education Award” at the “E-Learning Korea 2019: Edtech Fair”. This fair was jointly organized by the Korean government and the Education Industry Association and was held at the COEX Convention Center in Seoul, South Korea.

➤ **Industrial Forum**

On 13 November, 2019, Retech co-hosted the Asia Education Technology Summit (AES) in Tokyo, as Sponsor, together with the Japan and Korea E-Learning Associations. AES is the most influential industry summit in Japan and the major industry event in East and Southeast Asia. The summit focused international cooperation, EdTech development and educational content. AES brings together industry leading participants to discuss the long-term development of enterprises and innovative learning strategies, as well as new technologies and business models in the new economic era, with the aim of advancing the e-learning industry ecosystem.

On 5 December, 2019, Retech was invited to participate in the 2020 Wealth Summit Forum hosted by ALLFIN, with the theme of “Follow the Trend and Reshape the Pattern”. Retech, as an ASX-listed Edtech company, has seen positive growth since its listing, and continues to gain attention both the Chinese and Overseas market. This has become a key factor in RTE's invitation to this summit.

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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, at 31 December 2019, Retech had approximately 240 staff. In the year to December 2018, Retech's net profit was RMB 48.27 million (A\$ 10.29mn equivalent)². As at 19 January 2020, Retech's market capitalisation was A\$93 million.

Disclaimer

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² Exchange Rate: A\$ 1 – RMB 4.69 (27 January 2020)

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