

ASX Announcement

29 January 2021

Retech completes acquisition of 80% of Shanghai Pantosoftware Co., Ltd

Highlights

- On 22 January 2020, Retech signed a Sale and Purchase Agreement to acquire 80% of the issued share capital of Shanghai Pantosoftware Co., Ltd, by way of an acquisition of the holding company, Pantosoftware International Limited. This Sale and Purchase Agreement was amended on 30 September 2021 to a direct acquisition of 80% of the issued share capital of Shanghai Pantosoftware Co., Ltd, which completed on 26 January 2021.
- Shanghai Pantosoftware 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 Pantosoftware significantly accelerates this strategy.
- The 80% acquisition cost RMB 76 million (A\$15.31 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, announced 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 Pantosoftware International Limited 499077 (**Pantosoftware International Limited**), the holding company of 80% of the issued share capital in Shanghai Pantosoftware Co., Limited 91310000607590086Q (**Shanghai Pantosoftware**).

On 30 September 2020, the Acquisition Agreement was amended such that Retech Digital Technology Co Ltd (**Retech Digital**) would directly acquire 80% of the issued share capital in Shanghai Pantosoftware from Pantosoftware International Limited, this completed on 26 January 2021 (**Acquisition**).

Retech is currently in negotiations with the remaining shareholder of Shanghai Pantosoftware, Zhenjiang Letai Digital Industry Venture Capital Fund Partnership (limited partnership) (**Letai Fund**), to acquire the balance 20% of Shanghai Pantosoftware 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 if and when a formal agreement is entered into with Letai Fund.

Shanghai Pantosoftware is a PRC registered software company based in Shanghai that has been in operation for more than 20 years. Shanghai Pantosoftware provides digital solutions via self-developed

¹ Exchange Rate: A\$ 1 – RMB 4.9647 (29 January 2021)

software systems to support education management in secondary and vocational schools in China. Shanghai Pantosoftware has 500+ vocational and secondary school clients in the PRC, among which its major clients are located along coastal areas such as Guangdong, Shandong, and the 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 500+ 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 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.

Driven by this Plan, Retech plans to utilise the advantages that flow from the acquisition of Shanghai Pantosoftware, 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 30 June 2020:

- Revenue: RMB3.03 million;
- Net profit before tax: RMB 51,501.

The material terms of the Acquisition Agreement are detailed below:

Sale Shares	Retech Digital Technology Co., Ltd (a wholly owned subsidiary of Retech) (Retech Digital) has acquired 80% of the issued share capital in Shanghai Pantosoft.
Parties	Seller: Pantosoft International Limited Buyer: Retech Digital Technology Co., Ltd (wholly owned subsidiary of Retech)
Purchase Price	The purchase price for the Sale Shares was RMB76 million (A\$15.31 million). As at the end of June 2020, Retech had net cash holdings of RMB 163.97 million (A\$33.03 million).
Completion date	The Acquisition Completed on 26 January 2021.
Source of funds to pay the Purchase Price	The Acquisition was funded from cash at bank and did 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 buyer, Retech Digital 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 previously 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 Acquisition did not result in any change to the Board or Senior Management of Retech.
Seller warranties	The Seller provided all usual and customary warranties for a transaction of this nature.
Directorship following Completion	The Directors of Shanghai Pantosoft (following completion of the Acquisition) are as follows: <ul style="list-style-type: none"> • Chairman of Shanghai Pantosoft: Ms Qun LONG (from Retech) • General manager of Shanghai Pantosoft: Ms Jianmei WANG (from Pantosoft International); and • Director of Shanghai Pantosoft: Ms Qun LONG(from Retech), Ms Ying XU (from Letai), Mr. Bochuan LIU (from Shanghai Pantosoft)

This announcement has been authorised by the Board of Retech.

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For more information, please contact:

Enquiries

Investor Relations
Retech Technology Co., Ltd
18/F, Building 2, Fudan Technology Park, 335
Guoding Road, Yangpu District, Shanghai
T: +86 2 5566 6166
E: investors@retech-rte.com

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. As at 29 January 2021, Retech's market capitalisation was A\$69.87 million.

Disclaimer

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