

ASX Announcement

30 Oct 2020

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

- **Cash receipts from customers in 2020Q3 were RMB33.95 million (AUD7 million), which were 30% up compared to 2019Q3. This is a positive signal as the impact of COVID-19 is fading and the business continues to grow.**
- **Net cash from operating activities in 2020Q3 was RMB3.07 million (AUD0.63 million), an increase of RMB3.62 million (AUD0.75 million) compared to 2019Q3. There were increased operating expenses to develop Ai English during this quarter.**
- **There are growth opportunities for E-learning after H1, and the company won several bids with customers.**
- **New business vertical with vocational schools started this semester.**
- **AiEnglish identified solutions to ensure class delivery was maintained in Melbourne. This was achieved in a difficult environment due to COVID -19 restrictions.**

ReteTech Technology Co., Ltd (ASX: RTE, "**ReteTech**"), a leading Chinese e-Learning technology provider, is pleased to announce its operational and financial performance for the quarter ended 30 Sep 2020, and to provide up-to-date information for our investors.

Operational Update**➤ Corporate E-Learning**

Following a difficult economic environment due to COVID-19 in the first half of 2020, the ReteTech core business of E-Learning has continued to grow and achieve successful outcomes as well as started new relationships with several important and strategic clients.

- Due to ReteTech's existing client relationship with Bank of China, ReteTech bid and won the contract to develop an online training platform for Bank of China Finance, one of the country's largest financial services groups. ReteTech will build BOC Finance's online training platform, as well as provide content for this platform.
- Won the contract with Shanghai National Nuclear Power Research and Design Institute of State Power Investment to build an online learning platform, including the

re-design of over 2000 online courses.

➤ **Vocational Education**

Given the dynamics of COVID-19, Retech have expanded co-operations for education integration. The key milestones are:

- In August 2020, teachers from the Shanghai Publishing and Printing College, attended one week's training including project management, project developing skills and learning about the latest technology applied in digital media industry.
- In September 2020, Yancheng College of Mechatronic Technology and Retech entered a strategic R&D partnership to further adapt vocational training to the needs of industry.
- In October 2020, Shanghai Publishing and Printing College and Retech started laying the foundations for their project in bridging education and industry needs. This included curriculum development, and the preparation of practice training courses.
- Meanwhile, Retech continued business development with vocational schools in Gansu province, Jiangsu province, Zhejiang province, Hunan province and Guangdong province..

➤ **Language Learning**

During the COVID-19 prolonged lockdown in Melbourne, AiEnglish set up some solutions to ensure that classroom learning ran normally.

- **I-school mode launched:** In August 2020, the first learning center of I-school was launched in Nantong Bowen training school, and the first students were enrolled.
- **Meihuishu curriculum system:** In July 2020, the English courses 《Wonderful Minds》 (Meihuishu English version) for children developed by AiEnglish was launched. This was developed especially for children aged 3-6 years.
- **AiEnglish drama courses launched:** In September 2020, AiEnglish and Playbox Drama agreed to jointly create English drama courses. This cooperation aims to make English classroom more efficient and interesting, and let children love to learn English through games, and tap artistic potential in performance.
- **Strategic cooperation training institutions:** AiEnglish acquired new customer relationships with Shane English, Montessori, Changchang QiMeng English and other English training institutions. Each of these new customers will be served by the AiEnglish Dual-Teacher training model, which involves a local teacher present in the classroom, and a foreign English teacher broadcasting live from our studios in Australia.
- AiEnglish won the bid for the project of “Live Classroom with Foreign Teachers” which was held by the Education Bureau of Chongzhou District in Nantong. providing live class for 212 classes of 11 primary schools in Chongzhou District of Nantong.

Financial update

Cash receipts from customers in 2020Q3 were RMB33.95 million (AUD7 million), an increase of 30% compared to 2019Q3..

Net cash from operating activities in 2020Q3 was RMB3.07 million (AUD0.63 million), an increase of RMB3.62 million (AUD0.75 million) compared to 2019Q3. Although the cash receipts from customers improved in this period, there were increased operating expenses for development of Ai English. .

In 2020Q3, the company also received a loan repayment of RMB2.53 million (AUD0.52 million) from a related party, Jiangsu Retech Digital Industry Park Co.

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

615 153 332

Quarter ended ("current quarter")

30 Sep 2020

| Consolidated statement of cash flows | Current quarter 30 Sep 2020 RMB | Year to date 30 Sep 2020 RMB |
|---|--|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 33,945,960 | 87,049,132 |
| 1.2 Payments for | | |
| (a) research and development | | |
| (b) product manufacturing and operating costs | (10,968,463) | (39,753,906) |
| (c) advertising and marketing | | |
| (d) leased assets | | |
| (e) staff costs | (13,535,280) | (37,369,030) |
| (f) administration and corporate costs | (5,401,152) | (14,377,251) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 141,133 | 332,564 |
| 1.5 Interest and other costs of finance paid | (25,522) | (66,667) |
| 1.6 Income taxes paid | 0 | (470,400) |
| 1.7 Government grants and tax incentives | 21,503 | 1,714,339 |
| 1.8 Other (provide details if material) | (1,105,709) | (3,150,355) |
| 1.9 Net cash from / (used in) operating activities | 3,072,470 | (6,091,573) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | | |
| (b) businesses | | |
| (c) property, plant and equipment | (274,493) | (8,032,319) |
| (d) investments | | |

| Consolidated statement of cash flows | Current quarter 30 Sep 2020 RMB | Year to date 30 Sep 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 | 2,525,000 | (2,789,400) |
| 2.4 Dividends received (see note 3) | | |
| 2.5 Other (provide details if material) | | |
| 2.6 Net cash from / (used in) investing activities | 2,250,507 | (10,821,719) |

| | | |
|---|--------------------|--------------------|
| 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 | (692,749) | (2,101,497) |
| 3.5 Proceeds from borrowings | | 12,860,200 |
| 3.6 Repayment of borrowings | (4,900,711) | (12,900,711) |
| 3.7 Transaction costs related to loans and borrowings | (270,152) | (598,539) |
| 3.8 Dividends paid | | |
| 3.9 Other (provide details if material) | (1,579,338) | (3,457,648) |
| 3.10 Net cash from / (used in) financing activities | (7,442,951) | (6,198,194) |

| | | |
|---|-------------|-------------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 164,015,411 | 185,059,919 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | 3,072,470 | (6,091,573) |

| Consolidated statement of cash flows | | Current quarter 30 Sep 2020 RMB | Year to date 30 Sep 2020 RMB |
|---|--|--|---|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 2,250,507 | (10,821,719) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (7,442,951) | (6,198,194) |
| 4.5 | Effect of movement in exchange rates on cash held | 9,097 | (43,899) |
| 4.6 | Cash and cash equivalents at end of period | 161,904,534 | 161,904,534 |

| 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 | 161,904,534 | 164,015,411 |
| 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) | 161,904,534 | 164,015,411 |

| 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 | 2,525,000 |
| <i>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.</i> | | |

6.2 Repayment from Jiangsu Retech Digital Industry Park Co.

| 7. Financing facilities | Total facility amount at quarter end RMB | Amount drawn at quarter end RMB |
|---|---|--|
| <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> | | |
| 7.1 Loan facilities | 22,593,000 | 22,593,000 |
| 7.2 Credit standby arrangements | | |
| 7.3 Other (please specify) | | |
| 7.4 Total financing facilities | 22,593,000 | 22,593,000 |
| 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. | <ol style="list-style-type: none"> The group obtained a secured Loan of RMB 8,000,000 from SPD Bank for one year. The interest rate is 5.655%. The group obtained a secured Loan of RMB 4,900,000 from SPD Bank for one year. The interest rate is 5.34%. The group obtained an unsecured Loan of AUD 2,000,000 from HongKong Fu An Development Co., LIMITED for three years. The interest rate is 4.5%. (Exchange rate: AUD/RMB = 4.8465, 30 Sep 2020, https://www.oanda.com) | |

| 8. Estimated cash available for future operating activities | RMB |
|--|-------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | 3,072,470 |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 161,904,534 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 Total available funding (item 8.2 + item 8.3) | 161,904,534 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | N/A |
| <i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i> | |
| 8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions: | |
| 8.6.1 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 | |
| 8.6.2 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 | |

8.6.3 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

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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 Oct 2020

Authorised by:By the Board.....
(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.