

ASX Announcement

30 July 2021



Quarterly Activities Report

- **In July, a new facility was established in New Zealand to enable Ai English to recruit more teachers locally to meet the expansion requirements of the business.**
- **Ai English co-edited the ‘Standardisation of recruitment and management of foreign teachers’ and ‘Standardisation of the employment and management for online foreign language teaching in offline campuses’ (lead by the Chinese Education Association for International Exchange.)**

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 30th of June 2021.

Operational Update

➤ **Corporate E-Learning**

As COVID-19 has continued to impact business’s globally, Chinese business’s have acknowledged that online training and communication has become a growth trend with customers in China and overseas reflecting the trend transitioning to online services.

- ◇ In June 2021, Retech and the National Association of Financial Market Institutional Investors (NAFMII) commenced cooperation and **will jointly launch e-learning courses on financial topics for all members of NAFMII**. Meanwhile, Retech has adopted a **consulting operation method** as the breakthrough point, customizing the overall operation service solution for NAFMII, and promoting its online training business.
- ◇ In June 2021, Retech and the Bank of China Beijing Branch have formally established a co-operation regarding a digital communication project. Retech has maintained a good relationship with the Bank of China and has provided multi-dimensional services for its branches in Guangdong, Sichuan, Jiangsu, Yunnan, Shanxi, Heilongjiang, Shenzhen and other provinces and cities. The service scope includes consulting diagnosis, content operation, platform construction and courseware production.
- ◇ In June 2021, Retech commenced providing course developing services and an annual management team training program to its new client- Hangzhou Bank.
- ◇ Retech continues to provide services to Michelin. This current year is seen as a new milestone as Retech will develop a new online course “e-Primacy” for all Michelin store staff in China.

➤ **Vocational Education**

In April 2021, the Chinese government continued to emphasize the importance of vocational education and its increasing prominence in corporations. Given Retech's experience in this industry, and in light of this announcement, more and more schools have started to communicate with Retech to engage in further co-developing of digital media.

- ◇ According to the agreement signed between Retech and Yancheng Children's Teaching College, both parties will make full use of their respective advantages and carry out in-depth cooperation in the areas of teacher training, course development, talent training and internship and industry employment research using the platform of the Digital Media Industry College.
- ◇ The training center located in Shanghai Publishing and Printing College (**SPPC**) was put into use in late April. It provided the practice training Digital Media majors and the whole SPPC. In early July, SPPC and Retech co-built 4 training bases located in Shanghai, Yancheng, Zhenjiang and Wuxi.



- ◇ In May 2021, the Digital Media Art Design Enterprise College which will be jointly built by Retech and Zhenjiang Higher Vocational and Technical Institute held a launch ceremony. This College is located in Retech's Digital Industrial Park and both parties will strive to build a cooperation base integrating production, learning, research and application.
- ◇ During the past quarter, Retech has also successfully launched the Digital Media Industry College with Wuxi Vocational and Technical College, Yancheng Technician College.

➤ **Language Learning**

During the second quarter of 2021, Ai English had several breakthroughs in technology, courseware and customer development.

- ◇ In April 2021, Ai English successfully won its bid for the Suzhou industrial park Education bureau's 'foreign teachers entering campus' project, providing 38 public schools in the whole district with online c—teacher English classes. Previously, Ai

English provided over 100 primary schools and kindergartens with online class services

- ◇ By the end of June 2021, Ai English completed co-editing the 'Standardisation of recruitment and management of foreign teachers' publication and '**standardisation** of the employment and management of online foreign language teaching in offline campuses' publication (lead by the Chinese Education Association for International Exchange.)
- ◇ In response to Chinese local policy, Ai English has gradually moved away from the provision of mainstream after school/off-campus services, transitioning to 'in-class' services as its the new core method of delivery.
 - ◇ In July 2021, a new facility was established in New Zealand to enable Ai English to recruit more teachers locally to meet the expansion requirements of the business

Financial update

- ◇ Cash receipts from customers in Q22021 was RMB34.06 million (AUD7.02 million¹), an increase of 114% compared to Q22020. As last year the businesses were impacted by COVID-19, and now resuming to business as usual.
- ◇ Net cash from operating activities in Q22021 was RMB14.66 million (AUD3.02 million), compared with Q22020 net cash used in operating activities of RMB17.62 million (AUD3.63 million) reflecting the recovery from the COVID-19 impact on the business.
- ◇ As noted in Item 2.3 of Retech's Appendix 4C cashflow report, the loan repayment from related parties and their associates totaled RMB16.20 million (AUD3.34 million). This is the loan repayment from Jiangsu Retech Digital Industry Park Co.

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

¹ Exchange rate: AUD/RMB = 4.8528 (30 June 2021)

ENDS

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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")

30 Jun 2021

Consolidated statement of cash flows	Current quarter 30 Jun 2021 RMB	Year to date (6 months) RMB
1. Cash flows from operating activities		
1.1 Receipts from customers	34,056,286	65,326,267
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(4,669,593)	(19,975,228)
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(8,254,843)	(24,660,020)
(f) administration and corporate costs	(6,916,673)	(16,099,532)
1.3 Dividends received (see note 3)		
1.4 Interest received	160,987	318,765
1.5 Interest and other costs of finance paid	(19,646)	(36,206)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	381,967	394,270
1.8 Other (provide details if material)	(75,020)	233,553
1.9 Net cash from / (used in) operating activities	14,663,463	5,501,869
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(558,887)	(814,840)
(d) investments		(50,000)
(e) intellectual property	(9,531,230)	(9,531,230)

Consolidated statement of cash flows	Current quarter 30 Jun 2021 RMB	Year to date (6 months) RMB
(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	16,196,000	(4,324,201)
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	6,105,883	(14,720,271)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	(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	(632,685)	(1,304,122)
3.5 Proceeds from borrowings		5,000,000
3.6 Repayment of borrowings	(8,000,000)	(8,000,000)
3.7 Transaction costs related to loans and borrowings	(600,432)	(1,135,882)
3.8 Dividends paid		
3.9 Other (provide details if material) ²	11,204,032	14,428,874
3.10 Net cash from / (used in) financing activities	(10,625,846)	8,988,870

² The main cash flow included in item 3.9 other financing cash flow was fundraising from NEBULA to Ai English of AUD2.58 million in 2021Q1, which was reported as item 3.1 proceeds from issues of equity securities. As it was fundraising to subsidiary rather than Retech, the transaction was corrected to item 3.9 after further review.

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	195,380,173	205,820,738
4.2	Net cash from / (used in) operating activities (item 1.9 above)	14,663,463	5,501,869
4.3	Net cash from / (used in) investing activities (item 2.6 above)	6,105,883	(14,720,271)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(10,625,846)	8,988,870
4.5	Effect of movement in exchange rates on cash held	(362,650)	(430,183)
4.6	Cash and cash equivalents at end of period	205,161,022	205,161,022

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 30 Jun 2021 RMB	Year to date (6 months) RMB
5.1	Bank balances	205,161,022	205,161,022
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)	205,161,022	205,161,022

6.	Payments to related parties of the entity and their associates	Current quarter 30 Jun 2021 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	
<p><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></p>		

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.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	44,605,600	44,605,600
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	44,605,600	44,605,600
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.	<p>1. The group obtained a secured Loan of RMB5,000,000 from SPD Bank for one year. The interest rate is 4.2%.</p> <p>2. The group obtained a secured Loan of RMB4,900,000 from SPD Bank for one year. The interest rate is 5.34%.</p> <p>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 = 4.8528, 30 Jun 2021)</p> <p>4. The group obtained a secured Loan of RMB10,000,000 from Bank of Communications for one year. The interest rate is 4.5%.</p> <p>5. The group obtained a secured Loan of RMB20,000,000 from Shanghai Commercial Bank for one year. The interest rate is 5.75%.</p>	

8. Estimated cash available for future operating activities	RMB
8.1 Net cash from / (used in) operating activities (item 1.9)	14,663,463
8.2 Cash and cash equivalents at quarter end (item 4.6)	205,161,022
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	205,161,022
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 Jul 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.