

## ASX Announcement

29 January 2021



## Quarterly Activities Update

## Highlights

- **Cash receipts from customers in 2020 were RMB175.68 million (AUD 34.92 million), an increase of 26% compared to 2019. Despite the impact of COVID-19 in early 2020, we achieved steady growth in customer receipts in this year.**
- **Net cash from operating activities in 2020 was RMB18.06 million (AUD3.59 million), a decrease of 18% compared to 2019. The reason was increased payment of operating costs due to comprehensive e-learning solutions, and Ai English.**
- **Retech completed the acquisition of Pantosoft at the end of 2020. Pantosoft brought 500+ vocational schools customer relationships and mature educational management platform to Retech vocational education business ecosystem.**
- **Ai English earned the GOLD PRIZE in “AES GLOBAL AWARD 2020” and “2020 Excellent case Award of Good Solutions for China Campus” in the 7th Smart Show 2020.**

Retech Technology Co., Ltd (ASX: RTE, “**Retech**”), a leading Chinese e-Learning technology provider, is pleased to announce its operation and financial performance for the quarter ended 31 Dec 2020, and to provide up-to-date information for our investors.

## Operational Update

➤ **Corporate E-Learning**

- ◇ Retech successfully entered BMW’s courseware service providers list.
- ◇ Worked with Beijing Bankers Association to develop a series of e-courses for "Growing with Finance (Banking)", which is targeted to spread basic financial knowledge to the public, especially teenagers.
- ◇ Developed LVC ( Live Visual Classroom ) for Huawei. Retech jointly owns the intellectual property rights. Recently, Retech sent a technical team to Cote d'Ivoire to support this platform building for the national education commission.
- ◇ Retech has entered a new industry (the digital information industry) by providing our e-learning platform to Fuji Xerox, which is the world's largest producer of digital and information technology products.

- ◇ November 2020, on the 12th China E-learning Forum & Exhibition (CEFE), Retech won the "Excellent Learning Operation Service Provider" of the Booao Award, which was known as the "Oscar of Enterprise E-learning Industry".

➤ ***Vocational Education***

- ◇ Retech finished the acquisition of Pantosoft in the end of 2020. Pantosoft brought 500+ vocational schools customer relationships and mature educational management platform to Retech vocational education business ecosystem.
- ◇ Pantosoft won the bid of the smart classroom construction project of Yunnan Communications Vocational and Technical College. This project is to develop a platform with basic digital data base, data analysis system and data interface which includes the multimedia interactive screen, intelligent central control, recording and broadcasting fixtures, and face recognition devices, etc. This smart classroom will connect different 1+X certificate skills training applications; 1+X certificate is the new national education commission policy started in the late of 2019.
- ◇ Started to provide professional services to Zhenjiang Vocational Technical College, especially in the Animation and Game major. This includes the development of professional teaching materials and related digital resources, construction of an online and offline teaching service platform, the introduction of international teaching resources, and deployment of a practical training resource platform, etc.
- ◇ Provided teachers training and student internships for Shanghai Publishing and Printing College, Lanzhou University of Arts and Science, Xi'an Eurasia University and other schools. In the following years, Retech will provide more kinds of service to vocational schools.

➤ ***Language Learning***

- ◇ Ai English developed new relationship with Maria Montessori in Kunshan city and China-Hongkong English School located in Zhongshan city will provide Dual-teacher training service for them.
- ◇ November 6, the Symposium on Education Exchange and Cooperation was held in Shanghai. Wuxi Aiyu Education Technology Co., Ltd. and Chongqing Education International Exchange Association reached a strategic agreement on promoting international education communication between Chongqing and other countries in the world.
- ◇ 20<sup>th</sup> November 2020, Ai English and iFlytech reached an agreement that will apply AI intelligent technologies service such as oral evaluation and automatic marking for Ai English. Ai English and iFlytech will share valuable English learning resources and use technical solutions to jointly improve English learning experience for the learners in China and abroad.
- ◇ 11<sup>th</sup> November 2020, Ai English earned the GOLD PRIZE in "AES GLOBAL AWARD 2020", which is a Japan online education summit forum and held online because of COVID-19 this year.
- ◇ In December 2020, the 7th Smart Show 2020 (an international education show in China) was held in Beijing National Conference Center. Our English teaching solution from Tangshan Yingcai International School, which was provided by Ai English Dual-teacher solution, won the "2020 Excellent case Award of Good Solutions for China Campus".

## Financial update

- ◇ Cash receipts from customers in 2020 were RMB175.68 million (AUD 34.92 million<sup>1</sup>), an increase of 26% compared to 2019. Despite the impact of COVID-19 in early 2020, we achieved steady growth in customer receipts in this year.
- ◇ Net cash from operating activities in 2020 was RMB18.06 million (AUD3.59 million), a decrease of 18% compared to 2019. With the impact of COVID-19, our customers especially large enterprises, increased the online portion of their internal training budget. Correspondingly, we provided more comprehensive e-learning solutions including infrastructure construction, course design and platform development. More operating cost was spent in supporting this new and important solution as the new growth engine in our e-learning business line. In addition, the operating expenses for Ai English also increased, to develop this language training business in its early stage.
- ◇ During the year 2020, the company made a loan payment of RMB14.76 million (AUD2.93 million) to its related party, Jiangsu Retech Digital Industry Park Co.

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<sup>1</sup> Exchange rate: AUD/RMB = 5.0312, 31 Dec 2020, <https://www.oanda.com>

## **ENDS**

For more information, please contact:

### **Enquiries**

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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. Customers include Bank of China, Ping An Insurance and Mercedes Benz, etc.*

### **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
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**ABN**

615 153 332
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**Quarter ended ("current quarter")**

31 Dec 2020
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Consolidated statement of cash flows	Current quarter 31 Dec 2020 RMB	Year to date 31 Dec 2020 RMB
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	88,635,150	175,684,283
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(51,654,588)	(91,408,493)
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(1,935,214)	(39,304,245)
(f) administration and corporate costs	(6,348,484)	(20,725,734)
1.3 Dividends received (see note 3)		
1.4 Interest received	141,311	473,875
1.5 Interest and other costs of finance paid	(18,334)	(85,003)
1.6 Income taxes paid		(470,400)
1.7 Government grants and tax incentives	8,713	1,723,052
1.8 Other (provide details if material)	(4,674,197)	(7,824,553)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>24,154,357</b>	<b>18,062,782</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(20,022,619)	(28,054,938)

Consolidated statement of cash flows		Current quarter 31 Dec 2020 RMB	Year to date 31 Dec 2020 RMB
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(g) entities		
	(h) businesses		
	(i) property, plant and equipment		
	(j) investments		
	(k) intellectual property		
	(l) other non-current assets		
2.3	Cash flows from loans to other entities	(11,975,000)	(14,764,400)
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)	39,423	39,423
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(31,958,196)</b>	<b>(42,779,915)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(666,562)	(2,768,059)
3.5	Proceeds from borrowings	35,071,000	47,931,200
3.6	Repayment of borrowings	711	(12,900,000)
3.7	Transaction costs related to loans and borrowings	(440,109)	(1,038,648)
3.8	Dividends paid		
3.9	Other (provide details if material) (note 1)	17,581,796	14,124,149
3.10	<b>Net cash from / (used in) financing activities</b>	<b>51,546,836</b>	<b>45,348,642</b>

*Note 1: The group received investment of RMB13,000,000, but the official registration of capital increase is not yet completed. Therefore, it is recognized in item 3.9 as other cash flows from financing activities.*

Consolidated statement of cash flows		Current quarter 31 Dec 2020 RMB	Year to date 31 Dec 2020 RMB
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	161,904,534	185,059,919
4.2	Net cash from / (used in) operating activities (item 1.9 above)	<b>24,154,357</b>	<b>18,062,782</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	<b>(31,958,196)</b>	<b>(42,779,915)</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	<b>51,546,836</b>	<b>45,348,642</b>
4.5	Effect of movement in exchange rates on cash held	173,207	129,310
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>205,820,738</b>	<b>205,820,738</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	205,820,738	161,904,534
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>205,820,738</b>	<b>161,904,534</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	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	(11,975,000)
<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 Loan payment to Jiangsu Retech Digital Industry Park Co.

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end RMB</b>	<b>Amount drawn at quarter end RMB</b>
7.1	Loan facilities	52,962,400	52,962,400
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>	52,962,400	52,962,400
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	<p>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.</p> <ol style="list-style-type: none"> <li>1. The group obtained a secured Loan of RMB8,000,000 from SPD Bank for one year. The interest rate is 5.655%.</li> <li>2. The group obtained a secured Loan of RMB4,900,000 from SPD Bank for one year. The interest rate is 5.34%.</li> <li>3. The group obtained an unsecured Loan of AUD2,000,000 from Hong Kong Fu An Development Co., LIMITED for three years. The interest rate is 4.5%. (Exchange rate: AUD/RMB = 5.0312, 31 Dec 2020, <a href="https://www.oanda.com">https://www.oanda.com</a>)</li> <li>4. The group obtained a secured Loan of RMB10,000,000 from Bank of Communications for one year. The interest rate is 4.5%.</li> <li>5. The group obtained a secured Loan of RMB20,000,000 from Shanghai Commercial Bank for one year. The interest rate is 5.75%.</li> </ol>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>RMB</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	24,154,357
8.2	Cash and cash equivalents at quarter end (item 4.6)	205,820,738
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	205,820,738
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	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: 29 Jan 2021

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.