

Retech Technology Co., Ltd.

ASX:RTE

Annual Report Summary

for the year ending 31 December 2018



ARBN 615 153 332

Hong Kong Company Registration Number 2374379
Retech Technology Co., Limited / www.retech-rte.com



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2018 Highlights

The Company's business and financial highlights in FY2018 are listed as follows:

1

Sales revenue: RMB130.5 million (approximately A\$27.4 million). An increase of RMB26.3 million (approximately \$A5.5 million) compared to 2017 representing a year-on-year percentage growth of 25%.

2

Gross profit: RMB82.4 million (approximately A\$17.3 million). An increase of RMB17.1 million (approximately A\$3.6 million) as of 26% growth rate compared to the result of 2017.

3

Net profit after tax ("NPAT"): RMB48.3 million (approximately A\$10.1 million). An increase of RMB11.1 million (approximately A\$2.3 million) or 30% in 2018 compared to 2017.

4

Operational Updates: the Company has upgraded its e-learning platform solution to Version 1.2 in 2018. This upgrade will improve the efficiency of delivery. The Company continues to focus on the following industries including finance, automobile, retail and high-tech. We continue to deepen our relationships with our current long-term key customers such as Bank of China, Ping An Group, Mercedes-Benz, etc.

5

ESG Business: ProSage Sustainability Development Limited ("ProSage") was established in 2018 to deliver ESG e-learning.

6

Potential M&A: Retech entered into a non-binding, conditional letter of intent to acquire the Victoria based XJS Coaching School. Strategic agreement signed with XJS Chinese and Culture Language School. Cooperation is expected for Chinese language training opportunities in Australia.

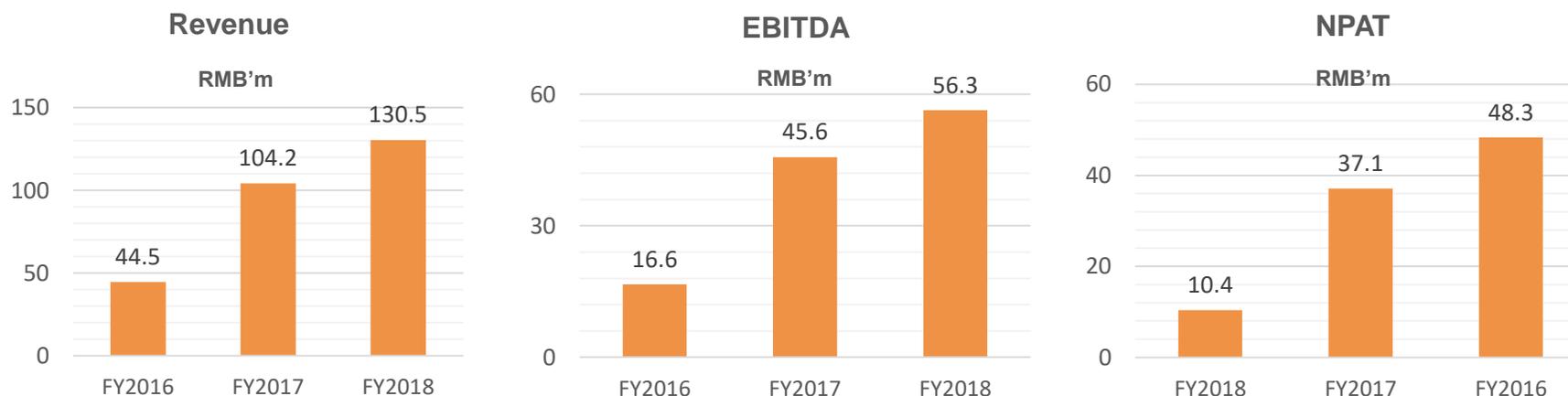
Note:

*Renminbi Yuan ("RMB") are translated to Australian dollars ("A\$") at A\$1.00 to RMB4.76 in this report.

2018 Financial Achievements

The Company's financial highlights in FY2018 are listed as follows:

RMB '000	2018 ¹	2017 ²	2016 ³
Revenue	130,501	104,202	44,548
EBIT⁴	59,585	45,484	16,630
EBITDA⁵	61,850	46,128	16,640
Gross profit ("GP")	82,409	65,301	29,919
GP margin %	63.15%	62.67%	67.16%
Basic Earnings Per Share (cents) ("EPS")	21.34	19.23	20.30
Net profit after tax ("NPAT")	48,267	37,131	10,379
NPAT margin %	36.99%	35.63%	23.30%
Total Equity	226,589	178,293	23,914



Legend:

1. Year ending 31 December 2018.
2. Year ending 31 December 2017.
3. Period from 10 May 2016 (date of incorporation) to 31 December 2016.
4. EBIT refers to Earnings Before Interests Expenses and Income Taxes
5. EBITA refers to Earnings Before Interest Expenses, Income Taxes, Depreciations and Amortizations

Our Vision & Strategy

The Company's vision and strategy are illustrated as follows:

Vision

To be one of the world's leading and foremost e-learning solutions providers and to deliver quality online training solutions through its software and platform technology and well-designed courses to make learning easy and efficient.

E-learning solutions for corporate clients

provide corporate customers with e-learning solutions

- Extend and strengthen existing contracts and services
- Expand partnerships
- Upgrade products



E-learning solutions in vocational schools

support vocational schools with e-learning solutions

- Extend and strengthen existing contracts and services
- Acquire new contracts
- Enhance brand influence and reputation



E-learning solutions in ESG services

provide companies with ESG e-learning services demands

- Develop ESG online platform
- Develop ESG online curriculum
- Broaden markets



E-learning solutions in language learning

provide students engaged in English/Chinese learning with e-learning solutions

- Bring Australia teaching resources to China via e-learning solutions



Our Products & Services

The Company's products and services include 3 main parts:

1. E-learning solution platform
2. E-courses: customization & "off-the-shelf" courses
3. E-learning solution consulting & operational service.

E-learning solution platform



E-learning
Solution (PC)



M-Learning
Solution



Wechat
Solution



F2F Training
Solution



E-courses: customization & "off-the-shelf" courses

📍 "Off-the-Shelf" e-courses

Offering cost-efficient cookie-cutter courseware to customers

The IP for these courseware is developed and owned by Retech

📍 Customized e-courses

Divided into various types depending on customer presentation and development needs

E-learning solution consulting & operational service

Our expert teams provide in-depth technology and industrial design consulting. A bespoke e-learning solution is then provided. This reduces the time in securing contracts by increasing customer understanding

Financial Review

RMB '000	2018 ¹	2017 ²	Changes	%
Revenue	130,501	104,202	26,299	25.2%
Gross profit	82,409	65,301	17,108	26.2%
GP margin %	63.15%	62.67%	N/A	0.7%
Sales and distribution expenses	7,140	5,704	1,436	25.2%
Administrative expenses	24,769	18,774	5,995	31.9%
Profit before income tax	56,011	45,085	10,926	24.2%
Net profit after tax	48,267	37,131	11,136	30.0%
NPAT margin %	36.99%	35.60%	N/A	3.9%
EBIT	59,585	45,484	14,101	31.0%
EBITDA	61,850	46,128	15,722	34.1%
In Cents				
Basic EPS	21.34	19.23	1.54	11.0%
Diluted EPS	20.76	19.22	2.11	8.0%

- ◆ **Revenue:** revenue from contracts with customers includes our providing of e-learning software platform and delivering of different e-courses. We are still focusing on industries like finance, automobile, retail and high-tech from which large and well-known customers bring recurring contracts.
- ◆ **R&D expenses:** the Company has upgraded its e-learning platform solution to Version 1.2 in 2018. The platform solution has now integrated the key functions and standard practice models in financial and auto industries. The management expects this to strengthen the Group's product offerings to potential future clients, and our position in the e-learning market. In 2018 our cost for deploying e-learning software platform has been reduced. With standardization, our time and cost in customization of projects for future clients will be reduced as well.
- ◆ **Sales & distribution expenses:** the Company has expanded its sales and marketing, and invested more in this function. The total sales and distribution expense was RMB7.1 million, an increase of around 25% compared to 2017. The general administration expense was RMB24.8 million, with an increase of around 32%.
- ◆ **NPAT:** RMB48.3 million, an increase of RMB11.1 million (approximately A\$2.3 million), or 30%, compared to 2017. It was mainly because of the increased revenue and better controlled cost. We are improving our expense structure in 2019 and expecting a more efficient management mechanism.

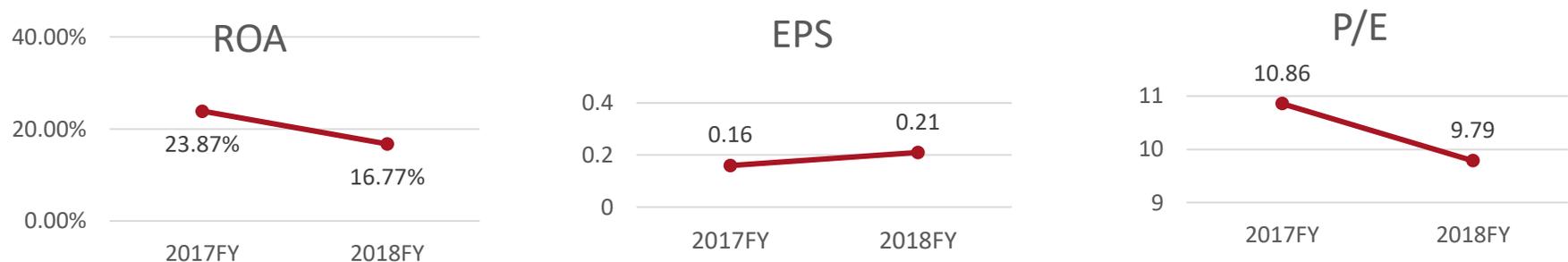
Notes:

1. Year ending 31 December 2018
2. Year ending 31 December 2017
3. Some sections of these commentaries include non-GAAP financial measures as we believe they provide useful information for readers to assist in understanding the Group's financial performance.

Key indicators

Items	2017FY (RMB)	2018FY (RMB)	Change
Total CDIs on issue	230,750,944	230,750,944	0
ROA	23.87%	16.77%	-7.10%
EPS	0.16	0.21	0.05
Debt asset ratio	33.68%	26.12%	-7.56%
P/E	10.86	9.79	-1.07
P/B	2.7	2.08	-0.62
Market Capitalization	482,269,473	472,301,032	-9,968,441

The market capitalization is approximately A\$99 million (approximately RMB472 million) based on the closing price of A\$0.43 on 31 December 2018. Retech's EPS increased by 0.05 in FY2018. Debt ratio decreased by 7.56%. P/E decreased by 1.07. P/B decreased by 0.62 in FY2018.



Note:

*Renminbi Yuan ("RMB") are translated to Australian dollars ("A\$") at A\$1.00 to RMB4.76 in this report in FY2018.

Business Review and Outlook

Achievements

- ◆ **Corporate clients**
 - New clients and contracts with the long-term key customers
- ◆ **Vocational schools**
 - New priority market segment in vocational schools
 - Design online learning solutions, integrating off-line curriculum with online interactive courses
- ◆ **New market segment in ESG e-learning**
 - Established ProSage Sustainability Development Limited during 2018 with a 90% share ownership
 - Vehicle to develop e-learning services for ESG training
- ◆ **Students engaged in language learning**
 - Entering into a non-binding, conditional letter of intent to acquire 70% the Victoria based XJS Coaching School

Outlook

- Generating positive returns to the Group from existing and potential
- Acquiring new clients and deepening relationships
- Better brand influence and reputation
- Will subsequently expand to other securities exchanges that have ESG compliance as a key part of their corporate governance requirements
- Delivering English-language training over online platforms, enabling Australian native-English speakers to instruct students in China
- A new and important revenue stream for years to come

Chairman's Letter



We are pleased to present to our CDI holders, partners, and other stakeholders, Retech Technology Co., Ltd.'s ("Retech") annual report for the financial year ending 31 December 2018.

In this year, Retech consolidated our position as China's leading technology company providing solutions to corporations wanting to train their employees on online and digital platforms. We have done so through a combination of expanding our existing operations, as well as through strategic acquisitions and joint ventures. This has allowed us to increase our revenues by 25%, our gross profit by 26%, and net profit after tax by 30% compared to the previous financial year.

Significant Developments in 2018

In 2018, Retech continued reinforcing our relationships with our key customers that bring us recurring business. These include the Bank of China, Ping An Insurance, and Mercedes Benz China, amongst others, which are some of the largest companies in China. We have also acquired new

clients by upgrading our online technology products.

Two new developments need to be mentioned: The first is the establishment of a new joint-venture subsidiary in Hong Kong - ProSage. With a team of veterans who were formally part of one of the largest Environmental, Social and Corporate Governance ("ESG") compliance consulting companies in Hong Kong, Retech established ProSage to deliver ESG compliance training to listed companies in Hong Kong. This will be subsequently expanded to other securities exchanges that have ESG compliance as a key part of their corporate governance requirements.

The second important development was establishing an operational and strategic partnership with Australia's leading Chinese-language training school, XJS Coaching School ("XJS"). XJS has delivered Chinese language training for the last 26 years through 9 brick-and-mortar campuses in Melbourne, Australia. XJS will use Retech's training technology to enable them to scale more quickly and teach more students in Australia. Concurrently, XJS and Retech will deliver English-language training over online platforms, enabling Australian native-English speakers to instruct students in China. Significantly, Retech has also entered into a non-binding, conditional agreement to

acquire XJS. We are optimistic this will bring Retech a new and important revenue stream for years to come.

Financial Results

Retech has continued delivering exceptional financial results in 2018.

Revenue for 2018 was RMB130.5 million (approximately A\$27.4 million), an increase of RMB26.3 million (approximately A\$5.5 million), or 25%, compared to 2017.

Gross profit for 2018 was RMB82.4 million (approximately A\$3.6 million), an increase of RMB17.1 million (approximately A\$3.6 million), or 26%, compared 2017.

Net Profit After Tax for 2018 was RMB48.3 million (approximately A\$10.1 million), an increase of RMB11.1 million (approximately A\$2.3 million), or 30%, compared to 2017.

These extraordinary results are a consequence of better revenue and gross profit, as well as more efficient cost-control.

Board Update

Retech appointed two new directors in 2018. These are Mr. Kang LI, an Australian resident with extensive relationships with Chinese investors in Australia, and Ms. MENG Xiaoshi, who will represent our significant shareholder City Savvy Limited, a wholly-owned subsidiary of Huarong Investment Stock Corporation ("Huarong", 2277.HK). She replaces Mr. MA Hok Wong

who has since left Huarong. They bring new experience and expertise, which will strengthen our Board.

Outlook and Appreciation

Retech continues to deliver strong financial results, including exceptional increases in profitability year-on year. We are confident that Retech will be able to achieve our vision of becoming Asia's leading technology company in the corporate training sphere.

On behalf of the Board, we would like to thank our management team and employees for their professionalism, dedication and passion. To our CDI holders, partners and other stakeholders, we would like to thank you for your ongoing support and confidence. We are confident that 2019 will be even better.

Yours sincerely,

Mr. Ai Shungang
Co-Chairman

Mr. Calvin CHENG
Co-Chairman

Shareholder Structure

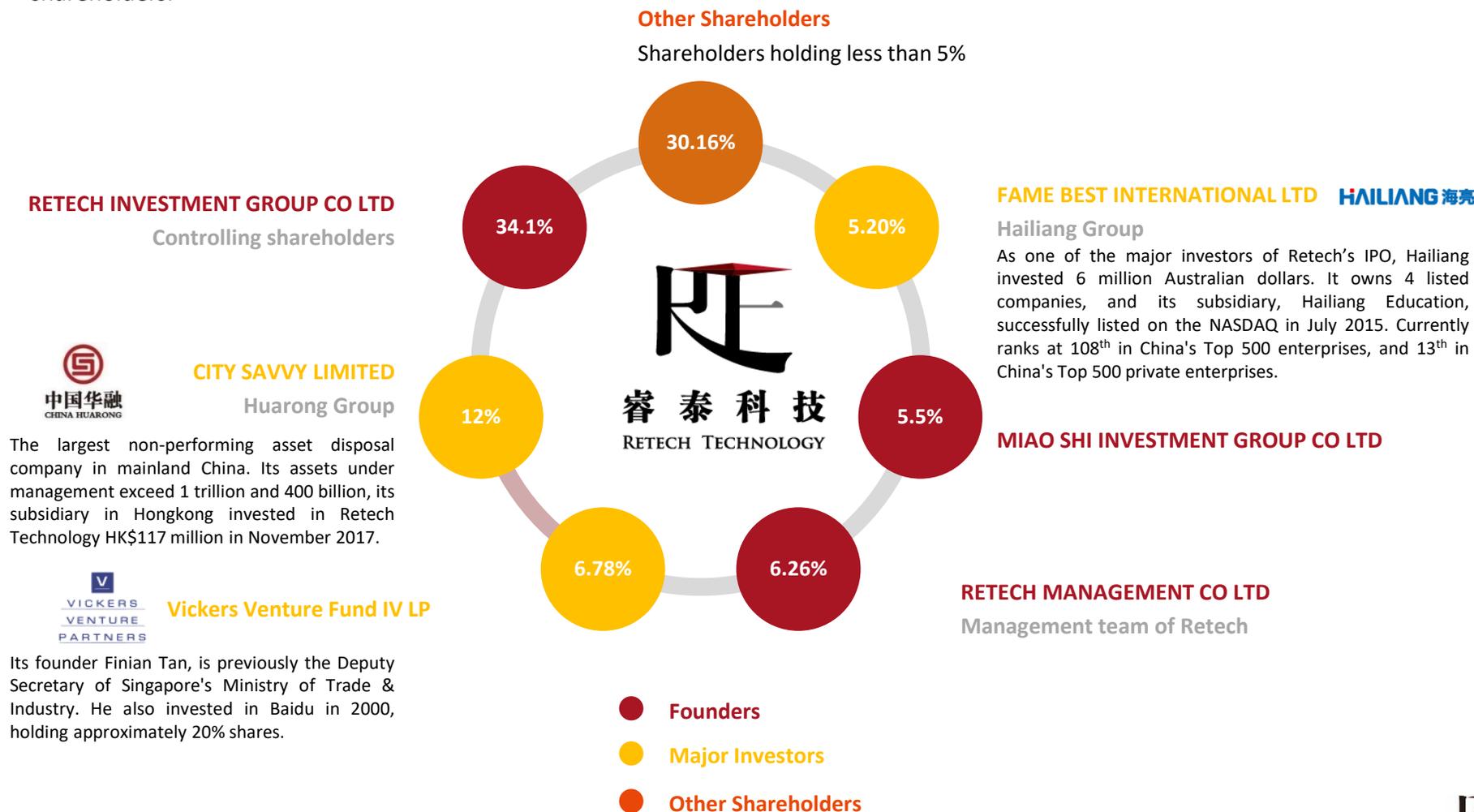
The substantial holders of Share/CDI are the following Share/CDI holders listed below who have notified the Company that they are a substantial holder under the Corporations Act 2001 in Australia. In general, under the Corporations Act (Australia), a person who holds a relevant interest in Shares/CDIs of more than 5% of the Company's issued share capital is a substantial holder.

Holder	Number of Shares and equivalent CDIs	% of issued capital notified to ASX
Retech Investment Group Co., Ltd.	78,689,400	34.10%
City Savvy Limited	27,700,700	12.00%
Vickers Venture Fund Iv LP	15,651,011	6.78%
Retech Management Co., Ltd.	14,451,000	6.26%
Miao Shi Investment Group Co., Ltd.,	12,700,700	5.50%
Fame Best International Ltd.	12,000,000	5.20%
Total	161,192,811	69.84%

Note: Share/CDI holdings as at 26 March 2019

Our Key Investors

Below is the structure of the substantial shareholders who holds relevant interests over 5% and the percentage of other shareholders.



THANK YOU!



Retech Technology Co., Limited

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