

ASX Announcement

31 October 2022



Quarterly Activities Report

- In the third quarter of 2022, Retech has successfully executed/renewed more contracts with our major clients, including Pingan Group, Sephora, China Merchants Bank, Santan Pharm, Mercedes Benz, Essence Securities, Bank of Communications, Faw Jiefang Automotive, Kingdee, etc.
- Retech and Shanghai Publishing and Printing College has jointly developed a project titled “Reform and Practice of Professional Training for Digital Publishing Based on Business Changes”. In September, this project was awarded the “Shanghai Outstanding Educational Achievement Prize”.
- In the 3rd Quarter, Ai English was awarded the tender for Suzhou Industrial Park to provide English teaching services to circa. 45,000 students in 37 campuses for the period Sept 2022 to June 2023. The contract value is estimated to be RMB 10 million.
- Ai English’s Thailand education base was established and has commenced business operations. Ai English has started to engage local service providers to provide educational services and successfully delivered over 500 lessons.

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 ended 30st of September 2022.

Operational Update

➤ **Corporate E-Learning**

Corporate online training resumes normal operation and is growing as expected. Significant developments are as follows.

- ◇ In the third quarter of 2022, Retech has successfully executed/renewed more contracts with our major clients, including Pingan Group, Sephora, China Merchants Bank, Santan Pharm, Mercedes Benz, Essence Securities, Bank of Communications, Faw Jiefang Automotive, Kingdee, etc.
- ◇ In August, Retech was engaged by National Association of Financial Market Institutional Investors to provide training services, daily learning analysis etc.
- ◇ In Q3 2022, Retech executed a service contract with China Construction Bank for provision of courseware development and support services.

- ◇ Retech successfully signed new contracts with Mercedes Benz for its HRC System maintenance and TFMS reconfiguration.

➤ **Vocational Education**

Shanghai vocational school semesters were largely postponed due to current Covid-19 lockdown policies. The gross revenue from this particular segment of business was negatively impacted.

- ◇ Retech and Shanghai Publishing and Printing College has jointly developed a project titled “Reform and Practice of Professional Training for Digital Publishing Based on Business Changes”. In September, this project was awarded the “Shanghai Outstanding Educational Achievement Prize”.
- ◇ Jiangsu Vocational College of Information Technology will hold Retech in a pool of preferred service providers for the next 3 years.

➤ **Language Learning**

- ◇ In the 3rd Quarter, Ai English was awarded the tender for Suzhou Industrial Park to provide English teaching services to circa. 45,000 students in 37 campuses for the period Sept 2022 to June 2033. The contract value is estimated to be RMB 10 million.
- ◇ AiEnglish has developed more than 70 training schools customers in Japan and continues to deliver 2 to 3 online English lectures hosted by native English-Speaking teachers per week. In addition, Ai English also attempted to explore the market of public school with local business partners.
- ◇ Ai English’s Thailand education base was established and has commenced business operations. Ai English has started to engage local service providers to provide educational services and successfully delivered over 500 lessons.

Financial update

- ◇ Cash receipts from customers in Q3 2022 were RMB26.06 million (AUD5.63 million¹), a decrease of 60% compared to Q3 2021. Affected by the COVID-19 and the increasingly strict epidemic prevention measures in China, project acceptance from some customers and cash receipts from customers were also delayed.
- ◇ Net cash used in operating activities in Q3 2022 was RMB9.65 million (AUD2.08 million), a decrease of 154% compared to Q3 2021.

¹ Exchange rate: AUD/RMB = 4.6296 (30 Sep 2022)

Related Party Transactions

The Loan of RMB 8.5million (AUD 1.84 million) to Jiangsu Retech Digital Industry Park Co. LTD (Jiangsu Industry Park) is an interest-bearing financial facility at a fixed rate of 10% per annum and wholly repayable within 12 months from the draw down date.

Mr. Ai Shungang is also a shareholder and a director of Jiangsu Industry Park and the loan has been undertaken by Mr. Ai. In the event of default, he will indemnify the Group for any losses with regard to the amount outstanding above.

The directors are of the opinion that the loan to a related party is conducted on normal commercial forms at arm's length basis.

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

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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 Sep 2022

Consolidated statement of cash flows	Current quarter 30 Sep 2022 RMB	Year to date (9 months) RMB
1. Cash flows from operating activities		
1.1 Receipts from customers	26,056,968	89,653,705
1.2 Payments for		
(a) research and development	—	—
(b) product manufacturing and operating costs	(25,618,024)	(83,320,529)
(c) advertising and marketing	—	—
(d) leased assets	—	—
(e) staff costs	(6,513,765)	(19,504,699)
(f) administration and corporate costs	(3,821,687)	(10,277,379)
1.3 Dividends received (see note 3)	—	—
1.4 Interest received	194,682	588,194
1.5 Interest and other costs of finance paid	(14,619)	(42,669)
1.6 Income taxes paid	(24,386)	(27,068)
1.7 Government grants and tax incentives	53,421	181,424
1.8 Other (provide details if material)	37,238	(2,180,086)
1.9 Net cash from / (used in) operating activities	(9,650,172)	(24,929,107)

Consolidated statement of cash flows	Current quarter 30 Sep 2022 RMB	Year to date (9 months) RMB
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		(2)
(b) businesses	—	—
(c) property, plant and equipment		(50,000)
(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	(8,502,000)	(5,480,700)
2.4 Dividends received (see note 3)	—	—
2.5 Other (provide details if material)	—	—
2.6 Net cash from / (used in) investing activities	(8,502,000)	(5,530,702)

Consolidated statement of cash flows	Current quarter 30 Sep 2022 RMB	Year to date (9 months) RMB
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	—	—
3.5 Proceeds from borrowings	28,000,000	73,000,000
3.6 Repayment of borrowings	(16,900,000)	(36,400,000)
3.7 Transaction costs related to loans and borrowings	(1,451,894)	(3,649,040)
3.8 Dividends paid	—	—
3.9 Other (provide details if material) ²		(8,014,914)
3.10 Net cash from / (used in) financing activities	9,648,106	24,936,046

² Other cash flows from financing activities were mainly repayments of convertible debt

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	225,968,496	223,099,577
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(9,650,172)	(24,929,107)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,502,000)	(5,530,702)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,648,106	24,936,046
4.5	Effect of movement in exchange rates on cash held	4,174	(107,210)
4.6	Cash and cash equivalents at end of period	217,468,604	217,468,604

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 Sep 2022 RMB	Previous quarter 30 Jun 2022 RMB
5.1	Bank balances	217,468,604	225,968,496
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)	217,468,604	225,968,496

6.	Payments to related parties of the entity and their associates	Current quarter 30 Sep 2022 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	(8,502,000)-

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 2.3: Loan payment to Jiangsu Retech Digital Industry Park Co. LTD.

7.	Financing facilities <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>	Total facility amount at quarter end RMB	Amount drawn at quarter end RMB
7.1	Loan facilities	100,659,200	100,659,200
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	8,000,000	-
7.4	Total financing facilities	108,659,200	100,659,200
7.5	Unused financing facilities available at quarter end		8,000,000
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"> 1. 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 = 4.6296, 30 Sep 2022) 2. The group obtained a secured Loan of RMB5,500,000 from Shanghai Yangpu Kecheng Microfinance Co., Ltd for one year. The interest rate is 9%. 3. The group obtained a secured Loan of RMB5,000,000 from Shanghai Rural Commercial Bank for one year. The interest rate is 4.8%. 4. The group obtained a secured Loan of RMB10,000,000 from Bank of Nanjing for one year. The interest rate is 4.55%. 5. The group obtained a secured Loan of RMB4,900,000 from SPD Bank for one year. The interest rate is 4.0%. 6. The group obtained a secured Loan of RMB5,000,000 from Ningbo Commerce Bank for one year. The interest rate is 5.785%. The total comprehensive credit line from Ningbo Commerce Bank is RMB8,000,000, among which RMB5,000,000 was drawn as loan mentioned. Unused comprehensive credit facilities of RMB3,000,000 was classified as item 7.3 other facilities. 7. The group obtained a secured Loan of RMB10,000,000 from Bank of Communications for six months. The interest rate is 4.0%. 8. The group obtained a secured Loan of RMB2,000,000 from Bank of Shanghai for one year. The interest rate is 3.95%. 9. The group obtained a secured Loan of RMB5,000,000 from Jiangsu Zhangjiagang Rural Commercial Bank for three years. The interest rate is 5.2%. The total comprehensive credit line from Jiangsu Zhangjiagang Rural Commercial Bank is RMB10,000,000, among which RMB5,000,000 was drawn as loan mentioned. Unused comprehensive credit facilities of RMB5,000,000 was classified as item 7.3 other facilities. 10. The group obtained a secured Loan of RMB3,000,000 from China Everbright Bank for eleven months. The interest rate is 4.5%. 11. The group obtained a secured Loan of RMB5,000,000 from Jiangsu Jianguyin Rural Commercial Bank for one year. The interest rate is 6%. 12. The group obtained a secured Loan of RMB8,000,000 from Bank of China for one year. The interest rate is 3.35%. 13. The group obtained a secured Loan of RMB8,000,000 from China CITIC Bank for one year. The interest rate is 4.30%. 14. The group obtained a secured Loan of RMB10,000,000 from Xiamen International 		

Bank for one year. The interest rate is 5.0%.

15. The group obtained a secured Loan of RMB5,000,000 from China Guangfa Bank for six months. The interest rate is 4.5%.
16. The group obtained a secured Loan of RMB5,000,000 from China Guangfa Bank for one year. The interest rate is 4.5%.

8.	Estimated cash available for future operating activities	RMB
8.1	Net cash from / (used in) operating activities (item 1.9)	(9,650,172)
8.2	Cash and cash equivalents at quarter end (item 4.6)	217,468,604
8.3	Unused finance facilities available at quarter end (item 7.5)	8,000,000
8.4	Total available funding (item 8.2 + item 8.3)	225,468,604
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	23.36
<p><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></p>		
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	
<p><i>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.</i></p>		

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2022

Authorised by: the board
(Name of body or officer authorising release – see note 4)

Notes

- 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

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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.