



9 November 2017

Leading Hong Kong investment company to become a major shareholder

Highlights

- Huarong Investment Stock Corporation (Huarong) (2277:HK; HK\$2 billion market cap) has (through its wholly owned subsidiary) signed transaction documents to become a major shareholder with a maximum of 20.89% interest (19.39% on a fully diluted basis).
- Huarong is a leading Hong Kong-based investment holding company involved in the direct investment, financial services and foundation and substructure construction businesses in Hong Kong and China.
- Proceeds will be used to fund Retech's strategic expansion, namely across Australia, Hong Kong and Japan, as well as research and development costs.
- Shareholding will strengthen Retech's brand awareness in Hong Kong and China and open up commercial opportunities with Huarong's vast network.

Retechnology Co., Ltd (ASX:RTE, "Retech" or "Company") a Shanghai-based technology solutions company, is pleased to announce that on 9 November 2017 after close of trading hours, City Savvy Limited (**Investor**), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Huarong Investment Stock Corporation (Huarong) (2277:HK; HK\$2 billion market cap) (**Huarong**) has entered into transaction documents whereby it will become a major shareholder of Retech with a maximum of 20.89% interest in Retech's issued capital (and 19.39% of all Retech CHESS Depository Interests (**CDIs**) following the issue of the CDIs detailed in this announcement on a fully diluted basis).

Huarong is a leading Hong Kong-based investment holding company principally engaged in the direct investment, financial services and foundation and substructure construction businesses in Hong Kong and China.

Huarong is ultimately controlled by Ministry of Finance of the People's Republic of China.

Transaction documents

The transaction documents entered into on 9 November 2017 (**Transaction Documents**) consist of the following:

Document	Parties	Detail	Maximum % interest as a result of the issue/transfer

Sale and Purchase Agreement	Investor & Miao Shi Investment Group Co., Ltd., a company incorporated in the BVI (Vendor)	The Vendor has conditionally agreed to sell, and the Investor has conditionally agreed to purchase, 12,700,700 CDIs (Sale CDIs) at the price of A\$0.4662 per Sale CDI for a total consideration of A\$5,921,066.34 which will be converted into an equivalent amount in Hong Kong Dollars on completion of the sale at a conversion rate of A\$1.00 to HK\$6.00.	5.89% of the CDIs in Retech
CDI Subscription Agreement	Investor & Retech	<p>Retech has conditionally agreed to issue, and the Investor has conditionally agreed to subscribe from Retech, 15,000,000 CDIs (Subscription CDIs) at the price of A\$0.4662 per Subscription CDI for a total consideration of A\$6,993,000.00.</p> <p>The Subscription CDIs will be on the same terms as the CDIs currently on issue in Retech. Retech will apply for quotation of the CDIs immediately following their issue.</p>	6.95% of existing Retech CDIs (6.50% of all Retech CDIs following the issue of the Subscription CDIs on a fully diluted basis)
Convertible Note Subscription Agreement	Investor & Retech	<p>Retech has agreed to issue, and the Investor has conditionally agreed to subscribe from Retech, a convertible note (Convertible Note) in the principal amount of HK\$39,000,000 (equivalent to approximately A\$6,500,000) entitling the Investor to convert the whole or any part of the Convertible Note into CDIs (Conversion CDIs) as follows:</p> <ul style="list-style-type: none"> • Conversion Price: 10% discount to the five-day simple average closing price prior to and excluding the conversion day. • Coupon rate: 8%/year, paid quarterly in cash. • Maximum number of Conversion CDIs that may be issued on conversion: 17,362,642 Conversion CDIs (subject to any adjustments for a reorganisation event whereby the limit will be adjusted proportionately in accordance with the ASX Listing Rules). • Terms of the Conversion CDIs: the Conversion CDIs will be on the same terms as the CDIs currently on issue in Retech. Retech will apply for quotation of the Conversion CDIs immediately following their issue. • Conversion Period: Commences 18 months from the date of issue of the Convertible Note and ends on the Maturity Date. • Maturity Date: 4 years from the date of issue of the Convertible Note. The Convertible Note will be redeemed if not redeemed or converted prior to the Maturity 	A maximum of 8.05% of existing Retech CDIs on conversion of the Convertible Note (7.00% of all Retech CDIs following the issue of the Subscription CDIs and the Conversion CDIs on a fully diluted basis)

		<p>Date.</p> <ul style="list-style-type: none"> • Early redemption by Retech: Retech can redeem the whole Convertible Note 12 months after the date of issue of the Convertible Note by paying the early redemption amount. The early repayment amount equals an amount which gives rise to 12% internal rate of return to the Investor on the Convertible Note. • Early redemption by Investor: Huarong has the right to request early redemption of the Convertible Note on the occurrence of the following: <ul style="list-style-type: none"> ○ Retech's audited net profit after tax (NPAT) in any financial year is less than RMB20 million; or ○ Either Chairman Ai Shungang or CEO Liu Cheng are no longer Retech directors or employees. 	
Total			20.89% of existing Retech CDIs and 19.39% of all Retech CDIs following the issue of the Subscription CDIs and the Conversion CDIs on a fully diluted basis

Conditions precedent

As a condition to completion under the Sale and Purchase Agreement and CDI Subscription Agreement:

- **Put Option Deed:** Retech Investment Group Co., Ltd., a company incorporated in BVI and a shareholder and CDI holder of Retech controlled by Mr Ai Shungang (**Retech Investment**) will execute a Put Option Deed granting a put option to the Investor on the following terms:
 - **Put option:** At the end of year 4 (in the first period in which CDIs can be transferred under the Retech Securities Trading Policy), the Investor has right to sell the Sale CDIs and/or the Subscription CDIs to Retech Investment for a price which guarantees a 12% internal rate of return (**IRR**) (AUD basis).
 - **Early exercise of put option:** Early exercise of the Put Option (at the election of the Investor) during the four year period if:
 - Retech's audited net profit after tax (NPAT) in any financial year is less than RMB20 million; or

- Either Chairman Ai Shungang or CEO Liu Cheng are no longer Retech directors or employees.

As detailed below, the exercise of the Put Option in respect of the Subscription CDIs is subject to shareholder approval under ASX Listing Rule 10.11. Retech will put a resolution approving the exercise of the Put Option to CDI Holders at the 2018 Annual General Meeting.

- **Guarantee:** Mr Ai Shungang, who is Retech's existing chairman and a director and shareholder of Retech Investment, will execute a Guarantee in favour of the Investor guaranteeing the due and punctual performance by Retech Investment and Retech of their obligations owed to the Investor under the Put Option Deed, the CN Subscription Agreement and the Convertible Notes.

Other material conditions to completion under the Transaction Documents include:

Condition precedent	Detail
Authorisations	All necessary authorisations (including from the Boards of Retech and the Investor) have been obtained in regards to the Transaction Documents and all existing authorisations granted or issued to members of Retech and its subsidiaries (Retech Group) remain in full force and effect.
Due diligence	Successful completion of financial and legal due diligence by the Investor.
The Transaction Documents and the Put Option Deed and Guarantee	The Transaction Documents and the Put Option Deed and Guarantee have been entered into and in respect to the Transaction Documents, all obligations, covenants and agreements contained in those documents which are to be performed or complied with prior to completion under those documents have been performed or complied with.
Warranties	All warranties provided by the Vendor and Retech (as relevant) under the relevant Transaction Documents are true and accurate and not misleading.
No material adverse change	No material adverse change having occurred in the financial conditions or business prospects of the Retech Group and no change in the Chinese regulatory environment and no force majeure event having occurred which might have a material adverse effect on the profit, revenue, business, operations, assets and liabilities and future prospects of the Retech Group.
No action or proceeding pending or threatened	No action or proceeding being pending or threatened by any authority or any other person to restrain or prohibit the completion of any of the Transaction Documents or to prevent or restrain any of the Retech Group from carrying on its business as presently carried on.
No Transaction Documents, Put Option Deed or Guarantee rendered unlawful	No applicable law having been enacted by any authority having jurisdiction which could render the consummation of the Transaction Documents, the Put Option Deed or the Guarantee unlawful.
No suspension of trading	No suspension has been made by the ASX to the trading of Retech CDIs on the ASX.

Timing of Completion

Completion under the Sale and Purchase Agreement, CDI Subscription Agreement and Convertible Note Subscription Agreement is to occur contemporaneously.

Completion will occur on the later of the following or on such other date as notified by the Investor:

- 15 November 2017; and
- The business day following the satisfaction or waiver of each of the conditions detailed above (not being later than 31 December 2017).

Proceeds under the CDI Subscription Agreement and CN Subscription Agreement

The proceeds from the transaction will be used to fund:

- Retech's strategic expansion, including but not limited to Australia, Hong Kong and Japan;
- Research and development costs associated with the integration of Retech's E-Partnership Solutions and E-Course Direct business channels; and
- Working capital.

Listing Rule compliance

The issue of the Subscription CDIs and the maximum number of Conversion CDIs which may be issued on the conversion of the Convertible Note fall within the 15% placement capacity under ASX Listing Rule 7.1. As such, the prior approval of Shareholders/CDI Holders is not required.

The ASX has confirmed that the exercise of the Put Option (contained in the Put Option Deed in respect of the Subscription CDIs) is subject to shareholder approval under ASX Listing Rule 10.11. Retech will put a resolution approving the exercise of the Put Option to CDI Holders at the 2018 Annual General Meeting.

Proposed Director appointment

As part of the transaction, the Investor has nominated Mr. Ma Hok Wang (**Mr. Ma**) as a Non-Executive Director to the Retech Board, with the appointment to be effected on completion of the Transaction Documents. Mr. Ma has more than 7 year experience in investment banking and direct investment. Mr. Ma joined Huarong in May 2017 where he is currently a director for direct equity and debt investment. Prior to joining Huarong, Mr. Ma worked in Global Investment Banking department of Merrill Lynch (Asia Pacific) since 2015 and focused on cross-border merger and acquisition, equity capital market and acquisition financing transactions for clients in industrial sector and global private equity firms. Prior to joining Merrill Lynch (Asia Pacific), he worked in EMEA investment banking in London and direct investment in Beijing. Mr. Ma graduated from University of Hong Kong with a Bachelor of Economics and Finance and is a CFA charterholder.

“Attracting an investor of Huarong’s caliber is a strong endorsement of our Company and our solid growth prospects. The move will not only help Retech strengthen its brand awareness in Hong Kong and on the Chinese mainland, but it will also open up commercial opportunities for our business with Huarong’s vast network of Chinese private corporations and state owned enterprises,” said Retech Chief Executive Officer Cheng Liu.

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About Retech

Retech is one of the largest technology solutions providers in China and provides solutions to companies that enable them to deliver corporate training online. The Company delivers solutions to a diversified and established user base via three channels: E-Learning Solutions, E-Training Partnership and E-Course Direct.