

ASX Announcement

30 April 2020

**Quarterly Activities Update****Highlights**

- **Strong growth in Receipts from Customers, Q1-2020 receipts increased by 81.6% compared to Q1-2019 receipts.**
- **Acquisition of Pantosoft, a leading provider of software to vocational and tertiary colleges.**
- **COVID-19 pandemic has increased demand for online learning.**
- **Important new relationship with Pearson, the world's largest educational publisher.**

Retech Technology Co., Ltd (ASX: RTE, "**Retech**"), a leading Chinese e-Learning technology provider, is pleased to announce its operational and financial performance for the quarter ended 31 March 2020 and provide up-to-date information for our investors relevant to the current business environment.

Operational Update**➤ Corporate E-Learning**

In the quarter ending 31 March 2020, our core business of providing e-Learning solutions for corporate training continued to grow strongly, with new contracts signed due to Retech's good reputation, rich e-learning experience and innovative solutions.

During the COVID-19 pandemic, in order to safely inform the general public and broaden understanding of the financial services industry, Retech worked with the Beijing Banking Association to develop a set of online courses. Retech was selected by the Beijing Banking Association due to our well-known and deep understanding of financial e-Learning. Meanwhile, the Bank of China's Shanxi Branch also signed a contract with Retech to design training e-courses for its Special Training Camp Project.

➤ Vocational Education

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 its acquisition of the holding company, Pantosoft International Limited. Shanghai Pantosoft is a PRC registered software company based in Shanghai that has been in operation for more than 20 years. Shanghai Pantosoft provides digital solutions via self-developed software systems to support education management in secondary and vocational schools in

China. Driven by Chinese Government policy to integrate vocational education more effectively with industry, Retech is building Digital Media education centers and providing e-Learning courses into vocational and tertiary colleges. The acquisition of Shanghai Pantosoft will significantly accelerate this strategy.

In January 2020, Retech signed a strategic agreement with the Shanghai College of Publishing and Printing to co-construct a Digital Media platform to assist their students and to realize the objective of industry and education integration.

➤ **Language Learning**

In January 2020, we signed a cooperation framework with Pearson Education Publishing Asia Co., Ltd. Both Pearson and Retech have committed to achieving a deeper cooperation in copyright authorization, vocational education, international teacher training, and to jointly expand the global online language education and teaching. We are hopeful that this cooperation will deepen the reach of Ai English with the cooperation of Pearson.

During this period, a new online education solution “Ai Learning” has been launched. It is a live education system integrated software and hardware solutions for studios and classrooms, based on the Company’s high-resolution live streaming technology and the R&D experience. Ai Learning Solution will currently target public schools and training institutions to provide immersive online learning and teaching experience.

Impact of COVID-19 on Operations

The world and humanity are facing one of its greatest challenges in a generation in the form of the COVID-19 pandemic. Retech offers its sincerest condolences to all of those affected by the novel coronavirus COVID-19. Despite the economic and health damage caused by COVID-19, for companies like ours involved in online education, the disease has brought new opportunities. Due to the closure of schools in China during the lockdown, Retech’s services have been in high demand.

Actions Retech has taken include:

- Companies continue to look for training opportunities for their employees, even in a downturn, and increasingly online resources are required. We are also fortunate that the large majority of our customers are major corporations such as Bank of China and Huawei, whose operations and financial strength may be less affected by the business stoppages caused by COVID-19.
- Following the shutdown of many live offline classes due to COVID-19 we rapidly developed a “**Studio2Home**” solution, to ensure that off-line classes could be transitioned by our customers to on-line classes at home. By the end of March 2020, we have around 55,000 students. Since the outbreak of COVID-19 from February, we added approximately **30 new clients and an additional 20,000+ new** students were registered.
- Based on Studio2Home, we have offered several modes of online small class (**Studio2Classroom**) to our teaching and educational customers (**1 teacher v. 1 student, 1 teacher v. 4 students**). We have also extended **Blended class modes**

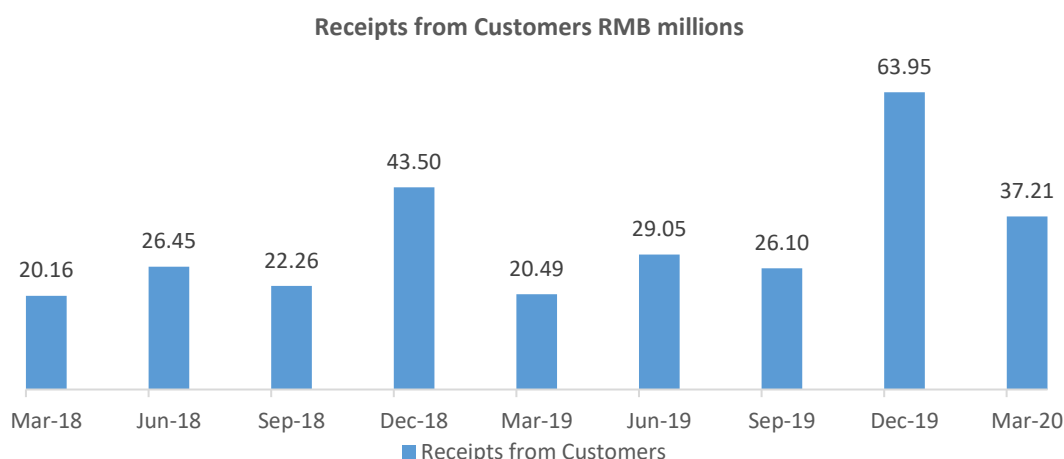
with **small and large group online interactive classes**. In addition, we are offering our customers upgrades from Classroom to Studio learning, helping customers to maintain their regular courses.

- Ai Learning Solutions by Retech has received broad positive publicity, including citations in the Chinese and international press, and our online educational services have been listed in the white list of "e-learning solution providers" issued by AUSTRADE, alongside other renowned online solution providers such as Alibaba cloud, China Telecom, Tencent, etc.

Financial Update

The company had receipts from customers of RMB 37.21 million (AUD 8.53 million¹) in 2020Q1, an 81.6% increase compared to 2019Q1, showing strong growth in our business. This is particularly pleasing as, due to seasonality, Q4 is normally the highest quarter for our revenues and Q1 collects cash based on Q4 revenues. Cash and cash equivalents at end of 2020Q1 were RMB 183.97 million (AUD 42.17 million).

The company also paid a loan of RMB 4.35 million (AUD 1 million) in 2020Q1, which is loan to Jiangsu Retech Digital Industry Park Co for finance investment purpose.



The above announcement was authorised by the Board of Directors of Retech.

ENDS

For more information, please contact:

Enquiries

Investor Relations
Retech Technology Co., Ltd
18/F, Building 2, Fudan Technology Park,
335 Guoding Road, Yangpu District,
Shanghai

¹ Exchange rate: AUD/RMB = 4.3629 (31 March 2020, <https://www.safe.gov.cn/>)

T: +86 2 5566 6166

E: investors@retech-rte.com

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 2019, Retech's net profit was RMB50.97 million (A\$ 11.68mn equivalent)².

Disclaimer

Neither Retech nor any other person warrants or guarantees the future performance of Retech or any return on any investment made in Retech securities. This announcement may contain certain forward-looking statements, including forward-looking statements. The words "anticipate", "aim", "believe", "expect", "project", "estimate", "forecast", "intend", "likely", "should", "could", "will", "may", "target", "plan" and other similar expressions (including indications of "objectives") are intended to identify forward-looking statements. Indications of, and guidance on, future financial position and performance and distributions, and statements regarding Retech's future developments and the market outlook, are also forward-looking statements. Any forward-looking statements contained in this document are not guarantees of future performance. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Retech and its directors, officers, employees and agents that may cause actual results to differ materially from those expressed or implied in such statements. Readers should not place undue reliance on forward-looking statements. Subject to applicable law (including the ASX Listing Rules), Retech disclaims any responsibility to update or revise any forward-looking statements to reflect any new information or any change in the events, conditions or circumstances on which a statement is based or to which it relates.

² Exchange rate: AUD/RMB = 4.3629 (31 March 2020, <https://www.safe.gov.cn/>)

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Retech Technology Co., Limited

ABN

615 153 332

Quarter ended ("current quarter")

31 Mar 2020

Consolidated statement of cash flows	Current quarter 31 Mar 2020 RMB	Year to date 31 Mar 2020 RMB
1. Cash flows from operating activities		
1.1 Receipts from customers	37,208,565	37,208,565
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(12,176,694)	(12,176,694)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(10,485,592)	(10,485,592)
(f) administration and corporate costs	(4,462,636)	(4,462,636)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	44,996	44,996
1.5 Interest and other costs of finance paid	(30,071)	(30,071)
1.6 Income taxes paid	(256,481)	(256,481)
1.7 Government grants and tax incentives	12,146	12,146
1.8 Other (provide details if material)	(1,399,426)	(1,399,426)
1.9 Net cash from / (used in) operating activities	8,454,807	8,454,807

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4,402,069)	(4,402,069)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter 31 Mar 2020 RMB	Year to date 31 Mar 2020 RMB
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	(4,350,000)	(4,350,000)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(8,752,069)	(8,752,069)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	778,000	778,000
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	(170,221)	(170,221)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(1,012,703)	(1,012,703)
3.10 Net cash from / (used in) financing activities	(404,924)	(404,924)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	185,059,919	185,059,919
4.2 Net cash from / (used in) operating activities (item 1.9 above)	8,454,807	8,454,807

Consolidated statement of cash flows		Current quarter 31 Mar 2020 RMB	Year to date 31 Mar 2020 RMB
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,752,069)	(8,752,069)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(404,924)	(404,924)
4.5	Effect of movement in exchange rates on cash held	(389,330)	(389,330)
4.6	Cash and cash equivalents at end of period	183,968,403	183,968,403

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter RMB	Previous quarter RMB
5.1	Bank balances	183,968,403	185,059,919
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	183,968,403	185,059,919

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter RMB
-
(4,350,000)

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

6.2 Loan to Jiangsu Retech Digital Industry Park Co for finance investment purpose.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end RMB	Amount drawn at quarter end RMB
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Answer: N/A

8. Estimated cash available for future operating activities	RMB
8.1 Net cash from / (used in) operating activities (Item 1.9)	8,454,807
8.2 Cash and cash equivalents at quarter end (Item 4.6)	183,968,403
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	183,968,403
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	21.76

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

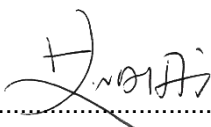
Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2020

Authorised by:
Ai Shungang



Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.