



ASX Announcement

23 January 2020

Retech signs agreement to acquire 80% of Shanghai Pantosoft Co., Ltd

Highlights

- On 22 January 2020, Retech signed a Sale and Purchase Agreement to acquire 80% of the issued share capital of Shanghai Pantosoft Co., Ltd, by way of an acquisition of the holding company, Pantosoft International Limited.
- Shanghai Pantosoft brings years of experience and brand recognition in designing and selling software for tertiary and vocational colleges, with a significant market presence in this key new vertical for Retech.
- Driven by Chinese Government policy to integrate vocational education and industry, Retech is building Digital Media education centres and providing e-Learning courses into vocational and tertiary colleges. The acquisition of Shanghai Pantosoft will significantly accelerate this strategy.
- The 80% acquisition will cost RMB 76 million (A\$16.1 million¹) and is an effective use of some of Retech's net cash holdings.

Retech Technology Co., Ltd (ASX: RTE, "Retech"), a leading Chinese e-Learning technology provider, is pleased to announce that on 22 January 2020 its wholly owned subsidiary, Retech Holdings Co., Limited signed a Sale and Purchase Agreement (**Acquisition Agreement**) for the acquisition of 100% of the issued share capital in Pantosoft International Limited 499077 (**Pantosoft International Limited**), the holding company of 80% of the issued share capital in Shanghai Pantosoft Co., Limited 91310000607590086Q (**Shanghai Pantosoft**) (**Proposed Acquisition**).

Retech is currently in negotiations with the remaining shareholder of Shanghai Pantosoft, Zhenjiang Letai Digital Industry Venture Capital Fund Partnership (limited partnership) (**Letai Fund**), to acquire the balance 20% of Shanghai Pantosoft through Shanghai Retech Digital Technology Co., Ltd (a wholly owned subsidiary of Retech). As at the date of this announcement, no formal agreement has been signed with Letai Fund. Retech will update the market update if and when a formal agreement is entered into with Letai Fund.

Pantosoft International Limited is an entity registered in the British Virgin Islands. Its sole asset is 80% of the issued share capital in Shanghai Pantosoft.

Shanghai Pantosoft is a PRC registered software company based in Shanghai that has been in operation for more than 20 years. Shanghai Pantosoft provides digital solutions via self-developed software systems to support education management in secondary and vocational schools in China. Shanghai Pantosoft has approximately 3,000 vocational and secondary school clients in the PRC, among which its major clients are located along coastal areas such as Guangdong, Shandong, and the

¹ Exchange Rate: A\$ 1 – RMB 4.71 (17 January 2020)

Yangtze River Delta. According to China's Ministry of Education, there are approximately 11,700 vocational colleges in China serving 26.9 million students.

Shanghai Pantosoftware is an authorised participant in the "Learning Credit Management Platform" issued by the Ministry of Education of China. The Learning Credit Management Platform is a comprehensive online management system that provides internal education and administration management in the PRC. Pantosoftware's software includes digital solutions for key modules of office automation, administration management, data center management, office automation systems, with functionality such as teaching management, credit management, multi-functional collaborative work, full-text search, online information release and group forums.

The acquisition of Shanghai Pantosoftware is a natural extension of Retech's business. Retech Technology Co., Limited is a leading Chinese e-learning services and technology provider. Its products including e-learning platforms, customized and "off-the shelf" e-courses, SaaS software for ESG compliance and accreditation, and live-streaming platforms for distance learning. Retech's traditional customers have been in the finance, autos, retail and technology. Vocational schools is a new focus vertical for Retech.

Retech believes the integration between Retech's E-learning solutions with a Pantosoftware's established software and channels will capitalise on the strengths of Retech and Shanghai Pantosoftware. By way of the Proposed Acquisition:

- Retech will integrate the intellectual property of Shanghai Pantosoftware into Retech's current business;
- Retech will gain Pantosoftware's established sales network, with access to approximately 3,000 vocational and secondary schools in China that are clients of Shanghai Pantosoftware; and
- Retech will be able to capitalise on the brand recognition of the software, copyright and trademarks of Shanghai Pantosoftware

The acquisition of Shanghai Pantosoftware is expected to be a key part of Retech's strategy to take advantage of Chinese government policy in the tertiary and vocational education sector. In January 2019, the PRC State Council issued the "National Vocational Education Reform Implementation Plan" (**Plan**), to promote the development of vocational education in PRC. The Plan proposed the construction of a "Double High Plan" under which, by 2022, 50 high-level higher vocational schools and 150 core professional groups will be developed. The Plan promotes the construction of 300 vocational education groups, and encourages industry groups to jointly develop the vocational standards and official qualifications, focusing on promoting the integration of industry and education. Details of the first suite of schools to be developed was unveiled in October 2019. Each school is expected to receive total government funding of RMB 500 million (approximately A\$100 million), with emphasis on the integration of industry and education.

Mr. Ai, the Co-Chairman of Retech commented, "Driven by this Plan, the advantages that flow from the acquisition of Shanghai Pantosoftware are about to be utilised, as detailed above, to build an Industry and Education Integration Centre, focusing on solutions for digital media education. The core of this solution is to second experienced digital media staff training into learning and training solutions for vocational schools, with the aim of improving digital media education in major in vocational schools in China. Digital media is a core skill set of the Retech group."

A financial snapshot of Shanghai Pantosoftware is provided below. This is based on unaudited financial statements for the financial period ending 31 December 2019:

- Annual revenue: RMB23 million;
- Net profit before tax: RMB5.75 million.

The material terms of the Acquisition Agreement are detailed below:

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| Sale Shares | Retech Holdings Co., Ltd. (a wholly owned subsidiary of Retech) (Retech Holdings) will acquire 100% of the issued share capital in Pantosoftware International Limited which in turn holds 80% of the issued share capital in Shanghai Pantosoftware. |
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| Parties | <p>Seller: Zheng Shi Investment Co.,Ltd 2024085</p> <p>Buyer: Retech Holdings (wholly owned subsidiary of Retech)</p> |
| Purchase Price | The purchase price for the Sale Shares is RMB76 million (A\$16.1 million). As at the end of June 2019, Retech had net cash holdings of RMB 203 million (A\$42 million). |
| Expected completion date | It is anticipated the Proposed Acquisition will complete on 20 February 2020. Retech will issue an announcement to the ASX Market Announcement Platform once completion occurs. |
| Source of funds to pay the Purchase Price | The Acquisition will be funded from cash at bank and will not involve the establishment of any new senior finance facilities by Retech or its subsidiaries. |
| Conditions precedent to Completion | <ul style="list-style-type: none"> • (Due Diligence Investigation): the buyers, Retech Holdings and Retech Digital have completed their due diligence investigation and are satisfied with the results of their due diligence investigations. • (No changes): There have been no changes made to Shanghai Pantosoft's capital structure, or any material acquisitions or divestments, or any material transactions undertaken. • (No breach of the Warranties): There has been no circumstances arising which would constitute or give rise to a breach of any of the warranties provided by the Sellers in a material respect. |
| Approval requirements | The ASX provided confirmation that the Acquisition did not require the approval of CDI Holders. |
| Changes to Retech Board/senior management as a result of the Acquisition | The Proposed Acquisition will not result in any change to the Board or Senior Management of Retech. |
| Seller warranties | Zheng Shi Investment Co.,Ltd 2024085 has provided all usual and customary warranties for a transaction of this nature. |
| Directorship following Completion | <p>The Directors of Shanghai Pantosoft (following completion of the Proposed Acquisition) will be as follows:</p> <ul style="list-style-type: none"> • Chairman of Shanghai Pantosoft: Mr Cheng LIU (from Retech) • Director and general manager of Shanghai Pantosoft: Mr Bochuan LIU (from Shanghai Pantosoft); and • Director of Shanghai Pantosoft: Ms Yan LIN (from Retech) |

This announcement has been authorised by the Board of Retech.

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About Retech

Retech Technology Co., Limited is a leading Chinese e-learning services and technology provider. Retech's products include e-learning solutions, learning analytics, customized and pre-prepared training courses and digital ESG reporting and training. Customers include Bank of China, Ping An Insurance and Mercedes Benz. Based in Shanghai, at 31 December 2019, Retech had approximately 240 staff. In the year to December 2018, Retech's net profit was RMB 48.27 million (A\$ 10.25mn equivalent)². As at 19 January 2020, Retech's market capitalisation was A\$93 million.

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. Except as required by law, 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.

This announcement contains unaudited financial information. Such information may differ from the final audited numbers released by Retech in its annual report.

² Exchange Rate: A\$ 1 – RMB 4.71 (19 January 2020)