

ASX Announcement

31 January 2022

**Quarterly Activities Report**

- **Rectech has demonstrated its expertise in the field of digital education and training by winning the Shanghai Software Core Competitiveness Enterprise 2021 (Innovative), for the third year in a row.**
- **Retech has expanded the scope of services it provides to the branches of Bank of China and the Research Institute of Bank of China. The services provided include science and innovation finance courses, anti counterfeit money and anti money laundering courses, financial consumer protection courses, network service standards courses and Winter Olympics related series etc. The services have extended from online courseware development to offline activity operations. In the finance industry, Retech is establishing itself as a key operating partner.**
- **The online open course “ Flower Arrangement Art ” customized by Retech for Shanghai Agricultural School has been rated as “High-quality Course” by Shanghai Municipal Education Commission. The course has been praised as exquisite designing, excellent production, diverse forms and diversified teaching methods.**

Retech Technology Co., Ltd (ASX: RTE, “Retech”), a leading Chinese e-Learning technology and eCourses provider, is pleased to announce its operation and financial performance for the quarter ending on the 31st of December 2021.

Operational Update**➤ Corporate E-Learning**

As the online training in corporates becomes more regular, this part of business is growing as expected and the significant developments are as follows.

- ✧ Retech continues to provide the service to Bank of China, China Merchants Bank, Huawei, SNPTC (Shanghai Nuclear Engineering Research & Design Institute Co., Ltd.) , Sephora etc.
- ✧ The RetechSmart platform: the bottom layer has been reconstructed from the business level, and the micro service architecture has been upgraded from the technical level. The platform can now support concurrent and business expansion, container deployment and resource scaling configuration.

- ◇ November 2021, Retech provided the professional activity operation services for Distinct Healthcare, which is a leading high-end chain medical brand in China.
- ◇ Retech developed several new customers in the manufacturing field including Grundfos Water Pump (Shanghai) Co., Ltd., which is a leading global manufacturer of energy-efficient and intelligent water solutions. Retech will provide online learning platform, online assessment and certification, new employee induction training and sales training tools for Grundfos (China) in the following several years.
- ◇ Retech expanded the services scope for the branches of Bank of China and the Research Institute of Bank of China. The projects include Qingyun series courses, science and innovation finance courses, anti counterfeit money and anti money laundering courses, financial consumer protection courses, network service standards courses and Winter Olympics related series. The services have extended from online courseware development to offline activity operations.
- ◇ Retech continues to provide service to Mercedes Benz and BMW including electronic courseware developing suitable for OTL platform which can play in PC and mobile terminals.
- ◇ Retech has developed various courses for Shanghai Pudong Development Bank, including public information security courses and internal system and operation courses.
- ◇ In the past few months, Retech set up Xi'an Office which is for developing the western market.
- ◇ Retech has demonstrated its expertise in the field of digital education and training by winning the Shanghai Software Core Competitiveness Enterprise 2021 (Innovative) for the third year in a row.

➤ **Vocational Education**

From the beginning of 2021, the government released a number of policies in vocational education which underpinned Retech's resolve to develop this business.

- ◇ The online open course "Flower Arrangement Art" customised by Retech for Shanghai Agricultural School has been rated as "High-quality Course" by Shanghai Municipal Education Commission. The course has been praised for its exquisite designing, excellent production, diverse forms and diversified teaching methods.
- ◇ The digital media training camp opened on 15 December. It was jointly created by Retech and Zhongnan Peixin Education Management Co., Ltd., a subsidiary of Zhongnan Media. This is a new business start in Central China.
- ◇ Retech provided course developing services for more than 60 vocational schools including the electronic commerce course developing for Shanghai Vocational Education Group for Commerce And Trade, series of online courses for Shanghai

Art & Design Academy , Shanghai I&C Foreign Languages School, Shanghai Civil Aviation College and Changzhou Vocational Institute of Engineering, etc.

- ✧ Retech provided system maintenance service for more than 20 vocational schools including Shanghai Communications School, Karamay Vocational & Technical College, Sichuan Vocational College of Information Technology, Shanghai Baoshan Vocational School, etc..

➤ **Language Learning**

To meet the developing target in local market, AiEnglish established a sub-brand: Ai Growth, which focuses on providing the after class services for K12 schools. The services include quality courses authorisation, teacher training, teacher resources, advanced technology support and activity organisation services.

- ✧ The product “Newspaper Reading Time“ co-developed by Ai English and 21st Century English Education Media has been put into the market. In October, the Second Experimental School of Suzhou University and Xingzhou Primary School of Suzhou Industrial Park have launched the product into their courses. And in the following two months, several schools applied to trial use the product which will be introduced into their English classes at Tangshan Yanjing Primary School, Yangzhou Cuigang Middle School, Zhangjiagang Foreign Language School, Hebei Foreign Language Middle School affiliated to Tianjin Foreign Studies University, Zhejiang Hailiang Foreign Language School, Ningbo Huamao Foreign Language School, Zhenjiang Peiwen Experimental School etc..
- ✧ Ai Growth provided the "5 + 2" study extension service for Suzhou Jinji Lake school. The music literacy courses are composed of five parts: story introduction, knowledge expansion, music rhythm, creative games and touch the trend.

Financial update

- ✧ Cash receipts from customers in Q4 2021 were RMB56.10 million (AUD12.15 million¹), a decrease of 37% compared to Q4 2020. Due to the recurrence of the COVID-19, project acceptance from some customers was affected and cash receipts from customers were also delayed. Total receipts from customers in 2021 were RMB186.60 million (AUD40.42 million), an increase of 6% compared to 2020.
- ✧ Net cash from operating activities in the year of 2021 was RMB16.77 million (AUD3.63 million), a decrease of 7% compared to year 2020.

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

¹ Exchange rate: AUD/RMB = 4.6171 (31 Dec 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")

31 Dec 2021

Consolidated statement of cash flows	Current quarter 31 Dec 2021 RMB	Year to date (12 months) RMB
1. Cash flows from operating activities		
1.1 Receipts from customers	56,096,076	186,604,102
1.2 Payments for		
(a) research and development	(9,430,000)	(9,430,000)
(b) product manufacturing and operating costs	(38,685,324)	(86,089,709)
(c) advertising and marketing	–	–
(d) leased assets	–	–
(e) staff costs	(9,803,160)	(49,065,025)
(f) administration and corporate costs	(4,432,082)	(26,856,794)
1.3 Dividends received (see note 3)	–	–
1.4 Interest received	177,766	670,742
1.5 Interest and other costs of finance paid	(15,836)	(69,134)
1.6 Income taxes paid	(505,789)	(505,789)
1.7 Government grants and tax incentives	179,783	1,277,881
1.8 Other (provide details if material)	(146,407)	230,203
1.9 Net cash from / (used in) operating activities	(6,564,972)	16,766,476

Consolidated statement of cash flows	Current quarter 31 Dec 2021 RMB	Year to date (12 months) RMB
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(193,149)	(1,203,181)
(d) investments		(50,000)
(e) intellectual property	–	(12,631,230)
(f) other non-current assets		
2.2 Proceeds from disposal of:		
(g) entities		
(h) businesses		
(i) property, plant and equipment	–	172,204
(j) investments	–	(166,776)
(k) intellectual property		
(l) other non-current assets		
2.3 Cash flows from loans to other entities	(6,347,000)	(8,737,501)
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)	(1,232,844)	2,400,431
2.6 Net cash from / (used in) investing activities	(7,772,993)	(20,216,052)

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	(636,230)	(2,605,581)
3.5 Proceeds from borrowings	19,900,000	53,300,000
3.6 Repayment of borrowings	(14,900,000)	(42,900,000)
3.7 Transaction costs related to loans and borrowings	(441,110)	(1,983,266)
3.8 Dividends paid		

Consolidated statement of cash flows	Current quarter 31 Dec 2021 RMB	Year to date (12 months) RMB
3.9 Other (provide details if material)	1,038,716	15,434,868
3.10 Net cash from / (used in) financing activities	4,961,376	21,246,021

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	232,444,455	205,820,738
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,564,972)	16,766,476
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,772,993)	(20,216,052)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,961,376	21,246,021
4.5	Effect of movement in exchange rates on cash held	31,711	(517,607)
4.6	Cash and cash equivalents at end of period	223,099,577	223,099,577

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 31 Dec 2021 RMB	Year to date (12 months) RMB
5.1	Bank balances	223,099,577	223,099,577
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)	223,099,577	223,099,577

6.	Payments to related parties of the entity and their associates	Current quarter 31 Dec 2021 RMB
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(587,074)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	(6,347,000)

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.

Item 1.2(b): Outsourcing payments to related parties of RMB0.59 million (AUD0.13 million), including Zhenjiang Retech Education Technology Co., Ltd of RMB0.16 million (AUD0.03 million) and Suzhou Ruixuetang Technology Co., Ltd of RMB0.43 million (AUD0.09 million).

Item 2.3: Loan payment to Jiangsu Retech Digital Industry Park Co. LTD of RMB6.35 million (AUD1.37 million).

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	70,531,200	62,534,200
7.2		
7.3		
7.4	70,531,200	62,534,200
7.5	Unused financing facilities available at quarter end	
		7,997,000
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 RMB5,000,000 from SPD Bank for one year. The interest rate is 4.2%. 2. 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 = 4.6171, 31 Dec 2021) 3. The group obtained a secured Loan of RMB7,900,000 from Citi Bank for one year, with a total facility of USD2,500,000. The interest rate is 5.22%. (Exchange rate: USD/RMB = 6.3588, 31 Dec 2021) 4. The group obtained a secured Loan of RMB5,500,000 from Shanghai Yangpu Kecheng microfinance Co., Ltd for one year. The interest rate is 18%. 5. The group obtained a secured Loan of RMB5,000,000 from SPD Bank for one year. The interest rate is 4.2%. 6. The group obtained a secured Loan of RMB10,000,000 from Bank of China for one year. The interest rate is 3.85%. 7. The group obtained a secured Loan of RMB5,000,000 from Shanghai Rural Commercial Bank for one year. The interest rate is 4.8%. 8. The group obtained a secured Loan of RMB10,000,000 from Bank of Nanjing for one year. The interest rate is 4.55%. 9. The group obtained a secured Loan of RMB4,900,000 from SPD Bank for one year. The interest rate is 4.0%. 	

8. Estimated cash available for future operating activities	RMB
8.1	-6,564,972
8.2	223,099,577
8.3	7,997,000
8.4	231,096,577
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)
	35.2
<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: 31 Jan 2022

Authorised 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.