

ASX Announcement

30 April 2021

**Quarterly Activities Update**

- **Retech and Huawei have joined together to provide a real-time virtual classroom platform and online learning platform for 100 schools under the Higher Education Council of Pakistan, which can be used by approx. 20,000 students. The platform intends to counteract education imbalances in these regions, bringing higher education to students of various fiscal circumstances.**
- **On the 24th of March, Ai English held the opening ceremony of the public welfare class, which was located in Dingji Town, Huaian City, Jiangsu Province. This class is a new project of Ai English which aims to provide English classes to students online in rural areas, further reducing the education gap in China, helping students from all around the nation to achieve their learning dreams, no matter their location.**
- **Ai English and Foreign Language Teaching and Research Press co-launched the co-teacher class < Lisheng Polaris Levelled Picture Books>, which is exploring the integration of top-quality teaching, curriculum and technology.**

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 ending on the 31st of March 2021, providing up-to-date information for our investors.

Operational Update➤ **Corporate E-Learning**

As COVID-19 continues to spread its influence across the globe, Chinese corporations and institutions have come to realize that on-line training and communication has become the norm, with customers in China and overseas reflecting a trend of fully transitioning to online services.

- ◇ Retech and Huawei have joined together to provide a real-time virtual classroom platform and online learning platform for 100 schools under the Higher Education Council of Pakistan, which can be used by approx. 20,000 students. The platform intends to counteract education imbalances in these regions, bringing higher education to students of various fiscal circumstances.
- ◇ Retech has been involved in the customer list of the National Association of Financial Market Institutional Investors, which is a self-regulatory organization of the inter-bank market and is composed of voluntary market participants, including the inter-bank

bond market, inter-bank lending market, foreign exchange market, bill market and gold market. Retech will provide the technical e-course services for the association in the following years.

- ◇ In February, Retech started to provide services to China Construction Bank University which is a new customer of Retech's. China Construction Bank University is an enterprise university officially established by China Construction Bank and the service provided is the specialized online activities operation service.
- ◇ In March, Retech won the bid of Mercedes Benz which means in the following three years Retech will provide a series of online courses for their internal training.

➤ **Vocational Education**

At the beginning of April, the Chinese government continued to emphasize the importance of vocational education and its increasing prominence in corporations. Retech has had years of experience in this industry, thus, in light of this announcement, more and more schools have started to communicate with Retech to engage in further co-developing of digital media.

- ◇ In January, Retech won the smart campus construction project of Chongqing Economy and Trade Secondary Vocational School, which reflected a strong start of business in China's Southwest region.
- ◇ Retech signed a contract deal with Yancheng College of Mechatronic Technology and will provide them with the following services: one-month teachers training per year, joint development of professional courses especially in digital media and "Two Abilities" (Innovation and Entrepreneurship), providing practice projects for students which are revised from real projects.
- ◇ In the past several months, Retech has provided services to Wuxi Vocational Institute of Commerce (WXVIC) such as teacher training, student practice training, course development, etc. on the 7th of April, Retech has an agreement to jointly construct the "WXVIC-Retech Digital Media Industry College".
- ◇ In January, Retech completed the practice training for the students from Lanzhou University of Arts and Science and a preliminary strategic agreement has been signed with the school.

➤ **Language Learning**

In the first quarter of 2021, Ai English has several breakthroughs especially in the fields of technology, courseware and customer development.

- ◇ Technical breakthrough: Ai English independently developed and customized 4K green screen multi-layer overlay technology, which brings to life the simultaneous rendering of multiple people, multiple places and multiple pictures into the classroom with the inclusion of 4K quality pictures. The minimal delay of the whole system is less than 50ms, which is significantly ahead of 200-3,000ms of the mainstream wire editing platform in the industry. This breakthrough ensures the mobility and real-time quality of the co-teacher classroom.
- ◇ With the trend of Internet+ Education undergoing constant development, Retech rebuilt an English classroom teaching method and promoted English teaching reforms based on the unique situation of different regions in China. We have provided such

services to many public and private schools and have brought the English co-teacher classrooms into the normal teaching system. With the help of top-quality teacher resources, teaching research ability and curriculum advantages of Ai English, the schools reformed the traditional mode of English teaching and enabled sharing of English learning resources.

- ◇ In the start of the winter holidays, Ai English arranged the English drama camp: < A Cottage in the Woods > for 3-6 years old kids and <Character Matters> for 7–12-year-old students. These drama courses aim to help the children developing potential, stimulate creativity and cultivate innovative thinking in the stage art re-creation arena. Many institutes joined in the camps and the camps received unanimously high praise from the students.
- ◇ In January 2021, Ai English signed an agreement with Youxuetang, which is mainly to provide K12 training institutes with a comprehensive solution of professional teaching, enrollment and operation and helps the institutes to build its own intelligent teaching systems through the combination of online and offline learning, in class and after class. The agreement between Ai English and Youxuetang is to combine the advantages of teachers and curriculum of Ai English with the advantages of Youxuetang in technology in order to achieve a win-win effect.
- ◇ In February 2021, Ai English started the cooperation with Cultivation of Elite Education and will conduct joint enrollment on the basis of Ai English I-school model.
- ◇ On the 24th of March, Ai English held the opening ceremony of the public welfare class, which was located in Dingji Town, Huaian City, Jiangsu Province. This class is a new project of Ai English which aims to provide English classes to students online in rural areas, further reducing the education gap in China, helping students from all around the nation to achieve their learning dreams, no matter their location.
- ◇ Ai English and Foreign Language Teaching and Research Press co-launched the co-teacher class < Lisheng Polaris Levelled Picture Books>, which is exploring the integration of top-quality teaching, curriculum and technology.

Financial update

- ◇ Cash receipts from customers in 2021Q1 were RMB31.27 million (AUD6.26 million¹), a decrease of 16% compared to 2020Q1. This decrease is because of the Spring Festival in February as well as some large projects delayed in Q1, which will be delivered in the following quarters.
- ◇ Net cash used in operating activities in 2021Q1 was RMB9.16 million (AUD1.83 million). While in 2020Q1 net cash from operating activities was RMB8.45 million (AUD1.69 million). The increased operating expenses were mainly caused by the development of our new growth engine, Ai English language training business, which grew rapidly during 2020.
- ◇ During the year 2021Q1, the company made a loan payment of RMB20.52 million (AUD4.11 million) to its related party, Jiangsu Retech Digital Industry Park Co.

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

¹ Exchange rate: AUD/RMB = 4.9987 (31 Mar 2021)

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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

ABN

615 153 332

Quarter ended ("current quarter")

31 Mar 2021

Consolidated statement of cash flows	Current quarter 31 Mar 2021 RMB	Year to date 31 Mar 2021 RMB
1. Cash flows from operating activities		
1.1 Receipts from customers	31,269,981	31,269,981
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(15,305,634)	(15,305,634)
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(16,405,177)	(16,405,177)
(f) administration and corporate costs	(9,182,859)	(9,182,859)
1.3 Dividends received (see note 3)		
1.4 Interest received	157,778	157,778
1.5 Interest and other costs of finance paid	(16,560)	(16,560)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	12,304	12,304
1.8 Other (provide details if material)	308,573	308,573
1.9 Net cash from / (used in) operating activities	(9,161,594)	(9,161,594)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(255,953)	(255,953)

Consolidated statement of cash flows	Current quarter 31 Mar 2021 RMB	Year to date 31 Mar 2021 RMB
(d) investments	(50,000)	(50,000)
(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	(20,520,201)	(20,520,201)
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(20,826,154)	(20,826,154)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	12,596,762	12,596,762
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	(671,438)	(671,438)
3.5 Proceeds from borrowings	5,000,000	5,000,000
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings	(535,450)	(535,450)
3.8 Dividends paid		
3.9 Other (provide details if material)	3,224,842	3,224,842
3.10 Net cash from / (used in) financing activities	19,614,716	19,614,716

Consolidated statement of cash flows		Current quarter 31 Mar 2021 RMB	Year to date 31 Mar 2021 RMB
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	205,820,738	205,820,738
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(9,161,594)	(9,161,594)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(20,826,154)	(20,826,154)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	19,614,716	19,614,716
4.5	Effect of movement in exchange rates on cash held	(67,533)	(67,533)
4.6	Cash and cash equivalents at end of period	195,380,173	195,380,173

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	195,380,173	205,820,738
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)	195,380,173	205,820,738

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	(20,520,201)
<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 Retch Digital Industry Park Co.

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	57,897,400	57,897,400
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	57,897,400	57,897,400
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"> 1. The group obtained a secured Loan of RMB8,000,000 from SPD Bank for one year. The interest rate is 5.655%. 2. The group obtained a secured Loan of RMB4,900,000 from SPD Bank for one year. The interest rate is 5.34%. 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 = 4.9987, 31 Mar 2021) 4. The group obtained a secured Loan of RMB10,000,000 from Bank of Communications for one year. The interest rate is 4.5%. 5. The group obtained a secured Loan of RMB20,000,000 from Shanghai Commercial Bank for one year. The interest rate is 5.75%. 6. The group obtained a secured Loan of RMB5,000,000 from SPD Bank for one year. The interest rate is 4.2%. 		

8. Estimated cash available for future operating activities	RMB
8.1 Net cash from / (used in) operating activities (item 1.9)	(9,161,594)
8.2 Cash and cash equivalents at quarter end (item 4.6)	195,380,173
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	195,380,173
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	21.33
<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 April 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.