

ASX Announcement

31 July 2020

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

- **Our Corporate E-Learning business strengthened relationships with existing clients, and started new client relationships this quarter.**
- **A pilot project of Retech's vocational education solution was started with Shanghai Publishing and Printing College**
- **Ai English, our cross-border language teaching business, expanded rapidly in China and will now enter the K-12 online learning market in Japan.**
- **Cash receipts from customers kept steady in 2020H1, 7% up compared to 2019H1. Total receipts in 2020H1 were RMB53.10 million (AUD10.93 million), with Q1 contributing 70%, and Q2 contributing 30%.**

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 30 June 2020, and to provide up-to-date information for our investors.

Operational Update**> Corporate E-Learning**

Our core business of E-Learning maintained its growth in this quarter. Due to the impact of the COVID-19 pandemic, a large number of enterprises increased their online learning budgets this year and we see positive momentum from new and existing customers. However, delays caused by restrictions since the outbreak of this pandemic have resulted in slower cash receipts from customers affected by the pandemic.

Our strong relationships with our traditional customers continued. In the financial sector, the Bank of China has always been our long-term customer, and in 2020Q2 we started a relationship with their branch in Heilongjiang, providing graphic and animation micro course design and other related supporting services. We also delivered a platform operation solution to Bank of Communications. In the industrial sector, one of our largest customers, Mercedes Benz, is constructing their system simulation course for their human

resource department. We provided the courseware, as well as building and maintaining their learning-platform. In addition, we continued to work with Panasonic for e-courses and platform projects.

In the retail sector, we continued our relationship with Sephora in developing internal training e-courses, as well as e-learning platform programming and maintenance.

It is very encouraging that we continued to gain new clients in different industries during this quarter.

In the industrial sector, Retech obtained a contract with Beijing Aerospace Intelligent Manufacturing Technology Development Co., Ltd, providing an E-learning platform for them. In the financial sector, we signed an agreement to provide e-courses for the China Capital Markets Institute. It is a professional training institution jointly organised by the China Securities Regulatory Commission and the Shenzhen municipal government. Also, Retech in cooperation with Zhejiang En Tan Industry and Finance Research Institute ("En Tan"), helping PICC P&C's branch in Zhejiang Province to upgrade its talent development. En Tan is a private non-profit enterprise authorised by the Local Financial Regulatory Bureau of Zhejiang. In retail, due to Retech's rich experience, LAB SERIES, the sub-brand of Estee Lauder Group, invited us to develop e-learning content for their new products.

➤ ***Vocational Education***

In July 2020, Retech and Shanghai Publishing and Printing College piloted the first Digital Media Industry institute, to much press coverage. Retech is planning to build an online teaching and management platform, which on one hand provides solutions for the college in digital media raining, an on the other hand, provides talent to enterprises.

In addition, this pilot project will provide a benchmark to other vocational schools, demonstrating the success of our approach to digital media education. We had discussions with other institutes such as the Lanzhou Resources and Environment Voc-tech college and the Shanghai Publishing and Printing College, and we are confident of establishing additional digital media training institute in the near future. Our discussions focused on the integration of industry and education, the construction of a leading digital media group, as well as the establishment of an industry institute.

➤ ***Language Learning***

2020 has been a huge test for physical education and training institutes. However, for enterprises built on a digital and online education capabilities, the pandemic has presented unlimited opportunities. Retech's online language learning business, Ai English, grasped this opportunity and actively deepened our cooperation with our clients and expanded our clients geographically, accelerating OMO (online and offline integration) in educational institutions

- **Strategic Alliance with Pearson:** On 22 June 2020, at our Annual General Meeting, we signed an agreement to deepen the relationship between Retech Technology and Pearson Group, the world's largest education publisher. Retech and Pearson signed the "*Cooperation Agreement for Online Foreign Teacher Service between Ai English and Pearson*", and will jointly develop standards for foreign teacher training and certification in the hope of accelerating the development of the education industry.
- **New collaborations with RISE :** Retech's collaboration with RISE Education has strengthened with the signing of agreements to provide online English teaching services for Rise+, providing a live-streamed small-sized class.
- **Entry into Japanese market :** On 22 June, Ai English signed an agreement with YARUKI SWITCH Group to penetrate the Japanese pre-school, primary and secondary school markets (K-12). Founded in 1989, YARUKI SWITCH Group is the largest comprehensive education enterprise in the Japanese K-12 sector, with about 1,700 schools in Japan and overseas, teaching more than 110,000 students from kindergarten to high school. Its business covers after-school coaching, e-learning, pre-school education, English dialogue, child care classes, kindergartens, and sports education.
- **Supporting Accessibility in Education:** In line with Chinese government policy, Shanghai Tianshan Secondary School gives educational assistance to Yunnan Bay Secondary School which is located in a rural area of China, providing educational resources such as facilities and remote teaching. Retech provides free live broadcast equipment and technical support for their "dual-teacher" classes, to establish an information bridge between the two schools.

The Company expects to witness the increase in demand for Ai English in the next 2 quarters.

Financial Update

Cash receipts from customers are 7% up compared to 2019H1, reflecting the increase in demand for our services. Total receipts in 2020H1 were RMB53.10 million (AUD10.93 million); Q1 contributed 70%, and Q2 contributed 30%.

Cash receipts from customers in 2020Q2 were however only RMB15.89 million (AUD3.27 million), 45% less than 2019Q2, due to the COVID-19 outbreak.

Cash investment into business development increased, resulting in negative net cash flow from operating activities. The main increase in operating payments was staff costs of RMB13.35 million (AUD2.75 million), which was 49% higher than 2019Q2. Most of this was invested in our Australian business subsidiaries. This will provide more employment opportunities for local people.

The company also made an additional loan of RMB0.96 million (AUD0.20 million) in 2020Q2 to Jiangsu Retech Digital Industry Park Co, at competitive interest rates.

Cash and cash equivalents at the end of 2020Q2 were RMB164.02 million (AUD33.75 million).

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

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About Retech

Retech Technology Co., Limited is a leading Chinese e-learning services and technology provider. Retech is incorporated in Hong Kong with its operating subsidiaries located in mainland China, Australia and Hong Kong. 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. In the year to December 2019, Retech's net profit was RMB50.97 million (A\$ 10.49mn equivalent).

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.

Appendix 4C

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

Name of entity

Retech Technology Co., Limited

ABN

Quarter ended ("current quarter")

615 153 332

30 Jun 2020

Consolidated statement of cash flows	Current quarter 30 Jun 2020 RMB	Year to date 30 Jun 2020 RMB
1. Cash flows from operating activities		
1.1 Receipts from customers	15,894,608	53,103,172
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(16,608,749)	(28,785,442)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(13,348,159)	(23,833,751)
(f) administration and corporate costs	(4,513,462)	(8,976,099)

Appendix 4C

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

Consolidated statement of cash flows	Current quarter 30 Jun 2020 RMB	Year to date 30 Jun 2020 RMB
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	146,436	191,432
1.5 Interest and other costs of finance paid	(11,074)	(41,145)
1.6 Income taxes paid	(213,920)	(470,400)
1.7 Government grants and tax incentives	1,680,690	1,692,836
1.8 Other (provide details if material)	(645,221)	(2,044,647)
1.9 Net cash from / (used in) operating activities	(17,618,851)	(9,164,044)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(3,355,757)	(7,757,826)
(d) investments	-	-
(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	-	-

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

Consolidated statement of cash flows		Current quarter 30 Jun 2020 RMB	Year to date 30 Jun 2020 RMB
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(964,400)	(5,314,400)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(4,320,157)	(13,072,226)

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	(1,408,748)	(1,408,748)
3.5	Proceeds from borrowings	12,082,200	12,860,200
3.6	Repayment of borrowings	(8,000,000)	(8,000,000)
3.7	Transaction costs related to loans and borrowings	(158,166)	(328,387)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(865,605)	(1,878,308)
3.10	Net cash from / (used in) financing activities	1,649,681	1,244,757

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

Consolidated statement of cash flows		Current quarter 30 Jun 2020 RMB	Year to date 30 Jun 2020 RMB
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	183,968,404	185,059,919
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(17,618,851)	(9,164,044)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,320,157)	(13,072,226)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,649,681	1,244,757
4.5	Effect of movement in exchange rates on cash held	336,334	(52,995)
4.6	Cash and cash equivalents at end of period	164,015,411	164,015,411

5.	Reconciliation of cash and cash equivalents	Current quarter RMB	Previous quarter RMB
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	164,015,411	183,968,404
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)	164,015,411	183,968,404

6. Payments to related parties of the entity and their associates	Current quarter RMB
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	(964,400)

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 We made additional loan to Jiangsu Retech Digital Industry Park of RMB 964,000, which is a financial investment, the yield of the loan is 10%.

7. Financing facilities <i>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.</i>	Total facility amount at quarter end RMB	Amount drawn at quarter end RMB
7.1 Loan facilities	22,620,400	22,620,400
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	22,620,400	22,620,400

7.5 Unused financing facilities available at quarter end	-
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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.

1. The group obtained a secured Loan of RMB 8,000,000 from SPD Bank for one year. The interest rate is 5.655%.
2. The group obtained a secured Loan of RMB 4,900,000 from SPD Bank for one year. The interest rate is 5.34%.
3. The group obtained an unsecured Loan of AUD 2,000,000 from Hong Kong Fu An Development Co., LIMITED for three years. The interest rate is 4.5%. (Exchange rate: AUD/RMB = 4.8602, 30 June 2020, <https://www.oanda.com>)

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

8.	Estimated cash available for future operating activities	RMB
8.1	Net cash from / (used in) operating activities (Item 1.9)	(17,618,851)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	164,015,411
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	164,015,411
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	9.31

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

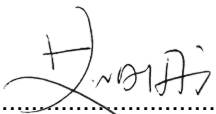
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

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: 31 July 2020

Authorised by: 
(Name of body or officer authorising release – see note 4)

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 – eg 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.