

**ASX Announcement**

31 January 2023

**Quarterly Activities Report**

- In Q4, Retech signed a contract with Changsha Bank which is a new customer of Retech, and will provide courseware development for the following 2 years.
- In the 4rd Quarter of 2022, Ai English provided around 10 thousand lectures (1,000+ lectures per week) to Suzhou Industrial Park and rendered services to the customers located in East of China. In 2023, Ai English will focus on Southwest market.

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 31<sup>st</sup> of December 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, Bank of China, China Merchants Bank, Mercedes Benz, Minsheng Bank, Essence Securities, Bank of Communications, Kingdee, etc.
- ✧ In Q4, Retech signed a contract with Changsha Bank which is a new customer of Retech, and will provide courseware development during for following 2 years.
- ✧ Retech successfully signed new contracts with Mercedes Benz for its courseware development.

**➤ 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.

**➤ Language Learning**

- ✧ In the 4rd Quarter, Ai English provided around 10 thousand lectures (1,000+ lectures per week) to Suzhou Industrial Park and rendered the services to customers located in East of China.. In 2023, Ai English will focus on Southwest market.
- ✧ AiEnglish has developed more than 100 training schools customers in Japan up to Q4 2022. In addition, Ai English is expected to explore 100 more customers in Japan market in 2023.
- ✧ In the 4th Quarter, Ai English has reached out to some public schools in Japan for business partnership. Japan is expected to be one of the key markets in 2023.

### **Financial update**

- ✧ Cash receipts from customers in Q4 2022 were RMB20.25 million (AUD4.3 million<sup>1</sup>), a decrease of 64% compared to Q4 2021. Due to the high transmission of Covid resulting from lift of Covid prevention policy in China, some of our employees and customers' employees had to stay away from workplace. It largely delayed the work progress and acceptance of projects and led to a longer collection period of the payments due from our customers.
- ✧ Net cash used in operating activities in Q4 2022 was RMB27.88 million (AUD5.92 million), an increase of 325% compared to Q4 2021. In Q4 2022, the group paid RMB35 million (AUD7.43 million) for research and development of new IP assets.

### **Related Party Transactions**

The Loan of RMB 26million (AUD 5.52 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.

In Q4 2022, the Group also paid RMB45 million(AUD9.55 million) to the related party to cover the amount of share repurchase from Ai English's investors.

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 regarding 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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<sup>1</sup> Exchange rate: AUD/RMB = 4.7138 (31 Dec 2022)

## **ENDS**

For more information, please contact:

### **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. 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

<b>Name of entity</b>
Retech Technology Co., Limited

<b>ABN</b>	<b>Quarter ended ("current quarter")</b>
615 153 332	31 Dec 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter 31 Dec 2022 RMB</b>	<b>Year to date (12 months) RMB</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	20,249,285	109,902,990
1.2 Payments for		
(a) research and development	(35,000,000)	(35,000,000)
(b) product manufacturing and operating costs	(3,871,749)	(87,192,278)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(5,733,241)	(25,237,940)
(f) administration and corporate costs	(2,729,608)	(13,006,987)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	193,027	781,221
1.5 Interest and other costs of finance paid	(6,192)	(48,861)
1.6 Income taxes paid	-	(27,068)
1.7 Government grants and tax incentives	51,822	233,246
1.8 Other (provide details if material)	(1,037,503)	(3,217,589)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(27,884,159)</b>	<b>(52,813,266)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		(2)
(b) businesses	-	-
(c) property, plant and equipment		(50,000)

Consolidated statement of cash flows	Current quarter 31 Dec 2022 RMB	Year to date (12 months) RMB
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:	-	-
(g) entities	1,900	1,900
(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	(71,000,000)	(76,480,700)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(70,998,100)</b>	<b>(76,528,802)</b>

<b>3. Cash flows from financing activities</b>		
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	25,000,000	98,000,000
3.6 Repayment of borrowings	(30,150,000)	(66,550,000)
3.7 Transaction costs related to loans and borrowings	(1,136,826)	(4,785,866)
3.8 Dividends paid	-	-
3.9 Other (provide details if material) <sup>2</sup>		(8,014,914)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(6,286,826)</b>	<b>18,649,220</b>

<sup>2</sup> Other cash flows from financing activities were mainly repayments of convertible debt

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	217,468,604	223,099,577
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(27,884,159)	(52,813,266)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(70,998,100)	(76,528,802)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(6,286,826)	18,649,220
4.5	Effect of movement in exchange rates on cash held	2,468	(104,742)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>112,301,987</b>	<b>112,301,987</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter 31 Dec 2022 RMB</b>	<b>Previous quarter 30 Sep 2022 RMB</b>
5.1	Bank balances	112,301,987	217,468,604
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>112,301,987</b>	<b>217,468,604</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter 31 Dec 2022 RMB</b>
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	(71,000,000)-

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.

An entrustment for the related party to pay the share repurchase of Ai English from investors.

7.	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end RMB</b>	<b>Amount drawn at quarter end RMB</b>
7.1	Loan facilities	95,677,600	95,677,600
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	8,000,000	-
7.4	<b>Total financing facilities</b>	<b>103,677,600</b>	<b>95,677,600</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>8,000,000</b>
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.		

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 = 4.7138, 31 Dec 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 six months. 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 RMB5,000,000 from Bank of Communications for six months. The interest rate is 3.65%.
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 Jianguin 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)	(27,884,159)
8.2	Cash and cash equivalents at quarter end (item 4.6)	112,301,987
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)	120,301,987



8.5 **Estimated quarters of funding available (item 8.4 divided by item 8.1)** 4.31

*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.*

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 December 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.