

## ASX Announcement

20 December 2022

### Retech Technology Co., Limited – Response to ASX Query Letter

Retech Technology Co., Limited (ASX: RTE) (**Retech**) refers to the ASX Query Letter dated 7 December 2022 and provides the following responses:

- 1. When did RTE become aware that it would not be able to satisfy the auditors and lodge its interim reports on time? If RTE was aware of this before 31 August 2022, why did RTE not make an announcement then or request a suspension?**

Retech has been continuously working with its auditors to meet the interim report release date of 31 August 2022. However, due to the disruptions caused by the uncertain COVID-19 situation in China and Government mandated pandemic prevention measures and policies across Shanghai, Shanghai remained in lock-down until early June 2022.

In late August 2022, more COVID-19 positive cases appeared in Yangpu District, where Retech is located. This resulted in additional COVID-19 prevention measures being implemented which impacted day-to-day operations within the Yangpu District and the broader Shanghai. As such, the preparation of the interim reports and the 2022 half-year review by auditors was materially impacted.

Retech was unable to confirm that it would not meet the lodgement deadline until the very end of August 2022 and therefore only made the announcement of the lodgement delay to the ASX on 31 August 2022.

- 2. Did RTE's auditors travel to Shanghai for the purpose of the 2021 half-year review?**

RTE's auditors sent their team to Shanghai for the purpose of the half-year review of Retech's consolidated financial statements for the 6 months ended 30 June 2021.

Retech's auditors also sent their team to Shanghai during the end of July to early August 2022 to perform the half-year review of Retech's consolidated financial statements for the 6 months ended 30 June 2022.

- 3. Please outline the nature of the information sought by the auditors to satisfy their requirements for the half-year review.**

The auditors initially requested the accounting records and related information for Retech and its subsidiaries in accordance with the requirements of Hong Kong Standard on Review Engagements 2410.

Upon their review of the accounting records and related information, the auditors requested further supporting information in relation to key review matters noted during the six months ended 30 June 2022.

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In particular, the auditors requested that management update the impairment assessment of the goodwill for Shanghai Pantosoft after noting that there was a significant adverse change in the operating results for that Cash-Generating-Unit (**CGU**). At this time, however, the impact of the COVID-19 pandemic prevention quarantines in various areas in China, and especially in Yangpu district in Shanghai, caused delays and difficulties for Retech to finalise the goodwill impairment assessments, including:

- Disruptions and delay to RTE's affairs, operations, staff travel and work; and
- Receipt of some material customer contracts and orders were delayed to varying degrees.

In addition, as part of its going concern consideration and assessment, the auditors requested a further update on the status of repayment to City Savvy of the redemption price under the Convertible Note. This included a request for documents and correspondences with City Savvy and the requirement to conduct interviews with relevant parties to confirm all information to be disclosed in the financial statements. Due to the COVID-19 lock downs however and pandemic measures no such arrangement was made as of date of 15 November 2022.

Following the winding up petition received by Retech on 23 November 2022 (**Winding Up Petition**) and announced to the ASX on 28 November 2022, the auditors requested a legal opinion on the potential outcome and impact should Retech fail to pay the amount outstanding under the Convertible Note to City Savvy and, as a consequences, the Winding Up Petition of City Savvy not being withdrawn.

**4. ASX observes that under the HK Standard of Review Engagements, the auditor ordinarily makes inquiries of the statements provided by the entity.**

**4.1 Has the scope of engagement with the auditors has changed since the last interim report?**

The scope of engagement with the auditors has not been changed since the last interim report and it is in accordance with the requirements of Hong Kong Standard on Review Engagements 2410.

**4.2 Has the auditor asked to inspect, observe or confirm anything for the review? Please provide details.**

During the review of Retech's consolidated financial statements for the six months ended 30 June 2022, the auditors have requested the following information from Retech:

- To inspect the goodwill impairment assessment of the Shanghai Pantosoft goodwill to determine whether there is further impairment given the adverse results of the CGU in the first half of 2022.
- To inspect material contracts/orders to support the impairment assessment of the Shanghai Pantosoft goodwill given the significance of the carrying value of the goodwill of Shanghai Pantosoft to the consolidated financial statements.
- To confirm the significant bank balances included in Retech's balance sheet (given the default in payment of the Convertible Note)
- To interview with relevant parties in City Savvy to confirm the negotiation status and to determine potential adjustments and related information to be disclosed in the financial statements.

Following the Winding Up Petition filed by City Savvy on 22 November 2023, the auditors then asked for the following:

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- (v) A legal opinion on the potential outcome and impact of City Savvy's Winding Up Petition should Retech fail to negotiate a withdrawal of the Winding Up Petition or arrange settlement before the commencement of Winding Up Petition being heard;
  - (vi) Detail of any agreement with City Savvy regarding a payment plan and the withdrawal of the Winding Up Petition should Retech be unable to pay the amount owing in full on or before 1 February 2023 due to ongoing issues with capital approval required from the Chinese Government Authority for a cross-border cash transfer.

As at the date of this response to the ASX, all documentation in respect of items (i) – (iii) (inclusive) has been provided to the auditors. The information requested in items (iv) and (vi) is yet to be provided to the auditors, however this is in progress.

The Company is advised that the auditors have exercised their duty under the requirements under HKRE2410.29, which states that *when a matter comes to the auditor's attention that leads the auditor to question whether a material adjustment should be made for the interim financial information to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor should make additional inquiries or perform other procedures to enable the auditor to express a conclusion in the review report.*

Retech, its Hong Kong lawyers and auditors are working to finalise responses to items (iv) and (v) in order for the auditors to comply with HKRE2410.29 and Retech will keep the market updated.

**5. Is RTE aware of anything further regarding its interim financial statements that should be disclosed to the market? Please provide details.**

With reference to the announcement Retech made on 28 November 2022 in relation to the Winding Up Petition from City Savvy, the auditors informed Retech that they needed additional information and time to complete their review of the 2022 interim financial statements. To that end, Retech refers to its response to question 4.2.

The Board would like to reiterate that the reason for the default in payment has been driven by the delay in the capital approval requirement from the Chinese Government Authority for a cross-border cash transfer. As at the date of this response to the ASX, the bank account was approved to change from an FTN account (Free Trade Non-Resident Account) to an NRA (Non-Resident Account) and Retech has submitted all documents required by the Shanghai Pudong Development Bank (**SPDB**) to complete this change of account. Retech domestic subsidiaries have signed the agreement on the transfer from FTN account to NRA account and sent it to SPDB. Currently, Retech is waiting for the completion of approval and signature procedure of SPDB. It is expected that this procedure will be completed in early January 2023. After the agreement is completed, all other process about the NRA account will need to be handled by the SPDB. The NRA account is expected to be opened in February 2023.

In addition, to mitigate any risks of a delay with the SPDB and to run a dual track process, RTE has also applied for another new cross-border cash pooling account with the Bank of China (**BOC**). After several months' of communication and document preparation, on 19 December 2022, Retech provided the supplementary information as requested by the bank and is awaiting feedback from BOC. If there are no further requirements and the approval process of BOC goes smoothly, the BOC account is expected to be opened in February 2023.

Retech has full financial capacity to repay the amount owing to City Savvy and intends to do so before 1 February 2023 in the event the cross-border account is opened at that time, being the date City Savvy's petition is due to be heard in the High Court of the Hong Kong Special Administrative Region. The fact that the Company has full financial capacity to repay the amount

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owing to City Savvy and that Retech will be able to meet its financial obligations as they fall due for the foreseeable future, will be reflected in the Appendix 4D. In the event the cross-border account is not opened at that time or agreement has not been reached with City Savvy for an extension of payment terms to allow time for the opening of the cross-border account, Retech will vigorously defend City Savvy's petition.

In respect to the delay in the lodgment of the 2022 interim financial statements, without provision of the items detailed in no. 4.2(iv) to 4.2(vi) above or the payment in full under the Convertible Note, the auditors, in compliance with HKRE2410.29, are not currently in a position to complete the review or express a conclusion in their review report with respect to Retech's financial statements.

Given the ongoing issues related to the finalisation of the consolidated financial statements, it is anticipated that Retech may not be in a position to lodge its interim report for the 6 months ended 30 June 2022 until 17 February 2023. This date will, however, be brought forward in the event the items detailed in no. 4.2(iv) to 4.2(vi) above are satisfied earlier or the payment in full under the Convertible Note is made earlier.

Retech will provide further announcements to the market on a weekly basis setting out the status of the consolidated financial statements and updates on the Winding Up Petition.

Retech is not aware of anything further regarding its interim financial statements that should be disclosed to the market.

**6. Please confirm that RTE is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

Retech confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1 and notes, in particular its response to question 5.

**7. Please confirm that RTE's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of RTE with delegated authority from the board to respond to ASX on disclosure matters.**

Retech confirms that its responses to the questions above have been authorised and approved by its Board in accordance with the Company's continuous disclosure policy.

**The release of this announcement has been authorised by the Board of Directors.**

**ENDS**

For more information, please contact:

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## **Enquiries**

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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, English Language learning (AiEnglish) for K-12 kids, Industry and Education integration cooperation with vocational schools and digital ESG reporting and training. Customers include Bank of China, Ping An Insurance, Mercedes Benz, RISE English, Pearson and etc..*



7 December 2022

Mr Quincent Leung  
Communication Person  
Retech Technology Co. Limited  
Level 18, Building 2  
No.355 Guoding Road  
Yangpu District, Shanghai

By email: qleung@investorlink.com.au

Dear Mr Leung

### **Retech Technology Co. Limited ('RTE'): Query Letter**

ASX refers to the following:

- A. RTE's announcement titled "Further Delay in releasing the Appendix 4D", released on the ASX Market Announcements Platform ('MAP') on 31 August 2022, which stated:
- "[RTE] advises that the Appendix 4D, half-year report for the 6 months ended 30 June 2022 ("Appendix 4D") is not yet available for release to the market in accordance with the ASX Listing Rule 4.2A. The reason for the delay is due to the review procedure of the Appendix 4D being impacted by the current lockdown in Shanghai following the further recent outbreak of COVID-19 in Shanghai.*
- Retech's auditors are currently working to finalise the Appendix 4D and Retech anticipates it will be in a position to release its Appendix 4D by 30 September 2022."*
- B. RTE's announcement titled "Further Delay in releasing the Appendix 4D", released on MAP on 31 August 2022, which stated:
- "(the Appendix 4D) is still not yet available for release to the market in accordance with the ASX Listing Rule 4.2A. The reason for the further delay is due to the review procedure of the Appendix 4D being impacted by the industrial park Retech is located being temporarily affected because of COVID-19 and heavily impacting travel to other cities.*
- Retech's auditors are currently working to finalise the Appendix 4D and Retech anticipates it will be in a position to release its Appendix 4D by Monday, 31 October 2022."*
- C. RTE's announcement titled "Further Delay in releasing the Appendix 4D", released on MAP on 1 November 2022 which stated:
- "(the Appendix 4D) is still not yet available for release to the market in accordance with the ASX Listing Rule 4.2A. The reason for this further delay is due to that the Covid-19 outbreak in Shanghai and other areas in China, the local government and schools implemented stringent travel, quarantine and other measures such as lockdown and mass mandatory testing, especially in the Yangpu district where the Retech is located. The travelling of the auditors and staff are seriously affected. As a result, the auditor's review process, including the collection of additional audit evidence related to confirmations and contracts with clients and vendor will require more time to be completed.*
- Retech anticipates it will be in a position to release its Appendix 4D by Tuesday, 15 November 2022."*
- D. RTE's announcement titled "Further Delay in releasing the Appendix 4D", released on MAP on 1 November 2022 which stated:
- "(the Appendix 4D) is still not yet available for release to the market in accordance with the ASX Listing Rule 4.2A. The reason for this further delay is due to that the continued Covid-19 outbreak in Shanghai*

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and other areas in China which has resulted in local government and schools implementing stringent travel restrictions, quarantine and other measures such as lockdowns and mass mandatory testing, especially in the Yangpu district, where the Retech head office is located. To complete the review process, the Company needs more time to collect information and work with the auditor.

Retech anticipates it will be in a position to release its Appendix 4D by Thursday, 15 December 2022.”

- E. The Hong Kong Standard on Review Engagements 2410<sup>1</sup>, which states at paragraph 20 (emphasis added):

**“A review ordinarily does not require tests of the accounting records through inspection, observation or confirmation. Procedures for performing a review of interim financial information are ordinarily limited to making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures, rather than corroborating information obtained concerning significant accounting matters relating to the interim financial information.”**

ASX observes that this appears to be consistent with the audit report in RTE’s half-year report for the six months ended 30 June 2021, which stated (relevantly, emphasis added):

*“Scope of Review*

*We conducted our review in accordance with Hong Kong Standard on Review Engagements 2310, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated interim financial statements **consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.** A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion”*

- F. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a Request for information

Having regard to the above, ASX asks RTE to respond separately to each of the following questions and requests for information:

1. When did RTE become aware that it would not be able to satisfy the auditors and lodge its interim reports on time? If RTE was aware of this before 31 August 2022, why did RTE not make an announcement then or request a suspension?
2. Did RTE’s auditors travel to Shanghai for the purpose of the 2021 half-year review?
3. Please outline the nature of the information sought by the auditors to satisfy their requirements for the half-year review.
4. ASX observes that under the HK Standard of Review Engagements, the auditor ordinarily makes inquiries of the statements provided by the entity.
  - 4.1 Has the scope of engagement with the auditors has changed since the last interim report?
  - 4.2 Has the auditor asked to inspect, observe or confirm anything for the review? Please provide details.
5. Is RTE aware of anything further regarding its interim financial statements that should be disclosed to the market? Please provide details.

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<sup>1</sup> [https://www.hkicpa.org.hk/ebook/HKSA\\_Members\\_Handbook\\_Master/volumell/hksre2410.pdf](https://www.hkicpa.org.hk/ebook/HKSA_Members_Handbook_Master/volumell/hksre2410.pdf)

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6. Please confirm that RTE is complying with the Listing Rules and, in particular, Listing Rule 3.1.
  7. Please confirm that RTE's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of RTE with delegated authority from the board to respond to ASX on disclosure matters.

### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **10 AM AEDT Tuesday, 20 December 2022**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, RTE's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require RTE to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in RTE's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in RTE's securities under Listing Rule 17.3.

### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to RTE's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that RTE's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Release of correspondence between ASX and entity**



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We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

**Questions**

If you have any questions in relation to the above, please do not hesitate to contact me.

Kind regards

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**Nicola Lombardi**  
Adviser, Listings Compliance (Sydney)