Neuedu

東軟教育科技有限公司
NEUSOFT EDUCATION TECHNOLOGY CO. LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 9616

GLOBAL OFFERING

Sole Sponsor

CITIC SECURITIES

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CITIC SECURITIES

CICC 中金公司

海通國際 HAITONG

Joint Bookrunners and Joint Lead Managers

安信國際 ESSENCE INTERNATIONAL

廣發証券(香港)經紀有限公司 GF SECURITIES (HONG KONG) BROKERAGE LIMITED

Joint Lead Managers

第一上海 FIRST SHANGHAI GROUP

中國銀河國際 CHINA GALAXY INTERNATIONAL

浦銀國際 SPDB INTERNATIONAL

IMPORTANT

If you have doubt about any of the contents in this document, you should obtain independent professional advice.

NEUSOFT EDUCATION TECHNOLOGY CO. LIMITED
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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**166,667,200 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	:	**16,667,200 Shares (subject to reallocation)**
Number of International Offer Shares	:	**150,000,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$6.22 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal value	:	**HK$0.0002 per Share**
Stock code	:	**9616**

Sole Sponsor

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Joint Bookrunners and Joint Lead Managers

Joint Lead Managers

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A copy of this document, having attached thereto the documents specified in "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI to this document, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The Offer Price is expected to be fixed by agreement between CLSA Limited (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 22 September 2020 and, in any event, not later than Wednesday, 23 September 2020.

The Offer Price will be not more than HK$6.22 and is currently expected to be not less than HK$5.18 unless otherwise announced. If, for any reason, the Offer Price is not agreed by Wednesday, 23 September 2020 between CLSA Limited (for itself and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

CLSA Limited (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price Range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.neuedu.com) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further information, please refer to "Structure of the Global Offering" and "How to apply for Hong Kong Public Offer Shares."

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" for further details.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in "Risk factors."

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged, or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) solely to QIBs pursuant to an exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

17 September 2020

*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.neuedu.com**.*[1]

Latest time to complete electronic applications under the **HK eIPO White Form** service through one of the below ways[2]: (1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp** (2) the designated website **www.hkeipo.hk**	11:30 a.m. on Tuesday, 22 September 2020
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Tuesday, 22 September 2020
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Tuesday, 22 September 2020
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, 22 September 2020
Latest time to complete payment of the **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, 22 September 2020
Application lists of the Hong Kong Public Offering close	12:00 noon on Tuesday, 22 September 2020
Expected Price Determination Date[5]	Tuesday, 22 September 2020
(1) Announcement of: • the Offer Price; • the level of applications in the Hong Kong Public Offering; • an indication of the level of interest in the International Offering; and • the basis of allocation of the Hong Kong Public Offer Shares, to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.neuedu.com** on or before[6][14]	Monday, 28 September 2020
(2) Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the website of the Stock Exchange at www.hkexnews.hk and our website at www.neuedu.com (see "How to apply for Hong Kong Public Offer Shares — 11. Publication of results") from[14]	Monday, 28 September 2020
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.neuedu.com**[7] from[14]	Monday, 28 September 2020
Results of allocations for the Hong Kong Public Offering will be available at the "Allotment Result" function in the **IPO App** or at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID/Business Registration Number" function from[14]	Monday, 28 September 2020

Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before(6)(14)	Monday, 28 September 2020
Dispatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications on or before (8), (9), (10), (11), (12), (13)	Monday, 28 September 2020
Dealings in Shares on the Stock Exchange to commence at 9:00 a.m. on(14)	Tuesday, 29 September 2020

There is a gap of six business days between the commencement of the Hong Kong Public Offering on Thursday, 17 September 2020 and the refund date of application monies of Monday, 28 September 2020. During this period, the application monies (including the brokerage, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Monday, 28 September 2020. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Tuesday, 29 September 2020.

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

(2) You will not be permitted to submit your application through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a 'black' rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 22 September 2020, the application lists will not open on that day. See "How to apply for Hong Kong Public Offer Shares — 10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists" in this document for details. If the application lists do not open on Tuesday, 22 September 2020, the dates mentioned in "Expected timetable" may be affected. We will make an announcement in such event.

(4) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should see "How to apply for Hong Kong Public Offer Shares — 6. Applying by giving **electronic application instructions** to HKSCC via CCASS" in this document for details.

(5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or around Tuesday, 22 September 2020, and, in any event, not later than Wednesday, 23 September 2020. If, for any reason, the Offer Price is not agreed between CLSA Limited (for itself and on behalf of the Underwriters) and our Company on or before Wednesday, 23 September 2020, or such other date as agreed between the parties, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Monday, 28 September 2020 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Tuesday, 29 September 2020. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their respective terms, the Global Offering (including the Hong Kong Public Offering) will not proceed. In such a case, we will make an announcement as soon as possible.

(7) None of the websites or any of the information contained on the website forms part of this document.

(8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and in respect of wholly or partially successful applications if the final Offer Price is less than the price per Offer Share payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund

purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

(9) Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offering and have provided all information required by the Application Form may collect any refund cheque(s) (where applicable) and/or Share certificate(s) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 28 September 2020. Applicants being individuals who are applying for 1,000,000 Hong Kong Public Offer Shares or more and are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Public Offer Shares or more and are eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Tricor Investor Services Limited, must be produced at the time of collection.

(10) Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offering may collect their refund cheque(s), where applicable, in person but may not collect their Share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (9) above.

(11) For applicants who have applied for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC, their refund (if any) will be credited to their designated bank account or the designated bank account of the designated CCASS Participant through which they made their application on Monday, 28 September 2020. For applicants who have instructed their designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on their behalf, they can check the amount of refund (if any) payable to them with that designated CCASS Participant. For applicants who have applied as CCASS Investor Participant, they can check the amount of refund (if any) payable to them via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 28 September 2020 or in the activity statement showing the amount of refund money credited to their designated bank account made available to them by HKSCC immediately after the credit of refund money to their bank account. See "How to apply for Hong Kong Public Offer Shares – 14. Dispatch/Collection of Share certificates and refund monies" in this document for details.

(12) For applicants who have applied for Hong Kong Public Offer Shares through the **HK eIPO White Form** service and paid the application monies from a single bank account, refund monies (where applicable) will be dispatched to their application payment bank account in the form of e-Auto Refund payment instructions on Monday, 28 September 2020. For applicants who have applied for Hong Kong Public Offer Shares through the **HK eIPO White Form** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the form of refund cheque(s) will be dispatched on or before Monday, 28 September 2020 by ordinary post at their own risk. See "How to apply for Hong Kong Public Offer Shares — 14. Dispatch/Collection of Share certificates and refund monies" in this document for details.

(13) Uncollected Share certificate(s) and refund cheque(s) will be dispatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. See "How to apply for Hong Kong Public Offer Shares — 14. Dispatch/Collection of Share certificates and refund monies" in this document for details.

(14) In case a tropical cyclone warning signal number 8 or above, a 'black' rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Thursday, 17 September 2020 to Tuesday, 29 September 2020, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. You should carefully read the sections headed "Underwriting", "Structure of the Global Offering", and "How to apply for Hong Kong Public Offer Shares" in this document for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Public Offer Shares and the expected timetable, including conditions, effect of bad weather and/or Extreme Conditions and the dispatch of refund cheques and Share certificates.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This document is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this document pursuant to the Hong Kong Public Offering. This document may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Public Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for the purposes of a public offering and the offering and sale of the Hong Kong Public Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this document. We have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained nor made in this document and the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them, or any other parties involved in the Global Offering.

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This summary aims to give you an overview of information contained in this document. This is a summary, and as such, it does not contain all information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors." You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading private IT higher education service provider in China, focusing on nurturing IT professional talent to cater for the fast-growing demand for talent in China's software and IT service industry. Leveraging our two decades of experience and knowhow accumulated in the IT higher education industry and driven by our vision of becoming a leader in China providing digital education services, we have developed an education service ecosystem with full-time formal higher education services as our fundamental business; continuing education services, and education resources and apprenticeship programme as our two strategic businesses. We are supported by the reputation of Neusoft Corporation, the first software company listed on the Shanghai Stock Exchange (stock code: 600718), and are able to leverage Neusoft Corporation's expertise in software and IT services. We have strategically established three application-oriented universities in Dalian, Chengdu and Foshan and developed a comprehensive portfolio of IT-related majors covering a wide range of industry sectors with a high demand for IT talent, such as computer science, electronic information, digital media, information management service, and healthcare technology. According to the Frost & Sullivan Report, we ranked the first in terms of the number of IT majors provided by China's private higher education institutions and the second in terms of the number of students enroled in IT majors among all private higher education institutions in China, for the 2018/2019 school year. After excluding independent colleges from the ranking, we ranked the first in terms of the number of students enroled in IT majors among all private higher education institutions in the 2018/2019 school year, according to the Frost & Sullivan Report. The number of students enroled in our full-time formal higher education programmes reached 36,066 for the 2019/2020 school year, of which approximately 16,053 were enroled in IT majors. In December 2019, three bachelor degree programmes of Dalian University, i.e. computer science and technology, software engineering, and digital media technology, were included in the list of the first batch of national-level first-class bachelor degree programmes by the MOE, making Dalian University rank the first among all private universities (including independent colleges) in terms of the number of bachelor degree programmes included in the list. With respect to each of the three bachelor degree programmes mentioned above, Dalian University is the only private university (including independent colleges) that was included in the list.

In the course of operating our universities, we have developed an integrated talent cultivation approach, with reference to international engineering education models, to nurture future IT talent bestowed with eight key capabilities/skills — Technical knowledge and reasoning, Open thinking and innovation, Personal and professional skills, Communication and teamwork, Attitude and manner, Responsibility, Ethical values, and Social values created by application practice — an approach we call "TOPCARES". Under our TOPCARES approach, we not only impart knowledge to students, but also focus on fostering good moral character, nurturing innovation capabilities, professional skills and communication skills, and inspiring the spirit teamwork in our students. Our TOPCARES approach is applied to all aspects of our students' learning experience and is instrumental in improving the overall competency of our students. In addition, we creatively blended traditional "face-to-face" offline education methods with our online e-learning platform to become a pioneer in China providing blended learning solutions, so that our students are able to study any education content at anytime and anywhere.

With the support of Neusoft Corporation, we engaged in an extensive school-enterprise cooperation in order to better equip our students with skills that can be applied directly in their future employment, and improve their career prospects. We effectively integrate our education resources with expertise in the software and IT service industry offered by leading enterprises, such as Hewlett-Packard and IBM. We have put in place a mechanism for the interaction between our teachers and engineers to enhance our teaching team. We invite engineers from leading enterprises to our universities to jointly design curricula, establish practical training sites, and deliver lectures, among others. We also encourage our teachers to obtain industry experience and keep abreast of the latest industry trends by working in enterprises that cooperate with us. Through such cooperation and exchange, we are able to formulate student advancement plans that reflect the industry's recent developments and amass a team of teachers with both academic expertise and industry experience to disseminate cutting-edge knowledge to our students, which we believe will narrow the skills gap between school education and future work requirements.

We are among the leaders in innovation and entrepreneurial education. Since we started our business in 2000, we have been focusing on innovation and entrepreneurship education and in 2002 established a unique start-up incubator, Student Office & Venture Office (the "**SOVO**"), through which we encourage and support our students to start their own businesses. SOVO aims at fostering our students' innovative thinking and nurturing entrepreneurial spirit. Teachers and mentors in the SOVO help our students turn the business ideas into projects and provide guidance and support in operating the projects. As of 31 March 2020, SOVO had incubated more than 7,300 start-up projects and over 1,000 "virtual" companies, of which more than 250 had been formally registered as companies. We have won numerous honours and awards for our innovation and entrepreneurship education. For example, in 2016, Dalian University was recognised as one of China's First 50 Model Universities of Experimental Innovation and Entrepreneurship (全國首批50所創新創業典型經驗高校) by the MOE. SOVO of all of our three universities have been awarded as national-level Mass Entrepreneurship Space under the Torch Centre of Ministry of Science and Technology (科技部火炬中心眾創空間).

As a result of the above initiatives, we have achieved favourable graduate employment outcomes for our students. According to the Frost & Sullivan Report, for the 2018/2019 school year, the initial employment rates of the graduates of our Dalian University, Chengdu University and Foshan University full-time formal higher education programmes reached 92.73%, 97.19% and 92.42%, respectively. The employment rates of Dalian University and Chengdu University were higher than the average level of initial employment rates of graduates from full-time formal higher education programmes in Liaoning province and Sichuan province, i.e. 91.95% and 88.28%, respectively, while the employment rate of Foshan University was close to that of Guangdong province, i.e. 94.58%. For the 2017/2018 school year, the average monthly salary of the graduates of our Dalian University, Chengdu University and Foshan University full-time formal higher education programmes was RMB5,211, RMB5,045, and RMB4,528, respectively. These average salaries were also higher than the average level of the salaries of graduates from full-time formal higher education programmes in the provinces where each of our three universities is located, i.e. RMB4,600, RMB4,453 and RMB4,071, respectively.

Our relentless efforts at improving the quality of our education services by applying our education philosophy and approach have won us numerous awards and gained the trust of students, parents, teachers, local governments, potential employers and business partners. Our "Neusoft Education" brand has also achieved strong brand awareness and high social recognition in China's private higher education industry, which in turn enables us to attract more high quality students. Our students are admitted from either the liberal arts stream or science stream of high schools. According to the Frost & Sullivan Report, for the 2019/2020 school year, the admission scores of students from the science and liberal arts streams entering our Dalian University both ranked the first among all the private universities (exclusive of independent colleges) in Liaoning province, while the admission scores of students from the science and liberal arts streams entering our Chengdu University both ranked the fourth among all the private universities (exclusive of independent colleges) in Sichuan province, and for those entering our Foshan University, ranked the first and the third in terms of science stream and liberal arts stream, respectively, among all the private universities (exclusive of independent colleges) in Guangdong province.

Our extensive experience accumulated through our two decades of school operation and management track record, in particular our experience in IT education, has enabled us to establish our current education service ecosystem, through which we provide a full spectrum of education services, including not only our fundamental business of full-time formal higher education services, but also our two strategic businesses: continuing education services, and education resources and apprenticeship programme. We are committed to empowering other higher education institutions and their students by sharing with them our education philosophy, approach, model, system and standard that we distilled from our two decades of school operations and management. We categorised our education resources business into three modules: (i) joint establishment of academic majors and industrial colleges (專業共建與產業學院), (ii) smart education platform and teaching resources, and (iii) practical training laboratory solutions. As of the Latest Practicable Date, we had delivered our quality education resources to over 400 universities, colleges and vocational schools. Relying on our education service system and through such scalable model, we are able to rapidly replicate our quality education resources to other schools and establish our unique "3+N" business model ("3" stands for our three universities and "N" stands for other higher education institutions that enjoy our quality education resources), which we believe will provide significant potential to our further growth. According to the Frost & Sullivan Report, as measured by cumulative number of schools using IT value-added education services provided by us as of 31 March 2020, we ranked the second in China among providers of IT value-added education services.

Our revenue increased by 16.7% from RMB731.4 million for the year ended 31 December 2017 to RMB853.2 million for the year ended 31 December 2018 and further increased by 12.3% to RMB958.2 million for the year ended 31 December 2019. Our revenue decreased by 7.3% from RMB171.4 million for the three months ended 31 March 2019 to RMB158.9 million for the three months ended 31 March 2020. Our gross profit increased by 16.1% from RMB234.4 million for the year ended 31 December 2017 to RMB272.3 million for the year ended 31 December 2018 and further increased by 18.6% to RMB323.0 million for the year ended 31 December 2019. Our gross profit increased by 6.4% from RMB27.6 million for the three months ended 31 March 2019 to RMB29.4 million for the three months ended 31 March 2020. Our net profit increased by

14.3% from RMB143.2 million for the year ended 31 December 2017 to RMB163.7 million for the year ended 31 December 2018 and further increased by 6.9% to RMB175.0 million for the year ended 31 December 2019. Our net profit increased by 169.0% from RMB4.5 million for the three months ended 31 March 2019 to RMB12.2 million for the three months ended 31 March 2020.

OUR EDUCATION PHILOSOPHY AND APPROACH

Our fundamental education philosophy is "Empower Students with Innovative Education" (教育創造學生價值). We apply our unique TOPCARES approach to nurture future IT talent bestowed with eight types of capabilities/skills — Technical knowledge and reasoning, Open thinking and innovation, Personal and professional skills, Communication and teamwork, Attitude and manner, Responsibility, Ethical values, Social values created by application practise. TOPCARES is an acronym of these eight phrases, representing our greatest care for our students. By applying our TOPCARES approach, we aim to create value for our students by helping them develop a promising career path that is commensurate with their expertise, which in turn generates a good return for their families and benefits the whole society. This is the core value and ultimate goal of our education.

OUR SERVICES

We primarily offer three types of services: (i) full-time formal higher education services, (ii) continuing education services, and (iii) education resources and apprenticeship programme. Our three business segments mutually support and complement with each other, and create a unique education service ecosystem. The following table sets forth a breakdown of our revenue by type of services during the Track Record Period.

	For the years ended 31 December			For the three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
				(Unaudited)	
Full-time formal higher education services	631,410	673,027	733,480	119,593	124,116
Continuing education services	43,621	58,642	76,435	10,510	13,919
Education resources and apprenticeship programme	56,359	121,498	148,313	41,291	20,832
Total	**731,390**	**853,167**	**958,228**	**171,394**	**158,867**

We offer our education services through our three universities, namely, Dalian Neusoft University of Information ("**Dalian University**") in Dalian, Liaoning province, Chengdu Neusoft University ("**Chengdu University**") in Chengdu, Sichuan province, and Neusoft Institute of Guangdong ("**Foshan University**") in Foshan, Guangdong province, and our eight training schools in six provinces. Our education resources and apprenticeship programme services are provided by Dalian Education and a few of its subsidiaries, such as

Shanghai Ruixiang and Tianjin Ruidao. The following table sets out a breakdown of our revenue from education services by schools during the Track Record Period.

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Dalian University	292,003	318,447	348,039	52,463	55,512
Chengdu University	190,460	188,067	194,305	33,010	35,618
Foshan University	192,569	218,696	244,951	42,286	39,925
Training schools	—	6,459	22,620	2,344	6,980
Total*	**675,032**	**731,669**	**809,915**	**130,103**	**138,035**

* Our education resources and apprenticeship programme are not operated by our schools. As a result, the revenue breakdown by schools does not include the revenue from our education resources and apprenticeship programme.

The following table sets out the number of students enroled in our full-time formal higher education programmes and formal higher continuing education programmes in our three universities in the school years presented. In addition, we offer non-formal higher continuing education services and short-term training programmes through our three universities and our training schools.

	Number of students enroled in our formal higher education programmes for the school year			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
Dalian University				
Full-time formal higher education programmes	14,509	14,633	14,559	15,336
Formal higher continuing education programmes	991	1,083	1,325	1,682
Chengdu University				
Full-time formal higher education programmes	10,652	10,677	10,465	11,005
Foshan University				
Full-time formal higher education programmes	8,853	9,296	9,120	9,725
Formal higher continuing education programmes	1,761	2,575	2,448	2,320

* Our school year generally ends in June or July of each year. For the purpose of calculating the number of students in each school year, we use 31 August 2017, 2018 and 2019 as the cut-off date for the number of students in the 2016/2017 school year, the 2017/2018 school year, and the 2018/2019 school year, respectively, and 31 March 2020 as the cut-off date for the 2019/2020 school year.

Students enroled in junior college diploma programmes in our three universities decreased gradually from the 2016/2017 school year to the 2018/2019 school year because we strategically focused our resources on the development of our bachelor degree programmes. The total number of students enroled in full-time formal higher education programmes in our three universities decreased for the 2018/2019 school year due to the decreases in the number of students enroled in junior college diploma programmes in our three universities, which was partially offset by the increases in the number of students enroled in bachelor degree programmes in our three universities. In response to government's policies encouraging student enrolments in higher vocational colleges and junior college diploma programmes in 2019, we increased our student enrolments in junior college diploma programmes in the school year of 2019/2020 and expect to further increase in future school years.

OUR STRENGTHS

We believe the following competitive strengths have been essential to our success as a leading private IT education service provider in China and differentiate us from our competitors: (i) leading position in China's IT higher education service industry; (ii) our industrial background enables us to develop an education model that closely tied to the industry demand; (iii) unique TOPCARES education approach developed to deliver our mission of "Empower Students with Innovative Education"; (iv) strong brand awareness and high public recognition; (v) comprehensive education services across continuing education services and education resources and apprenticeship programme; (vi) efficient operations and resources sharing under centralised management model; and (vii) experienced management team and high-quality teaching staff.

OUR STRATEGIES

We aim to further strengthen our position as a leading private IT higher education service provider in China and further enhance our national reputation, building a lifelong digitalised education system centred on our education philosophy. We intend to achieve our goal by pursuing the following key strategies: (i) grow our student enrolments and further expand our enrolment capacity; (ii) maintain and strengthen our market-leading position in terms of education quality and reputation; (iii) further optimise our pricing strategy and enhance our profitability; (iv) further expand our continuing education services in particular online continuing education services; (v) further expand our education resources and apprenticeship programme under our "3+N" business model; and (vi) strengthen our teaching staff and optimise our employee structure.

RISK FACTORS

Our business and the Global Offering involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. See section "Risk Factors" for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares. Some of the major risks we face include: (i) our business and results of operations depend on the level of tuition and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fee levels, (ii) we may not be able to successfully increase the student enrolments at our universities, which may hinder our business growth, (iii) our business has been and is likely to be materially and adversely affected by the outbreak of COVID-19, (iv) we are subject to uncertainties brought by the recent developments of PRC Laws relating to private education, (v) we may not be able to execute our growth strategies successfully or effectively, which may hinder our ability to capitalise on new business opportunities, (vi) we may not be able to successfully expand our business through acquisitions, (vii) if we determine our goodwill and other intangible assets arising from the acquisition of Tianjin Ruidao are to be impaired, our results of operations and financial condition may be adversely affected, and (viii) our business depends on our ability to promptly and adequately respond to changes in market demand.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I to this document. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the Consolidated Financial Statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Summary consolidated statements of comprehensive income

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Revenue	731,390	853,167	958,228	171,394	158,867
Cost of revenue	(496,958)	(580,884)	(635,226)	(143,760)	(129,464)
Gross profit	**234,432**	**272,283**	**323,002**	**27,634**	**29,403**
Selling expenses	(9,190)	(10,588)	(11,239)	(1,901)	(3,590)
Administrative expenses	(65,854)	(85,252)	(109,185)	(20,042)	(18,727)
Research and development expenses	(24,019)	(19,819)	(20,445)	(6,131)	(3,980)
Other income	74,405	65,807	71,534	15,390	17,319
Other expense	(19,008)	(19,206)	(18,936)	(4,202)	(4,280)
Other gains	6,084	4,346	944	666	939
Operating profit	**196,850**	**207,571**	**235,675**	**11,414**	**17,084**
Finance income	1,041	1,973	3,387	596	891
Finance expenses	(36,308)	(38,539)	(40,094)	(9,353)	(9,413)
Profit before income tax	**161,583**	**171,005**	**198,968**	**2,657**	**8,562**
Income tax (expense)/credit	(18,368)	(7,327)	(23,953)	1,890	3,671
Profit for the year/period	**143,215**	**163,678**	**175,015**	**4,547**	**12,233**
Attributable to owners of the Company	114,818	131,991	139,213	3,661	9,706
Attributable to non-controlling interests	28,397	31,687	35,802	886	2,527
Non-IFRS measure:					
Adjusted Net Profit[(1)]	143,215	173,042	195,743	8,082	13,596
Attributable to owners of the Company	114,818	141,355	159,941	7,196	11,069

Note:

(1) Adjusted Net Profit represents profit for the year/period plus the expenses in relation to the Listing. The use of Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year/period. See "— Non-IFRS Measure" in this section.

Our revenue decreased by 7.3% from RMB171.4 million for the three months ended 31 March 2019 to RMB158.9 million for the three months ended 31 March 2020, primarily due to a decrease in revenue generated from education resources and apprenticeship programme. Revenue generated from our education resources and apprenticeship programme decreased by 49.5% from RMB41.3 million for the three months ended 31 March 2019 to RMB20.8 million for the three months ended 31 March 2020 primarily attributable to the decrease of revenue from our apprenticeship programme from RMB38.8 million for the three months ended 31 March 2019 to RMB17.2 million for the same period of 2020 as we optimised our employee structure, in particular, our engineer team, to reduce cost. For the three months ended 31 March 2020, we still primarily relied on our engineering team to generate revenue for our apprenticeship programme and revenue derived from charging enterprises for supplying well-trained students to such enterprises still accounted for a small portion of revenue from our apprenticeship programme. Therefore, such decrease in the number of engineers resulted in the decrease of revenue from our apprenticeship programme. In order to increase our student training capacity with a reduced number of engineers and further improve the quality and effectiveness of our trainings, we applied internet technologies in student training in our apprenticeship programme. As the number of students from other universities and colleges in our apprenticeship programme increases in the future, we will further apply internet technologies to increase our student training capacity and improve the effectiveness of trainings offered by our apprenticeship programmes.

Our administrative expenses decreased by 6.6% from RMB20.0 million for the three months ended 31 March 2019 to RMB18.7 million for the three months ended 31 March 2020, primarily due to a decrease of RMB2.2 million in Listing expenses. Our administrative expenses increased by 29.5% from RMB65.9 million for the year ended 31 December 2017 to RMB85.3 million for the year ended 31 December 2018, primarily due to (i) an increase in Listing expenses from nil for the year ended 31 December 2017 to RMB9.4 million for the year ended 31 December 2018, (ii) an increase in taxes and fees from RMB5.0 million for the year ended 31 December 2017 to RMB9.4 million for the year ended 31 December 2018, and (iii) an increase in employee benefit expenses for our administrative staff from RMB43.3 million for the year ended 31 December 2017 to RMB46.6 million for the year ended 31 December 2018. The increase in taxes and fees was primarily due to taxes and fees arising from the transfer of the legal title of certain real estate properties that Chengdu University had been using from Chengdu Development to Chengdu University so that Chengdu University is able to manage its school properties and operations more efficiently. The increase in employee benefit expenses was primarily the result of the increase in headcount of our administrative staff during the same period.

Our profit for the period increased from RMB4.5 million for the three months ended 31 March 2019 to RMB12.2 million for the three months ended 31 March 2020. This increase is primarily attributed to (i) the decrease in our cost of revenue and growth of our gross profit, (ii) a decrease in Listing expenses, (iii) an increase in government grants and subsidies, as the government grants and subsidies Shanghai Ruixiang received for 2020 took place in March 2020, earlier than that for 2019, which took place in April 2019, and (iv) an increase in tax credit due to a higher amount of deferred income tax assets we recorded for the three months ended 31 March 2020.

Our other income consisted primarily of rental income and property service and management income we received from leasing office space in the university science park to certain cooperating enterprises, and government grants and subsidies. See “Financial Information — Key Components of Our Results of Operations — Other Income” for more information.

Non-IFRS measure

To supplement our Consolidated Financial Statements which are presented in accordance with IFRS, we also use Adjusted Net Profit as an additional financial measure. Adjusted Net Profit eliminates the effect of certain non-recurring expense item, namely the expenses relating to the Listing. The term “Adjusted Net Profit” is not defined under IFRS. The use of Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our net profit for the relevant years/periods. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that such non-IFRS measure provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies.

In light of the limitations for Adjusted Net Profit, when assessing our operating and financial performance, you should not view Adjusted Net Profit in isolation or as a substitute for our profit for the year/period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because this non-IFRS measure may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

The following table reconciles our Adjusted Net Profit for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB’000)	(RMB’000)	(RMB’000)	(RMB’000) (Unaudited)	(RMB’000)
Profit for the year/period	143,215	163,678	175,015	4,547	12,233
Add:					
Listing expenses	—	9,364	20,728	3,535	1,363
Adjusted Net Profit	**143,215**	**173,042**	**195,743**	**8,082**	**13,596**
Attributable to owners of the Company	114,818	141,355	159,941	7,196	11,069

Summary consolidated statements of financial position

	As of 31 December			As of 31 March	As of 31 July
	2017	2018	2019	2020	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)
Current Assets					
Inventories	1,160	2,781	3,063	4,462	3,973
Trade and notes receivables	24,103	14,592	6,148	17,108	13,625
Prepayments, deposits and other receivables	160,598	45,935	45,909	48,291	40,817
Financial assets at fair value through profit or loss	2,082	87,794	50	192,660	27,410
Restricted cash	16	13,682	10,215	11,694	4,992
Cash and cash equivalents	332,558	214,834	562,882	455,013	274,340
Total current assets	**520,517**	**379,618**	**628,267**	**729,228**	**365,157**
Current Liabilities					
Trade and other payables	402,920	163,827	226,531	618,549	530,629
Current income tax liabilities	5,430	7,214	9,210	6,586	59
Contract liabilities	411,766	449,944	489,436	349,334	117,282
Borrowings	238,500	222,040	473,164	475,164	567,620
Lease liabilities	3,026	7,699	5,601	9,983	9,675
Deferred income	34,577	37,851	40,382	42,747	50,603
Total current liabilities	**1,096,219**	**888,575**	**1,244,324**	**1,502,363**	**1,275,868**
Net current liabilities	**575,702**	**508,957**	**616,057**	**773,135**	**910,711**

As of 31 December 2017, 2018, 2019, 31 March 2020 and 31 July 2020, we had net current liabilities of RMB575.7 million, RMB509.0 million, RMB616.1 million, RMB773.1 million and RMB910.7 million, respectively. We had net current liabilities as of each of these dates primarily because we had a large amount of contract liabilities and borrowings as of the end of each year/period during the Track Record Period. We generally had a large amount of contract liabilities because we received tuition fees and boarding fees before or at the beginning of each of the corresponding school year and recorded them initially as contract liabilities under current liabilities. We recognise tuition fees and boarding fees as revenue proportionately over the terms of the applicable programmes. As a result, as of the end of each year during the Track Record Period, we generally had a large amount contract liabilities unrecognised as revenue. We had a large amount of borrowings to finance, among other things, the expansion of our school campus and upgrade of our school facilities.

Our net current liabilities decreased from RMB575.7 million as of 31 December 2017 to RMB509.0 million as of 31 December 2018, primarily due to a decrease in trade and other payables mainly as a result of a decrease of RMB212.8 million in borrowings from related parties while we increased borrowings from banks.

Our net current liabilities increased from RMB509.0 million as of 31 December 2018 to RMB616.1 million as of 31 December 2019 due to the increase in current liabilities resulting primarily from an increase in current borrowings to supplement our working capital and an increase in trade and other payables associated with our construction of a practical training based in Dalian University. Our net current liabilities increased from RMB616.1 million as of 31 December 2019 to RMB773.1 million as of 31 March 2020 primarily because our trade and other payables increased from RMB226.5 million to RMB618.5 million mainly due to the consideration payable to Neusoft Holdings of RMB362.8 million for the acquisition of Tianjin Ruidao in March 2020. Our net current liabilities increased from RMB773.1 million as of 31 March 2020 to RMB910.7 million as of 31 July 2020, primarily because (i) our financial assets at fair value through profit or loss decreased from RMB192.7 million to RMB27.4 million mainly as a result of our redemption of wealth management products to supplement our working capital, (ii) our cash and cash equivalents decreased from RMB455.0 million to RMB274.3 million mainly due to the cash outflow in operating activities, capital expenditure and payment of consideration for acquisition of Tianjin Ruidao, and (iii) our current borrowings increased from RMB475.2 million to RMB567.6 million as we increased borrowings to supplement our working capital.

We have put in place mid-to-long term working capital sufficiency forecast mechanism and our annual working capital sufficiency forecast is updated on a monthly basis. In addition, we monitor our cash inflows and outflows on a daily basis. These cash position monitoring mechanisms and working capital sufficiency forecasts allow us to timely adjust our cash positions and arrange financing activities in advance if we anticipate that there may be a shortage of working capital in the near future. In view of the circumstances outlined in the above paragraphs, our Directors have considered our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Our Directors confirm that we will have sufficient financial resources to meet our financial obligations as they fall due in the next twelve months by taking into account our cash flow projection and our planned capital expenditures and capital commitments. We may have a net current liabilities position in the future and be exposed to liquidity risks, and our business, financial condition and results of operations may be materially and adversely affected as a result. See "Risk Factors — Risks relating to our business and our industry — We had net current liabilities as of 31 December 2017, 2018 and 2019, and 31 March 2020, respectively" in this document.

Prepayments, deposits and other receivables decreased significantly in 2018 primarily due to (i) a decrease of RMB109.5 million in receivables from related parties due to Reorganisation, and (ii) a decrease of RMB20.6 million in receivables due from related parties, and (iii) a decrease of RMB4.2 million in prepayment to others as in 2018 Foshan University started to pay service fees to a supplier after the acceptance of services instead of making prepayments in advance. The prepayments, deposits and other receivables as of 31 March 2020 and 31 December 2019 remained stable as compared to that as of 31 December 2018.

Financial assets at fair value through profit or loss increased significantly as of 31 December 2018 because we purchased an additional amount of wealth management products from commercial banks in 2018. Such amount decreased significantly as of 31 December 2019 because we redeemed almost all of our wealth management products to finance our campus expansion and supplement our working capital. The financial assets at fair value through profit or loss increased to RMB192.7 million as of 31 March 2020 because Tianjin Ruidao had idle cash on its account and we therefore bought wealth management products using such cash.

Trade and other payables decreased significantly in 2018 primarily due to a decrease of RMB212.8 million in borrowings from related parties while we increased borrowings from banks. Trade and other payables increased significantly in 2019 primarily due to an increase of RMB40.3 million in payables for purchases of property, plant and equipment which primarily represented the construction contract price payable by Dalian University for the construction of a practical training base. The increase in trade and other payables from RMB226.5 million as of 31 December 2019 to RMB618.5 million as of 31 March 2020 was primarily attributable to an increase in amount due to related parties, which represents the consideration of RMB362.8 million payable to Neusoft Holdings for the acquisition of Tianjin Ruidao.

In addition, our total equity decreased as of 31 December 2018 primarily due to (i) dividend distributions of RMB58.9 million by certain of our subsidiaries to their shareholders, (ii) a deemed cash consideration of RMB84.0 million to Neusoft Holdings and Tianjin Ruidao in connection with our Reorganisation, and (iii) deemed distributions to owners of RMB108.0 million in connection with the transfer of cloud service business and education software development business from Neusoft Holdings and Tianjin Ruidao to Dalian Yunguan. See Note 14 and Note 26 of the Accountant's Report in Appendix I to this document.

Summary consolidated statements of cash flow

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Operating cash flows before movements in working capital	317,755	310,173	343,272	38,637	47,651
Movements in working capital	28,025	38,673	59,935	(114,367)	(121,562)
Income tax paid	(2,056)	(5,643)	(22,235)	(4,934)	(7,481)
Net cash generated from/(used in) operating activities	343,724	343,203	380,972	(80,664)	(81,392)
Net cash used in investing activities	(67,299)	(159,805)	(455,430)	(247,804)	(116,611)
Net cash (used in)/ generated from financing activities	(4,072)	(301,127)	422,502	272,302	90,100
Net (decrease)/ increase in cash and cash equivalents	272,353	(117,729)	348,044	(56,166)	(107,903)
Cash and cash equivalents at beginning of the year/ period	60,230	332,558	214,834	214,834	562,882
Cash and cash equivalents at the end of the year/ period	332,558	214,834	562,882	158,663	455,013

We generally have net cash outflows from operating activities for the first half of a fiscal year because we receive tuition fees and boarding fees, which account for a vast majority of our cash inflows from operating activities in a fiscal year, in the second half of a fiscal year (usually in August and September). For the first half of a financial year (roughly the second half of a school year), we normally do not receive any tuition fees and boarding fees, but incur costs in rendering education services to students. As a result, we normally have net cash outflows from operating activities in the first half of a financial year.

The increase in our net cash used in investing activities in the year ended 31 December 2018 was primarily due to (i) purchases of financial assets measured at fair value or loss of RMB939.8 million; and (ii) purchases of property, plant and equipment of RMB70.9 million, which were partially offset by settlements of financial assets measured at fair value through profit or loss of RMB860.2 million. In 2019, we had net cash used in investing activities of RMB455.4 million, which was primarily attributable to (i) payment for land use right of RMB371.1 million; (ii) purchases of financial assets measured at fair value through profit or loss of RMB312.6 million; and (iii) purchases of property, plant and equipment of RMB177.6 million, which were partially offset by settlements of financial assets measured at fair value through profit or loss of RMB401.4 million.

Key financial ratios

	As of/for the year ended 31 December			As of/for the three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
Gross profit margin(1)	32.1%	31.9%	33.7%	16.1%	18.5%
Net profit margin(2)	19.6%	19.2%	18.3%	2.7%	7.7%
Return on assets(3)	7.5%	8.7%	8.0%	0.2%	0.4%
Return on equity(4)	25.4%	28.0%	27.9%	0.8%	1.7%
Current ratio(5)	47.5%	42.7%	50.5%	25.9%	48.5%
Gearing ratio(6)	103.2%	107.0%	146.4%	113.0%	152.5%
Net debt to equity ratio(7)	50.2%	67.4%	67.5%	84.0%	92.4%

Notes:

(1) Gross profit margin equals our gross profit divided by revenue for the year/period.

(2) Net profit margin equals our profit for the year/period divided by revenue for the year/period.

(3) Return on assets equals profit for the year/period divided by average assets as of the beginning and the end of the year/period.

(4) Return on equity equals profit for the year/period divided by average equity as of the beginning and the end of the year/period.

(5) Current ratio equals our current assets divided by current liabilities as of the end of the year/period.

(6) Gearing ratio equals total indebtedness (the sum of interest-bearing bank loans, other borrowings and lease liabilities) divided by total equity as of the end of the year/period.

(7) Net debt to equity ratio equals total indebtedness (the sum of interest-bearing bank loans, other borrowings and lease liabilities) net of cash and cash equivalents, and divided by total equity as of the end of the year/period.

Our gross profit margin decreased from 32.1% for the year ended 31 December 2017 to 31.9% for the year ended 31 December 2018, and then increased to 33.7% for the year ended 31 December 2019. Our overall gross profit margin remained stable between 2017 and 2018 because the growth of our low-margin apprenticeship programme offset the increased gross profit margin of our full-time formal higher education services resulting from the raise of tuition fees and boarding fees. Our gross profit margin increased from 31.9% in 2018 to 33.7% in 2019, primarily because (i) we raised tuition fee rates for our full-time formal higher education programmes, and (ii) revenue from education resources business, which generally has a higher gross margin, accounted for a larger portion of our total revenues in 2019. Our gross profit margin increased from 16.1% for the three months ended 31 March 2019 to 18.5% for the three months ended 31 March 2020, primarily due to (i) the increase in our tuition fees for our full-time formal higher education programmes, and (ii) the decrease of our revenue from apprenticeship programme, which generally has a lower profit margin. Our gross profit margin for the first quarter of the year is usually lower than that for the whole year, primarily because we recognise tuition fees for our full-time formal higher education as revenue over the school year based on the school calendar, while the cost of revenue is recognised throughout the year on a 12-month period. Since no tuition fees are recognised as revenue during the winter vacation which typically lasts for over one month in the first quarter of the year, cost of revenue for the corresponding period usually accounts for a larger portion of revenue for the first quarter of the year as compared to that for the whole year.

Our net profit margin increased from 2.7% for the three months ended 31 March 2019 to 7.7% for the three months ended 31 March 2020, primarily due to (i) the growth of our gross profit margin, (ii) a decrease in Listing expenses, (iii) an increase in government grants and subsidies, as the government grants and subsidies Shanghai Ruixiang received for 2020 took place in March 2020, earlier than that for 2019, which took place in April 2019, and (iv) an increase in tax credit due to a higher amount of deferred income tax assets we recorded for the three months ended 31 March 2020.

Our current ratio decreased from 47.5% as of 31 December 2017 to 42.7% as of 31 December 2018 due to decreases in our cash and cash equivalents and prepayments as of 31 December 2018. Our current ratio increased from 42.7% as of 31 December 2018 to 50.5% for the year ended 31 December 2019 due to the growth of our current assets mainly as a result of an increase in cash generated from our operating activities in 2019. Our current ratio decreased to 48.5% for the three months ended 31 March 2020, primarily because an increase in our current liabilities mainly attributable to the consideration of RMB362.8 million payable to Neusoft Holdings for the acquisition of Tianjin Ruidao.

Our gearing ratio increased from 103.2% as of 31 December 2017 to 107.0% as of 31 December 2018, and then increased to 146.4% for the year ended 31 December 2019, due to (i) an increase in bank loans to supplement our working capital, and (ii) a decrease in our total equity. See “Summary — Summary of historical financial information — Summary of consolidated statements of financial position” for more information regarding the decrease in our total equity in 2018. Our gearing ratio increased from 107.0% as of 31 December 2018 to 146.4% as of 31 December 2019, primarily due to increase in bank borrowings to supplement our working capital and to execute our upgrade and expansion plans in 2019. Our gearing ratio increased from 146.4% for the year ended 31 December 2019 to 152.5% for the three months ended 31 March 2020, primarily due to an increase in bank borrowings to finance our capital expenditure.

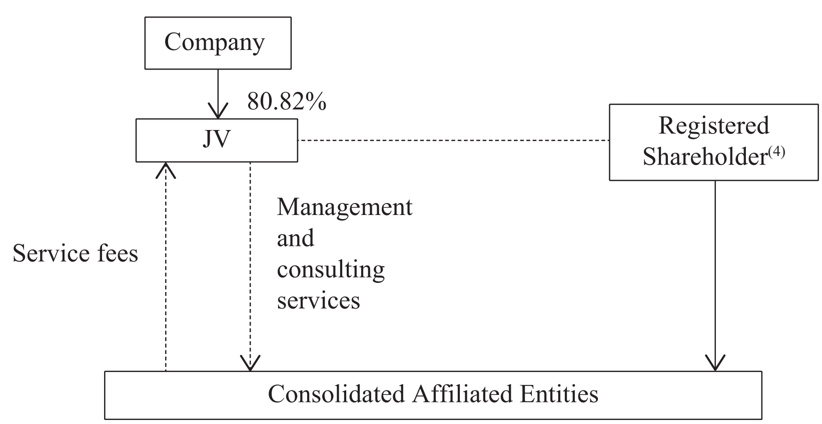
Our net debt to equity ratio increased from 50.2% as of 31 December 2017 to 67.4% as of 31 December 2018 primarily due to the decrease in our cash and cash equivalents as of 31 December 2018. Our net debt to equity ratio stayed stable as 67.5% for the year ended 31 December 2019. Our net debt to equity ratio increased to 92.4% for the three months ended 31 March 2020, primarily due to an increase in bank borrowings to finance our capital expenditure and decrease in our cash and cash equivalents to maintain our business operations.

OUR CORPORATE STRUCTURE

Contractual Arrangements

Our Company operates in industries that are subject to foreign investment restrictions under current PRC Laws. To comply with these PRC Laws, we do not hold equity interest, or sponsor interest, in our Consolidated Affiliated Entities. Rather, we control these entities through Contractual Arrangements entered into on 21 June 2019 and are entitled to all of the economic benefits derived from their operations in proportion to our indirect shareholding interest in our JV. For more details on the Contractual Arrangements, see "Contractual Arrangements."

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group under the Contractual Arrangements:



Notes:

(1) "→" denotes direct legal and beneficial ownership in: (a) the equity interests of our Operating Entity and other entities within the Consolidated Affiliated Entities, and (b) the sponsor interests in our universities.

(2) "-->" denotes the contractual relationship.

(3) "---" denotes control by our JV over the Registered Shareholder and Consolidated Affiliated Entities under the Contractual Arrangements through: (a) powers of attorney to exercise all of the Registered Shareholder's rights in our Operating Entity and our universities; (b) exclusive options to acquire all or part of the Registered Shareholder's equity interest in our Operating Entity and sponsor interests in our universities; and (c) equity pledge over the Registered Shareholder's equity interest in our Operating Entity.

(4) See the notes to "Corporate structure before the Reorganisation" and Notes 8 to 12 to "Corporate structure before the Global Offering" in "History, Reorganisation and corporate structure — Corporate structure."

OUR SHAREHOLDERS

Our Controlling Shareholders

Immediately following the Global Offering, each of Dr. J. Liu and Neusoft Holdings (along with its subsidiaries, Neusoft International, Dongkong First and Dongkong Second) will become our Controlling Shareholders. Following the Global Offering and presuming the Assumptions, Dr. J. Liu will hold approximately 37.88% (through beneficially controlled entities and the Irrevocable Voting Proxies) and Neusoft Holdings will hold approximately 37.12% (through beneficially controlled entities) in our Company. See "Relationship with our Controlling Shareholders" and "Substantial shareholders" for further information.

Prior to the Global Offering and as part of our Reorganisation, with a view to increasing operational efficiency and stream-lining the decision-making process, each of our Proxy Grantors (none of which is a substantial shareholder as defined under the Listing Rules) granted an Irrevocable Voting Proxy in favour of Dr. J. Liu, pursuant to which, Dr. J. Liu is entitled to the voting rights attached to all of the Shares held by the respective Proxy Grantor. See "Substantial shareholders" for further information.

OFFERING RELATED INFORMATION

Global Offering

Our Global Offering consists of:

(a) **Hong Kong Public Offering:** of initially 16,667,200 Offer Shares (subject to reallocation) in Hong Kong as described in "Structure of the Global Offering — The Hong Kong Public Offering"; and

(b) **International Offering:** of initially 150,000,000 Offer Shares (subject to reallocation and the Over-allotment Option), (a) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (b) outside the United States in reliance on Regulation S (including to professional and institutional investors in Hong Kong) as described in "Structure of the Global Offering — The International Offering."

The Offer Shares will represent approximately 25% of our Company's total issued share capital immediately following the Global Offering (presuming the Assumptions).

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, except as disclosed above, there has been no material adverse change in our financial or trading position or prospects since 31 March 2020, being the end date of the periods reported on in the Accountant's Report in Appendices I and II, and there is no event since 31 March 2020 that would materially affect the information as set out in the Accountant's Report in Appendices I and II.

Offering Statistics

Our offering statistics is summarised below. This is based on the assumptions that the Global Offering has been completed and 166,667,200 Shares are issued thereunder.

	Based on an Offer Price of HK$5.18 per Offer Share	Based on an Offer Price of HK$6.22 per Offer Share
Market capitalisation of our Shares(1)	HK$3,453.3 million	HK$4,146.7 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(2)	HK$ 1.73	HK$ 1.98

Notes:

(1) The market capitalisation is calculated based on 666,667,200 Shares expected to be in issue immediately upon completion of the Global Offering (presuming the Assumptions).

(2) The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share attributable to our Company's owners as of 31 March 2020 is calculated based on 666,667,200 Shares in issue immediately following the Global Offering (presuming the Assumptions).

Listing expenses

We expect to incur a total of approximately RMB113.6 million (equivalent to approximately HK$128.8 million) of Listing expenses in relation to the Global Offering (assuming an Offer Price of HK$5.70 per Offer Share, being the mid-point of our Offer Price Range of HK$5.18 to HK$6.22 per Offer Share, and assuming the Over-allotment Option is not exercised), of which approximately RMB9.4 million and RMB20.7 million have been charged to our consolidated statement of comprehensive income for the year ended 31 December 2018 and 2019, respectively, and approximately RMB46.1 million is expected to be charged to our consolidated statement of comprehensive income for the year ending 31 December 2020, and approximately RMB37.4 million is directly attributable to the issue of the Shares to the public and to be capitalised. The listing expenses mainly represent professional fees paid and payable to the professional parties in relation to the Global Offering, including underwriting commissions, but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations in 2020.

Use of proceeds

We estimate that we will receive gross proceeds from the Global Offering of approximately HK$950.0 million and net proceeds from the Global Offering of approximately HK$821.2 million after deducting underwriting commission and other estimated expenses paid and payable by us in the Global Offering (without deducting any additional discretionary incentive fee), assuming an Offer Price of HK$5.70 per Share, being the mid-point of the indicative Offer Price Range of HK$5.18 to HK$6.22 per Share (assuming the Over-allotment Option is not exercised). We expect to incur a total of RMB113.6 million (equivalent to approximately

HK$128.8 million) of Listing expenses, accounting for approximately 13.6% of our gross proceeds from the Global Offering. We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

Use of proceeds	% of net proceeds	HK$ million
Upgrading our existing school facilities and expanding our campus	50%	410.6
Acquisition of other universities/colleges in China to expand our school network	20%	164.2
Repay bank loans	20%	164.2
Supplement working capital and general business operations	10%	82.2

DIVIDEND

We do not have any specific dividend policy such as pre-determined dividend payout ratio. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. No matter whether we choose to register our schools as for-profit private schools or non-profit private schools, it will not affect our dividend declaration decision. No dividend had been paid or proposed by our Company during the Track Record Period and up to the Latest Practicable Date. There is no assurance that dividends of any amount will be declared to distributed in any year. See "Financial Information — Dividend" for more information.

During the Track Record Period, Tianjin Ruidao (relating to the provision of education software development business transfer to our Group), Dalian Yunguan and Dalian Education declared and paid dividends to their respective shareholders. See Note 14 to the Accountant's Report in Appendix I for further details. When the dividends were declared and paid, these entities had sufficient retained earnings available for dividend distribution, which was in compliance with the PRC Company Law.

IMPACT OF COVID-19

Impact of COVID-19 on our business operations

The outbreak of COVID-19 has negatively affected our business. After the outbreak of COVID-19 in early 2020, we temporarily closed our schools and were not allowed to reopen our schools before receiving local provincial government's further notice. After the second semester of the 2019/2020 school year started, our three universities offered nearly all instruction through online modality. Our training schools have also been offering training services online since February 2020. Despite a vast majority of our courses can be taught online, we cannot guarantee you that teaching courses online can be as effective as teaching courses offline. See "Risk Factors – Risks relating to our business and our industry — Our business has been and is likely to be materially and adversely affected by the outbreak of COVID-19." Since our students did not live on campus for the second semester of the 2019/2020 school year, we decided to refund the boarding fees to our students in the three universities and Neusoft Training School. The total amounts of boarding fee refund were RMB15.3 million for Dalian University, RMB10.0 million for Foshan University, RMB3.7 million for Chengdu University and RMB1.7 million for Neusoft Training School. As of the Latest Practicable Date, Dalian University, Foshan University and Neusoft Training School had refunded almost all the boarding fees to be refunded, and Chengdu University had refunded approximately 20% of the boarding fees to be refunded. The remaining portion of boarding fees to be refunded will be refunded in the near future.

Normal economic life throughout China was sharply curtailed amid COVID-19 pandemic. Our short-term training services for individual customers, which was operated by Tianjin Ruidao prior to the acquisition in March 2020, also experienced a decline in the number of students enroled in our short-term training programmes from 852 in the first quarter of 2019 to 536 in the first quarter of 2020, primarily due to (i) our inability to conduct in-campus marketing and promotional activities as a result of temporary campus closures, and (ii) our inability to offer face-to-face course instruction which negatively affected individual customers' willingness to take our training courses. Such decrease in the number of students enroled also negatively affected Tianjin Ruidao's revenue from providing short-term training services to individual customers for the three months ended 31 March 2020, which together with the fact that the provision of innovation and entrepreneurial education service to higher education institutions by Tianjin Ruidao usually happens in the second half of a calendar year, are the primary reasons for Tianjin Ruidao to have a net loss for the three months ended 31 March 2020.

In addition, the operation of our education resources business was negatively affected by COVID-19 pandemic due to the travel restrictions across China and remote working arrangements of our business partners, which restricted our ability to develop new business. Without taking into account our acquisition of Tianjin Ruidao, operating results of our education resources business for the three months ended 31 March 2020 were negatively affected due to COVID-19 pandemic. If the spread of COVID-19 cannot be fully controlled or continues for longer, however, operating results of our education resources business may be materially and adversely affected.

Further, as COVID-19 has become a global pandemic, our international programmes are also adversely affected. See "Risk Factors — Risks relating to our business and our industry — We rely, in part, on foreign education institutions to provide our international programmes abroad. Accordingly, our business and results of operations are partially dependent on our ability to maintain our relationships with our partner schools" for more information. If the spread of COVID-19 in other countries and regions cannot be effectively controlled, our international programmes for the next school year would be materially and negatively affected. Student admission and business development usually require travels and site visits. If COVID-19 pandemic drags on for longer, we may not be able to effectively carry out student admission marketing activities for the next school year, cooperate with our business partners and develop new business opportunities in the future. See the section headed "Business — Impact of COVID-19 on our business operations" for more information.

Our Directors confirm that the outbreak of COVID-19 have had a negative impact on our business operations in the short run as (a) our universities and training schools were temporarily closed for a period of time; (b) students of our universities and training schools had to take courses online; (c) the number of students enroled in Tianjin Ruidao's short-term training programmes experienced decline in the first quarter of 2020; (d) we have to refund boarding fees of approximately RMB30.7 million to our students; (e) our international programmes for the second semester of the 2019/2020 school year were cancelled or delayed; and (f) the operation of our education resources business was negatively affected due to the travel restrictions across China. However, it is unlikely for COVID-19 to have a material adverse impact on our continuing business operations and sustainability in the long run as (i) we are able to provide education services online and students can attend classes without physically present at our universities or training schools, which will mitigate the negative impact of COVID-19 on our business operations; (ii) as of the Latest Practicable Date, all of our three universities had reopened and our training schools also began to gradually offer offline training services starting from late June 2020; (iii) our major source of revenue, tuition fee income from our fundamental business full-time formal higher education services has not been affected by COVID-19; and (iv) we have sufficient cash and cash equivalents to maintain our business operations.

The latest development of COVID-19 and resumption of our business operations

As of the Latest Practicable Date, the spread of COVID-19 in the provinces where we have business operations were under control. As of the Latest Practicable Date, our three universities had reopened. Starting from the end of June, our training schools gradually resumed offering courses offline. Our subsidiaries operating education resources and apprenticeship programmes gradually resumed offline work since February 2020. As of the Latest Practicable Date, we were not aware of any incidents where our employees, including our teachers, failed to perform their reporting duty in relation to COVID-19.

If there are any COVID-19 resurgences in the places where we have business operations, we will follow government's instructions and resume, when necessary, our previous business arrangements during the spread of COVID-19 earlier this year, which include, without limitation, (i) offering face-to-face instruction through online by using our proprietary "Neusoft Blended Teaching Platform", "Neusoft MOOC Platform" and "Neusoft Practical Training Project Platform" as well as other third-party products, and our employees may also have to follow remote working arrangements; and (ii) communicating with our suppliers, clients and other business partners to find out feasible alternatives such as through online meeting and communication to ensure that existing business cooperation can be continued. In addition, our business contingency plan includes a set of precautionary measures to maintain a hygiene working, teaching and living environment. See "Business — Health and safety matters" for further details.

While many of the restrictions on movement within China had been relaxed as of the Latest Practicable Date, there is great uncertainty as to the future progress of the disease. Currently, there is no vaccine or specific anti-viral treatment for COVID-19. Relaxation of restrictions on economic and social life may lead to new cases which may lead to the reimposition of restrictions. Our business and financial performance have been negatively affected by the outbreak of coronavirus in China since the beginning of 2020, and this is likely to continue throughout the current year, if not longer.

Costs incurred on precautionary measures and our financial viability

As of 30 June 2020, we had incurred approximately RMB1.1 million for taking precautionary measures to prevent the spread of the COVID-19.

In the event that we have to temporarily suspend part of our business operations due to the COVID-19 pandemic, based on the following assumptions, we estimate our existing financial resources as of 30 June 2020 are sufficient for our necessary operations and support our financial viability for at least 1.5 years till the end of 2021 in the worst case scenario. Our key assumptions include: (i) approximately 10% of the net proceeds from the Global Offering is going to be used to supplement our working capital; (ii) we maintain the tuition fee rates of the 2020/2021 school year and do not increase student enrolments or tuition fee rates for our full-time formal higher education programmes, nor will we receive any boarding fees for our full-time formal higher education programmes; (iii) our annual revenue from continuing education services and education resources and apprenticeship programme (including the revenue from Tianjin Ruidao) will decrease by 50% compared with that in 2019; (iv) our annual costs and operating expenses will remain the same as that in 2019 to maintain our operations; (v) our upgrade and expansion plan is delayed and there is no further increase in our capital expenditure; (vi) there will be no further internal or external financing from our Shareholders or financial institutions, and we will repay our bank loans according to the repayment schedule; and (vii) no dividends will be declared and paid. The abovementioned analysis is for illustrative purpose only and our Directors estimate that the likelihood of such situation is remote. The actual impact caused by the outbreak of COVID-19 will depend on its subsequent development, and therefore it is possible that the negative impact of COVID-19 on our Group in the future may be more severe than our estimation and assessment.

In the event that we have to completely suspend all of our business operations and do not generate any revenue from our business operations due to the COVID-19 pandemic, we estimate, based on the following assumptions, our existing financial resources as of 30 June 2020 are sufficient for maintaining minimum necessary operations and support our financial viability for at least till the end of 2020 in the worst case scenario. Our key assumptions include: (i) we generate no revenue after 30 June 2020; (ii) approximately 10% of the net proceeds from the Global Offering is going to be used to supplement our working capital; (iii) suspending all payments relating to employee salary and benefits, and incurring only minimum necessary costs and operating expenses to maintain operations, which is equal to 5% of the annual costs and operating expenses in 2019; (iv) our upgrade and expansion plan is delayed and there is no further increase in our capital expenditure; (v) there will be no further internal or external financing from our Shareholders or financial institutions, and we will repay our bank loans according to the repayment schedule; and (vi) no dividends will be declared and paid. However, our Directors believe that the likelihood of such situation is extremely remote, because (i) the spread of the coronavirus has been contained in the locations where we operate and our business operations have resumed normal, (ii) we have already received tuition fees and boarding fees in August 2020 from students enrolled for the 2020/2021 school year, and (iii) even if the number of confirmed cases spikes again, we can resume our previous online instruction arrangement.

RECENT DEVELOPMENTS

For the six months ended 30 June 2020, we generated revenue of RMB439.6 million, representing a decrease of 3.4% compared with the revenue we generated for the six months ended 30 June 2019. Such decrease was due to (i) a decrease in revenue from boarding fees for the six months ended 30 June 2020 as we made provisions for boarding fee refund to students of RMB23.9 million for the six months ended 30 June 2020, and (ii) a decrease in revenue from our apprenticeship programme as we optimised our employee structure, in particular, our engineer team, to reduce cost. For the six months ended 30 June 2020, we still primarily relied on our engineering team to generate revenue for our apprenticeship programme. Revenue derived from charging enterprises for supplying well-trained students to such enterprises still accounted for a small portion of revenue from our apprenticeship programme during the six months ended 30 June 2020. Therefore, such decrease in the number of engineers resulted in the decrease of revenue from our apprenticeship programme. In order to increase our student training capacity with a reduced number of engineers and further improve the quality and effectiveness of our trainings, we applied internet technologies in student training in our apprenticeship programme. As the number of students from other universities and colleges in our apprenticeship programme increases in the future, we will further apply internet technologies to increase our student training capacity and improve the effectiveness of trainings offered by our apprenticeship programmes. Such decrease was partially offset by an increase in tuition fees we received for the 2019/2020 school year due to increased tuition fee rates and the consolidation of Tianjin Ruidao's revenue into our Group's revenue, which mainly contributed to the increases in revenues from continuing education services and provision of education resources. For the six months ended 30 June 2020, we had gross profit of RMB157.0 million, representing a decrease of 3.0% compared with the gross profit we had for the six months ended 30 June 2019. Such decrease was primarily caused by a decrease in revenue we generated for the six months ended 30 June 2020. Our revenue and gross profit for the six months ended 30 June 2020 as set out above have been extracted from our unaudited interim condensed consolidated financial information as of and for the six months ended 30 June 2020, which has been reviewed by our reporting accountant in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

We expect our administrative expenses to increase in 2020 due to the expenses incurred in relation to the Listing. We also expect to incur in 2020 share-based compensation for the options we plan to grant in 2020. As a result, our net profit in 2020 might be materially and negatively affected by such increased Listing expenses and the share-based compensation.

Our Directors confirm that, as of the Latest Practicable Date, other than disclosed above, there had been no material adverse change in the financial condition or prospects of our Group since 31 March 2020 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there had been no event since 31 March 2020 and up to the date of this document that could materially affect the information shown in our Consolidated Financial Statements included in the Accountant's Report in Appendix I to this document.

Unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in "Glossary of technical terms."

"%"	per cent
"Accountant's Report"	the report prepared by PricewaterhouseCoopers as set out in Appendix I
"Adjusted Net Profit"	a non-IFRS measure that eliminates the effect of certain non-recurring items from our profit for the year. See "Financial Information — Non-IFRS Measure"
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Alpine Electronics"	Alpine Electronics, Inc., a company incorporated under the laws of Japan and a wholly-owned subsidiary of Alps Alpine Co., Ltd. (a company listed on the Tokyo stock exchange (stock code: TSE-67700)), and a Shareholder
"Apex Venture"	Apex Venture Holdings, Inc., a company incorporated under the laws of the United States and a Shareholder
"Application Form(s)"	WHITE Application Form(s), YELLOW Application Form(s) or GREEN Application Form(s), individually or collectively, as the context so requires, which is used in relation to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 11 September 2020 with effect from the Listing Date, as amended from time to time, a summary of which is set out in "Summary of the constitution of our Company and Cayman Companies Law" in Appendix IV
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Assumptions"	assuming that the Over-allotment Option and options granted under the Pre-IPO Share Incentive Scheme are not exercised, and no options are granted under the Post-IPO Share Incentive Scheme
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of our Company

"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	British Virgin Islands
"CAGR"	compound annual growth rate
"Cayman Companies Law"	the *Companies Law, Cap. 22* (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Century Bliss"	Century Bliss International Limited, a company incorporated under the laws of the BVI with limited liability and a Shareholder
"Chengdu Development"	Chengdu Neusoft Information Technology Development Co., Ltd. (成都東軟信息技術發展有限公司), the majority school sponsor for Chengdu University, and a company incorporated under PRC Laws on 8 July 2002 and a wholly-owned subsidiary of our Operating Entity
"Chengdu University"	Chengdu Neusoft University (成都東軟學院), established in 2003, and one of the higher education schools operated by our Group
"China" or "the PRC"	the People's Republic of China, and for the purposes of this document only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"close associate"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	Neusoft Education Technology Co. Limited (東軟教育科技有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 20 August 2018
"Company Secretary" or "Company Secretaries"	Ms. HE Jing and Ms. MAK Po Man Cherie, or any one of them, each of whom is a company secretary of our Company
"Compliance Adviser"	Somerley Capital Limited (新百利融資有限公司)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entity" or "Consolidated Affiliated Entities"	entities controlled by the Company through the Contractual Arrangements and considered as our subsidiaries
"Consolidated Financial Statements"	the audited consolidated financial statements of our Group for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020, as included in Appendix I as a copy of the Accountant's Report
"Contractual Arrangements"	the contractual arrangements entered into by our Group as described in "Contractual Arrangements"
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, to the persons listed in "Relationship with our Controlling Shareholders", namely Dr. J. Liu and Neusoft Holdings (together with Neusoft Holdings' wholly-owned subsidiaries Neusoft International, Dongkong First and Dongkong Second)
"Dalian Education"	Dalian Neusoft Education Technology Group Co. Limited (大連東軟教育科技集團有限公司, formerly known as 東軟教育科技（大連）有限公司), a company incorporated under PRC Laws on 3 August 2018 and a wholly-owned subsidiary of our JV
"Dalian Kang Ruidao"	Dalian Kang Ruidao Management Consulting Centre (Limited Partnership) (大連康睿道管理諮詢中心（有限合夥）)
"Dalian Siwei"	Dalian Neusoft Siwei Technology Development Co., Ltd. (大連東軟思維科技發展有限公司)

"Dalian Technology"	Dalian Neusoft Technology Development Co., Ltd. (大連東軟科技發展有限公司), a company incorporated under PRC Laws on 10 October 2013 and a wholly-owned subsidiary of our JV
"Dalian University"	Dalian Neusoft University of Information (大連東軟信息學院), established in 2004, and one of the higher education schools operated by our Group
"Dalian Yunguan"	Dalian Yunguan Information Technology Co., Ltd. (大連雲觀信息技術有限公司), a company incorporated under PRC Laws on 19 February 2013 and a wholly-owned subsidiary of our JV
"Dalian Zengdao"	Dalian Zengdao Management Consulting Centre Limited Partnership (大連增道管理諮詢中心(有限合夥))
"Director(s)"	the director(s) of our Company
"Dongkong First"	Dongkong Education First Investment Inc. (東控教育第一投資有限公司), a company incorporated under the laws of the BVI and a Controlling Shareholder
"Dongkong Second"	Dongkong Education Second Investment Inc. (東控教育第二投資有限公司), a company incorporated under the laws of the BVI and a Controlling Shareholder
"Dr. J. Liu" or "Chairperson"	LIU Jiren (劉積仁), our Chairperson, Director and a core founding member of our Group
"Dr. Qu"	QU Daokui (曲道奎), our Director
"Dr. S. Liu"	LIU Shulian (劉淑蓮), our Director
"Dr. Wang"	WANG Weiping (王衛平), our Director
"Dr. Wen"	WEN Tao (溫濤), our Director
"Dr. Yang"	YANG Li (楊利), our Director
"Dr. Zhang"	ZHANG Yinghui (張應輝), our Director
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong, or any extreme conditions or events, the occurrence of which causes serious interruption to the ordinary course business operations in Hong Kong

"FIL"	the Foreign Investment Law (中華人民共和國外商投資法) enacted by the 2nd session of the 13th National People's Congress on 15 March 2019
"Foshan Development"	Foshan Nanhai Neusoft Information Technology Development Co., Ltd. (佛山市南海東軟信息技術發展有限公司), the majority school sponsor for Foshan University, and a company incorporated under PRC Laws on 8 January 2002 and a wholly-owned subsidiary of our Operating Entity
"Foshan University"	Neusoft Institute, Guangdong (廣東東軟學院), established in 2003, and one of the higher education schools operated by our Group
"Foshan Yunguan"	Foshan Yunguan Information Technology Co., Ltd. (佛山雲觀信息技術有限公司), a company incorporated under PRC Laws on 24 June 2016 and a wholly-owned subsidiary of Dalian Yunguan
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	an industry report prepared by Frost & Sullivan which was commissioned by us in relation to, among other things, the private higher education industry in the PRC
"FY"	financial year ended 31 December, being our financial year end
"GAAP"	generally accepted accounting principles
"GAPP"	the General Administration of Press and Publication (新聞出版總署), which merged into the State Administration of Press, Publication, Radio, Film and Television (國家新聞出版廣電總局) in 2013 and separated to be the State Administration of Press and Publication (國家新聞出版署) in 2018
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Governmental Authority"	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organisation, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
"GREEN Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company

"Group", "we", "us", or "our"	our Company and its subsidiaries (including our Consolidated Affiliated Entities) from time to time or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HK eIPO White Form "	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name, submitted online through the **IPO App** or the designated website at **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"HKICPA"	The Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Public Offer Shares"	the 16,667,200 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in "Structure of the Global Offering")
"Hong Kong Public Offering"	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described and the Application Forms, as further described in "Structure of the Global Offering — The Hong Kong Public Offering"
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement, dated 15 September 2020, relating to the Hong Kong Public Offering, entered into among, *inter alia*, the Joint Global Coordinators, the Hong Kong Underwriters and our Company, as further described in "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering"

"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party" or "Independent Third Parties"	any entity or person who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules
"International Offer Shares"	the 150,000,000 Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be sold pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in "Structure of the Global Offering"
"International Offering"	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in "Structure of the Global Offering"
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Joint Global Coordinators and the International Underwriters on or about the date of the Price Determination Agreement, as further described in "Underwriting — Underwriting arrangements and expenses — International Offering"
"IPO App"	the mobile application for the **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Irrevocable Voting Proxies"	voting proxy arrangements granted by each of Century Bliss, Alpine Electronics and Apex Venture, to Dr. J. Liu in respect of voting rights attached to our Shares, and each of the arrangements, an "**Irrevocable Voting Proxy**." See "Relationship with our Controlling Shareholders — Irrevocable Voting Proxies" for further information
"Joint Bookrunner(s)"	the joint bookrunner(s) of our Company set out in "Directors and parties involved in the Global Offering"
"Joint Global Coordinator(s)"	the joint global coordinator(s) of our Company set out in "Directors and parties involved in the Global Offering"

"Joint Lead Manager(s)"	the joint lead manager(s) of our Company set out in "Directors and parties involved in the Global Offering"
"JV" or "Neusoft Ruixin"	Dalian Neusoft Ruixin Technology Development Co. Limited (大連東軟睿新科技發展有限公司), a company incorporated under PRC Laws on 17 May 2019 and a joint venture owned by our Company (as to 80.82%) and the Minority JV Shareholders (as to 19.18%)
"Kang Ruidao"	Kang Ruidao International Investment Inc. (康睿道國際投資有限公司), a company incorporated under the laws of the BVI and a substantial shareholder
"Kang Ruidao First"	Kang Ruidao Education First Investment Limited, a company incorporated under the laws of the BVI and a substantial shareholder
"Latest Practicable Date"	8 September 2020, being the latest practicable date for ascertaining certain information before the publication of this document
"Laws"	means all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, interpretations or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	the date, expected to be on or about 29 September 2020, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"MCA"	Ministry of Civil Affairs of the People's Republic of China (中華人民共和國民政部)
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted on 11 September 2020, with effect from the Listing Date, as amended from time to time

"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as Ministry of Information Industry)
"Ministry of Education" or "MOE"	Ministry of Education of the People's Republic of China (中華人民共和國教育部)
"Minority JV Shareholders"	PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司), Northeastern University Science & Technology Industry Group Co., Ltd. (東北大學科技產業集團有限公司), and PICC Health Insurance Company Limited (中國人民健康保險股份有限公司)
"MOC"	Ministry of Commerce of the People's Republic of China (中華人民共和國商務部)
"MOF"	Ministry of Finance of the People's Republic of China (中華人民共和國財政部)
"MOJ"	Ministry of Justice of the PRC (中華人民共和國司法部)
"Mr. Rong"	RONG Xinjie (榮新節), our Director
"Mr. Zimmer"	Klaus Michael ZIMMER, our Director
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Neusoft Corporation"	Neusoft Corporation (東軟集團股份有限公司), a company incorporated under PRC Laws on 17 June 1991, which is listed on the Shanghai Stock Exchange (security code: 600718) on 18 June 1996
"Neusoft Education BVI"	Neusoft Education Technology (BVI) Co. Limited 東軟教育科技（英屬維京群島）有限公司, a company incorporated under the laws of the BVI on 6 September 2018 and a wholly-owned subsidiary of our Company
"Neusoft Education Chengdu"	Chengdu Neusoft Education Technology Group Co. Limited (東軟教育科技（成都）有限公司), a company incorporated under PRC Laws on 26 April 2019 and a wholly-owned subsidiary of our JV
"Neusoft Education HK"	Neusoft Education Technology (HK) Co. Limited 東軟教育科技（香港）有限公司, a company incorporated under Hong Kong laws on 26 September 2018
"Neusoft Electronic Press"	Dalian Neusoft Electronic Press Co., Ltd. (大連東軟電子出版社有限公司), a company incorporated under PRC Laws on 21 April 2005 and a wholly-owned subsidiary of Dalian University

"Neusoft Holdings Framework Agreement"	framework agreement dated 11 September 2020 entered into between our Company and Neusoft Holdings and detailed in "Connected transactions — Neusoft Holdings Framework Agreement"
"Neusoft Holdings Group"	Neusoft Holdings and its subsidiaries (excluding our Group)
"Neusoft Industry Management"	Dalian Neusoft Industry Management Services Co., Ltd. (大連東軟產業管理服務有限公司), a company incorporated under PRC Laws on 14 August 2018 and a wholly-owned subsidiary of our JV
"Neusoft International"	Neusoft Holdings International Inc. (東軟控股國際有限公司), a company incorporated under the laws of the BVI on 8 March 2012 and a wholly-owned subsidiary of Neusoft Holdings
"Nomination Committee"	the nomination committee of the Board
"Northeastern University Group"	Northeastern University Science & Technology Industry Group Co., Ltd. (東北大學科技產業集團有限公司), a shareholder of our JV
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Public Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in "Structure of the Global Offering — Pricing of the Global Offering"
"Offer Price Range"	to date, expected to be between HK$5.18 and HK$6.22
"Offer Share(s)"	the Hong Kong Public Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be sold by our Company pursuant to the exercise of the Over-allotment Option
"Operating Entity" or "Dalian Development"	Dalian Neusoft Software Park Industry Development Co., Ltd. (大連東軟軟件園產業發展有限公司), a company incorporated under PRC Laws on 10 July 2002
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by CLSA Limited on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 25,000,000 additional Shares (representing in aggregate approximately 15% of the initial Offer Shares) to the International Underwriters to cover over-allocations in the International Offering, if

	any, details of which are described in "Structure of the Global Offering — The International Offering — Over-allotment Option"
"PBOC"	the People's Bank of China
"PICC Health"	PICC Health Insurance Company Limited (中國人民健康保險股份有限公司), a substantial shareholder of our JV
"PICC Life"	PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司), a substantial shareholder of our JV
"Post-IPO Share Incentive Scheme"	the share option scheme of the Company as approved by the Board on 11 September 2020 and detailed in "Statutory and general information — Share Incentive Schemes — Post-IPO Share Incentive Scheme" in Appendix V
"PRC Company Law"	the Company Law of the People's Republic of China (《中華人民共和國公司法》)
"PRC Legal Adviser"	Tian Yuan Law Firm, our legal adviser on PRC Laws
"Pre-IPO Share Incentive Scheme"	the share option scheme of the Company as approved by the Board on 19 June 2019, as amended from time to time, and detailed in "Statutory and general information — Share Incentive Schemes — Pre-IPO Share Incentive Scheme" in Appendix V
"Price Determination Agreement"	the agreement to be entered into between our Company and CLSA Limited (for itself and on behalf of the Underwriters) on or about the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Tuesday, 22 September 2020 and in any event no later than Wednesday, 23 September 2020, on which the Offer Price is to be fixed by an agreement between our Company and CLSA Limited (for itself and on behalf of the Underwriters)
"Principal Share Registrar"	Ogier Global (Cayman) Limited
"Property Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"Proxy Grantors"	Century Bliss, Alpine Electronics, and Apex Venture, and each of them being a "**Proxy Grantor**"
"Public Shareholders"	Shareholders who subscribed to our Shares under the Global Offering
"QIB"	a qualified institutional buyer within the meaning of Rule 144A

"Registered Shareholder" or "Neusoft Holdings"	Dalian Neusoft Holdings Co., Ltd. (大連東軟控股有限公司), a company incorporated under PRC Laws on 15 November 2011, a Controlling Shareholder and the registered shareholder of our Operating Entity
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	our Group's reorganisation in preparation for the Listing, as described in "History, Reorganisation and corporate structure — Reorganisation"
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) (formerly known as the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局))
"SAT"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
"School Sponsor(s)"	our Operating Entity, Chengdu Development, Foshan Development, Neusoft Holdings and Yida Group, or any one of them
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	Securities and Futures Commission of Hong Kong
"Shanghai Ruixiang"	Shanghai Ruixiang Information Technology Co., Ltd. (上海芮想信息科技有限公司), a company incorporated under PRC Laws on 14 April 2017 and a wholly-owned subsidiary of our JV
"Shanghai Sirui"	Shanghai Sirui Information Technology Co., Ltd. (上海思芮信息科技有限公司), a wholly-owned subsidiary of Neusoft Holdings incorporated under PRC Laws on 7 November 2013
"Share(s)"	ordinary share(s) in the share capital of our Company, currently with a par value of HK$0.0002 each following the Share Consolidation

"Share Consolidation"	our Company's share consolidation on a two-to-one basis, following which, our Company's share par value changed from HK$0.0001 each to HK$0.0002 each
"Share Incentive Scheme(s)"	Pre-IPO Share Incentive Scheme and Post-IPO Share Incentive Scheme, or any one of them
"Shareholder(s)"	holders of our Shares or any one or more of the holders
"Shenyang Kang Ruidao"	Shenyang Kang Ruidao Consulting Co., Ltd. (瀋陽康睿道諮詢有限公司)
"Sole Sponsor"	CLSA Capital Markets Limited
"Stabilising Manager"	CLSA Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Kang Ruidao and the Stabilising Manager (or its agents) on or around the Price Determination Date
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in the Listing Rules
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Takeovers Code"	Code on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time
"the Stock Exchange" or "the Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianjin Ruidao"	Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. (天津東軟睿道教育信息技術有限公司), a company incorporated under PRC Laws on 22 March 2012 and a non-wholly owned subsidiary of Dalian Education
"Track Record Period"	financial years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters

"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States", "U.S." or "US"	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"VAT"	value-added tax
"WHITE Application Form(s)"	the form of application for the Hong Kong Public Offer Shares for use by the public who require such Hong Kong Public Offer Shares to be issued in the applicants' own name
"YELLOW Application Form(s)"	the form of application for the Hong Kong Public Offer Shares for use by the public who require such Hong Kong Public Offer Shares to be deposited directly into CCASS
"Yida Group"	Yida Group Co., Ltd. (億達集團有限公司), a company incorporated under PRC Laws
"Yida Holdings"	Yida Holdings Co., Ltd. (億達控股有限公司), a company incorporated under PRC Laws

Unless otherwise expressly stated or the context otherwise requires, all data in this document is as of the date of this document.

The English names of the PRC entities, PRC Laws and the PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes only. If there are any inconsistencies, the Chinese names shall prevail.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This glossary contains definitions of certain terms used in this document in connection with our Company and our business. Some of these may not correspond to standard industry definitions.

"bachelor degree programme"	a four-year post-secondary formal programme that generally enrols high school graduates who have taken the National Higher Education Entrance Exam, and upon the completion of which a bachelor degree will be granted
"college"	a higher educational institution offering bachelor degree programmes and junior college diploma programmes, which may be a branch college (下屬學院) and may not be a separate legal entity
"compulsory education"	grade one to grade nine education, which all citizens in China must receive according to the Compulsory Education Law of the PRC (《中華人民共和國義務教育法》)
"Central China"	Henan Province, Hubei Province and Hunan Province
"Double First Class Universities"	a tertiary education development initiative formulated by the PRC government aimed at comprehensively developing elite Chinese universities and their individual faculty departments into world-class institutions
"Double High-level Vocational Colleges"	vocational schools under the Construction Plan of High-level Vocational Colleges & Majors with Chinese Characteristics (中國職業教育"雙高計畫"建設學校), a vocational education development initiative formulated by the PRC government aimed at significantly enhancing the standard and influence of higher vocational colleges included in the plan to reach advanced international levels and make vocational education an important force to support national strategies and local development, also known as "the double first class in vocational education sector"
"dual-qualified teachers"	teachers who possess both adequate academic background and teaching skills along with relevant industry experience and practicable knowledge
"East China"	Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Jiangxi Province and Fujian Province
"formal education"	education system that provides students with the opportunity to earn official certificates from the PRC government
"higher education"	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges and institutes of technologies

"independent college"	a PRC private higher education institution that is run by non-government institution(s) or individual(s) based on cooperation with a public university or college that offers undergraduate courses
"initial employment rate"	the percentage of graduates who entered into full-time employment contracts, were self-employed, accepted an offer for higher degree or equivalent programmes, or accepted an offer to pursue overseas study or employment, as of 31 August of the year of graduation. There may be variation to the meaning of this term depending on the relevant school and type of graduates considered
"IT majors"	disciplines stipulated by the MOE, which are electronic information for undergraduate and junior college education and computer for undergraduate education
"IT related majors"	disciplines that are developed in connection with and surrounding IT majors
"junior college diploma programme"	a three-year post-secondary formal education programme that generally enrols high school graduates who have taken the National Higher Education Entrance Exam, and upon completion of which a junior college diploma will be granted
"junior college to bachelor degree transfer programme"	a two-year post-secondary formal education programme that generally enrols graduates of junior college diploma programmes, upon completion of which a bachelor degree will be granted
"Laptop University"	a higher education institution that achieves a laptop per student
"National Higher Education Entrance Exam"	also known as "Gaokao" (高考), an academic examination held annually in the PRC, and a prerequisite for entrance into most higher education institutions at the undergraduate level in the PRC
"Northeastern China"	Heilongjiang province, Liaoning province and Jilin province
"private higher education institution" or "private university"	a PRC private higher education institution (民辦高等教育機構) not affiliated with any public universities that is operated by non-governmental entity(ies) or individual(s) where government funding is not a major source of capital and has open admission and enrolment to the public
"private school"	a school that is not run by local, provincial or national governments
"public school"	a school that is run by local, provincial or national governments

"school sponsor"	an individual or entity that funds or holds interests in an educational institution
"Second-tier Cities"	Chengdu, Hangzhou, Wuhan, Chongqing, Nanjing, Tianjin, Suzhou, Xi'an, Changsha, Shenyang, Qingdao, Zhengzhou, Dalian, Dongguan, Ningbo, Xiamen, Fuzhou, Wuxi, Hefei, Kunming, Harbin, Jinan, Foshan, Changchun, Wenzhou, Shijiazhuang, Nanning, Changzhou, Quanzhou, Nanchang, Guiyang, Taiyuan, Yantai, Jiaxing, Nantong, Jinhua, Zhuhai, Huizhou, Xuzhou, Haikou, Urumqi, Shaoxing, Zhongshan, Taizhou (台州) and Lanzhou
"SOVO"	the student office & venture office, a student start-up centre established by each of our three universities to create and foster the spirit of innovation and entrepreneurship
"sq.m."	square metre
"Third-tier Cities"	Taizhou (泰州), Yangzhou, Shantou, Huzhou, Yancheng, Weifang, Baoding, Zhenjiang, Luoyang, Linyi, Tangshan, Zhangzhou, Ganzhou, Langfang, Huhehaote, Wuhu, Guilin, Yinchuan, Jieyang, Sanya, Zunyi, Jiangmen, Jining, Putian, Zhanjiang, Mianyang, Huai'an, Lianyungang, Zibo, Yichang, Handan, Shangrao, Liuzhou, Zhoushan, Xianyang, Jiujiang, Hengyang, Weihai, Ningde, Fuyang, Zhuzhou, Lishui, Nanyang, Xiangyang, Daqing, Cangzhou, Xinyang, Yueyang, Shangqiu, Zhaoqing, Qingyuan, Chuzhou, Longyan, Jinzhou, Bengbu, Xinxiang, Anshan, Xiangtan, Ma'anshan, Sanming, Chaozhou, Meizhou, Qinhuangdao, Nanping, Jilin, Anqing, Tai'an, Suqian, Baotou and Chenzhou
"TOPCARES"	our unique approach that are bestowed with eight types of capabilities/skills, which are technical knowledge and reasoning, open thinking and innovation, personal and professional skills, communication and teamwork, attitude and manner, responsibility, ethical values, social values created by application practice. TOPCARES is an acronym of these eight phrases.

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as ‘will’, ‘expect’, ‘anticipate’, ‘estimate’, ‘believe’, ‘going forward’, ‘ought to’, ‘may’, ‘seek’, ‘should’, ‘intend’, ‘plan’, ‘projection’, ‘could’, ‘vision’, ‘goals’, ‘aim’, ‘aspire’, ‘objective’, ‘target’, ‘schedules’, and ‘outlook’) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors, some of which are beyond our Company’s control and that are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our future business development, financial condition, and results of operations;
- our business strategies and plans to achieve these strategies;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with business partners;
- general economic, political, and business conditions in the industries and markets in which we operate;
- relevant government policies and regulations relating to our industry, business, and corporate structure;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in “Risk factors.”

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

You should carefully read and consider all of the information in this document including the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties. As a result you may lose part or all of your investment.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business and our industry; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to doing business in China; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Our business and results of operations depend on the level of tuition and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fee levels.

One of the most significant factors affecting our profitability is the tuition and boarding fees we charge at our universities. In 2017, 2018, 2019 and the three months ended 31 March 2020, we derived 79.0%, 71.5%, 69.6% and 70.8%, respectively, of our revenue from tuition fees and derived 6.6%, 6.9%, 6.7% and 7.1%, respectively, of our revenue from boarding fees. Our tuition rates are primarily determined based on the demand for our educational programmes, the cost of our operations, the geographic markets where we operate our universities, the tuition charged by our competitors, our pricing strategy to gain market share, and general economic conditions in China and the areas in which our universities are located. Each of our universities generally requires its full-time formal education programme students to live on campus in dormitories during their study at our universities, except for limited circumstances where we allow students to live outside campus after receiving their parent's written request to do so. Our boarding fees are affected by the cost of operating the dormitories, the general housing markets where we operate our universities and the boarding fees charged by our competitors.

We are able to determine the level of tuition fee and boarding fee rates for our three universities on our own. For the 2017/2018 school year, we raised our tuition fees for bachelor degree programmes, junior college diploma programmes, and junior college to bachelor degree transfer programmes offered by Dalian University, and raised tuition fees for bachelor degree programmes and junior college diploma programmes offered by Foshan University. For the 2018/2019 school year, we raised tuition fees for bachelor degree programmes offered by Foshan University. For the 2019/2020 school year, we raised tuition fees for bachelor degree programmes and junior college diploma programmes offered by Dalian University and Foshan University. For the 2020/2021 school year, we increased tuition fees for bachelor degree programmes and junior college diploma programmes offered by Dalian University, and bachelor degree programmes offered by Foshan University. The tuition fee and boarding fee rates for Chengdu University were previously subject to approval from relevant local government authorities. In May 2020, Sichuan province amended the approving requirements for tuition fee and boarding fee rates and private higher education institutions may determine the fee level on their own. Accordingly, we raised our tuition fees for bachelor degree programmes and junior college to bachelor degree transfer programmes offered by Chengdu University for the 2020/2021 school year. We review our tuition fee rates from time to time and raise tuition fees to reflect our increased operating costs, improvements of our facilities and changes in the market price for higher education services. Our tuition fee increase decisions depend on the market condition and other special circumstances we may encounter in the future. During the Track Record Period, the boarding fees we charged ranged from RMB1,200 to RMB3,000 per school year depending on the location of the school, room size and number of students housed in each room and were received generally before or at the beginning of each school year. We raised our boarding fees for each of Dalian University and Foshan University for the 2017/2018 school year and the boarding fees for Chengdu University for the 2020/2021 school year. In the future, we plan to raise the boarding fees periodically to reflect our increased operating cost and the improvements of our accommodation conditions. There can be no assurance that we will be able to maintain or raise the tuition and boarding fee levels we charge at our universities in the future due to various reasons, including the failure to obtain necessary approvals or filings, and market competitions. Even if we are able to raise the tuition level, we cannot assure you that we will be able to attract prospective students to apply for our universities at such increased rates. Neither can there be assurance that we will be able to collect all the tuition and boarding fees on time from all of our students. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise the tuition and boarding fee levels, attract sufficient students or collect the tuition and boarding fees on time.

We may not be able to successfully increase the student enrolments at our universities, which may hinder our business growth.

One of the most significant factors affecting our profitability is the number of students enroled at our universities. The total number of students enroled in our full-time formal higher education programmes was 34,014 for the 2016/2017 school year, 34,606 for the 2017/2018 school year, 34,144 for the 2018/2019 school year and 36,066 for the 2019/2020 school year, respectively. The number of students our universities are able to admit for our full-time formal higher education programmes in each school year is set and approved by the relevant PRC education authorities. For the 2016/2017, 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, the total admission quota for our full-time formal higher education programmes, i.e. bachelor degree programmes, junior college diploma programmes, and junior college to bachelor degree transfer programmes, received by all of our universities were 10,094, 10,213, 10,390, 12,619 and 14,644, respectively. According to the Opinions of the Ministry of Education on Further Regulating Higher Education Enrolment Programme (《教育部關於進一步規範高等教育招生計劃管理工作的意見》), student enrolment for graduate and undergraduate programmes requires approval from the MOE, and student enrolment for junior school programmes is subject to the approval of the relevant local education authorities. In the spirit of further promoting equal access to education in urban and rural areas, the Notice of the Ministry of Education on Enrolment of Ordinary Schools and Universities in 2020 (《教育部關於做好 2020 年普通高校招生工作的通知》) instructs universities and schools to improve their enrolment plans by taking into account the schools' operational conditions, employment status of their graduates and the general situations of prospective students in each provinces, among other factors. This notice encourages schools to continue the implementation of the "Support for the Midwest Admissions Programme" and to further increase the quota for students from provinces with a large number of students taking National Higher Education Entrance Exam and the central and western regions of China where the average enrolment rate is relatively low compared with the more developed regions. However, we cannot assure you that we will be able to successfully increase student enrolment capacity at our universities, which is subject to the approvals of the relevant government authorities.

Moreover, our student enrolment is restricted by the number of beds available in our student dormitories. For the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, the average utilisation rate for our three universities calculated by us internally as the number of our full-time formal higher education programme students enroled in all the three universities divided by the school capacity for each corresponding school year was 96.26%, 97.80%, 96.67% and 94.54%, respectively. If we fail to admit all qualified students who are interested in enroling in our universities due to these capacity constraints, limitations on student enrolment quota or lack of regulatory approvals, we may not be able to successfully maintain our historical enrolment levels or to increase our student enrolment. Thus, we may not be as successful in raising the total tuition or carrying out our growth strategies and expansion plans as we would have anticipated, which in turn may have a material adverse effect on our business, financial condition and results of operations.

Our business has been and is likely to be materially and adversely affected by the outbreak of COVID-19.

In response to the outbreak of COVID-19, the Chinese government took a number of actions such as extending the Chinese New Year holiday, quarantining and otherwise treating individuals in China who had contracted COVID-19, asking residents to remain at home and to avoid gathering in public, among other actions. The outbreak of COVID-19 in China have also resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China. Schools are not allowed to reopen until local provincial government's further notice. After the second semester of the 2019/2020 school year started, our three universities offered nearly all instruction through online modality. Our training schools have also been offering training services online since February 2020. Since our students did not live on campus for the second semester of the 2019/2020 school year, we decided to refund the boarding fees to our students in the three universities and Neusoft Training School. In April and May 2020, the MOE and the provincial governmental authorities issued their policies on refund of boarding fees and our boarding fee refund estimation is consistent with such policies. The policy of our Dalian University is refunding boarding fees of five months to all students. The policy of our Foshan University is refunding boarding fees of 150 days to graduating students and boarding fees of 120 days to students of other class years. The policy of our Chengdu University is refunding boarding fees of 150 days to all students. The policy of our Neusoft Training School is refunding boarding fees of five months to all of its students. The total amounts of boarding fees to be refunded by Dalian University, Foshan University and Chengdu University and Neusoft Training School are expected to be RMB15.3 million, RMB10.0 million, RMB3.7 million and RMB1.7 million, respectively. As of the Latest Practicable Date, Dalian University, Foshan University and Neusoft Training School had refunded almost all the boarding fees to be refunded, and Chengdu University had refunded approximately 20% of the boarding fees to be refunded. The remaining portion of boarding fees to be refunded will be refunded in the near future. As of the Latest Practicable Date, our three universities had reopened. Starting from the end of June, our training schools gradually resumed offering courses offline. Our subsidiaries operating education resources and apprenticeship programme business gradually resumed offline work since February 2020. Despite a vast majority of our courses can be taught online, we cannot guarantee you that teaching courses online can be as effective as teaching courses offline. Students may be easily distracted while attending courses at home through internet. Some of them may have limited access to internet. It may also not be easy for instructors to track class attendance. All of the above may compromise the quality and negatively impact the outcome of the instruction.

Normal economic life throughout China was sharply curtailed amid COVID-19 pandemic. Our short-term training services for individual customers, which was operated by Tianjin Ruidao prior to the acquisition in March 2020, also experienced a decline in the number of students enroled in our short-term training programmes from 852 in the first quarter of 2019 to 536 in the first quarter of 2020 primarily due to (i) our inability to conduct in-campus marketing and promotional activities as a result of temporary campus closures, and (ii) our inability to offer face-to-face course instruction which negatively affected individual customers' willingness to take our training courses. Such decrease in the number of students enroled also negatively affected Tianjin Ruidao's revenue from providing short-term training services to individual customers for the three months ended 31 March 2020, which together with the fact that the provision of innovation and entrepreneurial education service to higher education institutions by Tianjin Ruidao usually happens in the second half of a calendar year, are primary reasons for Tianjin Ruidao to have a net loss for the three months ended 31 March 2020. In addition, the operation of our education resources business was negatively affected by COVID-19 pandemic due to the travel restrictions across China and remote working arrangements of our business partners, which restricted our ability to develop new business. Without taking into account our acquisition of Tianjin Ruidao, operating results of our education resources business for the three months ended 31 March 2020 were negatively affected due to COVID-19 pandemic. If the spread of COVID-19 cannot be fully controlled or continues for longer, however, operating results of our education resources business may be materially and adversely affected. Further, as COVID-19 has become a global pandemic, our international programmes are also adversely affected. See "— We rely, in part, on foreign education institutions to provide our international programmes abroad. Accordingly, our business and results of operations are partially dependent on our ability to maintain our relationships with our partner schools" for more information. If the spread of COVID-19 in other countries and regions cannot be effectively controlled, our international programmes for the next school year would be materially and negatively affected. Student admission and business development usually require travels and site visits. If COVID-19 pandemic drags on for longer, we may not be able to effectively carry out student admission marketing activities for the next school year, cooperate with our business partners and develop new business opportunities in the future. See the section headed "Business — Impact of COVID-19 on our business operations" for more information.

While many of the restrictions on movement within China had been relaxed as of the Latest Practicable Date, there is great uncertainty as to the future progress of the disease. Currently, there is no vaccine or specific anti-viral treatment for COVID-19. Relaxation of restrictions on economic and social life may lead to new cases which may lead to the reimposition of restrictions. Our business and financial performance have been negatively affected by the outbreak of coronavirus in China since the beginning of 2020, and this is likely to continue throughout the current year, if not longer.

We are subject to uncertainties brought by the recent developments of PRC Laws relating to private education.

Our business is regulated by the Law for Promoting Private Education of the PRC and a number of related PRC Laws. On 7 November 2016, the Decision of the Standing Committee of the National People's Congress on

Amending the Law for Promoting Private Education of the PRC (《全國人民代表大會常務委員會關於修改〈中華人民共和國民辦教育促進法〉的決定》) (the "**2016 Decision**") was signed into law by Order No. 55 of the President of the PRC and became effective on 1 September 2017. Among other changes, the 2016 Decision classifies private schools into non-profit schools and for-profit schools, depending on whether private schools are established and operated for profit-making purposes. There are pros and cons of choosing to be either for-profit schools or non-profit schools. For example, the sponsors of a for-profit private school are able to obtain operating profits of the school and have a greater discretion in determining the types and amounts of fees charged to students, but it may receive less benefits and supports from governments compared with a non-profit school, such as tax benefits, obtaining land use right from government by means of allocation, and various government grants. The sponsors of private schools, other than schools providing compulsory education, may at their own discretion choose to establish non-profit or for-profit private schools. For the existing private schools established before the 2016 Decision was published, the 2016 Decision only provides general principles for school sponsors to choose to re-register as for-profit private schools or non-profit private schools and delegates the authority to formulate detailed rules to implement the 2016 Decision to the State Council, educational authorities under the State Council, each province, municipality directly under the central government, and autonomous region of the PRC.

On 30 December 2016, the Detailed Rules on the Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the "**Classification Registration Rules**") were promulgated by five departments under the State Council, including the MOE, to provide more details with respect to classification registration procedures. As of the Latest Practicable Date, except for Liaoning province, all provinces where our universities and training schools are located have promulgated local rules to further implement the Classification Registration Rules locally by providing further details of the classification registration in the respective province. As of the Latest Practicable Date, all provinces where our universities and training schools are located have promulgated local regulations (the "**Provincial Amendment Implementation Rules**") to further implement the 2016 Decision. See "Regulations — Regulations relating to education — Regulations relating to private education" for further details of the relevant laws and regulations and "Business — Potential implications of the decision on amending the law for promoting private education of the PRC" for potential impacts of these laws and regulations on our business operations.

Since these laws, regulations and rules do not provide sufficient detailed guidance for private schools in electing to be for-profit schools or non-profit schools, there are substantial uncertainties with respect to the potential impacts of these laws and regulations on our business operations. There is no assurance that we will be able to operate our business in full compliance with the 2016 Decision or any relevant regulations in a timely manner, or at all. Should we fail to fully comply with the 2016 Decision or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative penalties or face other negative consequences, which could materially and adversely affect our brand name and reputation, and our business, financial condition and results of operations. Even if we are able to comply with the 2016 Decision or any relevant regulations in a timely manner, we cannot assure you that our business will not be adversely affected after our universities and training schools re-register as for-profit schools or non-profit schools due to various uncertainties under the new regulatory regime.

On 10 August 2018, the MOJ published the Draft Amendment to the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (for Consultation) (《中華人民共和國民辦教育促進法實施

條例(修訂草案) (送審稿)》) (the "**Draft Amendment to the Implementation Regulation**") to solicit comments from the general public. The Draft Amendment to the Implementation Regulation provides that "private education service providers that operate private schools as an education group" ("集團化辦學") are not allowed to obtain control over non-profit private schools through the means of merger and acquisition, franchise, contractual arrangement. However, the Draft Amendment to the Implementation Regulation does not clearly define what kind of education service providers can be categorised as "private education service providers that operate private schools as an education group". If we are categorised as "private education service providers that operate private schools as an education group", we may have to choose to re-register our three universities and seven training schools as for-profit schools. As we intend to, subject to changes in relevant laws and regulations that may have a material effect on the education industry, re-register our three universities as for-profit schools in the future, we do not believe that the Draft Amendment to the Implementation Regulation would have a material impact on our universities' for-profit or non-profit status election. As to the seven training schools established prior to the 2016 Decision, we have decided to re-register them as for-profit schools. Therefore we also do not believe that the Draft Amendment to the Implementation Regulation would have a material impact on our training schools. See "Business — Potential implications of the decision on amending the law for promoting private education of the PRC" for more detailed analysis. Furthermore, if the Draft Amendment to the Implementation Regulation is promulgated in its current form, our potential acquisition target for our expansion in the future may also be limited to for-profit private schools if we are categorised as "private education service providers that operate private schools as an education group". For other potential impacts that the Draft Amendment to the Implementation Regulation may have on our school operations, see "Business — Potential implications of the decision on amending the law for promoting private education of the PRC." As of the Latest Practicable Date, the Draft Amendment to the Implementation Regulation has not been promulgated yet and there is no clear timetable for promulgation. There are substantial uncertainties as to when it will be promulgated and whether it will be promulgated in the current form.

On 17 August 2020, the MOE and other four departments jointly promulgated the Opinions on Further Strengthening and Regulating the Administration of Education Fees (《關於進一步加強和規範教育收費管理的意見》) (the "**Education Fees Opinions**"), which require that all education fee revenue of a private school shall be deposited into a bank account filed with education authorities and be used mainly for education activities, the improvement of school conditions, faculty and staff's compensation and for general development purposes. The Education Fees Opinions also propose to explore a special audit system for school education fees, in particular for non-profit private schools. Since the Education Fees Opinions are newly promulgated and only put forward an idea of special audit system without a specific scheme, there are uncertainties as to how the Education Fees Opinions will be implemented and to what extent its implementation would interfere with our schools' daily operation and use of funds. In addition, we may need to spare resources and incur extra costs in order to comply with the Education Fees Opinions after its implementation. See "Regulations — Regulations relating to education — Regulations relating to private education fees."

We may not be able to execute our growth strategies successfully or effectively, which may hinder our ability to capitalise on new business opportunities.

We plan to strengthen our competitiveness in the private higher education industry, and further expand our school network in other attractive markets. In addition, we plan to further expand our continuing education services and our education resources and apprenticeship programme. See "Business — Our business strategies" in this document for more information. We may not succeed in executing our growth strategies due to a number of factors, including our failure to do the following:

- effectively execute our expansion plans;
- increase student enrolment in our existing universities;
- admit all qualified students who would like to enrol in our universities due to the capacity constraints of our school facilities;
- continue to enhance our course materials or adapt our course materials to student needs and teaching methods;
- acquire suitable lands or construct school campuses in the cities to which we plan to expand our operations;
- identify cities with sufficient growth potential in which we can establish new schools;
- replicate our successful growth model in new markets or new geographical locations outside Liaoning province, Sichuan province and Guangdong province;
- obtain the requisite licences and permits from the authorities necessary to open new schools at our desired locations;
- achieve the benefits we expect from our expansion;
- identify suitable acquisition targets;
- effectively integrate any future acquisitions into our Company;
- cooperate and establish partnership with potential third party partners;
- obtain government support or to partner with local governments in cities where we already have schools or in cities or areas to which we plan to expand our operation;
- effectively market our universities or brand in new markets or promote ourselves in existing markets; and
- expand our education resources and apprenticeship programme by diversifying our service offerings and increase transaction volume.

If we fail to successfully execute our growth strategies, we may not be able to maintain our growth rate and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to successfully expand our business through acquisitions.

One of our growth strategies is to increase student enrolment in our existing universities, improve school facilities, and expand our school network by acquiring additional schools. We have limited prior experience in acquiring other schools and training institutions. We cannot assure you that we will be able to identify suitable acquisition targets and that our due diligence efforts will reveal all material deficiencies in the target schools and training institutions. We also cannot assure you that we will be able to obtain the required governmental approvals for the acquisition of other schools and training institutions in a timely manner, or at all.

Furthermore, we may face challenges in integrating business operations and management philosophies of acquired schools and training institutions. The benefits of our future acquisitions depend in significant part on our ability to effectively and timely integrate management, operations, technology and personnel. The acquisition and integration of acquired schools and training institutions is a complex, time-consuming and expensive process that, without proper planning and implementation, could significantly disrupt our business operations and reputation. The main challenges involved in acquiring and integrating acquired entities include the following:

- finding suitable targets;
- retaining qualified teaching staff of any acquired school or training institution;
- consolidating educational services offered by the acquired schools or training institutions;
- integrating information technology platforms and administrative infrastructure;
- minimising the diversion of our management's attention from on-going business concerns;
- obtaining all necessary government approvals; and
- ensuring and demonstrating to our students and their parents that the new acquisitions will not result in any adverse changes to our established brand image, reputation, teaching quality or standards.

We may not successfully integrate our operations and the operations of the schools or training institutions we acquire in a timely manner, or at all, and we may not realise the anticipated benefits or synergies of the acquisitions to the extent, or in the timeframe we anticipated, which may have a material adverse effect on our business, financial condition and results of operations.

Our historical financial and results of operations may not be indicative of our future performance and our financial and results of operations may be difficult to forecast.

Our financial condition and results of operations may fluctuate due to a number of other factors, many of which are beyond our control, including: (i) demand for private higher education, particularly IT higher education, in China; (ii) student enrolments; (iii) tuition fees and boarding fees; (iv) our school utilisation rate; (v) changes in revenue mix, and (vi) our ability to control our cost of revenue and administrative expenses. See "Financial information — Factors affecting our results of operations" for more details. In addition, we may not be successful in continuing to increase the number of students admitted to our universities due to, among other things, student enrolment quota assigned by the relevant local PRC education authorities and our limited capacity for accepting boarding students, and we may not be as successful in carrying out our growth strategies and expansion plans as we have anticipated.

Moreover, we may not sustain our past growth rates in the future, and we may not sustain our profitability on a quarterly, interim or annual basis in the future. We generally require students to pay tuition fees and boarding fees for the entire school year prior to the commencement of each school year. We recognise tuition fees as revenue over the school year based on our school calendar and boarding fees over a 12-month period. However, our costs and expenses are not necessarily recognised at the same time with our revenue. Our interim results, growth rates and profitability may not be indicative of our annual results or our future results, and our historical interim and annual results, growth rates and profitability may not be indicative of our future performance for the corresponding periods. In addition, our other incomes are non-recurring in nature. We may not be able to maintain the current level of other incomes in the future. If there is a substantial decline in our other incomes, our profitability may be negatively affected. See "Financial Information" for further details. The market price and trading volume of our Shares could be subject to significant volatility, should our earnings fail to meet the expectations of the investment community. Any of these events could cause the price of our Shares to materially decrease.

A significant portion of the revenue from education resources and apprenticeship programme is generated primarily from one of our related parties.

Revenue generated from our apprenticeship programme was RMB29.9 million in 2017, RMB99.3 million in 2018, RMB113.8 million in 2019 and RMB17.2 million in the three months ended 31 March 2020, representing 53.1%, 81.7%, 76.7% and 82.4% of our revenue from education resources and apprenticeship programme in 2017, 2018, 2019 and the three months ended 31 March 2020, respectively, and 4.1%, 11.6%, 11.9% and 10.8% of our total revenue during the same periods. Almost all of our revenue from our apprenticeship programme in 2017, 2018, 2019 and a vast majority of our revenue from our apprenticeship programme for the three months ended 31 March 2020 were derived from dispatching engineers and offering technology expertise to Shanghai Sirui, a wholly-owned subsidiary of our Controlling Shareholder. The primary purpose of the transaction between Shanghai Sirui and us was to provide our students with an opportunity to work on actual IT development projects while studying at our universities. The transaction was conducted on an arm's length basis based on the market rates. See "Business — Our services — Education resources and apprenticeship programme — Apprenticeship programme (數字工場)" for more details. Due to a high level of concentration, our revenue from education resources and apprenticeship programme, in particular, apprenticeship programme, could fluctuate significantly if we are unable to maintain our relationship with Shanghai Sirui. Although we are not dependent on Shanghai Sirui, a reduction or loss of business with, or a delay in payment from Shanghai Sirui, and our inability to offset any potential negative impact arising therefrom could materially and adversely affect our business, results of operations, and financial positions.

We had net current liabilities as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively.

As of 31 December 2017, 2018 and 2019, and 31 March 2020, we had net current liabilities of RMB575.7 million, RMB509.0 million, RMB616.1 million and RMB773.1 million, respectively, primarily due to the expansion of our school premises and upgrade of our school facilities. Besides, we receive tuition fees and boarding fees payment by students before or at the beginning of a school year and record payments of tuition fees and boarding fees initially as a current liability under contract liabilities. We recognise tuition fees as revenue over the school year based on school calendar and boarding fees over a 12-month period. A school year typically starts in September and ends in June or July the following year, and amounts of contract liabilities, which were part of our current liabilities, as of 31 December 2017, 2018 and 2019, mainly represented the amount of tuition fees and boarding fees received from all of our students for the 2017/2018, 2018/2019 and 2019/2020 school years, respectively, but have yet to be recognised as revenue. We had a large amount of borrowings to finance, among other things, the expansion of our school campus and upgrade of our school facilities during the Track Record Period.

We expect to incur significant capital expenditures for constructing new campus and school facilities, upgrading existing facilities and potential acquisitions in the future. For more information, see "— We may incur increased depreciation costs as we expand our school network in the future by constructing new campuses and buildings" in this document. For additional information on our liquidity position, see "Financial Information — Current assets and current liabilities" in this document. We may have net current liabilities in the future as our business expands, in which case we may face a shortfall of working capital and may not be able to fully service our short term bank borrowings. Furthermore, we cannot assure you that in the future we will be able to secure sufficient capital on commercially acceptable terms to fund our working capital requirements and planned capital expenditures. Any of these events could have a material adverse impact on our financial condition and results of operations.

We had net operating cash outflows for the three months ended 31 March 2019 and 2020.

For the three months ended 31 March 2019 and 2020, we had net cash used in operating activities of RMB80.7 million and RMB81.5 million. We generate cash from operating activities primarily by receiving tuition fees and boarding fees, both of which are typically received before or at the beginning of a school year in August or September. For the first half of a financial year (roughly the second half of a school year), we normally do not receive any tuition fees and boarding fees, but incur costs in rendering education services to students. As a result, we normally have net cash outflows from operating activities in the first half of a financial year. If we are unable to generate sufficient cash from operating activities in the second half of a financial year, we will have net cash outflows in a financial year. As a result, our business, results of operations and liquidity may be adversely affected.

If we determine our goodwill and other intangible assets arising from the acquisition of Tianjin Ruidao are to be impaired, our results of operations and financial condition may be adversely affected.

Due to our acquisition of 90.91% of the equity interest of Tianjin Ruidao in March 2020, we recognised other intangible assets of approximately RMB293.7 million including a goodwill of RMB134.9 million, representing 9.8% of our total assets on our consolidated statements of financial position as of 31 March 2020. The value of other intangible assets including goodwill arising from our acquisition of Tianjin Ruidao is based on forecasts, which in turn are based on a number of key assumptions, in particular the revenue growth rate of Tianjin Ruidao. If any of these assumptions does not materialise, or if the performance of Tianjin Ruidao's business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and other intangible assets and record an impairment loss, which could in turn adversely affect our results of operations. This risk is heightened due to uncertainties with respect to Tianjin Ruidao's business performance in light of COVID-19 pandemic.

We will determine whether goodwill and certain intangible assets are impaired at least on an annual basis and there are inherent uncertainties relating to these factors and to our management's judgment in applying these factors to the impairment assessment. We could be required to evaluate the impairment prior to the annual assessment if there are any impairment indicators, including disruptions to the operations of Tianjin Ruidao, unexpected significant declines in operating results or a decline in our market capitalisation, any of which could be caused by our failure to successfully manage Tianjin Ruidao.

We may not be able to provide education services and/or boarding services to our students in light of COVID-19 pandemic, which may subject us to refund of tuition fees and/or boarding fees.

We derive revenue mainly from tuition fees and boarding fees paid by students in our three universities. We generally require tuition fees and boarding fees to be paid by our students in advance prior to the beginning of each school year in September, which are initially recorded as contract liabilities and are proportionately recognised as revenue when the relevant services are rendered to our students during the school year. We recorded contract liabilities of RMB411.8 million as of 31 December 2017, RMB449.9 million as of 31 December 2018, RMB489.4 million as of 31 December 2019 and RMB349.3 million as of 31 March 2020. The delivery of our services to our students may be disrupted by unforeseeable events, such as outbreak of contagious diseases, occurrence of force majeure events, regulatory changes and/or natural disasters. In such events, we may need to refund a portion or all of our contract liabilities comprising tuition fees and boarding fees not yet recognised as revenue to our students. For instance, due to the outbreak of COVID-19 epidemic in 2020, our university campuses were closed and we were unable to reopen the campuses when the spring semester of 2020 started, and we had to offer course instruction through online modalities. As a result, boarding fees we received at the beginning of the 2019/2020 school year and initially recognised as contract liabilities were subject to refund. See "Business — Impact of COVID-19 on our business operations" and "Risk Factors — Risks related to our business and our industry — Our business has been and is likely to be materially and adversely affected by the outbreak of COVID-19." In the event we are unable to successfully render services to our students in the future, we may be subject to claims to refund a portion or all of our contract liabilities, which could materially and adversely affect our business, results of operations and financial condition.

We may incur increased depreciation costs as we expand our school network in the future by constructing new campuses and buildings.

Historically and during the Track Record Period, we primarily expanded our school network and campuses by building our own schools and constructing campus buildings. The depreciation and amortisation expenses related to our school buildings and facilities recorded under cost of revenue amounted to approximately RMB107.1 million, RMB95.2 million, RMB95.9 million and RMB27.5 million, respectively, in 2017, 2018, 2019 and the three months ended 31 March 2020.

We intend to apply 50% (approximately RMB362.2 million) of the net proceeds from the Global Offering to construct new campus, new buildings and school facilities. For details of the plan, see "Business — Campus facilities and services — Upgrade and expansion plans" in this document. With the intended constructions, we expect that we would incur higher capital expenditures over the construction period, and as a result, additional depreciation costs in an estimated amount of RMB142.5 million will be reflected in our profit and loss from 2020 to 2024, which may adversely affect our financial performance and results of operations.

Uncertainty in future profitability could have a material adverse effect on our utilisation of deferred income tax assets.

As of 31 December 2017, 2018, 2019 and 31 March 2020, we recognised deferred income tax assets of RMB34.3 million, RMB36.5 million, RMB34.8 million and RMB42.8 million, respectively, due to tax credits arising from our intra-group transactions and tax losses in previous fiscal years. As it is probable that we will generate taxable profits in the coming fiscal years, we recognised deferred income tax assets to the extent that our unused tax credits and unused tax losses can be utilised against such taxable profits. The realisation of these deferred income tax assets mainly depends on our estimates as to whether sufficient taxable profits will be generated in the future fiscal years. Such estimates are based on our historical experience and rely on certain assumptions. There is a possibility that our estimates are not accurate and our actual profitability in the future fiscal years may fall short of our estimated profitability. If that were to happen, we would have to reverse part or all of the deferred income tax assets, resulting in a higher income tax expenses in the year of such reversal.

Our financial assets at amortised cost may be impaired and changes in the fair value of our financial assets measured at fair value through profit or loss may materially and adversely affect our profitability, results of operations and financial condition.

As of 31 December 2017, 2018, 2019 and 31 March 2020, we had financial assets at amortised cost of RMB494.5 million, RMB251.4 million, RMB599.6 million and RMB510.9 million, respectively, representing the financial assets at amortised cost including cash and cash equivalents, restricted cash, and trade and other receivables. See Note 20 to the Accountant's Report in Appendix I to this document. After the initial recognition, these financial assets are subject to an expected credit loss assessment. We may have to charge impairment for such financial assets at each reporting date if the credit risk of such financial assets has increased significantly since the initial recognition. See Note 2.10 to the Accountant's Report in Appendix I to this document. As a result, we may incur significant impairment costs in the future in relation to our financial assets at amortised cost, which may have a material adverse impact on our results of operations and financial condition.

During the Track Record Period, we invested in certain wealth management products with floating investment returns. The investments in wealth management products were recorded as financial assets at fair value through profit or loss. The fair value of such financial assets is estimated by discounting future cash flows to be generated from such financial assets, which are estimated by referencing to similar financial instruments available to us at the market interest rate. The estimation of our financial assets at fair value through profit or loss primarily uses unobservable inputs, such as expected rate of return of such wealth management products, which requires our management to estimate future cash flows, volatility and discount rates, among others. Such estimates are subject to uncertainties. As a result, the carrying amounts of our financial assets measured at fair value through profit or loss may fluctuate and may materially and adversely affect our profitability, results of operations and financial condition.

Our results of operations are subject to seasonal fluctuations which could result in volatility or have an adverse effect on the market price of our Shares.

Our results of operations are subject to seasonal fluctuations due to our revenue recognition policy relating to tuition fees. We recognise tuition fees we receive for each school year based on school year calendar and tend to recognise less tuition fees during the first quarter and the third quarter due to the winter holiday (generally starts in January and ends in February) and summer holiday (generally starts in July and ends in August). As a result, our quarterly results for the first quarter and third quarter are significantly lower than the results of other quarters. Our financial condition and results of operations for future quarters may continue to fluctuate and our historical quarterly results may not be comparable to future quarters. As a result, the trading price of our Shares may fluctuate from time to time due to seasonality.

Our business depends on our ability to promptly and adequately respond to changes in market demand.

Our education services primarily focus on nurturing IT professional talent. Generally, we design our curricula based on market trends and employer preferences. During the past few years, we have developed several new programs/courses based on changing market trend and demand, such as health service and management related majors and curricula in Dalian University. We intend to continue developing new courses in anticipation of market demand and industry trend. We cannot assure you that we will be able to accurately anticipate market trends and the new programs/courses we designed will achieve widespread market acceptance or generate the desired level of income for our students. If we fail to provide courses that adequately prepare our students for the rapidly changing IT and healthcare technology industry and the evolving demands of the job market, our students may not be able to successfully find employment or the students' employment after graduation may not be satisfactory to our students or their parents and our graduates' performance may not be satisfactory to employers. As a result, our programs and services may become less attractive to students and parents. There is no assurance that we can promptly and adequately respond to changes in market demand and provide school learning experiences that are satisfactory to all of our students. As a result, we may also experience negative publicity or a decrease in word-of-mouth referrals. Any such negative developments could result in students' withdrawal from or unwillingness to apply for our universities, and therefore have an adverse impact on our reputation. Furthermore, if we fail to timely develop and introduce new education services and programs in our universities based on changing trend in the IT industry and the education industry, economic conditions and governmental policies, in particular, if the IT industry or the healthcare industry is subject to any declines or deteriorations, our ability to attract students and our reputation could be materially and adversely affected, which may have a material adverse impact on our business, financial condition and results of operations.

Our business is dependent on the market recognition of reputation, and any damage to our reputation would materially and adversely affect our business.

Our reputation and brand recognition are of great importance for us to earn and maintain the trust and confidence of our existing and prospective students and clients. Our reputation and brand are vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate. Negative publicity about us, our affiliates, directors, officers, or other employees, such as levels of student and parent satisfaction with our curricula, teachers and teaching quality, the employment rate of our students, the number of our graduates being accepted into domestic and overseas graduate programmes, accidents on campus, or disruptions to our educational services can harm our reputation, business, and results of operations, even if they are baseless. For example, in 2005, students at Dalian University protested to express their concern on getting gradation certificates described as "internet education", a form of education that students believed to be substandard to normal undergraduate education and not worth the tuition fees paid. In fact, the degree then to be awarded to the students was categorised as "internet education" pursuant to relevant laws and regulations. However, neither the graduation certificates nor the bachelor degree certificates eventually awarded to the students had the phrase "internet education" printed on the certificates. No penalties were imposed on Dalian University by relevant government authorities for such incident as Dalian University awarded the degree to the students in accordance with relevant laws and regulations, and the incident was resulted from the misunderstanding of the students on the content of the graduation or bachelor degree certificate to be awarded. As we expand our short-term training services to include individual customers, we may be further subject to negative publicities. Individual customers may not be satisfied with our training services or our internship arrangement for reasons that are in fact not attributable to us and post negative comments or articles about us on social media. News media may also further report negative information about our services without independently confirming relevant information with us, all of which could materially and negatively harm our reputation and brand image, and thus negatively affect our business and results of operations. In addition, misconduct of our employees may harm our reputation. In order to attract potential individual customers to attend our short-term training programmes, certain employees may convey messages, either intentionally or unintentionally, that may not be completely accurate. We have internal policies with respect to marketing and promotion activities. For example, we strictly prohibit our employees to promote our training programmes by labelling our training programmes and internship programmes as employment offers after attending our training programmes. We also require our employees to explain clearly details of our training programmes, relationship between internship programme and training programme, application procedures, service fee payments, among others, so that our individual customers are able to make independent decisions. We also periodically organise employee trainings to raise their awareness to comply with our internal policies. However, we are unable to completely control our employees' conduct. Any intentional or unintentional misconduct by our employees may materially harm our reputation and thus negatively affect our business and results of operations. We may continue to be subject to negative publicity in the future. Such publicity, even if untrue, may damage our brand image and reputation and take up excessive time of our management and other resources to respond and/or clarify. If our reputation is damaged, students and parents may become less interested in our universities. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We face intense competition in the PRC higher education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures.

The higher education sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. We compete with public and private universities and schools that offer higher education programmes. We compete with these schools in many ways, including reputation, the quality of the programmes and curriculum offerings, tuition and boarding fee levels, as well as school locations and facilities. Our competitors may adopt similar or superior curricula, school support systems and marketing approaches, with different pricing and service packages that may have greater appeal than our offerings. In addition, some of our competitors may have more resources than we do and may be able to devote greater resources than we can in the development and promotion of their schools and to respond more quickly than we can to the changes in student demand, admissions criteria, market needs or new technologies. In particular, the PRC public education system continues to improve in terms of resources, admission policies and teaching quality and approaches, which may lead to increased competition for us. If admission requirements are relaxed at public schools, more diversified curricula are offered or the exam-oriented education approach is reformed, public schools may become more attractive to students, and student enrolment in our universities may decrease. As a result, we may be required to reduce tuition or boarding fees or increase capital expenditure to retain or attract students or pursue new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition or boarding fees, attract and retain competent teachers or other key personnel or enhance the quality of our educational services, our business and results of operations may be materially and adversely affected.

If our students and their parents become less interested in our education programmes, student enrolment in our universities may substantially decrease and we may need to lower our tuition and boarding fees to attract more students. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We face increasing competition from the online education service providers due to the outbreak of COVID-19 as we temporarily closed our schools and provided education services to students via online platforms.

Due to the outbreak of COVID-19 in early 2020, we temporarily closed our schools and provided education services through online modalities. The sudden shift from in-classroom learning and teaching to the adoption of online teaching and learning increased the competition we face from online education service providers that provide short-term training services or other non-formal education programmes. Although the spread of COVID-19 has been under control in the locations where we operate our training schools, we cannot assure you that there will not be any resurgence of confirmed cases. If that were to happen, we would have to resume online instruction again. We cannot assure you that we will be able to provide the most effective and attractive online education programmes compared to those dedicated online education service providers, and the online education programmes provided by them could be more diverse and attractive than the online education programmes we offer. Even if the COVID-19 outbreak is successfully contained in the future, we cannot assure you that such outbreak will not have a permanent impact on the education sector in a way that increases the likelihood of prospective students choosing short-term training services or other non-formal education programmes provided by online education service providers over those provided by our training schools as the popularity of online education grows. If we are unable to successfully compete with online education service providers in terms of new student enrolments, competitive tuition fee rates, and the quality of education services, our business, results of operations and financial condition may be materially and adversely affected.

Our continuing success depends on our ability to attract and retain our senior management and other qualified personnel.

Our future success heavily depends on the continuing services of our Directors and senior management team, including Dr. J. Liu, our Chairperson, and Dr. Wen, our chief executive officer, president and an executive Director, as well as other senior management team members and the principals of our universities. If one or more of our Directors, senior management and other key personnel are unable or unwilling to continue their employment with us, or if any member of our Directors or senior management team or other key personnel joins our competitor(s) or forms a competing company, we may not be able to replace them with qualified personnel in a timely manner, or at all. In the event we lose their services, we may not be able to attract and retain our teachers, students, key educators and other professionals, which could have a material adverse effect on our business, results of operations and financial condition.

Our business relies on our ability to recruit and retain dedicated and qualified teachers and school personnel.

We rely on our teachers for the provision of educational services to our students. Our teachers are therefore critical to maintaining the quality of our programmes and curricula and to upholding our reputation. As of 31 March 2020, we had a team of teachers that consists of 1,416 full-time teachers and 852 part-time teachers.

We plan to continue to attract qualified teachers who have a strong command of their respective subject areas and are capable of using innovative approaches in teaching classes and qualified school personnel, such as principals, vice principals and other school administrators, who are crucial to the efficient and smooth operation of our universities. There is no guarantee that we will be able to recruit and retain such personnel in the future as we planned. As a result, we must provide competitive compensation and benefits packages to attract and retain qualified teachers and other school personnel. In addition, criteria such as commitment and dedication are difficult to evaluate during the recruitment process, particularly as we continue to expand and recruit additional teachers and other school personnel quickly in order to meet rising student enrolment. We must also provide on-going training to our teachers so that they can stay abreast of changes in student demands, admissions and assessment test requirements, admissions criteria and other key trends necessary to effectively teach their courses. In addition, we had a small number of foreign teachers at our three universities during the Track Record Period, and we may engage additional foreign teachers as we continue to expand our curricula and majors. We may experience difficulties in assisting our foreign teachers in obtaining employment visas or other approvals required to enter and work in China, which may adversely impact the quality of the education we provide.

We may not be able to hire and retain a sufficient number of qualified teachers and school personnel to keep pace with our anticipated growth while maintaining consistently high quality of our education programmes across different universities and training schools. If we are unable to recruit and retain an appropriate number of qualified teachers and school personnel, the quality of the services or overall education programmes may decrease or be perceived to decrease in one or more of our universities and training schools, which may have a material adverse effect on our reputation, business and results of operations.

Our graduates' employment rate and average starting salaries may decrease and satisfaction with our universities may otherwise decline.

Our universities are positioned as private higher education institutions that equip our graduates with the practical skills desired by employers in industries with significant recruiting demands. For the 2016/2017, 2017/2018 and 2018/2019 school years, the average initial employment rate of our universities' full-time formal higher education programs was 93.0%, 94.5% and 94.1%, respectively, substantially above the overall average for higher education in China, which was 78.4%, 78.6% and 77.4% in each corresponding school year, according to the Frost & Sullivan Report. However, we cannot guarantee that we will be able to maintain or increase our graduate's employment rate and/or the level of average starting salary of our students as the job market in China, especially the job market in IT-related industries, is constantly evolving. By the time our students graduate, the knowledge and skills they acquire at our universities might no longer be valued by prospective employers. We have been monitoring the job market trends and the development in IT-related industries so that we can adjust or modify our curricula to meet the requirements of prospective employers, or to satisfy trends in the job market. However, we might not be able to timely adjust or modify our curricula or devote the same amount of resources in training our students, enhancing their practical skills and helping them secure jobs as we did during the Track Record Period, or our efforts may not be as effective as they used to be. As a result, our graduates may be unable to obtain satisfactory jobs and the employment rates and average starting salaries of our graduates may decrease. Any negative development of our graduates' employment rate and average starting salaries may harm the reputation of our universities and affect the student enrolment in our universities, which may have a material adverse impact on our results of operations and financial condition.

We generate a majority of our revenue from a limited number of universities in three provinces.

During the Track Record Period, we generated a majority of our revenue from three universities, namely Dalian University in Liaoning province, Chengdu University in Sichuan province and Foshan University in Guangdong province. If any of our universities experience events that materially and negatively affect our school operations, such as student enrolment, collection of tuition and boarding fees, or reputation in general, our business, financial condition and results of operations may be materially and adversely affected. Geographically, while Dalian University also admits students from various other provinces, municipalities or autonomous regions in China, for Chengdu University and Foshan University, Sichuan and Guangdong provinces are the major sources of students. If any of the areas in which we operate experiences an event that materially and negatively affects its education industry or our universities, such as an economic downturn, a natural disaster or an outbreak of a contagious disease, or if any governmental authorities of the provinces in which we operate adopt regulations that place additional restrictions or burdens on our universities or on the education industry in general, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to obtain all necessary approvals, licences and permits and to make all necessary registrations and filings for our education and related services in China.

We are required to obtain and maintain various approvals, licences and permits and fulfil registration and filing requirements in order to conduct and operate our education and related services. For instance, to establish and operate a school, we are required to obtain, among others, a private school operation permit and to register with the local civil affairs bureau or market regulation bureau to obtain a certificate of registration for a legal entity. In addition, we need to pass annual inspections conducted by the MOE or its local branches or MHRSS or its local branches and the local civil affairs bureau. We also need to obtain approval from the MOE or its local branches as to the scale and scope of our student recruitment activities. During the Track Record Period, except certain non-compliance matters disclosed under "Business — Licences and Permits" in this document, we obtained and maintained approvals, licences and permits that are material to our business operations. However, there is no assurance that we will always be able to obtain and maintain all requisite permits and complete the necessary filings, renewals and registrations on a timely basis for our business operations, in particular, the permits, approvals, licences or filings given the significant amount of discretion the local PRC authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control and anticipation. For example, we obtained and maintained a private school operation permit for the business operations for each of our three universities and an electronic publication publishing licence, an audio-visual product publishing licence, and an online publishing service licence for the business operations of Neusoft Electronic Press. Subsequently, certain foreign investors became minority beneficial owners of the shares of our universities and Neusoft Electronic Press. Under the relevant PRC Laws, however, foreign investors are not allowed to invest in news and publishing business in China and foreign investment in higher education can only be made in the form of Sino-foreign cooperation schools. In June 2019, we interviewed the government authorities that regulates our universities and Neusoft Electronic Press. The government authorities confirmed that the fact that certain minority beneficial owners of our three universities and Neusoft Electronic Press are foreign investors will not affect our universities or Neusoft Electronic Press's maintaining of their current licences and permits. If we fail to maintain the required licences and permits, such as the licences and permits required for the business operations of our universities or Neusoft Electronic Press, or obtain or renew any permits and certificates in a timely manner, we may be subject to fines, confiscation of any gains derived from our non-compliant operations or the suspension of our non-compliant operations which may materially and adversely affect our business and results of operations. For further details of material approvals, licences and permits required for our operations, see "Business — Licences and permits".

Apart from approvals, licences and permits from business operation perspective, we are also subject to extensive governmental approvals and compliance requirements for land acquisitions and the construction of school campus and buildings. From time to time, we renovate existing facilities or construct new buildings to accommodate more students, ensure that our teaching facilities are up-to-date, and provide additional convenience and comfort to our students and staff. We may also establish new campuses and school premises as we grow and expand our business. See “Business — Campus facilities and services — Upgrade and expansion plans” for more details. For the construction of new school buildings, campuses and school premises, we must obtain various permits, certificates and other approvals from the relevant government authorities at various stages of the construction, including, for example, planning permits, construction permits, land use rights certificates, certificates for passing environmental assessments, certificates for passing fire control assessments and certificates for passing construction completion inspections. We had complied with relevant laws and regulations in all material respects during the Track Record Period. However, we may in the future encounter difficulties in fulfilling the conditions precedent to the receipt of those permits, certificates and approvals, and we may not always be able to obtain them in a timely manner, or at all, which may subject us to administrative fines and other penalties or be ordered to relocate our schools premises, in the worst case scenario. As a result, our business, financial condition and results of operations may be adversely affected.

We lease several of our school premises and may not be able to control the quality, maintenance and management of these school premises.

As of the Latest Practicable Date, we had leased 86 properties for our business operations, consisting of 68 properties leased from Independent Third Parties, and 18 inter-group leases. See “Business — Properties — Leased properties”, “Financial Information — Related party transactions” and “Connected Transactions” for further details. Such school premises and school buildings and facilities are presumably owned and maintained by our landlords. Accordingly, we are not in a position to effectively control the quality, maintenance and management of such premises, buildings and facilities. In the event that the quality of the school premises, buildings and facilities deteriorates, or if any or all of our landlords fail to properly maintain and renovate such premises, buildings or facilities in a timely manner, or at all, our school operations could be materially and adversely affected. In addition, if any of our landlords terminates the existing lease agreements, refuses to continue to lease the premises to our schools when such lease agreements expire, or increases rent to a level unacceptable to us, or even turns out to be not the owner or any other person who otherwise has the right to lease the premises to us, we may not be able to find suitable premises as substitutes without incurring significant time and costs in a timely manner, or at all. Were that to happen, our business, financial condition and results of operations would be adversely affected.

The appraisal values of our properties may be different from their actual realisable values and are subject to uncertainty or change.

The property valuation report set out in Appendix III to this document with respect to the appraised values of our properties is based on various assumptions, which are subjective and uncertain in nature. The assumptions that the Property Valuer used in the property valuation report include, among others: (i) the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests, and (ii) unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values. Certain of the assumptions used by the Property Valuer in reaching the appraised values of our properties may be inaccurate. Hence, the appraised values of our properties should not be taken as their actual realisable values or a forecast of their realisable values. Unexpected changes to our properties and to the national and local economic conditions may affect the values of these properties. You should not place undue reliance on such values attributable to these properties as appraised by the Property Valuer.

We rely, in part, on foreign education institutions to provide our international programmes abroad. Accordingly, our business and results of operations are partially dependent on our ability to maintain our relationships with our partner schools.

We collaborate with foreign education institutions to provide various educational programmes for our students and students of overseas universities. We carefully select our partner schools based on our education programmes and our development strategies. If our partner schools fail to perform as we expect, or if our partner schools experience difficulties in meeting our requirements or standards, or if the agreements we have entered into with our partner schools are, regardless of the cause, terminated or not renewed, we may not be able to continue to offer international programmes to our students or offer our educational programmes to students abroad, which could damage our business and reputation. In addition, if our partner schools were to cease operations, temporarily or permanently, face financial distress or other business disruptions, increase their fees, or if our relationships with our partner schools deteriorate, we could suffer increased costs and delays in our ability to offer students with similar international educational programmes until another partner of similar quality could be found. If we are unsuccessful in identifying or finding appropriate partner schools or if we ineffectively manage our relationships with them, it could have an adverse impact on our business, financial condition and results of operations.

As COVID-19 has become a global pandemic, our international programmes are also adversely affected. Many countries changed their immigration policies and imposed restrictions on international travel. As a result, many of our international students are unable to return to China and certain Chinese students are also unable to travel to overseas universities for study. We are offering online instruction for our international students for the new semester. Depending on the arrangements of the overseas universities cooperating with us, Chinese students enroled in our international programmes would take courses online or defer the semester. In addition, short-term exchange programmes that were supposed to be implemented in the first half of 2020 were cancelled or delayed. If the spread of COVID-19 in other countries and regions cannot be effectively controlled, our international programmes for the next school year would be materially and negatively affected, which could have an adverse impact on our business, financial condition and results of operations.

The private higher education business is relatively new and may not gain wide acceptance in China.

Our future success is highly dependent on the acceptance, development and expansion of the market for private for-profit education services in China. The private educational services market began to develop in the early 1990s and has grown significantly due to favourable policies enacted by the PRC government. In 1997, the State Council promulgated the first regulation to promote the private education industry in China. However, private education services requiring reasonable return were not permitted in China until 2003 when the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) became effective. Management and operation of private schools and universities have been subject to extensive press coverage and significant public debate. Despite the general public interest in pursuing higher degree levels, there remains significant uncertainty as to public acceptance of the business model of private higher education. In addition, there is substantial uncertainty relating to the application and interpretation of PRC Laws as it relates to the promotion of the private education industry, see "Regulations — Regulations relating to education — Regulations relating to private education" for further details. If the private education business model fails to gain traction or wide acceptance among the general public in China, especially among students and their parents, or if the favourable regulatory environment otherwise changes in the future, we may be unable to grow our business, and the market price of our Shares could be materially and adversely affected.

Accidents or injuries suffered by our students or our employees on or outside our school campuses or by other personnel on our school campuses may adversely affect our reputation and subject us to liabilities.

We could be held liable for the accidents or injuries or other harm to students or other people at our schools, including those caused by or otherwise arising in connection with our school facilities or employees. We could also face claims alleging that we were negligent or we provided inadequate maintenance to our school facilities or supervision of our employees and therefore may be held liable for accidents or injuries suffered by our students or other people at our schools. In addition, if any of our students or teachers are involved in any act of violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for his/her actions. We may also face reputational risk if our students or employees suffer injuries outside our school campuses. We encountered the type of incidents mentioned above in the past in our school operations. Our universities carry school liability insurance. To the extent we are held liable, the insurances our universities maintained have been able to cover the damages we are obligated to pay. However, we cannot assure you that the insurance coverage will be always adequate to fully protect us from these kinds of claims and liabilities. Similar liability claim or negative press coverage against us or any of our employees, regardless of its validity, could adversely affect our reputation as well as student enrolment and retention. Even if unsuccessful, such a claim could create unfavourable publicity and cause us to incur substantial expenses and divert the time and attention of our management, all of which may have a material adverse effect on our business, reputation, prospects, financial condition and results of operations.

We could be liable and suffer reputational harm if a third-party service provider provides inferior food or medical care services or harm our students, which may have a material adverse effect on our business and reputation.

We outsource meal catering services and medical services at our universities to Independent Third Parties which operate on-campus canteens or clinics for our students, except that Foshan University does not have on-campus clinic as there is a hospital nearby. We require these Independent Third Parties to possess licences and qualifications required under PRC Laws to operate such services, as well as hiring qualified personnel for their operations. We monitor the meal preparation process and require the meal catering service providers to adhere to our food quality standards and regularly solicit feedback from our students. We also require the third-party medical care providers to adhere to professional standards with due care and diligence and provide quality services to our students. However, we cannot assure you that food quality incidents or medical malpractice will not occur in the future and we could be exposed to reputational harm and possible legal liability as a result of such incidents, which could materially and adversely affect our business and reputation.

From time to time, our business partners and suppliers may have disputes with us or file claims of breach of contract against us, which may harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

We collaborate with a large number of enterprise partners and educational institutions in China and overseas in a variety of school-enterprise collaboration programs, academic courses and other activities. We also have supply contracts with various construction companies, textbook suppliers and utility suppliers. We cannot assure you that disputes from these collaborations and contracts will not arise or our business partners and suppliers will not bring claims against us. Any such claims, regardless of whether they are ultimately successful, could cause us to incur litigation costs, harm our business reputation and disrupt our operations.

Failure to make adequate contributions to the social insurance plan for our foreign employees as required by PRC Laws may subject us to penalties.

As required by PRC Laws, we participate in the employee social insurance plan administered by local governments. Such plan consists of housing provident fund, pension, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance. According to the Interim Measures for Participation in the Social Insurance System by Foreigners Working within the Territory of China (《在中國境內就業的外國人參加社會保險暫行辦法》), employers are required to participate in the social insurance plans and make contributions to the social insurances for foreign employees. Employers may be required by relevant regulatory authorities to pay the outstanding amount and be subject to late fees or fines if they fail to make adequate social insurance contributions for their foreign employees. During the Track Record Period and prior to early 2019, we did not make contributions to the social insurance plans for our foreign employees. See "Business — Employees" for more details. We have started to make social insurance contributions for our foreign employees since early 2019. We cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a prescribed time and impose late fees or fines on us, which may materially and adversely affect our business, financial condition and results of operations.

We may not be able to secure additional funding to fund our operations and planned expansions.

The establishment and operation of a private higher education institution require significant initial capital investment, including the costs of acquiring land for the school site, constructing school facilities, purchasing equipment and hiring qualified teaching and administrative staff. We will need to secure additional funding to fund our future capital expenditures for expanding our school network coverage and for further expanding our service offerings. For our plan on expansion, see "Business — Campus facilities and services — Upgrade and expansion plans". During the Track Record Period, we funded our operations and expansions primarily with cash generated from operations and partially with external bank loans and other borrowings. We cannot assure you that we will be able to secure additional funding on terms acceptable to us or in a timely manner, or at all. In particular, we may not be able to finance our operations and expansions through secured loans due to relevant regulatory restrictions. According to the PRC Security Law (《中華人民共和國擔保法》) and the PRC Property Law (《中華人民共和國物權法》), mortgages, pledges or other encumbrances should not be created on properties which are used for public welfare facilities. The buildings that our universities own and occupy may be considered "public welfare facilities" according to the Law for Promoting Private Education (as amended in 2018), which provides that private education is considered in the nature of "public welfare" in the PRC. Accordingly, education facilities of schools set up for public welfare purposes may not be mortgaged and mortgages, pledges or other encumbrances created on education facilities may not be valid or enforceable. On 28 May 2020, the NPC enacted the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which will become effective since 1 January 2021. The Civil Code amalgamates and replaces a series of specialised laws in civil law area, including the Property Law. The Civil Code provides that non-profit legal persons established for public good such as schools shall not mortgage their educational facilities. It may be interpreted that the Civil Code limits the ban on property mortgage only to non-profit private schools. However, since the Civil Code is newly enacted, its interpretation and implementation are yet to be seen. If our internally generated capital resources and available credit facilities are insufficient to finance our capital expenditure, growth plans and school operations, we may have to seek additional financing from third parties, including banks, venture capital funds and other strategic investors. We may also consider raising funds through issuance of new shares, which would lead to dilution of our existing Shareholders' interests in our Company. If we are unable to obtain financing in a timely manner, at a reasonable cost and on acceptable terms, we may be forced to delay, downsize or abandon such plans, and as a result our business, financial condition and results of operations, as well as our future prospects may be materially and adversely affected.

If we fail to protect our intellectual property rights or prevent the loss or misappropriation of our intellectual property rights, we may lose our competitive edge and our brand, reputation and operations may be materially and adversely affected.

Unauthorised use of any of our intellectual property may adversely affect our business and reputation. We rely on a combination of copyrights, trademarks, patents and trade secrets laws to protect our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property without due authorisation. The practice of intellectual property rights enforcement action by Chinese regulatory authorities is in its early stage of development and is subject to significant uncertainty. We may also need to resort to litigation and other legal proceedings to enforce our intellectual property rights. Any such action, litigation or other legal proceedings could result in substantial costs and diversion of our management's attention and resources and could disrupt our business. In addition, there is no assurance that we will be able to enforce our intellectual property rights effectively or otherwise prevent others from the unauthorised use of our intellectual property. Failure to adequately protect our intellectual property could materially and adversely affect our brand name and reputation, and our business, financial condition and results of operations.

We may face disputes from time to time relating to the intellectual property rights of third parties.

We cannot assure you that materials and other educational content used in our schools and programmes do not or will not infringe intellectual property rights of third parties. There is no guarantee in the future that third parties will not claim that we have infringed on their proprietary intellectual property rights. There is no assurance that we will be able to successfully defend against such claims if they arise. Participation in such litigation and legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. We may be required to pay damages or incur settlement expenses. In addition, in case we are required to pay any royalties or enter into any licensing agreements with the owners of intellectual property rights, we may find that the terms are not commercially acceptable and we may finally lose the ability to use the related content or materials, which in turn could materially affect our educational programmes. For example, we are currently operating our business under the name of "Neusoft" or "東軟", however, we do not own such trademark. We are only authorised by Neusoft Corporation to operate our business under such names on a royalty free basis. If disputes arise between Neusoft Corporation and us or Neusoft Corporation terminates the licence, and we are unable to resolve the disputes or unable to continue to use "Neusoft" or "東軟" on a royalty free basis, our business, financial condition and results of operations could be materially and adversely affected. Any similar claim against us, even without any merit, could also damage our reputation and brand image. Any such event could have a material adverse effect on our business, financial condition and results of operations.

Unauthorised disclosures or manipulation of sensitive personal data, whether through breach of our network security or otherwise, could expose us to litigation or could adversely affect our reputation.

Maintaining our network security and internal controls over access rights is of critical importance because proprietary and confidential student and teacher information, such as names, addresses, and other personal information, is stored in our computer databases located at each of our universities and subsidiaries. If our security measures are breached as a result of actions by third parties, employee error, malfeasance or otherwise, third parties may receive or be able to access student records, which could subject us to liabilities, interrupt our business and adversely impact our reputation. Additionally, we run the risk that our employees or third parties could misappropriate or illegally disclose confidential educational information in our possession. As a result, we may be required to expend significant resources to provide additional protection from the threat of these security breaches or to alleviate problems caused by these breaches.

We may be involved in legal and other disputes and claims from time to time arising out of our operations.

We may, from time to time, be involved in disputes with and subject to claims by parents and students, teachers and other school personnel, our suppliers and other parties involved in our business. We cannot assure you that when legal actions arise in the ordinary course of our business, any of the legal actions will be resolved in our favour. In the event that such legal actions cannot be resolved in our favour, we may be subject to uncertainties as to the outcome of such legal proceedings and our business operations may be disrupted. Legal or other proceedings involving us may, among others, result in us incurring significant costs, divert management's attention and other resources, negatively affect our business operations, cause negative publicity against us or damage our reputation, regardless whether we are successful in defending such claims or proceedings. As a result, our business, financial condition and results of operations may be materially and adversely affected.

The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of our universities, could materially and adversely affect our results of operations.

Pursuant to Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which came into effect on 1 May 2016, formal educational services provided by our three universities are exempted from the value-added tax. In addition, pursuant to a Circular on Enterprise Income Tax Policies for Further Encouraging the Development of the Software Industry and the Integrated Circuit Industry (《關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》) issued by the State Administration of Taxation and the Ministry of Finance effective as of 1 January 2011, a qualified "software enterprise" is eligible to be exempted from income tax for its first two profitable years, followed by a 50% reduction in income tax, to a rate of 12.5%, for the subsequent three years. Our three subsidiaries in China, i.e. Dalian Yunguan, Shanghai Ruixiang and Dalian Education, were recognised as "software enterprise" by relevant government authorities and enjoyed income tax exemption and reduction. Dalian Yunguan enjoyed income tax exemption for 2015 and 2016, followed by a 50% reduction in income tax from 2017 through 2019. Shanghai Ruixiang enjoyed income tax exemption for 2017 and 2018, followed by a 50% reduction in income tax from 2019 through 2021. Dalian Education enjoyed income tax exemption for 2019 and 2020, followed by a 50% reduction in income tax from 2021 through 2023. Discontinuation of any preferential tax treatment currently available to us or the determination of any of the relevant tax authorities that we are not eligible for any of the preferential tax treatment on which we have relied or currently rely would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit.

The unavailability of any favourable regulatory treatment, particularly government grants and subsidies could adversely affect our business, financial condition and results of operations.

We enjoy certain favourable regulatory treatment, particularly government grants and subsidies, which are offered primarily for the purpose of promoting the development of private higher education institutions. In 2017, 2018, 2019 and the three months ended 31 March 2020, we recorded government grants and subsidies in the total amount of approximately RMB13.2 million, RMB13.2 million, RMB16.4 million and RMB3.9 million, respectively. See "Financial Information — Key components of our results of operations — Other Income" for further details. However, it is in the relevant government authorities' sole and absolute discretion, subject to relevant PRC Laws, to determine whether and when to provide government grants and subsidies to us, if at all. We cannot assure you that we will be able to receive government grants and subsidies in the future. Furthermore, any unexpected changes in the PRC Laws may result in uncertainty in the availability of government grants and subsidies or any other favourable treatment to us. If we are unable to obtain or maintain government grants and subsidies or any other favourable treatment in the future in the same amount or at all, our business operations, results of operations, and cash flows could be adversely affected.

Our legal right to certain leased properties could be challenged by property owners or other third parties.

As of the Latest Practicable Date, certain properties leased by us had certain defects, which may negatively affect our continuing use of such properties. See the section headed "Business — Properties — Leased properties" for more information. If our lease agreements with respect to these properties are regard as invalid agreements, or be challenged by third parties, we may have to vacate these properties and relocate to other premises and incur expenses in such relocations. As a result, our business, results of operations and financial condition may also be adversely affected.

We face regulatory risks and uncertainties associated with our teachers' lack of teacher licences or teacher qualifications.

According to the Regulations on Teacher Licences (《教師資格條例》), personnel engaged in teaching activities in various types of schools and other educational institutions must obtain teacher licences (教師資格證書) from education authorities. According to the Notice on Issuing Qualifications of Teachers in Vocational Schools and Employment Training Centres and Other Vocational Training Institutions (《關於做好技工學校和就業訓練中心及其他職業培訓機構教師上崗資格認定工作的通知》), all personnel engaged in the education and teaching activities at vocational training institutions should obtain teacher qualifications (職業培訓教師上崗資格證書) from human resources and social security authorities. As of the Latest Practicable Date, 38 teachers of our four training schools across China had not obtained teacher licences and/or teacher qualifications.

As of the Latest Practicable Date, we did not receive any notice of warning or been subject to any penalties or disciplinary action from government authorities due to the lack of teacher licences or teacher qualifications. We have obtained written or oral confirmations from the competent authorities for these four training schools, confirming that, with respect to vocational training or educational training service without granting academic credentials, the corresponding teacher licence examination or teacher qualification accreditation will no longer be administered in such regions, or confirming that corresponding teacher licences or teacher qualifications are no longer mandatorily required in practice in such regions. However, we may still be subject to penalties under the applicable PRC Laws; our short-term training services and our results of operations may be adversely affected. Although we believe customers of our short-term training services place more value on the quality of our training services, the actual benefits they are able to obtain from our training, and the overall customer experience they have, the lack of requisite teacher licences may still cause reputational harm to our short-term training services. See "Business — Our Teachers" for more details.

Our insurance coverage may not be sufficient.

Our three universities maintain school liability insurance, school property insurance, and third party liability insurance to safeguard against certain risks and unexpected events. See "Business — Insurance" for more details. However, we cannot assure you that our insurance coverage in terms of amount and scope is sufficient. We are exposed to various risks associated with our business and operations. Such risks include but are not limited to, accidents, fires, explosions or injuries in our universities, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. The insurance industry in China is still at an early stage of development. Insurance companies in China generally offer limited business-related insurance products and such products typically command a high premium that may not be justifiable from a cost-benefit perspective. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Accordingly, any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or exit of our key management personnel or joining our competitors, or other events beyond our control could result in substantial costs and the diversion of our resources. Any materialisation of the foregoing risks that we are not adequately covered for, or at all, may adversely affect our business, financial condition and results of operations.

We may grant employees share options and other share-based compensation, which may materially impact our results of operations in the future.

We adopted the Pre-IPO Share Incentive Scheme on 19 June 2019 and Post-IPO Share Incentive Scheme in 11 September 2020. Pursuant to the Pre-IPO Share Incentive Scheme as amended from time to time, the grant of the share options to subscribe for an aggregate of 50,000,000 Shares was approved by the Board to be made on the date immediately before the Listing Date. Pursuant to the Post-IPO Share Incentive Scheme, we may issue options to subscribe for Shares to our Directors, senior management, employees, consultants and certain external parties for their contribution to us and to attract and retain key personnel. See "Statutory and general information — Share incentive schemes" in Appendix V. The grant of share options or any issue of award shares would have an adverse impact to our profits. Moreover, any exercise of the share options we have granted or will grant in the future or any issue of award shares will increase the number of our Shares and result in a dilution in the shareholding of our Shareholders in our Company. Any sale of additional Shares acquired upon the exercise of the share options or any issue of award shares may adversely affect the market price of our Shares.

We face risks related to natural disasters, health epidemics or terrorist attacks in China.

In addition to the impact of COVID-19, our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, landslides, outbreaks of other health epidemics such as avian influenza and severe acute respiratory syndrome, or SARS, and Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, the Ebola virus, the Zika virus, as well as terrorist attacks, other acts of violence or war or social instability in the region in which we operate or those generally affecting China. In particular, one of our three universities is located in Chengdu, Sichuan province and suffered from the Wenchuan earthquake in 2008. To the knowledge of Chengdu University, one of its students died from the Wenchuan earthquake and Chengdu University incurred other losses and expenses in relation to this disaster. In addition, as many of our campuses provide on-campus accommodation to our students, teachers and staff, the boarding environment exposes our students, teachers and staff to risks of epidemics or pandemics and makes it more difficult for us to take preventive measures if an epidemic or pandemic were to occur. Any of the above may cause material disruptions to our operations, such as temporary closure of our schools, which in turn may materially and adversely affect our financial condition and results of operations. If any of these occur, our schools and facilities may suffer damage or be required to temporarily or permanently close and our business operations may be suspended or terminated. Our students, teachers and staff may also be negatively affected by such events. In addition, any of these could adversely affect the PRC economy and demographics of the affected region, which could in turn cause significant declines in the number of our students applying to or enroled in our schools. If any of these events materialise, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

The PRC government may find that the agreements that establish the structure for operating our business in China do not comply with applicable PRC Laws, which may subject us to severe penalties and our business may be materially and adversely affected.

Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the Special Administrative Measures for Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》), higher education is a restricted industry for foreign investors. Foreign investors are allowed to invest in the higher education industry only in the form of Sino-foreign cooperative venture in which the PRC party must play a dominant role. Furthermore, under the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital into the Fields of Education and Promoting the Healthy Development of Private Education issued by the MOE on 18 June 2012 (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-foreign joint venture educational institution is limited to 50%. According to the Regulation on Operating Sino-foreign Cooperative Schools of the PRC (《中華人民共和國中外合作辦學條例》), which was promulgated by the State Council on 1 March 2003 and last amended on 2 March 2019, foreign investors investing in higher education must be foreign education institutions with relevant qualifications and experience. For more details, see "Regulations — Regulations relating to foreign investment."

Although foreign investment in higher education is not prohibited, our subsidiaries in China are still ineligible to independently operate our universities. Accordingly, we have been and are expected to continue to be dependent on our Contractual Arrangements to operate our education business. If the Contractual Arrangements that establish the structure for operating our China business are found to be in violation of any existing or future PRC Laws or fail to obtain or maintain any of the required permits or approvals, we may not be able to consolidate the results of operations of our Consolidated Affiliated Entities. The relevant PRC regulatory authorities, including the MOE, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licences of our PRC subsidiaries or Consolidated Affiliated Entities;
- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries or Consolidated Affiliated Entities;
- imposing additional conditions or requirements with which we, our PRC subsidiaries or Consolidated Affiliated Entities may not be able to comply;
- requiring us to undergo a costly and disruptive restructuring such as forcing us to establish new entities, re-apply for the necessary licences or relocate our businesses, staff and assets;
- restricting or prohibiting our use of proceeds from Global Offering or other financing activities to finance our business and operations in China; or

- taking other regulatory or enforcement actions, including imposing fines, which could be harmful to our business.

The imposition of any of these penalties may result in a material adverse effect on our ability to conduct our business in China and a loss of our economic benefits in the assets and operations of our Consolidated Affiliated Entities. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of the Consolidated Affiliated Entities or our right to receive economic benefits from them, we would no longer be able to consolidate such entities, which contributed majority of our consolidated net revenue during the Track Record Period.

Uncertainties exist with respect to the interpretation and implementation of the newly enacted PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On 15 March 2019, the National People's Congress approved the Foreign Investment Law, which came into effect on 1 January 2020 and replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalise its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangements would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment under PRC Laws. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

The Contractual Arrangements may not be as effective in providing control over our Consolidated Affiliated Entities as direct ownership.

We have relied and expect to continue to rely on the Contractual Arrangements to operate our education business in China. For a description of these Contractual Arrangements, see "Contractual Arrangements" in this document. These Contractual Arrangements may not be as effective in providing us with control over our Consolidated Affiliated Entities as equity ownership. If we had equity ownership of our Consolidated Affiliated Entities, we would be able to exercise our rights as a direct or indirect shareholder of our Consolidated Affiliated Entities to effect changes in the board of directors of our Consolidated Affiliated Entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, as these Contractual Arrangements stand now, if our Consolidated Affiliated Entities or their shareholders fail to perform their respective obligations under these Contractual Arrangements, we cannot exercise shareholder's rights to direct such corporate action as the direct ownership would otherwise entail. If the parties under such Contractual Arrangements refuse to carry out our directions in relation to day-to-day business operations, we will be unable to maintain effective control over the operations of our Consolidated Affiliated Entities. If we were to lose effective control over our Consolidated Affiliated Entities, certain negative consequences would result, including our being unable to consolidate the financial results of our Consolidated Affiliated Entities into our financial results. Given that the revenue from our Consolidated Affiliated Entities accounted for majority of the total revenue in our Consolidated Financial Statements in 2017, 2018, 2019 and the three months ended 31 March 2020, our financial position would be materially and adversely impacted if we were to lose effective control over our Consolidated Affiliated Entities. In addition, losing effective control over our Consolidated Affiliated Entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our Consolidated Affiliated Entities may impair our access to their cash flow from operations, which may reduce our liquidity.

The beneficial owner of our Consolidated Affiliated Entities may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.

Neusoft Holdings is the beneficial owner of our Consolidated Affiliated Entities. Therefore, the interests of Neusoft Holdings as the beneficial owner of our Consolidated Affiliated Entities may differ from the interests of our Company as a whole. We cannot assure you that when conflicts of interest arise, Neusoft Holdings will act in the best interests of our Company or that such conflicts will be resolved in our favour. In the event of any such conflicts of interest, Neusoft Holdings may potentially breach, or cause our Consolidated Affiliated Entities to breach, or refuse to renew, the existing Contractual Arrangements we have with them. If we cannot resolve any conflict of interest or dispute between us and Neusoft Holdings, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the Contractual Arrangements. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

In addition, although the equity pledge agreement entered into by and between the JV, Neusoft Holdings and the Operating Entity provide that the pledged equity interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the principal service agreements, it is possible that a PRC court could take the position that the amounts listed on the equity pledge registration forms or estimated in the equity pledge agreements represent the full amounts of the collateral that have been registered and perfected. If this were to happen, the obligations that are supposed to be secured in the equity pledge agreements in excess of the amounts listed on the equity pledge registration forms or estimated in the equity pledge agreements could be deemed unsecured debts by the PRC court, which take the last priority among creditors.

Our exercise of the option to acquire the equity interests or sponsor interests (as the case may be) of our Consolidated Affiliated Entities may be subject to certain limitations and we may incur substantial costs.

We may be subject to certain limitations and incur substantial cost in the exercise of the option to acquire the equity interests or sponsor interests (as the case may be) in our Consolidated Affiliated Entities. Pursuant to the Contractual Arrangements, the JV has the exclusive right to require the shareholders or the sponsors (as the case may be) of our Consolidated Affiliated Entities to transfer their equity interests or sponsor interests (as the case may be) in our Consolidated Affiliated Entities, in whole or in part, to the JV or a third party designated by the JV at any time and from time to time, at the lowest price allowed under PRC Laws at the time of transfer. The equity transfer may be subject to approvals from, and/or registrations with, relevant PRC regulatory authorities. Moreover, the equity transfer price may be subject to review and tax adjustment by relevant tax authority. The respective equity holder will then pay the equity transfer price they receive to our JV or its designated person(s) under the Contractual Arrangements. The amount to be received by the JV or its designated person(s) may be subject to enterprise income tax. The amount of the tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

Any failure by our Consolidated Affiliated Entities or their respective shareholders or sponsors to perform their obligations under our Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on our part to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.

Under the current Contractual Arrangements, if any of our Consolidated Affiliated Entities or their respective shareholders or sponsors fail to perform its or his/her respective obligations under these Contractual Arrangements, we may incur substantial costs and resources to enforce such arrangements and rely on legal remedies under PRC Laws, including seeking specific performance or injunctive relief and claiming damages.

The Contractual Arrangements are governed by PRC Laws and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts will be interpreted in accordance with PRC Laws and any disputes will be resolved in accordance with PRC legal procedures. Under PRC Laws, rulings by arbitrators are final and the parties to a dispute cannot appeal the arbitration results in any court based on the substance of the case. The prevailing party may enforce the arbitration award by instituting arbitration award recognition proceedings with a competent PRC court. The legal environment in the PRC is not as developed as in other jurisdictions, such as Hong Kong and the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. In the event that we are unable to enforce these

Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities for an extended period of time or we may be permanently unable to exert control over our Consolidated Affiliated Entities. If this were to occur, we would be unable to consolidate the financial results of our Consolidated Affiliated Entities into our financial results, which may materially and adversely affect our business, financial condition and results of operations and may decrease the value of our Shareholders' investment in our Company.

In addition to the enforcement costs outlined above, during the course of disputes regarding such enforcement action, we may temporarily lose effective control over our schools in China, which may lead to loss of revenue or potentially lead to the incurrence of additional costs and the expending of substantial resources on our part to operate our business in the absence of effective enforcement of these Contractual Arrangements. If this were to occur, our business, financial condition and results of operations may be materially and adversely affected and the value of our Shareholders' investment in our Company may decrease.

The Contractual Arrangements may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operations and value of your investment.

Under PRC Laws, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material adverse tax consequences if the PRC tax authorities determine that the exclusive management consultancy and business cooperation agreements we have with our Consolidated Affiliated Entities do not represent an arm's-length transaction and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. In addition, PRC tax authorities may form the view that our subsidiaries or Consolidated Affiliated Entities have improperly minimised their tax obligations, and we may not be able to rectify any such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which could materially and adversely affect our business, financial condition and results of operations.

Certain terms of the Contractual Arrangements may not be enforceable under PRC Laws.

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the then-effective arbitration rules of China International Economic and Trade Arbitration Commission in Beijing, China. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interests or sponsor interests and/or assets of our Consolidated Affiliated Entities, injunctive relief and/or winding up of our Consolidated Affiliated Entities. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Adviser that the above-mentioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC Laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any equity interest or sponsor interest in our Consolidated Affiliated Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements. PRC Laws allow an arbitral body to award the transfer of assets of or equity interest or sponsor interests in our Consolidated Affiliated Entities in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC Laws, courts of judicial authorities in the PRC generally do not grant injunctive relief or the winding-up order against our Consolidated Affiliated Entities as interim remedies to preserve the assets or equity interests or sponsor interests in favour of any aggrieved party. Our PRC Legal Adviser is also of the view that, even though the Contractual Arrangements provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognised or enforced by PRC courts. As a result, in the event that any of our Consolidated Affiliated Entities or their shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our education business could be materially and adversely affected. See "Contractual Arrangements — Summary of other material terms of our Contractual Arrangements — Disputes resolution" for details regarding the enforceability of the dispute resolution provisions in the Contractual Arrangements as opined by our PRC Legal Adviser.

We rely on dividend and other payments from the JV to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of the JV to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders.

Our Company is a holding company and our ability to pay dividends and other cash distributions to our Shareholders, service any debt we may incur and meet our other cash requirements depends significantly on our ability to receive dividends and other distributions from the JV. The amount of dividends paid to our Company by the JV depends substantially on the service fees paid to the JV from our Consolidated Affiliated Entities. However, there are restrictions under PRC Laws for the payment of dividends to us by the JV. For example, relevant PRC Laws permit payments of dividends by the JV only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC Laws, the JV is required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve, until the accumulated amount of such reserve has exceeded 50% of its registered capital. Consequently, the JV is restricted in its ability to transfer a portion of its net assets to us or any of our other subsidiaries in the form of dividends, loans or advances. The foregoing restrictions on the ability of the JV to pay dividends to us and the limitations on the ability of our Consolidated Affiliated Entities to pay service fees to the JV could materially and adversely limit our ability to borrow money outside of China or pay dividends to holders of our Shares.

Pursuant to the 2016 Decision, sponsors of private school may choose to establish non-profit or for-profit private schools and will no longer be required to indicate whether they require reasonable returns or not. Sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the PRC Company Law and other relevant laws and regulations. Sponsors of non-profit private schools are not entitled to any distribution of profits or revenue from the non-profit schools they operate and all operation surpluses of the schools shall be used for the operation of the schools. However, the 2016 Decision remains silent on the requirement of the development fund of the non-profit schools or for-profit schools. For further details of the 2016 Decision, see "Regulations — Regulations relating to education — Regulations relating to private education."

As a holding company, our ability to pay dividends and other cash distributions to our Shareholders depends solely on our ability to receive dividends and other distributions from the JV, which in turn depends on the service fees paid to the JV from our Consolidated Affiliated Entities. Our PRC Legal Adviser advises us that the JV's right to receive the service fees from our Consolidated Affiliated Entities does not contravene any PRC Laws and that payment of service fees under the Contractual Arrangements should not be regarded as part of the distribution of returns or profits to the sponsors of our schools. For further details regarding our PRC Legal Adviser's view on the legality of the payment of service fees under the Contractual Arrangements, see "Contractual Arrangements — Legality of our Contractual Arrangements". However, if the relevant PRC government authorities take a different view, they may seek to confiscate any or all of the service fees that have been paid by our schools to the JV, including retrospectively, to the extent that such service fees are tantamount to "reasonable returns" (for the period prior to the 2016 Decision becoming effective) or deemed profit distribution (after the 2016 Decision becoming effective and if our schools elect to re-register as non-profit schools) taken by the sponsors of these schools in violation of PRC Laws. The relevant PRC government authorities may also seek to stop student enrolments at our schools or, in a more extreme situation, revoke the operation permits of these schools. Were that to happen, our business operations, financial condition and results of operations would be materially and adversely affected.

If any of our Consolidated Affiliated Entities becomes subject to winding up or liquidation proceedings, we may lose the ability to enjoy certain important assets, which could negatively impact our business and materially and adversely affect our ability to generate revenue.

We currently conduct our operations in China mainly through the Contractual Arrangements. As part of these arrangements, our Consolidated Affiliated Entities hold almost all of the assets that are important to the operation of our business, including operating permits and licences, real estate leases, land use rights, buildings, and other educational facilities of our schools. If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our Consolidated Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, our ability to generate revenue and the market price of our Shares.

RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in the PRC economic, political and social conditions as well as laws and government policies, may materially and adversely affect our business, financial condition, results of operations and growth prospects.

Substantially all of our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China are still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. The growth rate of the Chinese economy has gradually slowed since 2010, and the impact of COVID-19 on the Chinese economy in 2020 is likely to be severe. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

Demand for our services and our business, financial condition and results of operations may also be materially and adversely affected by the following factors:

- political instability or changes in social conditions of the PRC;
- changes in laws, regulations, and administrative directives or the interpretation thereof;
- measures which may be introduced to control inflation or deflation; and
- changes in the rate or method of taxation.

These factors are affected by a number of variables which are beyond our control.

A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business and financial condition.

COVID-19 have had a severe and negative impact on the Chinese and the global economy. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macro-economic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2020. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our Consolidated Affiliated Entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business operations.

In utilising the proceeds of the Global Offering in the manner described in "Future Plans and Use of Proceeds" in this document as an offshore holding company of our PRC subsidiary, we may (i) make loans to our subsidiaries and Consolidated Affiliated Entities in China; (ii) make additional capital contributions to our subsidiaries in China; (iii) establish new subsidiaries in China and make capital contributions to these new subsidiaries; and (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example, loans by us to the JV and our Consolidated Affiliated Entities cannot exceed statutory limits and must be registered with SAFE, or its local branches. We expect that PRC Laws may continue to limit our use of net proceeds from the Global Offering or from other financing sources. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our entities in China. If we fail to receive such registrations or approvals, our ability to use the net proceeds from the Global Offering and to capitalise our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Failure by the Shareholders or beneficial owners who are Chinese residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by Chinese residents may prevent us from distributing profits and could expose us and our Chinese resident Shareholders to liability under PRC Laws.

The Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular No. 37**"), which was promulgated by SAFE and became effective on 4 July 2014, requires a domestic institution or individual resident (the "**Domestic Resident**") to file a "Registration Form of Overseas Investments Contributed by Domestic Individual Residents" and register with the local SAFE branch before he/she contributes assets or capital to an offshore special purpose vehicle the purpose of offshore investment and financing, utilising assets or interests (onshore or offshore) (the "**Offshore SPV**") legally held by the Domestic Resident. Following the initial registration, the Domestic Resident is also required to register with the local SAFE branch any major change in respect of the Offshore SPV, including, among other things, any major change of the Offshore SPV's Domestic Resident shareholder, name of the Offshore SPV, term of operation, or any increase or reduction of the Offshore SPV's registered capital, share transfer or swap, and merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties, including the imposition of restrictions on the ability of the Offshore SPV's Chinese subsidiary to distribute dividends to its overseas parent. Pursuant to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular No. 13**"), which were promulgated on 13 February 2015 and implemented on 1 June 2015, the foreign exchange registration for establishing or taking control of an Offshore SPV by Domestic Residents are required to be conducted with a qualified bank, instead of the local SAFE branch.

As of the Latest Practicable Date, all of our Domestic Resident beneficial owners have completed the registration with qualified banks in accordance with SAFE Circular No. 37 and SAFE Circular No. 13. However, we cannot guarantee you that all of our Domestic Resident Beneficial Owners will comply with SAFE Circular No. 37 and SAFE Circular No. 13 registration requirements, including updating their registration pursuant to relevant requirements or registration by future Beneficial Owners who are Domestic Residents, which is out of our control. Any failure by our Domestic Resident Beneficial Owners to register with qualified banks and comply with registration requirements pursuant to SAFE Circular No. 37 and SAFE Circular No. 13 or update their filing, or the failure of future Beneficial Owners who are Domestic Residents to comply with the registration requirements may result in penalties and the prohibition of payments to offshore parents from capital reductions, share transfers or liquidations of our Chinese subsidiaries and could materially adversely affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to our Shareholders.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed

Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Stock Option Rules**"). Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of the Global Offering. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially and adversely affect our business, financial condition and results of operations.

Restrictions on currency exchange under PRC Laws may limit our ability to convert cash derived from our operating activities into foreign currencies and may materially and adversely affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from the JV. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries and our Consolidated Affiliated Entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under the existing PRC foreign exchange regulations, conversion of Renminbi is permitted, without prior approval from SAFE, for current account transactions, including profit distributions, interest payments and expenditures from trade-related transactions, as long as certain procedural requirements are complied with. However, approval from and registration with SAFE and other PRC regulatory authorities are required where Renminbi is to be converted into foreign currency and remitted out of China for capital account transactions, which includes foreign direct investment and repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. Any existing and future restrictions on currency exchange in China may limit our ability to convert cash derived from our operating activities into foreign currencies to fund expenditures denominated in foreign currencies. If the foreign exchange restrictions in China prevent us from obtaining Hong Kong dollars or other foreign currencies as required, we may not be able to pay dividends in Hong Kong dollars or other foreign currencies to our Shareholders. Furthermore, foreign exchange control in respect of the capital account transactions could affect our PRC subsidiaries' ability to obtain foreign exchange or conversion into Renminbi through debt or equity financing, including by means of loans or capital contributions from us.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

The value of the Renminbi has been under pressure of appreciation in recent years. Due to international pressures on the PRC to allow more flexible exchange rates for the Renminbi, the economic situation and financial market developments in the PRC and abroad and the balance of payments situation in the PRC, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility.

Substantially all of our revenue, costs and financial assets were denominated in Renminbi during the Track Record Period. We rely entirely on dividends and other fees paid to us by our PRC subsidiaries and our Consolidated Affiliated Entities. Our proceeds from the Global Offering will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, as Renminbi is the functional currency of our PRC subsidiaries and Consolidated Affiliated Entities. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Inflation in the PRC could negatively affect our profitability and growth.

The economy of China has been experiencing significant growth, leading to inflation and increased labour costs. According to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index in China was 2.9% in 2019. China's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in China's inflation and material increases in the cost of labour may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to our students by increasing tuition fees and/or boarding fees.

The legal system of the PRC is not fully developed and there are inherent uncertainties that may affect the protection afforded to our business and our Shareholders.

Our business and operations in the PRC are governed by the PRC legal system that is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as these laws and regulations continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our Shareholders. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management attention.

As a Shareholder, you will hold an indirect interest in our operations in China. Our operations in the PRC are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC Company Law and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. In addition, PRC Laws applicable to companies listed overseas do not distinguish between minority and controlling shareholders in terms of their rights and protections. As such, our minority Shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

It may be difficult to effect service of process upon us, our Directors or our executive officers that reside in the PRC or to enforce against them or us in the PRC any judgements obtained from non-PRC courts.

The legal framework to which our Group is subject is materially different from the Companies Ordinance or corporate law in the United States and other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which our Company is subject are also relatively undeveloped and untested. However, according to the PRC Company Law, shareholders may commence a derivative action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances.

On 14 July 2006, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院互相認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated people's court in the PRC or any designated Hong Kong court has made an enforceable final judgement requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court in the PRC or Hong Kong court for recognition and enforcement of the judgement. Although this arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

On 18 January 2019, the Supreme People's Court of the Peoples Republic of China and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"). The 2019 Arrangement, for the reciprocal recognition and enforcement of judgements in civil and commercial matters between the courts in mainland China and those in the Hong Kong Special Administrative Region, stipulates the scope and particulars of judgements, the procedures and ways of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgement, the circumstances where the recognition and enforcement of a judgement shall be refused, and the approaches towards remedies, among others. After a judicial interpretation has been promulgated by the Supreme People's Court and the relevant procedures have been completed by Hong Kong, both sides shall announce a date on which the 2019 Arrangement shall come into effect. The 2019 Arrangement shall apply to any judgement made on or after its effective date by the courts of both sides. The 2006 Arrangement shall be terminated on the same day when the 2019 Arrangement comes into effect. If a written choice of court agreement has been signed by parties according to the 2006 Arrangement prior to the effective date of the 2019 Arrangement, the 2006 Arrangement shall still apply. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgements under the 2019 Arrangement.

Most of our senior management members reside in China, and substantially all of our assets, and substantially all of the assets of those persons are located in China. Therefore, it may be difficult for investors to effect service of process upon those persons inside China or to enforce against us or them in China any judgements obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgements of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

If we are classified as a PRC "resident enterprise", holders of our Shares may be subject to a PRC withholding tax upon the dividends payable by us and upon gain from the sale of our Shares.

Under the Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and its implementing regulations, an enterprise established outside China with its "de facto management body" within China is considered a "resident enterprise" in China and will be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. The tax authority will normally review factors such as the routine operation of the organisational body that effectively manages the enterprise's production and business operations, locations of personnel holding decision-making power, location of finance and accounting functions and properties of the enterprise. The Enterprise Income Tax Law's implementation regulations define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise". The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (the "**SAT Circular 82**", 《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) on 22 April 2009.

SAT Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore incorporated enterprise is located inside China, stating that only a company meeting all the criteria would be deemed having its de facto management body inside China. One of the criteria is that a company's major assets, accounting books and minutes and files of its board and shareholders' meetings are located or kept in the PRC. In addition, SAT issued a bulletin on 27 July 2011 and last amended in 2018, providing more guidance on the implementation of SAT Circular 82. This bulletin clarifies matters including residence status determination, post-determination administration and competent tax authorities. Although both SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises and there are currently no further detailed rules or precedents applicable to us governing the procedures and specific criteria for determining "de facto management body" for companies like ours, the determination criteria set forth in SAT Circular 82 and the bulletin may reflect SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented with respect to such enterprises, regardless of whether they are controlled by PRC enterprises or PRC individuals.

As most of our senior management members are based in China, it remains unclear as to how the tax residency rule will apply to our case. We do not believe that our Company or any of our Hong Kong or BVI subsidiaries should be qualified as a "resident enterprise", as each of our offshore holding entities is a company incorporated outside the PRC. As holding companies, each of these entities' corporate documents, minutes and files of the board and shareholders' meetings are located and kept outside of the PRC. Therefore, we believe that none of our offshore holding entities should be treated as a "resident enterprise" with its "de facto management bodies" located within China as defined by the relevant regulations for PRC enterprise income tax purposes. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue.

Under the Enterprise Income Tax Law, shareholders of a PRC resident enterprise will be subject to a 10% withholding tax upon dividends received from the PRC resident enterprise and on gain recognised with respect to the sale of shares of the resident enterprise. Accordingly, if we are treated as a PRC resident enterprise, our Shareholders may be subject to a 10% withholding tax upon dividends received from us and on gain recognised with respect to the sale of our Shares, unless such withholding tax is reduced by an applicable income tax treaty between China and the jurisdiction of the Shareholder. Any such tax may reduce the returns on your investment in our Shares.

The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisition or offshore restructuring.

On 3 February 2015, SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**Circular 7**"), which heightened the PRC tax authorities' scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise (the "**PRC Taxable Assets**") and stipulated that tax authorities in the PRC are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of an equity interest in an overseas holding company which directly or indirectly hold the PRC Taxable Assets, by disregarding the existence of the overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been made for the purpose of evading PRC enterprises income tax and without any reasonable commercial purpose.

There is uncertainty as to the application of the Circular 7. The Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions, future acquisitions or sale of the shares of our offshore subsidiaries, where non-resident enterprise transferors were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with the Circular 7 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for our restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

The interests of our Controlling Shareholders may differ from your interests and they may exercise their vote to the disadvantage of our minority Shareholders.

Immediately following the completion of the Global Offering, our Controlling Shareholders will control 75.0% of our total issued share capital (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Incentive Scheme are not exercised and no Shares are granted under the Post-IPO Share Incentive Scheme). Accordingly, the Controlling Shareholders will, for the foreseeable future, through their voting control, be able to exercise substantial influence over our operations and business strategy, such as matters related to the composition of our Board, selection of our senior management, amount and timing of dividends and other distributions, our overall strategic and investment decisions, issuance of securities and adjustment to our capital structure, amendment to our memorandum and articles of association, and other corporate actions requiring approval of our Shareholders, including merger, consolidation or sale of our assets, or any other change of control event that may affect our other Shareholders generally. Such voting control may discourage certain types of transactions, including those involving an actual or potential change of control of our Company. In the event that there is a divergence of our strategic and other interests from those of the Controlling Shareholders in the future, the Controlling Shareholders may exercise control over our Company in ways that conflict with the interests of our other Shareholders, and minority Shareholders could be disadvantaged.

No public market currently exists for our Shares; the market price for our Shares may be volatile and an active trading market for our Shares may not develop.

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and CLSA Limited (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including:

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in China affecting us, our industry or our Contractual Arrangements;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;
- developments in the education market in China;
- changes in the economic performance or market valuations of other education companies;
- the depth and liquidity of the market for our Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or anticipated sales of additional Shares; and
- the general economy and other factors.

Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

The liquidity, trading volume and market price of our Shares following the Global Offering may be volatile.

The trading volume and market price for our Shares may be volatile and subject to wide fluctuations in response to factors such as actual or anticipated fluctuations in our quarterly operating results, changes in financial estimates by securities research analysts, changes in the economic performance or market valuations of other education companies, announcements by us or our competitors of material acquisitions, strategic partnerships, joint ventures or capital commitments, addition or departure of our executive officers and key personnel, fluctuations of exchange rates between the Renminbi and the Hong Kong dollar, intellectual property litigation, release of lock-up or other transfer restrictions on our Shares, and economic or political conditions in China. In addition, the performance, and fluctuation in market prices, of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes of our Shares. Furthermore, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the price of and trading volume of our Shares.

Because the initial Offer Price is substantially higher than the pro forma net tangible book value per Share, you will experience immediate and substantial dilution.

If you purchase Shares in the Global Offering, you will pay more for each Share than the corresponding amount paid by existing Shareholders for their Shares. As a result, you will experience immediate and substantial dilution upon purchase of the Shares in the Global Offering. In addition, you may experience further dilution to the extent that our Shares are issued upon the exercise of share options.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the market price of our Shares to decline.

Although our Controlling Shareholders are subject to a lock-up after the Listing as described in "Underwriting — Underwriting arrangements and expenses" in this document, future sales of a significant number of our Shares by our Controlling Shareholders in the public market after the expiry of the lock-up period, or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through offerings of our Shares.

We cannot assure you that our Controlling Shareholders will not dispose of Shares held by them or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in "Statutory and general information" in Appendix V to this document or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by the Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

We may need additional capital, and the sale or issue of additional Shares or other equity securities, including pursuant to the Pre-IPO Share Incentive Scheme and the Post-IPO Share Incentive Scheme, could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net proceeds from the Global Offering, we may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of new school openings, investments in and/or acquisitions of new education programmes or businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. Furthermore, we may issue Shares pursuant to the exercise of options granted under the Pre-IPO Share Incentive Scheme and to be granted under the Post-IPO Share Incentive Scheme, which would further dilute Shareholders' interests in our Company. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial condition may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of educational service providers;
- conditions in Hong Kong and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- PRC governmental regulation of foreign investment in education in China;
- economic, political and other conditions in China; and
- PRC governmental policies relating to foreign currency borrowings.

We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities or reduce our growth to a level that can be supported by our cash flow, or defer planned expenditures.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than other jurisdictions, you may have difficulties in protecting your Shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Law and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in other jurisdictions, see "Summary of the constitution of our Company and Cayman Companies Law" in Appendix IV.

As a result of all of the above, our minority Shareholders may have difficulties in protecting their interests through actions against our management, Directors or major Shareholders.

There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could fall during the period before trading of our Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be not more than five business days after the Price Determination Date. As a result, holders of our Shares may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could fall before trading begins as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Facts, forecasts and statistics in this document relating to the PRC economy and the education industry may not be fully reliable.

Facts, forecasts and statistics in this document relating to the PRC, the PRC economy, the education industry in China, the PRC higher education market and the private education market in the PRC are obtained from various sources including official government publications that we believe are reliable, as well as from a report prepared by Frost & Sullivan commissioned by us. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Global Coordinators, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this document relating to the PRC, the PRC economy, the education industry in China, the PRC higher education market, the private education market in the PRC, the software and IT service industry in the PRC, the private higher IT education market in the PRC, the continuing education market in the PRC and the IT value-added educational service market in the PRC may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risks and uncertainties and are subject to change based on various factors, some of which are not under our control, and should not be unduly relied upon. Further, there can be no assurances that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There may be, subsequent to the date of this document but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global

Offering. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the Application Forms.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third party sources, including the industry expert reports, contained in this document.

This document, particularly the sections headed "Business" and "Industry Overview", contains information and statistics relating to the private higher education market. Such information and statistics have been derived from a third party report commissioned by us and publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this document being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return. We plan to use the net proceeds from the Global Offering to, among others, expand our current schools and acquire or cooperate with other universities. For details of our intended use of proceeds, see "Future Plans and Use of Proceeds" in this document. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgement you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from compliance with the *Companies (Winding Up and Miscellaneous Provisions) Ordinance*.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. Our Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of our Group are primarily based in mainland China. Our Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company and our Shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives, namely, Dr. Wen, the Company's executive Director and chief executive officer, and Ms. MAK Po Man Cherie ("**Ms. Mak**"), one of the Company's joint company secretaries, to be, at all times, the principal communication channel between the Stock Exchange and our Company. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange;

(b) we will implement a policy to provide the contact details of each Director (such as mobile phone numbers, office numbers, residential phone numbers, email addresses and fax numbers) to each of the authorised representatives and to the Stock Exchange. This will ensure that each of the authorised representatives and the Stock Exchange will have the means to contact all our Directors (including our independent non-executive Directors) promptly as and when required, including means to communicate with our Directors when they are travelling;

(c) we will ensure that all Directors who are not ordinarily resident in Hong Kong have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;

(d) we have retained the services of the Compliance Adviser, in accordance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company's authorised representatives and Directors who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice in compliance with Rules 3A.23 of the Listing Rules; and

(e) meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or the Compliance Adviser, or directly with our Directors within a reasonable time. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the Compliance Adviser in accordance with the Listing Rules.

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We entered into certain transactions that would constitute continuing connected transactions of our Company under the Listing Rules following completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Chapter 14A of the Listing Rules for these continuing connected transactions. See "Connected transactions" for further details.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 8.17 and 3.28 of the Listing Rules, an issuer's company secretary must be an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a Member of The Hong Kong Institute of Chartered Secretaries ("**HKICS**");

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) ("**Certified Public Accountant**").

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company has appointed Ms. HE Jing ("**Ms. He**") of our Group and Ms. Mak of SWCS Corporate Services Group (Hong Kong) Limited as our joint company secretaries. Ms. Mak is an associate member of HKICS and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom. She is also a Certified Public Accountant and has previous and current experience as company secretary of other companies listed on the Stock Exchange. As such, Ms. Mak meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Ms. He joined our Group in April 2018 and was appointed the head of the office of the board of directors of Dalian Education since April 2020. Ms. He was the deputy director of the general management department of Dalian Education from November 2018 to April 2020. Prior to joining our Group, Ms. He was the securities affairs representative, and company secretary, of INNOBIO Limited, from March 2017 to August 2017, and from August 2017 to April 2018, respectively; and the information disclosure officer of the board of directors of New China Life Insurance Company Ltd., a company jointly listed on the Stock Exchange (stock code: 1336) and the Shanghai Stock Exchange (security code: 601336), from August 2009 to June 2013. We believe that it would be in the best interests of our Company and the corporate governance of our Group to have as the Company's joint company secretary a person such as Ms. He who possesses the relevant experience overseeing our Group's legal and operational matters, who is familiar with our Company, our Group's business operations and management, and has a background in handling legal and corporate governance matters.

See "Directors and senior management — Company secretaries" for further information on Ms. Mak and Ms. He.

Accordingly, while Ms. He does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. He may be appointed as a joint company secretary.

The waiver was granted for a three-year period on the condition that Ms. Mak, as a joint company secretary, will work closely with, and provide assistance to, Ms. He in discharging her duties as a joint company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules. The waiver would be immediately revoked if: (a) Ms. Mak ceased to provide assistance to Ms. He as the joint company secretary during the three years following the Listing; or (b) if there are material breaches to the Listing Rules by our Company. In addition, Ms. He will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Ms. He has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Immediately before the end of the three-year period, we will further evaluate the qualifications and experience of Ms. He and the need for on-going assistance of Ms. Mak. We will liaise with the Stock Exchange to enable it to assess whether Ms. He, having benefited from the assistance of Ms. Mak for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER AND EXEMPTION IN RESPECT OF THE PRE-IPO SHARE INCENTIVE SCHEME

Under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules, Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance ("**Cap 32**") and paragraph 10 of Part I of the Third Schedule to Cap 32, this document is required to include, among other things, details of the number, description and amount of our Shares or our Company's debentures ("**debentures**") that any person has, or is entitled to be given, an option to subscribe for, together with the particulars of each option, namely: (a) the period during which it is exercisable; (b) the price to be paid for the underlying Shares or debentures; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing Shareholders or debenture holders as such, the relevant Shares or debentures, as well as the full details of all outstanding options and their potential dilution effect on our shareholding upon Listing as well as the impact on the earnings per Share arising from the exercise of the outstanding options (collectively, the "**Disclosure Requirements**").

Under our Pre-IPO Share Incentive Scheme, on 31 August 2020, we granted options to 246 persons ("**Grantees**" and each a "**Grantee**"), comprising of: (a) 8 Directors or senior management of the Company; (b) 14 connected persons of the Company who are not Directors or members of the senior management of the Company; and (c) 224 other participants (including, among others, employees and supervisors of our Group) who are not connected persons of the Company, to subscribe for an aggregate of 50,000,000 underlying Shares on the terms summarised in "Statutory and general information — Share Incentive Schemes — Pre-IPO Share Incentive Scheme" of Appendix V.

We have applied for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption under Section 342A of Cap 32 from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to Cap 32, on the grounds that the waiver and exemption approval would not prejudice the interests of the investing public and that strict compliance with the Disclosure Requirements would be unduly burdensome for our Company for the following reasons:

(a) given that 246 Grantees are involved, strict compliance with the Disclosure Requirements, including setting out full details of the Grantees (including names, addresses and particulars of the granted options) on an individual basis would require substantial number of pages of additional disclosure and would be unduly burdensome for our Company in light of the significant increase in cost and timing for information compilation, and preparing the printing of this document;

(b) key information of the options granted under the Pre-IPO Share Incentive Scheme to our Directors, senior management and connected persons of our Company has already been disclosed in this document in "Statutory and general information — Share Incentive Schemes — Pre-IPO Share Incentive Scheme" in Appendix V;

(c) the key information mentioned in (b) above and set out in "Statutory and general information — Share Incentive Schemes — Pre-IPO Share Incentive Scheme" in Appendix V is sufficient to provide potential investors with information, to aid their investment decision making process, to make an informed assessment of the potential dilution effect and impact on earnings per Share underlying the options granted under the Pre-IPO Share Incentive Scheme;

(d) the grant and exercise in full of the options granted under the Pre-IPO Share Incentive Scheme will not cause any material adverse impact on the financial positions of our Company; and

(e) the lack of full compliance of the Disclosure Requirements would not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and would not prejudice the interest of the investing public.

The Stock Exchange has granted to us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules, on the condition that:

(a) the following information are disclosed in this document:

  (i) on individual basis, full details of all options granted by our Company under the Pre-IPO Share Incentive Scheme to each of our Directors, senior management and connected persons of our Company, and other Grantees who have been granted options to subscribe for 300,000 Shares or more, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules;

(ii) in respect of the options granted by our Company to the Grantees other than those referred to in (a)(i) above:

(1) the aggregate number of Grantees;

(2) the number of Shares underlying the options granted;

(3) the consideration paid for the options granted;

(4) the exercise period of each option granted; and

(5) the exercise price for the options granted;

(iii) the dilution effect and impact on earnings per Share upon full exercise of the options granted under the Pre-IPO Share Incentive Scheme;

(iv) the aggregate number of Shares underlying all outstanding options granted by our Company under the Pre-IPO Share Incentive Scheme and the percentage of our Company's issued share capital of which this represents;

(v) a summary of the material terms of the Pre-IPO Share Incentive Scheme;

(vi) the particulars of the waiver;

(b) a list of all the Grantees (including the persons referred to in (a)(i) above), containing all the details required by the Disclosure Requirements be made available for public inspection in accordance with the details set out in "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI; and

(c) the SFC grants us a certificate of exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to Cap 32.

The SFC has granted a certificate of exemption under Section 342A of Cap 32 exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to Cap 32 on the condition that:

(a) the following information are disclosed in this document:

(i) on an individual basis, full details of all options granted by our Company under the Pre-IPO Share Incentive Scheme to each of our Directors, senior management and connected persons of our Company, and other Grantees who have been granted options to subscribe for 300,000 Shares or more, including all the particulars required under paragraph 10 of Part I of the Third Schedule to Cap 32;

(ii) in respect of the options granted by our Company to the Grantees other than those referred to in (a)(i) above:

(1) the aggregate number of Grantees;

(2) the number of Shares underlying the options granted;

(3) the consideration paid for the options granted;

(4) the exercise period of each option granted; and

(5) the exercise price for the options granted;

(iii) the particulars of the exemption;

(b) a list of all the Grantees (including the persons referred to in (a)(i) above) containing all the details required by the Disclosure Requirements be made available for public inspection in accordance with the details set out in "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI; and

(c) this document be issued on or before 17 September 2020.

For further details of the Pre-IPO Share Incentive Scheme, see "Statutory and general information — Share Incentive Schemes — Pre-IPO Share Incentive Scheme" of Appendix V.

CONSENT IN RESPECT OF ALLOCATION OF SHARES TO A CONNECTED CLIENT OF AN UNDERWRITER

Paragraph 5(1) of Appendix 6 to the Listing Rules provides that no allocation will be permitted to "connected clients" of the lead broker or of any distributors without the prior written consent of the Stock Exchange.

Paragraph 13(7) of Appendix 6 to the Listing Rules states that "connected client" in relation to an Exchange Participant (as defined in the Listing Rules) means any client of such member who is a company which is a member of the same group of companies as such Exchange Participant.

Connected client

As part of the Global Offering, Pingyang Jihe Lineng Equity Investment Management Centre (Limited Partnership) (平陽幾何礪能股權投資管理中心（有限合夥）) ("**Jihe Lineng**") and Pingyang Zhongjiao Jihe Equity Investment Fund Management Centre (Limited Partnership) (平陽中教吉何股權投資基金管理中心（有限合夥）) ("**Zhongjiao Jihe**", together with Jihe Lineng, the "**Jihe Cornerstone Investors**"), as cornerstone investors, have respectively entered into two cornerstone investment agreements (the "**Jihe Cornerstone Investment Agreements**") to subscribe for certain number of the Offer Shares (the "**Connected Client Shares**"), details of which are set out in the section headed "Cornerstone Investors — Cornerstone investors" in this document.

Jihe Lineng and Zhongjiao Jihe subscribed for the Connected Client Shares through Haitong Asset Management Anying Overseas No. 12 Single Asset Management Plan (海通資管安盈海外12號單一資產管理計劃) and Haitong Asset Management Anying Overseas No. 13 Single Asset Management Plan (海通資管安盈海外13號單一資產管理計劃), respectively. Both of these single asset management plans are managed by a qualified domestic institutional investor, Shanghai Haitong Securities Asset Management Co., Ltd (上海海通證券資產管理有限公司) ("**Haitong Asset Management**").

Haitong International Securities Company Limited ("**Haitong International Securities**") is one of the Joint Global Coordinators. Haitong International Securities is indirectly wholly-owned by Haitong International Securities Group Limited (海通國際證券集團有限公司), which, in turn, is approximately 64.4% indirectly-owned by Haitong Securities Co., Ltd (海通證券股份有限公司) ("**Haitong Securities**"). Haitong Securities directly wholly-owns Haitong Asset Management.

Haitong Asset Management is a member of the same group of companies as Haitong International Securities, one of the Joint Global Coordinators, and, therefore, is a "connected client" of Haitong International Securities for the purposes of paragraph 13(7) of Appendix 6 to the Listing Rules.

Application and the Stock Exchange's consent under paragraph 5(1) of Appendix 6 to the Listing Rules

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a consent that Haitong Asset Management be permitted to participate in the Global Offering and be allocated and holding the Connected Client Shares on behalf of the Jihe Cornerstone Investors, who are Independent Third Parties, on the following basis and conditions as set out in paragraph 4.11 of the Guidance Letter HKEX-GL85-16:

(a) the Connected Client Shares are held on a discretionary basis on behalf of Independent Third Parties;

(b) we confirm that the Jihe Cornerstone Investment Agreements do not contain any material terms which are more favourable to Haitong Asset Management than those in the other Cornerstone Investment Agreements;

(c) we, Haitong International Securities and, to the best of the Joint Bookrunners' knowledge and belief, the Joint Bookrunners confirm that:

(i) Haitong International Securities has not participated, and will not participate, in the decision-making process or relevant discussions among us, the Joint Bookrunners and the Underwriters as to whether the Jihe Cornerstone Investors (through Haitong Asset Management as the asset manager) will be selected as cornerstone investors by virtue of the relationship between Haitong Asset Management and Haitong International Securities;

(ii) no preferential treatment has been, nor will be, given to Haitong Asset Management by virtue of its relationship with Haitong International Securities other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Guidance Letter HKEX-GL51-13, and details of the allocation will be disclosed in this document and the allotment results announcement of our Company;

(d) Haitong Asset Management confirms that, to the best of its knowledge and belief, it has not received and will not receive preferential treatment in the allocation of the Offer Shares by virtue of its relationship with Haitong International Securities, other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Guidance Letter HKEX-GL51-13; and

(e) the Sole Sponsor confirms that based on (i) its discussions with us, Haitong International Securities and the Joint Bookrunners; and (ii) the confirmations provided by us, Haitong International Securities, the Joint Bookrunners and Haitong Asset Management, and to the best of its knowledge and belief, it has no reason to believe that Haitong Asset Management received any preferential treatment in the allocation of the Offer Shares by virtue of the relationship between Haitong Asset Management and Haitong International Securities other than the preferential treatment of assured entitlement set out in Guidance Letter HKEX-GL51-13, and details of the allocation will be disclosed in this document and the allocation results announcement of our Company.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules so as to provide the public with information about us. The Directors collectively and individually accept responsibility for the accuracy and completeness of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein misleading.

GLOBAL OFFERING

This document is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this document and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between CLSA Limited (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date.

The Offer Price is expected to be fixed by CLSA Limited (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 22 September 2020 and, in any event, not later than Wednesday, 23 September 2020 (unless otherwise determined by CLSA Limited (for itself and on behalf of the Underwriters) and our Company. If, for whatever reason, the Offer Price is not agreed between CLSA Limited (for itself and on behalf of the Underwriters) and our Company on or before Wednesday, 23 September 2020, the Global Offering will not become unconditional and will lapse immediately.

See "Underwriting" in this document for further information about the Underwriters and the underwriting arrangements.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this document and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this document, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" and the procedures for applying for Hong Kong Public Offer Shares are set out in "How to apply for Hong Kong Public Offer Shares" and in the relevant Application Forms.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this document. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this document in any jurisdiction other than Hong Kong. Accordingly, this document may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this document and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including the Shares that may be issued pursuant to the Over-allotment Option and the exercise of any options that have been or may be granted under our Share Incentive Schemes) on the Main Board of the Stock Exchange.

No part of our Shares or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are in "Structure of the Global Offering."

SHARES WILL BE ELIGIBLE FOR ADMISSION TO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 29 September 2020, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 29 September 2020.

The Shares will be traded in board lots of 800 Shares each.

The stock code of our Shares will be 9616.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our Principal Share Registrar in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

EXCHANGE RATES

Unless otherwise specified, this document contains certain translations for convenience purposes at the following rates: U.S. dollars into Renminbi at the rate of US$1.00 to RMB6.8364 and U.S. dollars into Hong Kong dollars at the rate of US$1.00 to HK$7.7504. The U.S. dollars to Renminbi and U.S. dollars to Hong Kong dollars exchange rates are set by the People's Bank of China's Monetary Policy Department on the Latest Practicable Date.

No representation is made that any amounts in Hong Kong dollars, Renminbi, and U.S. dollars can be or could have been converted at the relevant dates at the above rates or any other rates at all.

LANGUAGE

If there is any inconsistency between this document and the Chinese translation of this document, this document shall prevail unless otherwise stated. However, the translated English names of the PRC and foreign nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this document and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the names in their original languages shall prevail.

ROUNDING

Certain amounts and percentages figures included in this document have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table in this document between total and sum of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Chairperson and non-executive Director		
LIU Jiren (劉積仁)	Apartment 1-1-1, No. 15-1 Wanghu Road, Heping District Shen Yang, Liaoning, China	Chinese
Executive Director		
WEN Tao (溫濤)	Apartment 1-2, No. 123 Yipin Mangu, Yixin Street, Gaoxinyuan District, Dalian, Liaoning, China	Chinese
Non-executive Directors (aside from our Chairperson)		
RONG Xinjie (榮新節)	Block G, No. 901 Huangpu Road Dalian, Liaoning, China	Chinese
YANG Li (楊利)	No. 80 Haohu Residence Agile Garden Villa, Nancun Town Panyu District, Guangzhou, Guangdong China	Chinese
ZHANG Yinghui (張應輝)	Apartment 7-5 Dongruan Qingcheng Yijing Qingshan Road Qingchengshan Town Dujiangyan Shi Chengdu, Sichuan, China	Chinese
Klaus Michael ZIMMER	House B8, Hebe Villa 18 Che Keng Tuk Road Sai Kung, New Territories, Hong Kong	German
Independent non-executive Directors		
LIU Shulian (劉淑蓮)	Apartment 501, Unit 1 No. 12 Yangshu Street, Shahekou District, Dalian, Liaoning, China	Chinese
QU Daokui (曲道奎)	Apartment 18-03, No. 100-2 Dongbinhe Road, Shenhe District Shen Yang, Liaoning, China	Chinese

Name	Address	Nationality
WANG Weiping (王衛平)	Apartment 101, No. 63, Lane 631 Gumei West Road Shanghai, China	Chinese

For further information, see "Directors and senior management."

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**CLSA Capital Markets Limited** Level 18, One Pacific Place 88 Queensway Hong Kong
Joint Global Coordinators	**CLSA Limited** Level 18, One Pacific Place 88 Queensway Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Bookrunners	**CLSA Limited** Level 18, One Pacific Place 88 Queensway Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
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Essence International Securities (Hong Kong) Limited
39/F., One Exchange Square
Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Joint Lead Managers	**CLSA Limited** Level 18, One Pacific Place 88 Queensway Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	Essence International Securities (Hong Kong) Limited 39/F., One Exchange Square Central Hong Kong
	GF Securities (Hong Kong) Brokerage Limited 29-30/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	First Shanghai Securities Limited 19/F Wing On House 71 Des Voeux Road Central Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F Wing On Centre
111 Connaught Road Central
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SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Legal advisers to the Company

As to Hong Kong and U.S. laws
Skadden, Arps, Slate, Meagher & Flom and affiliates
Level 42, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws
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Level 10, China Pacific Insurance Plaza B
28 Fengsheng Lane
Xicheng District
Beijing, China

As to Cayman Islands and BVI laws
Ogier
Level 11, Central Tower
28 Queen's Road Central
Hong Kong

Legal advisers to the Sole Sponsor and the Underwriters

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Norton Rose Fulbright Hong Kong
38/F, Jardine House
1 Connaught Place
Central, Hong Kong

As to Hong Kong laws
William Ji & Co. LLP
Suite 702, 7/F
Two Chinachem Central
26 Des Voeux Road Central
Central
Hong Kong

	As to PRC laws **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Beijing, China
Auditor and reporting accountant	**PricewaterhouseCoopers** Certified Public Accountants Registered Public Interest Entity Auditor 22/F, Prince's Building Central, Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B 500 Yunjin Road Shanghai, China
Property valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** Level 7, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong
Receiving bank	**Bank of China (Hong Kong) Limited** Bank of China Tower 1 Garden Road Central, Hong Kong

Head office and principal place of business in the PRC	No. 8, Software Park Road Ganjingzi District, Dalian Liaoning, China
Principal place of business in Hong Kong	Level 40, Sunlight Tower No. 248 Queen's Road East Wanchai, Hong Kong
Registered office	89 Nexus Way Camana Bay Grand Cayman, KY1-9009 Cayman Islands
Company website	**http://www.neuedu.com** *(the information contained on this website does not form part of this document)*
Company Secretaries	Ms. HE Jing No. 8, Software Park Road Ganjingzi District, Dalian Liaoning, China Ms. MAK Po Man Cherie *(CPA, FCCA, ACIS, ACS)* Level 40, Sunlight Tower No. 248 Queen's Road East Wanchai, Hong Kong
Authorised representatives	Dr. WEN Tao Apartment 1-2, No. 123 Yipin Mangu, Yixin Street Gaoxinyuan District, Dalian Liaoning, China Ms. MAK Po Man Cherie Level 40, Sunlight Tower No. 248 Queen's Road East Wanchai, Hong Kong
Audit Committee	Dr. LIU Shulian *(Chairperson)* Dr. QU Daokui Mr. RONG Xinjie
Remuneration Committee	Dr. QU Daokui *(Chairperson)* Dr. LIU Jiren Dr. WANG Weiping

Nomination Committee	Dr. LIU Jiren *(Chairperson)* Dr. LIU Shulian Dr. WANG Weiping
Principal Share Registrar	**Ogier Global (Cayman) Limited** 89 Nexus Way Camana Bay Grand Cayman, KY1-9009 Cayman Islands
Hong Kong Share Registrar	**Tricor Investor Services Limited** Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Compliance adviser	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Hong Kong *(A licenced corporation carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)*
Principal banks	**China Construction Bank** **Dalian High-tech Zone Branch** Unit 01 Levels 1-2, Taide Building 537 Huang Pu Road Ganjingzi District, Dalian Liaoning, China **Shanghai Pudong Development Bank** **Dalian Xueyuan Square Branch** 5 Shuma South Road Shahekou District, Dalian Liaoning, China **Bank of Chengdu** **Dujiangyan Branch** 56 Jianshe Road Dujiangyan City Chengdu, Sichuan, China

Guangdong Nanhai Rural Commercial Bank
Shishan Software Park Banking Office
A11 Shops
Sunshine Online Plaza
Nanhai Software Science and Technology Park
Shishan Town, Nanhai District
Foshan, Guangdong, China

Certain information and statistics set out in this section and elsewhere in this document are derived from various government and other publicly available sources, and from the market research report prepared by Frost & Sullivan, an independent market research consulting firm that was commissioned by our Company. The information extracted from the Frost & Sullivan Report should not be considered a basis for investments in the Offer Shares or an opinion of Frost & Sullivan with respect to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. No independent verification has been carried out on such information and statistics by our Company or any other parties involved in the Global Offering (excluding Frost & Sullivan) or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. For discussions of risks relating to our industries, see "Risk factors—Risks relating to our business and our industry."

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is engaged in the provision of market research consultancy services, to conduct a detailed analysis of China's higher education market, China's private higher education market, China's software and IT service industry, China's private higher IT education market, China's continuing education market, China's IT value-added educational service market and other economic data.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary research which involves discussions of industry status with leading industry participants and industry experts, and secondary research which involves review of company reports, independent research reports and data from Frost & Sullivan's own research database.

The Frost & Sullivan Report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period from 2019 to 2023; (iii) market drivers, such as attention on children's education by Chinese households, support from the PRC central and local governments, improved investment on private education of the Chinese society, and the increase of household income and personal wealth, are likely to drive the growth of the Chinese private higher education market over the forecast period from 2019 to 2023, and (iv) the targets of expanding enrolment of higher education set by the PRC government are expected to be achieved over the forecast period from 2019 to 2023. With respect to the projection of total market size, Frost & Sullivan plotted available historical data analysis against macroeconomic data and related industry drivers.

Frost & Sullivan is an independent global consulting firm, which was founded in New York, U.S.A. in 1961. It conducts industry research and provides market strategies, growth consulting, and corporate training services. We have agreed to pay a fee of up to RMB1,830,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. The payment of such fee was not conditional on our successful Listing or on the results of the Frost & Sullivan Report. The Frost & Sullivan Report is independent from our influence. Figures and statistics provided in this document and attributed to Frost & Sullivan or the Frost & Sullivan Report have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. We also have extracted certain information from the Frost & Sullivan Report in the sections headed "Summary," "Risk Factors," "Business," and "Financial Information" and elsewhere in this document to provide a more comprehensive presentation of the industry in which we operate. Our Directors have further confirmed, after making reasonable inquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the Frost & Sullivan Report or any of the other reports that may qualify, contradict or have an impact on the information in this section.

CHINA'S HIGHER EDUCATION MARKET

China's formal higher education can be provided by either junior colleges or universities granting different diplomas/degrees. China's higher education industry has experienced steady growth from 2014 to 2018. According to the Ministry of Education of the PRC, the total revenue of China's higher education industry increased from RMB851.0 billion in 2014 to RMB1,201.3 billion in 2018, representing a CAGR of 9.0%. According to Frost & Sullivan, the total revenue of China's higher education industry is expected to increase from RMB1,201.3 billion in 2018 to RMB2,114.2 billion in 2023, representing a CAGR of 12.0%.

The student enrolments at higher education institutions in China have grown continuously from 2014 to 2018. According to Frost & Sullivan, the number of student enrolments in higher education increased from 27.3 million in 2014 to 31.0 million in 2018, representing a CAGR of 3.2% and is expected to increase from 31.0 million in 2018 to 38.5 million in 2023, representing a CAGR of 4.4%.

The Chinese government has issued a series of policies and regulations to encourage and promote the development of junior college diploma programmes and junior college to bachelor degree transfer programmes. According to the 2019 Government Work Report (2019政府工作報告), student enrolments in higher vocational colleges in China shall increase by one million persons in 2019. On 8 May 2019, the MOE released the Implementation Plan of Special Work of Expanding Enrolment of Higher vocational Education (高職擴招專項工作實施方案), which introduced various measures for the one million extra enrolment of higher vocational education in 2019. According to the speech given by the deputy minister of the MOE at a press conference held by the State Council on 28 February 2020, student admission quota for postgraduate programmes and junior college to bachelor's degree transfer programmes are expected to be expanded by approximately 189,000 and 320,000 students nationwide, respectively, in 2020. According to the 2020 Government Work Report (2020 政府工作報告), student enrolments in higher vocational colleges in China will be further increased by two million persons in 2020 and 2021.

CHINA'S PRIVATE HIGHER EDUCATION MARKET

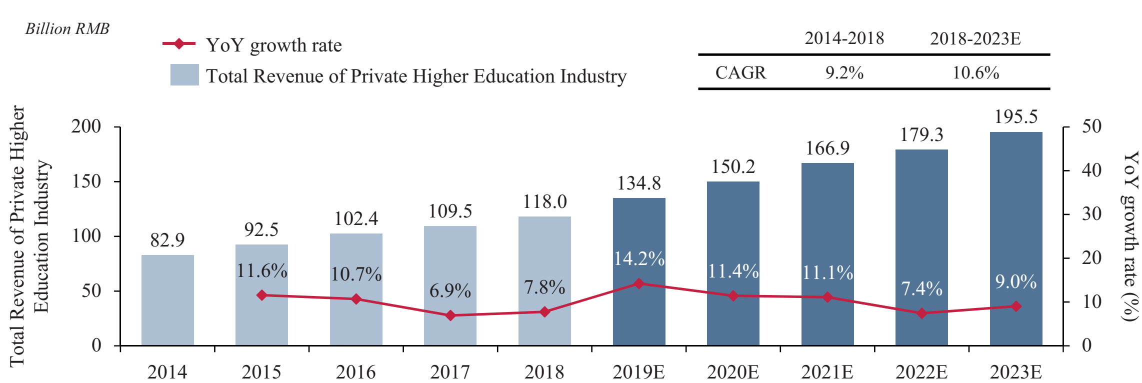
The private higher education industry in China has experienced rapid growth since the beginning of the 1990s as the relevant government authorities made great endeavours in developing the regulatory framework for private higher education, according to the Frost & Sullivan Report. Private higher education institutions in China can be divided into three categories, namely, private regular universities (民辦普通本科), private junior colleges (民辦普通專科) and independent colleges (獨立學院). Private regular universities refer to private higher education institutions that offer undergraduate level education programmes, while private junior colleges refer to private higher education institutions that offer junior college diploma education programmes. Independent colleges refer to undergraduate level private higher education institutions that are operated by non-governmental institution(s) or individual(s) in cooperation with a public university or college. Independent colleges differ from private regular universities by the requisite of cooperating with public universities and colleges.

Total Revenue of Private Higher Education in China

According to the Frost & Sullivan Report, total revenue of private higher education industry (民辦高等教育經費總收入) has been calculated by aggregating total PRC government public expenditures allocated to schools in the PRC private higher education industry by the central government and local governments, funding provided to private schools by investors, revenues generated from donations to and fundraising by schools, revenues generated by schools from teaching, research and other activities (such as tuition and school-run businesses), and other educational funding or school revenues.

From 2014 to 2018, the total revenue of the private higher education industry increased from RMB82.9 billion to RMB118.0 billion, representing a CAGR of 9.2%. In 2018, the total revenue of private higher education industry in China accounted for 9.8% of the total revenue generated by China's higher education industry, according to Frost & Sullivan. The total revenue of private higher education industry is expected to increase from RMB118.0 billion in 2018 to RMB195.5 billion in 2023, representing a CAGR of 10.6%. The following diagram illustrates the historical and projected total revenue of China's private higher education industry from 2014 to 2023:

Total Revenue of the Private Higher Education Industry in China (2014-2023E)

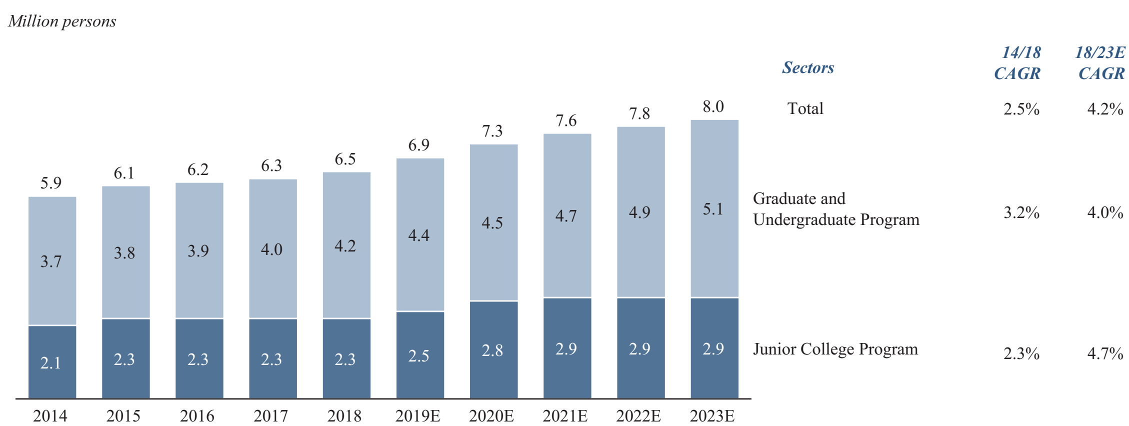


Source: Frost & Sullivan

Total Number of Student Enrolments of Private Higher Education in China

The student enrolments at private higher education institutions in China have grown continuously in past years. According to the Frost & Sullivan Report, the number of student enrolments in private higher education in China increased from 5.9 million in 2014 to 6.5 million in 2018 and is expected to increase to 8.0 million in 2023. The following chart shows the historical and projected total number of student enrolments in China's private higher education industry from 2014 to 2023:

Student Enrolments of the Private Higher Education Industry in China (2014-2023E)



Source: Frost & Sullivan

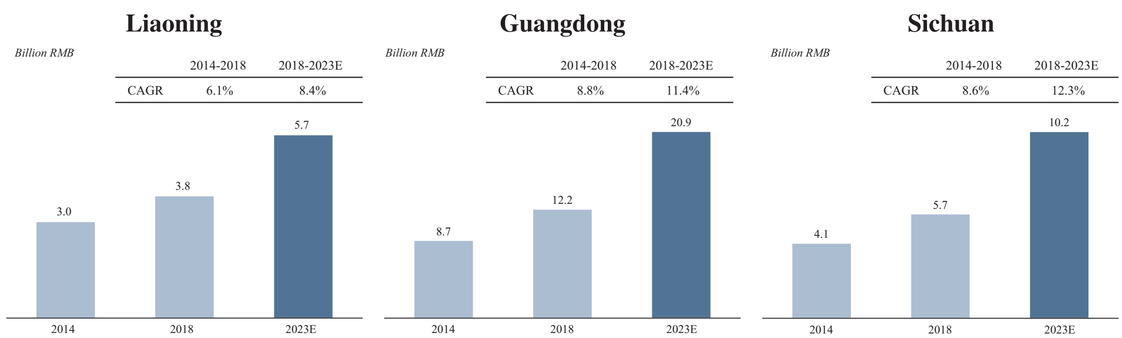
Note:

(1) Due to rounding, numbers presented above may not add up precisely to the totals.

Total Revenue of Private Higher Education in Liaoning, Guangdong and Sichuan Provinces

Along with the fast development of the private higher education industry in China, the private higher education industry in Liaoning, Guangdong and Sichuan provinces also experienced rapid growth from 2014 to 2018, and is expected to continue to grow in the future. According to the Frost & Sullivan Report, the total revenue of the private higher education market in Liaoning province increased from RMB3.0 billion in 2014 to RMB3.8 billion in 2018, representing a CAGR of 6.1% for the same period, and is expected to increase to RMB5.7 billion in 2023, at a CAGR of 8.4% from 2018 to 2023. In Guangdong province, the total revenue of the private higher education market increased from RMB8.7 billion in 2014 to RMB12.2 billion in 2018, representing a CAGR of 8.8%, and is expected to increase to RMB20.9 billion in 2023, at a CAGR of 11.4% from 2018 to 2023. As for Sichuan province, the total revenue of the private higher education market increased from RMB4.1 billion in 2014 to RMB5.7 billion in 2018, representing a CAGR of 8.6% for the same period, and is expected to increase to RMB10.2 billion in 2023, at a CAGR of 12.3% from 2018 to 2023.

Total Revenue of Private Higher Education Market
in Liaoning, Guangdong and Sichuan Provinces (2014–2023E)



Source: Frost & Sullivan

Note:

(1) Due to rounding, numbers presented above may not add up precisely to the totals.

Total Number of Student Enrolments of Private Higher Education in Liaoning, Guangdong and Sichuan Provinces

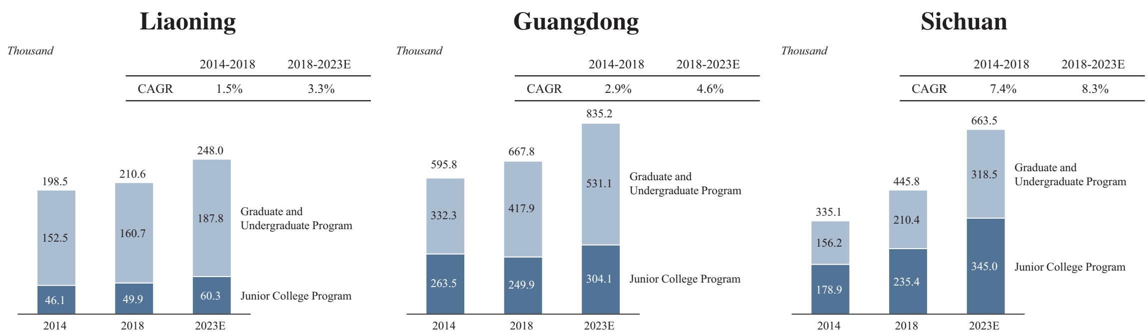
In Liaoning, Guangdong and Sichuan provinces, the total number of student enrolments at private higher education institutions have also experienced consistent growth from 2014 to 2018.

The total number of student enrolments for the private higher education market in Liaoning province increased from approximately 198.5 thousand in 2014 to approximately 210.6 thousand in 2018, representing a CAGR of 1.5%, and is expected to increase to approximately 248.0 thousand in 2023, representing a CAGR of 3.3% from 2018 to 2023.

The total number of student enrolments for the private higher education market in Guangdong province increased from approximately 595.8 thousand in 2014 to approximately 667.8 thousand in 2018, representing a CAGR of 2.9%, and is expected to increase to approximately 835.2 thousand in 2023, representing a CAGR of 4.6% from 2018 to 2023.

The total number of student enrolments for the private higher education market in Sichuan province increased from approximately 335.1 thousand in 2014 to approximately 445.8 thousand in 2018, representing a CAGR of 7.4%, and is expected to increase to approximately 663.5 thousand in 2023, representing a CAGR of 8.3% from 2018 to 2023.

Number of Student Enrolments in Private Higher Education
in Liaoning, Guangdong and Sichuan Provinces (2014–2023E)



Source: Frost & Sullivan

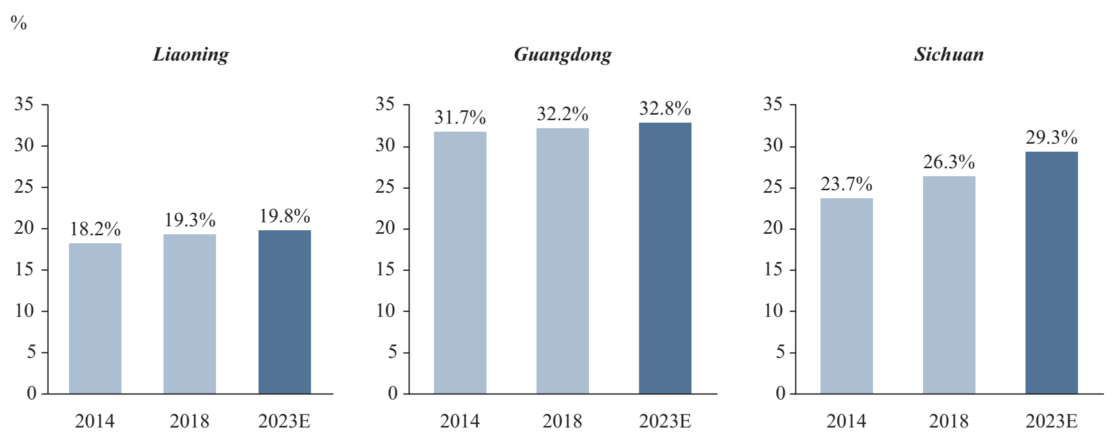
Penetration Rate of Private Higher Education in China

According to the Frost & Sullivan Report, the penetration rate of private higher education in China decreased from 21.6% in 2014 to 21.0% in 2018 and is expected to remain at a relatively stable level from 2018 to 2023.

Penetration Rate of Private Higher Education in Liaoning, Guangdong and Sichuan Provinces

Compared with the relatively stable penetration rate of private higher education in China, the penetration rate of private higher education in Liaoning province increased from 18.2% in 2014 to 19.3% in 2018, and is expected to increase to 19.8% in 2023. Moreover, in Sichuan province, the penetration rate had experienced a rapid increase from 23.7% in 2014 to 26.3% in 2018, and is expected to increase to 29.3% in 2023. In Guangdong province, with an already high penetration rate of private higher education at 31.7% in 2014, it increased slightly to 32.2% in 2018, and is expected to increase to 32.8% in 2023. The following charts show the historical and projected penetration rate of private higher education in Liaoning, Guangdong and Sichuan provinces from 2014 to 2023:

Penetration Rate of Private Higher Education by Number of Student Enrolments in Liaoning, Guangdong and Sichuan Provinces (2014–2023E)



Source: Frost & Sullivan

Tuition Fee of Private Higher Education in China

The average annual tuition fee of private higher education in China increased from RMB10,983 in 2014 to RMB13,530 in 2018, representing a CAGR of 5.4%. In addition, driven by the increase in costs and improvements of quality of private higher education, the average annual tuition fee of private higher education in China is predicted to increase at a CAGR of 4.8% from 2018 to 2023, reaching RMB17,095 in 2023.

In Liaoning province, the average annual tuition fee of private higher education increased from RMB11,600 in 2014 to RMB13,800 in 2018, representing a CAGR of 4.4%, and is predicted to increase at a CAGR of 6.5% from 2018 to 2023, reaching RMB18,900 in 2023.

In Guangdong province, the average annual tuition fee of private higher education increased from RMB11,200 in 2014 to RMB14,300 in 2018, representing a CAGR of 6.3%, and is predicted to increase at a CAGR of 7.8% from 2018 to 2023, reaching RMB20,800 in 2023.

In Sichuan province, the average annual tuition fee of private higher education remained stable as it increased at a CAGR of 2.5% from RMB8,700 in 2014 to RMB9,600 in 2018, and is predicted to increase at a CAGR of 5.3% from 2018 to 2023, reaching RMB12,400 in 2023.

Market Drivers and Trends of Private Higher Education in China

According to Frost & Sullivan, the further development of the private higher education industry in China would be driven primarily by the following factors and trends:

- ***Government support:*** The Chinese government has issued a series of policies and regulations to encourage and promote the development of private higher education, such as the Notification of Enhancing the Management and Conducting the Development of Non-governmental Colleges and Universities by General Office of the State Council (國務院辦公廳關於加強民辦高校規範管理引導民辦高等教育健康發展的通知) and Non-governmental Education Promotion Law of the PRC (中華人民共和國民辦教育促進法) to promote the sound development of private higher education. These policies and regulations are expected to accelerate the growth of the private higher education industry.

- ***Increasing wealth leading to greater demand for higher education and academic qualifications:*** With people's increasing income and improved physical living conditions, they are paying more attention to education. Nevertheless, the development of public education resources is likely to uphold at a relatively stable pace, and private higher education is expected to gain ground for development based on the gap between the rapidly increasing demand for higher education and the relatively limited public higher education resources.

- ***Growing market demand for technical talent:*** With continued strong economic development, the Chinese economy's demand for more technical talent of all areas is growing. The lack of skilled and well-trained first-line operative workers is expected to drive the growing demand for private higher education, which focuses more on professional education.

- ***Increasing diversification and improved education quality:*** With policy support and private education groups' ever increasing capabilities in resource integration, the education quality of private higher education is continuously improving. Meanwhile, private education that focuses on professional education are expanding their course variety and increasing the level of specialisation for each specific field. Such developments are expected to attract more people to consider private higher education and drive the growth of the market on a long-term basis.

- ***Better match of talent cultivation and market demand:*** Universities focusing on applied arts and technologies provide more training on practical skills to better cultivate technical talent, who is better sought after by employers. Recognising the benefits of profession-oriented higher education and relevant institutes, the PRC government has been increasingly promoting cooperation between higher education institutions and corporations with a view to cultivate more application-oriented talent and make talent cultivation more demand-driven. This is expected to increase the number of private higher education institutions which focus on closing the gap between higher education talent cultivation and the market demand for application-oriented talent.

PRIVATE HIGHER IT EDUCATION INDUSTRY IN CHINA

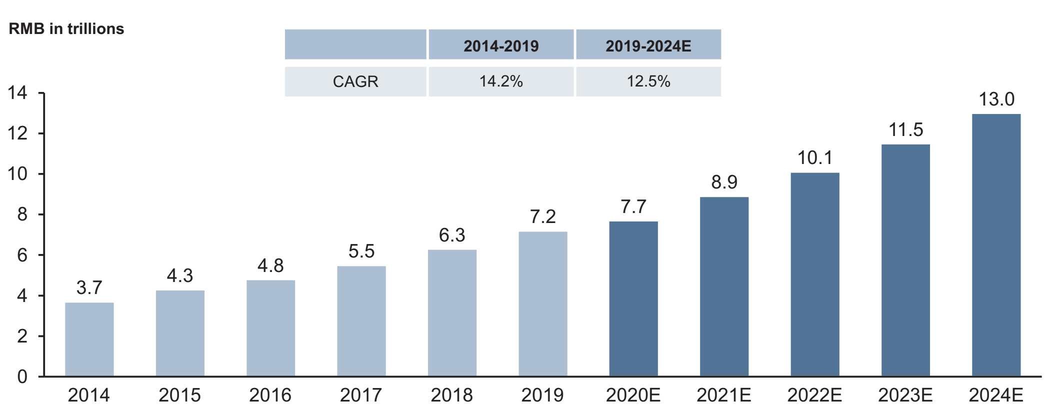
The Software and IT Service Industry in China

According to the Frost & Sullivan Report, software and IT service industry is defined as operational activities involving the production, gathering, processing, storage, transmission, searching and utilisation of information, along with information service. The software and IT services industry is a national strategic emerging industry in China. The PRC government has launched a series of policies to support the growth of this industry in terms of, among others, taxation, research funding, import and export preferential treatment, talent cultivation, intellectual property protection, market development and investment.

Market Size of Software and IT Service Industry in China

The market size of software and IT service industry in China, as measured by revenue, has experienced strong growth in recent years, primarily driven by technology innovations, industry demand and favourable government policies. According to the Frost & Sullivan Report, the market size of software and IT service industry in China in terms of revenue increased from RMB3.7 trillion in 2014 to RMB7.2 trillion in 2019, representing a CAGR of 14.2%, and is expected to reach RMB13.0 trillion in 2024, representing a CAGR of 12.5% from 2019. The following chart shows the historical and projected total revenue of software and IT service industry in China from 2014 to 2024:

Total Revenue of Software and IT Service Industry in China (2014–2024E)



Source: Frost & Sullivan

Talent Supply Shortage of the Software and IT Service Industry

According to the Frost & Sullivan Report, the total number of employees in software and IT service industry in China increased from approximately 5.5 million in 2014 to approximately 6.7 million in 2019, representing a CAGR of 4.0%, and is projected to reach approximately 8.6 million in 2024, representing a CAGR of 5.1% from 2019.

According to "The Guidelines for the Planning of Talent Development in Manufacturing" ("製造業人才發展規劃指南"), there will be a significant supply-demand gap of talent for the software and IT service industry due to the anticipated rapid growth of the new-generation information technology industry in China over the next ten years. It is estimated that the supply-demand gap of talent will be 7.5 million persons in 2020, which is expected to further increase to 9.5 million persons in 2025, when the total demand is projected to reach 20.0 million persons. The significant supply-demand gap of talent for the industry signals a growing and urgent demand of students who intend to receive higher education to meet such job requirements in China.

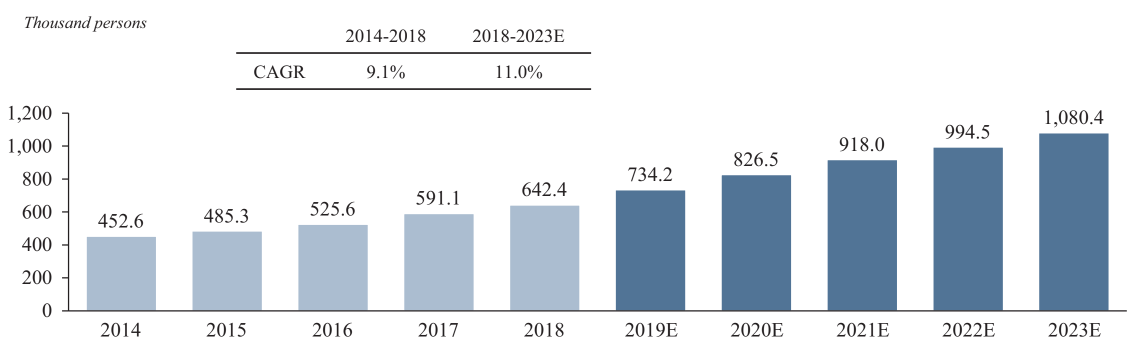
Private Higher IT Education Industry in China

According to Frost & Sullivan, private higher IT education is defined as the full-time formal higher education programmes of IT majors provided by private higher education institutions, and the growth of China's software and IT service industry has created demands for talent who has in-depth understanding and solid practical skills on emerging technologies, such as Internet of Things and artificial intelligence. Such demands are expected to guide private higher education institutions on their curriculum arrangement and talent cultivation goals in relation to private higher IT education. Moreover, private higher education institutions are creating new majors and academic programmes to cultivate talent who meets the knowledge requirements of emerging technologies.

Market Size of Private Higher IT Education Industry in China

According to Frost & Sullivan, the market size of China's private higher IT education industry is measured by total student enrolments in IT majors at private higher education institutions in China, which increased from approximately 452.6 thousand in 2014 to approximately 642.4 thousand in 2018, representing a CAGR of 9.1% from 2014 to 2018. Driven by the promising development of China's IT industry in the future, the total number of student enrolments in IT majors is expected to continue to grow, reaching approximately 1,080.4 thousand in 2023, representing a CAGR of 11.0% from 2018 to 2023. The following chart shows the historical and projected total number of student enrolments in IT majors at private higher education institutions from 2014 to 2023:

Total Number of Student Enrolments in IT Majors in Private Higher Education in China (2014-2023E)



Source: Frost & Sullivan

Market Drivers of Private Higher IT Education Industry in China

According to the Frost & Sullivan Report, the growth of China's private higher IT education industry is driven primarily by the following factors:

- ***Rapid growth of IT-related industries:*** IT-related industries witnessed rapid growth in past years. Specifically, for the software and IT service industry in China, its market size in terms of revenue increased from RMB3.7 trillion in 2014 to RMB7.2 trillion in 2019, representing a CAGR of 14.2% in the same period. The rapid growth stimulates the demand for IT talent, especially the demand for talent with higher education background. Meanwhile, attractive salary provided in IT-related industries also attracts more students to choose IT-related higher education.

- ***Emergence of new technologies:*** Thanks to the continuous technology advancement in IT-related industries, an increasing amount of new technologies emerge, such as artificial intelligence, Internet of Things and 5G, which may significantly re-shape the landscapes of many industries, and continue to develop. The emergence of those new technologies creates the huge demand for talent with solid educational background and professional skills in such fields.

- ***Government support for IT-related industries:*** The PRC government has promulgated a series of policies to support the development of IT-related industries, including but not limited to, "The Outline of National Informatisation Development Strategy" (國家信息化發展戰略綱要), "The Development Plan on the Software and IT Service Industry (2016-2020) (軟件和信息技術服務業發展規劃(2016-2020)), "Made in China 2025" (中國製造 2025), "Notice of the State Council on Issuing the Development Plan on the New Generation of Artificial Intelligence" (國務院關於印發新一代人工智能發展規劃的通知). These policies are expected to promote the development of IT-related industries, which in turn creates the demand for talent.

COMPETITIVE LANDSCAPE OF PRIVATE HIGHER EDUCATION IN CHINA

Competitive Landscape of Private Higher Education Industry in China, Liaoning, Guangdong and Sichuan Provinces

According to Frost & Sullivan, China's private higher education market is highly fragmented, as the total number of private higher education institutions reached 749 in 2018, but the top five market players only occupy a combined market share of 8.7% in the same year in terms of student enrolments.

In the 2018/2019 school year, our Group ranked twelfth in terms of student enrolments among all private higher education groups in China, with a total number of student enrolments of approximately 34.1 thousand. If we exclude independent colleges from the ranking, our Group ranked eighth in terms of student enrolments among all private higher education groups. Independent colleges are private higher education institutions that are jointly established by public universities and individuals or private entities and are affiliated with the sponsoring public universities. They are different from other private higher education institutions in many material aspects: (i) the operation and student admission of independent colleges are under the name of the sponsoring public university; (ii) some independent colleges are located on the campus of their corresponding sponsoring public universities and use the teachers and other teaching resources of their corresponding sponsoring public universities; (iii) when students graduate, degrees awarded bear the name of their corresponding sponsoring public universities; and (iv) independent colleges normally pay a certain portion of their tuition fee income to the sponsoring public university for the use of the brand and the resources. For the reasons above, in addition to rankings among all private higher education institutions, we also present our rankings after excluding independent colleges to provide investors with more information with respect to our competitive position in the private higher education industry in China.

Moreover, in the 2018/2019 school year, the initial employment rates of graduates of full-time formal higher education programmes provided by Dalian University and Chengdu University were higher than their respective local average initial employment rates of graduates of full-time formal higher education programmes in Liaoning province and Sichuan province. The following table compares the initial employment rate of our graduates and the average level of higher education graduates in the 2018/2019 school year in Liaoning, Guangdong and Sichuan provinces:

Initial Employment Rate of Higher Education Graduates in Liaoning, Guangdong and Sichuan Provinces

Province	Initial Employment Rate	
Liaoning	**Dalian University**	**92.73%**
	Average level	91.95%
Guangdong	**Foshan University**	**92.42%**
	Average level	94.58%
Sichuan	**Chengdu University**	**97.19%**
	Average level	88.28%

Source: Frost & Sullivan

In addition, the competitiveness of our students is demonstrated by their average monthly salary after graduation. In the 2017/2018 school year, the average monthly salary of graduates of full-time formal higher education programmes provided by each of Dalian University, Foshan University and Chengdu University were significantly higher than the average monthly salary of graduates of all the full-time formal higher education programmes in Liaoning, Guangdong and Sichuan provinces, respectively. The following table compares the average monthly salary of our graduates and the average level of higher education graduates in the 2017/2018 school year in Liaoning, Guangdong and Sichuan provinces:

Average Monthly Salary of Higher Education Graduates in Liaoning, Guangdong and Sichuan Provinces

Province	Average Monthly Salary	
Liaoning	**Dalian University**	**5,211**
	Average level	4,600
Guangdong	**Foshan University**	**4,528**
	Average level	4,071
Sichuan	**Chengdu University**	**5,045**
	Average level	4,453

Source: Frost & Sullivan

Competitive Landscape of Private Higher IT Education Industry in China, Liaoning, Guangdong and Sichuan Provinces

Our three universities offered a total of 26 IT majors and had a total of approximately 16.0 thousand students enroled in the IT majors for the 2019/2020 school year. According to the Frost & Sullivan Report, in the 2018/2019 school year, our Group ranked the first in terms of the number of IT majors and the second in terms of the number of students enroled in IT majors among all private higher education service providers in China. After excluding independent colleges from the ranking, our Group ranked the first in terms of the number of students enroled in IT majors among all private higher education institutions in the 2018/2019 school year, according to the Frost & Sullivan Report. Our independent industry consultant, Frost & Sullivan, is of the view that the ranking of our Group based on the student enrolments of IT majors in China is an acceptable industry benchmark for performance evaluation for the following reasons: (i) the "IT majors" is a well-defined industry term, which refers to electronic information discipline for undergraduate and junior college education and computer discipline for undergraduate education; (ii) the Group is an education service provider that focuses on providing IT higher education services; and (iii) the student enrolments of IT majors can fairly evaluate the enrolment capacity of IT higher education service providers and the capability of such providers to admit students. The following table illustrates the top five players in terms of student enrolments of IT majors during the 2018/2019 school year in China's private higher IT education industry:

Top Five Private Higher Education Groups by Student Enrolments of IT Majors in China

Ranking	Private Higher Education Group	Student Enrolments of IT Majors (in thousands)
1	Company A (A private higher education service provider that operates multiple private higher education institutions in multiple provinces and offers undergraduate programmes and junior college diploma programmes with a wide range of course offerings)	17.4
2	**Our Group**	**15.4**
3	Company C (A private higher education service provider that operates multiple private higher education institutions mainly in Southwestern China and offers undergraduate programmes and junior college diploma programmes with a wide range of course offerings)	10.5
4	Company D (A private higher education service provider that operates two higher education institutions in central China and offers undergraduate programmes and junior college diploma programmes with a wide range of course offerings)	8.3
5	Company E (A private higher education service provider that operates multiple private higher education institutions in multiple provinces and offers undergraduate programmes and junior college diploma programmes with a wide range of course offerings)	8.3

Source: Frost & Sullivan

In terms of student enrolments of IT majors, Dalian University ranked the first in Liaoning province, Chengdu University ranked the third in Sichuan province, and Foshan University ranked the fifth in Guangdong province in the 2018/2019 school year. The following tables illustrate the ranking of our universities in terms of student enrolments of IT majors during the 2018/2019 school year in Liaoning, Guangdong and Sichuan provinces:

Leading Players in terms of Student Enrolments of IT Majors in Liaoning, Guangdong and Sichuan Provinces

Province	Ranking	Private Higher Education Institution	Student Enrolments of IT Majors (in thousands)
Liaoning	**1**	**Dalian University**	**7.1**
	2	Institution A	2.5
	3	Institution B	2.3
Guangdong	1	Institution C	7.1
	2	Institution D	4.8
	3	Institution E	4.4
	4	Institution F	4.0
	5	**Foshan University**	**3.9**
Sichuan	1	Institution G	8.0
	2	Institution H	5.2
	3	**Chengdu University**	**4.3**

Source: Frost & Sullivan

Entry Barriers of Private Higher Education Industry in China

According to the Frost & Sullivan Report, entry barriers of private higher education in China include the following:

- ***Approval of the government***: The lengthy and complicated process in obtaining and maintaining a series of approvals, licences and permits from relevant PRC government to establish a private school becomes a natural barrier for new entrants.

- ***Sufficient initial capital and durative investment***: The establishment of a new school requires large capital investment for the construction of teaching facilities and continued investment to support the operation and expansion. The new entrants must have sufficient capital and be able to afford the intensive initial investment and the durative additional investment.

- ***Land resource and relevant facilities***: With the tight supply of available land resource and the rising rental cost, the availability of land resource for school facilities has become one of the entry barriers for new entrants to established new schools.

- ***Qualified teachers***: Teachers with practical industry experience and know-how are in great demand in the private higher education institutions. New entrants who are not able to access such resources would face challenge to catch up with the existing competitors in the market.

- ***Brand awareness and student resources***: Students have strong preference to attend a school with long operating history and well-established reputation, which makes it difficult for new entrants to enrol sufficient students.

- ***Operational experience and management capability***: The operation of higher education institutions involve the management of a large amount of people with a complex sets of roles, which foster a highly complex system. Without operational and management experience, new entrants could encounter great challenge in achieving larger scales and realise scale economy.

CHINA'S CONTINUING EDUCATION MARKET

China's Continuing Higher Education Market

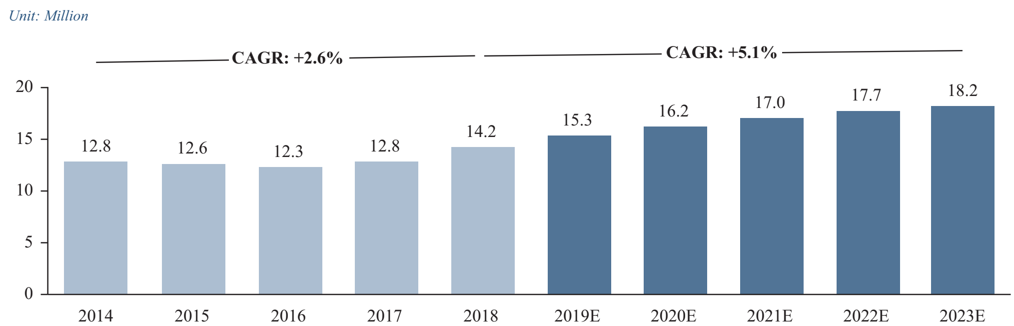
In China, continuing higher education primarily refers to post-secondary learning activities and programmes which are provided by higher education institutions to adult students who intend to be awarded higher education degrees or to participate in non-degree trainings.

China's continuing higher education industry comprises of two segments, namely continuing formal higher education (高等學歷繼續教育) and continuing non-formal higher education (高等非學歷繼續教育). Continuing formal higher education primarily includes adult higher education and web-based higher education, and students enroled in these education programmes will be awarded bachelor's degrees or junior college diplomas after graduation. Continuing non-formal higher education primarily includes postgraduate courses (研究生課程進修班), self-taught examination preparation courses (自考助學班), and in-service trainings (進修及培訓) for certificates of vocational qualifications or job-related qualifications.

Market Size of Continuing Higher Education in China

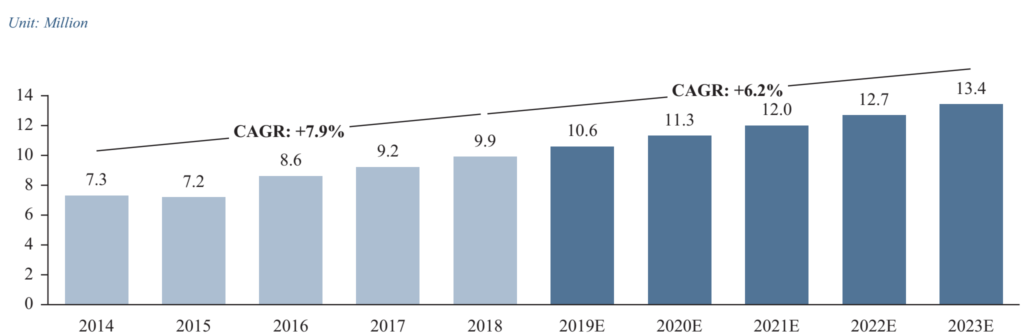
According to the Frost & Sullivan Report, the student enrolment of continuing formal higher education in China slightly increased from 12.8 million in 2014 to 14.2 million in 2018, representing a CAGR of 2.6% from 2014 to 2018. The student enrolment of continuing formal education in China is expected to increase to 18.2 million by 2023, representing a CAGR of 5.1% from 2018 to 2023, jointly driven by the anticipated increase in the student enrolment of adult higher education programmes and web-based higher education programmes (網絡高等教育項目).

Student Enrolments of Continuing Formal Higher Education in China (2014–2023E)



Driven by the increase in the student enrolment of in-service training, the student enrolment of continuing non-formal higher education in China increased from 7.3 million in 2014 to 9.9 million in 2018, representing a CAGR of 7.9% during the same period. Given that more and more people is expected to choose in-service training to obtain certificates of vocational or job-related qualifications, the students enrolment of continuing non-formal higher education in China is expected to further increase to 13.4 million by 2023, representing a CAGR of 6.2% from 2018 to 2023.

Student Enrolments of Continuing Non-formal Higher Education in China (2014–2023E)



Competitive Landscape of Continuing Higher Education in China

According to the Frost & Sullivan Report, a large number of higher education institutions are providing continuing higher education services in China, and the continuing higher education industry is China is highly fragmented with no dominant player.

Market Drivers of Continuing Higher Education in China

According to the Frost & Sullivan Report, the growth of China's continuing higher education market is primarily driven by the following factors:

- ***People's increasing emphasis on their education levels***: It is widely recognised that higher education brings more and better job opportunities. For students who are unable to receive higher education through traditional means such as attending the national college entrance examination, continuing higher education provides them with easier access to higher education. To improve their education levels and job prospects, more and more adults choose to pursue continuing higher education in China.

- ***Job requirements on education background and professional skills***: With the rapid economic growth of China, almost all industries have witnessed significant development and upgrading in past decades. The development and upgrading of industries in China lead to new and higher requirements for professional talent. Education background and professional skills have become critical job requirements. Continuing higher education provides students without higher education background with opportunities to pursue degrees to meet those job requirements. In addition, for working professionals, continuing higher education provides them with opportunities to improve their competitiveness in job markets by honing their professional skills or obtaining relevant certificates and qualifications.

- ***Advancements of technologies***: The advancement of Internet-related technologies facilitate the development of continuing higher education in China. Web-based higher education eliminates the constraints of traditional offline education in respect of location and time schedule, and allows students to receive distance higher education via the Internet. Due to the convenience that web-based higher education provides, students can utilise their time after work to receive higher education, rather than taking offline full-time courses. In addition, web-based higher education provides students with nationwide higher education resources, which offer students more choices on choosing courses.

China's IT and Internet Technology Vocational Training Market

Apart from continuing higher education, there are various other types of continuing education in China, among which, IT and internet technology vocational training is one of the most thriving markets driven by rapid growth of the IT-related industries and demand for talents with IT skills. IT and internet technology vocational trainings usually focus on training topics including, among others, programming language training, software development training, and computer design training. The IT and internet technology vocational training market discussed in this document refers to standard training services provided to individual customers and does not include customised IT and internet technology vocational training services provided to institutional customers.

Market Size of IT and Internet Technology Vocational Training Market

According to the Frost & Sullivan Report, the market size of IT and internet technology vocational training services grew from RMB21.3 billion in 2014 to RMB42.1 billion in 2019, representing a CAGR of 14.6%. As the Chinese government is vigorously promoting IT-related industries such as artificial intelligence and big data, the demand for IT talents is expected to increase. The market size is forecasted to grow from RMB42.1 billion in 2019 to RMB72.0 billion in 2024, representing a CAGR of 11.3%.

Market Drivers of IT and Internet Technology Vocational Training in China

According to the Frost & Sullivan Report, the growth of China's IT and internet technology vocational training market is primarily driven by the following factors:

- ***Growing information technology and internet technology industry in China***: China's information technology and internet technology industry has experienced solid growth over the past several years. The rapid growth has created significant demand for professional IT talents with sufficient practical knowledge and technical skills.

- ***Rapid industrial innovation and upgrades***: The rapid development of new information and internet technologies, along with emerging platforms and trends, such as mobile internet, cloud computing and big data, makes it difficult for professionals and university curricula to stay abreast of the latest technology developments, which incentivised students and employed working professionals to obtain additional trainings on a regular basis.

- ***Enhancement of the requirement on employee skills***: As an intelligence-intensive industry, the information technology and internet technology industry generally requires employees in this industry to have a higher level of expertise. The rapid-evolving nature of this industry also requires employees to constantly obtain new skills. As a result, demand for information technology and internet technology trainings arises.

- ***Growing number of graduates of higher education***: The continuing growth in the number of higher education graduates has enlarged the population base for professional education. Moreover, the increasing number of graduates have also increased the peer pressure in seeking an ideal job, which further motivates graduates to obtain continuing vocational trainings.

Competitive Landscape of IT and Internet Technology Vocational Training Market in China

According to the Frost & Sullivan Report, China's IT and internet technology vocational training market is highly fragmented with no dominate players in this market. Leading market participants mainly rely on their nationwide learning center network to generate most of their revenues from offline face-to-face courses. In recent years, more market players are offering training services through online channels and tap into online education market to achieve further market penetration and expand their revenue sources.

We acquired 90.91% of the equity interest of Tianjin Ruidao in March 2020. According to the Frost & Sullivan Report, Tianjin Ruidao was ranked the seventh among all IT and internet technology vocational training providers in China in terms of revenue generated from tuition fees for offering IT and internet technology vocational training services in 2019.

The IT and internet technology vocational training markets are highly fragmented in the regions where the seven training schools of Tianjin Ruidao are located. Both leading industry participants with national presence and local players compete in these local markets. The following table illustrates the sizes of the addressable market of the provinces where the seven training schools of Tianjin Ruidao are located and each school's market share in the corresponding provinces:

Training school	Location	Addressable Market[(1)] (RMB Billion)	Market Share	Ranking in terms of revenue in 2019	Ranking in terms of student enrolments in 2019	Number of market players
Tianjin Binhai Newtown Neusoft Ruidao Software Talent Vocational Training School	Tianjin	1.1	1.2%	4	4	>280
Shenyang Neusoft Software Talent Training Centre	Liaoning	1.0	3.7%	1	1	>250
Dalian Neusoft Software Talent Training Centre	Liaoning	1.0	2.0%	2	2	>250
Nanjing Neusoft Talent Training Centre	Jiangsu	6.0	0.2%	6	6	>1,500
Qingdao West Coast New District Neusoft Ruidao Software Talent Training School	Shandong	3.3	0.4%	5	5	>820
Guangzhou Neusoft Software Talent Vocational Training School	Guangdong	7.2	0.2%	5	5	>1,400
Qinhuangdao Neusoft Venture School	Hebei	0.2	0.4%	outside top ten	outside top ten	>200

Note:

(1) The addressable market represents the size of IT and internet technology vocational training market in 2019 in the provinces where our training schools are located.

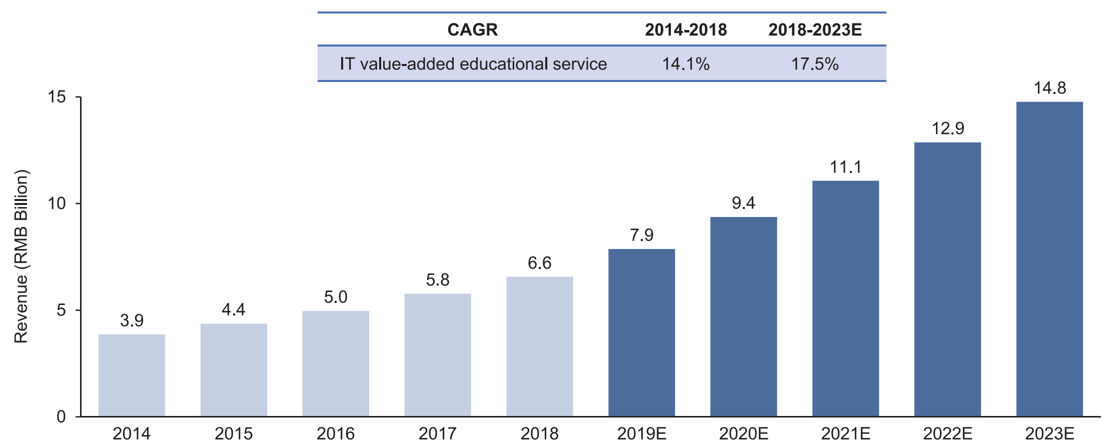
CHINA'S IT VALUE-ADDED EDUCATIONAL SERVICE MARKET

According to the Frost & Sullivan Report, IT value-added service refers to a variety of value-added IT education-related services provided to various education institutions such as secondary vocational schools, junior colleges and universities (mainly to higher education institutions providing IT majors). IT value-added educational service providers generally offer comprehensive or specific solutions including, among others, hardware, software, curriculum resources, teaching resources, training courses, course instructors, and internship opportunities. Typical examples of IT value-added educational services include joint establishment of academic majors, smart education platform and teaching resources and practical training laboratory solutions. The revenues of IT value-added educational service providers usually come from service fees based on student enrolments, software licence fees, hardware procurement and installation fees, and curriculum resources fees.

Market Size of IT Value-added Educational Service in China

According to the Frost & Sullivan Report, driven by IT industries' increasing demand for professional talents, more educational institutions are seeking for cooperation with IT value-added educational service providers so that their students can outperform students of their competitors in the job market. From 2014 to 2018, the market size grew from RMB3.9 billion to RMB6.6 billion, representing a CAGR of 14.1%. Given vigorous policy support from the Chinese government, more educational institutions will form partnerships with service providers in the future, which will drive the market to reach RMB14.8 billion in 2023, representing a CAGR of 17.5% from 2018 to 2023, according to the Frost & Sullivan Report.

Market Size of IT Value-added Educational Services (China), 2014 — 2023E



Market Drivers of IT Value-added Educational Service in China

According to the Frost & Sullivan Report, the growth of China's IT value-added educational service market is primarily driven by the following factors:

- ***Rapid growth of IT-related industries:*** IT-related industries witnessed rapid growth in past years. Specifically, for the software and IT service industry in China, its market size in terms of revenue increased from RMB3.7 trillion in 2014 to RMB7.2 trillion in 2019, representing a CAGR of 14.2% in the same period. Meanwhile, as more vertical industries such as financial industry, pharmaceutical industry and manufacturing industry are embracing increased levels of digitisation, IT-related industries not only grow in terms of the number of companies, but also in its quality of service.

- ***Government support for IT-related industries***: The PRC government has promulgated a series of policies to support the development of IT-related industries, including but not limited to, "The Outline of National Informatisation Development Strategy" (國家信息化發展戰略綱要), "The Development Plan on the Software and IT Service Industry (2016-2020) (軟件和信息技術服務業發展規劃(2016-2020)), "Made in China 2025" (中國製造 2025), and "Notice of the State Council on Issuing the Development Plan on the New Generation of Artificial Intelligence" (國務院關於印發新

一代人工智能發展規劃的通知). These policies are expected to promote the development of IT-related industries, which in turn creates the demand for talent. In addition, solid IT infrastructure such as fibre network serves as foundation for China to vigorously develop internet data centers (IDC), which serve the growing need of secure data storage, transmission and analyses.

- ***Discrepancy between supply and demand of IT talents***: Given the rapid growth of IT-related industries, demand for IT talents quickly outruns the supply. IT companies prefer talent with practical experience, which a majority of fresh graduates lack. This is mainly due to educational institutions' focus on theoretical education instead of practical training. As a result, there are unmet demands for qualified IT talents in the market, which will in turn boost the need for IT value-added educational service.

- ***Government initiative for educational reform***: In recent years, the PRC government has issued a series of policies and documents to initiate reform in vocational education. The PRC government encourages more cooperation between educational institutions and enterprises to nurture comprehensive talents that are well-adapted to the requirements of various jobs. In addition, the student enrolments in higher vocational colleges in China has increased by one million in 2019, reflecting the need for value-added educational service from the vocational educational institutions.

Entry Barriers of IT Value-added Educational Service in China

According to the Frost & Sullivan Report, the entry barriers of China's IT value-added educational service market are primarily as follows:

- ***Accumulation in teaching resources***: Current IT value-added educational service providers have accumulated large amounts of quality education resources after years of research and development. With data and information collected from past teaching experiences, these providers are able to continuously improve and complement their teaching resources offerings. In addition, their connection with industry-leading companies gives them abundant resources to update their case studies and real-life simulation programmes. It is difficult for new entrants to have the same level of education resources.

- ***Qualified teachers***: IT value-added educational service requires dual-qualified teachers who have both adequate academic background and teaching skills and relevant industry experience and practical skills. Such dual-qualified teachers are scarce resources in the market and difficult to attract and retain. New entrants would face challenges in catching up with the trend of market development without adequate dual-qualified teachers.

- ***Offline campuses and delivery centres***: Current IT value-added educational service providers still heavily rely on offline campuses and delivery centres, being the physical establishment of an education facility providing IT value-added educational services, to attract new students and expand their presence nationwide to build up their reputation. It requires a large amount of capital investment to establish and operate new campuses and delivery centres before they are able to make profits in a relatively longer period of time. New market entrants may have limited capital and experience to expand their network.

- ***Client resources and sales network***: Current IT value-added educational service providers have already established steady partnerships with a number of educational institutions. These service providers have a thorough understanding of educational institutions' specific requirements and are able to provide customised services after years of cooperation. Existing established relationships with these educational institutions naturally make it difficult for competitors including new entrants to establish new relationship with these educational institutions.

Competitive Landscape of IT Value-added Educational Service Market in China

Current IT value-added educational service providers in the market primarily include comprehensive IT education groups, IT training companies, internet companies, and traditional IT companies.

According to the Frost & Sullivan Report, Tianjin Ruidao ranked the fifth in terms of the revenue generated from providing IT value-added educational services in 2019 among all IT value-added educational service providers in China. The following tables illustrate the ranking of Tianjin Ruidao in the IT value-added educational service market in China:

Ranking	Market participants	Revenue in 2019 (RMB Millions)
1	Company A (A software and IT services group listed on the Hong Kong Stock Exchange)	200.0
2	Company B (An IT value-added educational service company that mainly serves the education industry)	150.0
3	Company C (An education services provider focusing on higher education and vocational education in China)	120.0
4	Company D (A comprehensive technology company providing IT product research and development, IT education resources and training, human resources services and IT business incubation services)	100.0
5	Tianjin Ruidao	96.3

Source: Frost & Sullivan

Future Trends of IT Value-added Educational Service in China

According to the Frost & Sullivan Report, China's IT value-added educational service market is expected to be as follows:

- ***Increasing support from smart education resources and platforms***. With IT infrastructure in higher education institutions being updated and improved, more institutions will embrace the support of smart education resources and platforms. By adopting education platforms and upload course content and resources, teachers can choose to hold live or recorded classes online, so students can freely choose when to start their classes. One class can be divided into several modules, with different learning points and theoretical focus in order to enhance students' enthusiasm for learning. With increasing support from smart education resources and platforms, teachers will be released from daily routines and may spend more time on course research and in-depth communication with students about course work and enhancing their skillset.

- ***Further integration of enterprises and educational institutions in joint establishment of academic majors.*** As Chinese economy is transforming from investment-oriented to consumption-oriented, it poses new challenges and opportunities to current IT enterprises and students. IT enterprises demand for students who possess both solid academic knowledge and industry know-how of turning knowledge into applications to adapt to the ever-changing market environment. Given these demands, IT value-added educational service providers can serve as liaisons between IT enterprises and educational institutions to communicate and engage in joint establishment of academic majors which can better prepare students for solving future problems, smoothen their learning curve during their work, and bring in more updated industry practice. With increasing demands for IT talents driven by the prosperous digital economy, service providers in the future will have deeper understanding of requirements of both IT enterprises and education institutions, and engage in further integration of cooperative partnerships.

- ***More constructions of practical training laboratory.*** Practical training or internships in IT laboratories has become a prevalent practice for talent cultivation, especially in junior colleges. Compared to normal classes, IT laboratories immerse students in a fast-paced environment and with several tasks provided by IT enterprises, testing their knowledge mastery and reaction capability. Students learn to solve practical problems from real work and prepare themselves for future problems that are alike. IT companies can use this opportunity to acquire additional help for short-term projects and scout for desired talents, saving time and cost and increasing effectivity as compared to doing a career fair. Seeing the great potential and benefits of IT laboratories, more educational institutions will cooperate with service providers to construct such laboratories to train their students.

- ***Merging between online training and offline training model.*** Since online-to-offline training combines the adaptability and convenience of online training and brand-building function of offline training, there will be more service providers adopting this blended delivery method. Students can use educational platforms provided by service providers to study various courses and conduct case studies, and practise these cases and scenarios in IT laboratories offline. Meanwhile, service providers are able to collect and analyse data for better teaching and service quality, which will also facilitate their future course design and student fostering plans.

- ***Detailed and tailored courses setting and design based on the type of educational institutions.*** Given IT value-added educational service providers cooperate with a wide range of educational institutions with different academic focus, in the future, service providers will seek for more detailed and customized cooperation plans and course designs for different types of educational institutions. For example, the proportion of IT laboratory practice will vary among junior colleges, universities and secondary vocational schools, as well as the scope and depth of core courses of their majors. Differentiating the service content among different educational institutions will help service providers get deeper understanding of the cooperation, and expand their market presence.

IMPACT OF COVID-19

According to Frost & Sullivan, the impacts of the COVID-19 on China's higher education market, private higher education market, private higher IT education market, software and IT service industry, continuing education market and IT value-added educational service market are as follows.

Impact of COVID-19 on higher education market, private higher education market, private higher IT education market in China

During the first quarter of 2020, due to the COVID-19 outbreak, almost all higher education institutions chose to deliver their courses for formal higher education programmes via online platforms, as an alternative form of face-to-face courses. As the number of newly confirmed cases continued to decrease in China, higher education institutions have started to re-open campuses and allow students to return since April 2020. After the National College Entrance Examination in July 2020, higher education institutions have begun their student admission activities for the fall semester of 2020/2021 school year, and it is expected that the student admission for the 2020/2021 school year will proceed as planned across the country. In addition, in an effort to mitigate the negative impacts of COVID-19 outbreak on employment, the PRC government and the MOE introduced plans for expanding student enrolments of higher education. As a result, the student enrolments of China's higher education market, the private higher education market and the private higher IT education market will continue to grow in the forecast period, and the impacts of COVID-19 outbreak on the abovementioned markets will be insignificant.

Impact of COVID-19 on software and IT service industry in China

Due to the COVID-19 outbreak, the software and IT service industry in China experienced a negative growth in the first four months of 2020. However, as the number of newly confirmed cases continued to decrease in the PRC, many businesses have started to re-open in accordance with government guidance and various restrictive measures on travel and social distancing were gradually lifted for the residents within the country. The growth rate of the software and IT service industry in China turned to positive in May 2020, and the growth momentum is expected to maintain for the rest of the year and the forecast period.

Impact of COVID-19 on continuing education market in China

Higher education institutions move their continuing higher education courses online during the COVID-19 outbreak in China, and the student enrolments of those courses were not significantly affected. As a result, the impacts of COVID-19 outbreak on the continuing higher education market will be insignificant. Due to the government guidance on closing offline tutoring centres, China's IT and internet technology vocational training market witnessed a decline in the first half of 2020. Despite many institutions move their courses online, the student enrolments of IT and internet technology vocational training courses decreased due to declining marketing activities and less willingness of individual customers to take online courses. However, with the re-opening of offline training centres, the IT and internet technology vocational training market is expected to recover from the COVID-19 outbreak in the second half of 2020.

Impact of COVID-19 on IT value-added educational service market in China

The impacts of COVID-19 outbreak on the IT value-added educational service market will be insignificant due to the following reasons: (i) IT value-added educational services are mainly provided to higher education institutions providing IT majors and the student enrolments of higher IT education is expected to continue to grow; (ii) more higher education institutions tend to procure IT value-added educational services to improve their students' practical skills and employment results given the increasing competition in job markets due to COVID-19 outbreak; and (iii) IT value-added educational service providers are able to deliver their services via online platforms.

OVERVIEW

Our history can be traced back to 2000 when we started our education business following an industry-wide response to China's increasing need to fill a shortage of professional talent in its highly technical and rapidly emerging technology industry. We began our business with the establishment of Dalian Orient Institute of Information Technology (later known as Dalian Neusoft Vocational College of Information Technology and subsequently merged into Dalian University in 2012) as a cooperation initiative with, among others, a predecessor of Neusoft Corporation ("**Neusoft Group**", being a company established in 1998 in which Dr. J. Liu was a core founding member), with Dr. Wen as the founding principal.

Our Group began as the educational arm of Neusoft Group, and later, became the educational arm of Neusoft Holdings, currently one of our Controlling Shareholders and the Registered Shareholder of our Operating Entity, when Neusoft Holdings was established in 2011.

Our Chairperson and Controlling Shareholder, Dr. J. Liu, through Neusoft Group, established the predecessors of Chengdu University and Foshan University in 2003, and Dalian University in 2004, with Dr. Zhang, Dr. Yang and Dr. Wen acting as principals, respectively, with the aim of growing talent and fostering an ecosystem of innovation for the next generation of software developers and information technology providers. Dalian University started as an independent college of Northeastern University and became an independent higher education institution in 2008. Dalian University was qualified to offer undergraduate degrees in China in 2004, while Chengdu University and Foshan University gained university status and became qualified to offer high-education undergraduate degrees in 2011 and in 2014, respectively, in China.

We primarily offer three types of services: (i) full-time formal higher education services, (ii) continuing education services, and (iii) education resources and apprenticeship programme. In the education sphere, we specialise in information technology and health technology, and with an emphasis on fostering professional practical skills that directly meet the industry's evolving needs.

MILESTONES

The following is a summary of our Group's development milestones:

Year	Event
2000	Dalian Orient Institute of Information Technology, the predecessor to Dalian Neusoft Vocational College of Information Technology, was established
2002	Dalian Development, our Operating Entity, was established
2003	the predecessors to Chengdu University (then named Chengdu Neusoft Vocational College of Information Technology) and Foshan University (then named Nanhai Neusoft Vocational College of Information Technology) were established

Year	Event
	Dalian Neusoft Vocational College of Information Technology and Chengdu Neusoft Vocational College of Information Technology (the predecessor to our Chengdu University) were selected by the MOE as two of the first 35 National Model Software Vocational Education Institutions in China
2004	the predecessor to Dalian University (then named Neusoft Institute of Information), was established
2005	the predecessor to Dalian University, as the first private university in China awarded first prize of the National Teaching Achievement Award for its project on "*The Exploration and Practice on Cultivation Mode of Practical IT Talent*"
2008	Neusoft Institute of Information was renamed Dalian Neusoft University of Information (or "**Dalian University**") and became an independent higher education institute Dalian University was one of four private institutions first approved by the MOE to become independent higher education institutions that provides undergraduate programmes
2011	Chengdu University was renamed to its current name and was upgraded to a university that provides undergraduate programmes
2012	Dalian Neusoft Vocational College of Information Technology was merged into Dalian University
2014	Foshan University was renamed to its current name and was upgraded to a university that provides undergraduate programmes
2016	Dalian University was recognised by the MOE as one of the First 50 Model Universities Nationwide of Experimental Innovation and Entrepreneurship (as one of only five private institutions in China)
2017	Dalian University was recognised by the MOE as one of the First 99 Model Universities Nationwide with Deepening Innovation and Entrepreneurship Education (as one of only four private institutions in China)
2018	our Company was established to serve as the holding company for our Group, including our schools
2020	we acquired Tianjin Ruidao and its subsidiaries

OUR MAJOR SUBSIDIARIES AND SCHOOLS

Our major subsidiaries

The principal business activities, and date of establishment and commencement of business of each Group member that made a material contribution to our operating results during the Track Record Period are shown below:

Company	Description	Principal business activities	Date of establishment and commencement of business
Neusoft Ruixin	Our JV *(PRC)*	Investment holding company	17 May 2019
Dalian Education	Subsidiary of our JV *(PRC)*	Educational software development, educational consulting services and information technology services (including cloud and data services)	3 August 2018
Shanghai Ruixiang	Subsidiary of our JV *(PRC)*	Providing technical services relating to information technology and computer engineering, technical consulting and development	14 April 2017
Dalian Development	Our Operating Entity *(PRC)*	Software development, information technology consulting, property management and acting as school sponsor	10 July 2002
Tianjin Ruidao	Subsidiary of our JV *(PRC)*	Education consulting services, as well as holding seven training schools	22 March 2012

Our schools

The following is a summary of the establishment information of our universities:

University	School Sponsor(s)	Registered capital (RMB)	Date of establishment	Location
Dalian University	Dalian Development, Neusoft Holdings, and Yida Group	350,190,000	16 September 2004	Dalian, China
Chengdu University	Chengdu Development, Neusoft Holdings, and Yida Group	230,663,174	18 June 2003	Chengdu, China
Foshan University	Foshan Development, Neusoft Holdings, and Yida Group	158,400,000	25 April 2003	Foshan, China

The following is a summary of the establishment information of our eight training schools:

School	School Sponsor(s)	Registered capital (RMB)	Date of establishment	Location
Dalian High-tech Zone Neusoft Training School Co., Ltd. (**"Neusoft Training School"**)	Dalian Technology	1,000,000	29 August 2018	Dalian, China
Tianjin Binhai Newtown Neusoft Ruidao Software Talent Vocational Training School	Tianjin Ruidao	1,000,000	13 August 2015	Tianjin, China
Shenyang Neusoft Software Talent Training Centre	Tianjin Ruidao	300,000	9 September 2008	Shenyang, China
Dalian Neusoft Software Talent Training Centre	Tianjin Ruidao	1,000,000	8 May 2009	Dalian, China
Nanjing Neusoft Talent Training Centre	Nanjing Neusoft Ruidao Information Technology Co., Ltd.	300,000	18 November 2009	Nanjing, China

School	School Sponsor(s)	Registered capital (RMB)	Date of establishment	Location
Qingdao West Coast New District Neusoft Ruidao Software Talent Training School	Qingdao Neusoft Ruidao Education Information Technology Co., Ltd.	1,200,000	12 November 2013	Qingdao, China
Guangzhou Neusoft Software Talent Vocational Training School	Guangzhou Neusoft Ruidao Education Information Technology Co., Ltd.	1,000,000	13 July 2015	Guangzhou, China
Qinhuangdao Neusoft Venture School (collectively with all the above training schools except for Neusoft Training School, the "**Ruidao Training Schools**")	Dalian Neusoft Ruichuang Technology Development Co., Ltd. (as to 90%); Qinhuangdao Xingdong Technology Co., Ltd. (as to 10%)	5,000,000	15 March 2016	Qinhuangdao, China

REORGANISATION

Offshore Reorganisation

Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 20 August 2018 with an authorised share capital of HK$380,000 divided into 3,800,000,000 Shares at par value of HK$0.0001 each.

On 22 October 2019, our Company completed a share consolidation on a two-to-one basis, following which our Company's authorised share capital of HK$380,000 was divided into 1,900,000,000 ordinary Shares at par value of HK$0.0002 each (being the Share Consolidation).

Establishment of our Company's offshore shareholding structure

On 31 August 2018, before the Share Consolidation, in preparation for the Listing, Ogier Global Subscriber (Cayman) Limited transferred one share to Kang Ruidao, and our Company allotted and issued shares to each of the following six Shareholders to reflect their shareholding in our Operating Entity ("**corresponding interest**"):

Name	Number of Shares	Type of shares of par value of HK$0.0001 each	Approximate shareholding as at the Latest Practicable Date (%)
Kang Ruidao(1)	300,490,000	ordinary	30.05%
Dongkong First(2)	254,930,000	ordinary	25.49%
Dongkong Second(2)	240,000,000	ordinary	24.00%
Century Bliss(3)	130,020,000	ordinary	13.00%
Alpine Electronics(4)	56,210,000	ordinary	5.62%
Apex Venture(5)	18,350,000	ordinary	1.84%
Total	1,000,000,000		100%

Notes:

(1) Kang Ruidao has the same ultimate beneficial owners as Dalian Kang Ruidao and Dalian Siwei, which holds approximately 29.65% and 10.82% interest, respectively, in the Registered Shareholder of our Operating Entity. Kang Ruidao is ultimately controlled by Dr. J. Liu (our Chairperson, Director and a core founding member of our Group), who, through Kang Ruidao First, holds all the voting shares in Kang Ruidao. The ultimate beneficial owners of Kang Ruidao hold their remaining corresponding interest through Dalian Kang Ruidao's and Dalian Siwei's approximately 29.65% and 10.82% respective interest in Neusoft Holdings, which, in turn, controls Dongkong First's and Dongkong Second's combined approximately 49.49% interest in our Company. See "Substantial shareholders."

(2) Dongkong First and Dongkong Second are wholly-owned subsidiaries of Neusoft International, which is a wholly-owned subsidiary of Neusoft Holdings, being the Registered Shareholder of our Operating Entity. See "— Corporate structure — Corporate structure before the Reorganisation" for the shareholding structure of the Registered Shareholder of our Operating Entity.

(3) Century Bliss has the same ultimate beneficial owners as Yida Holdings, which holds approximately 17.51% interest in the Registered Shareholder of our Operation Entity. The ultimate beneficial owners of Century Bliss hold their remaining corresponding interest through Yida Holdings' approximately 17.51% interest in Neusoft Holdings.

(4) Alpine Electronics has the same ultimate beneficial owners as Alpine Electronics (China) Co., Ltd. (阿爾派電子（中國）有限公司, "**Alpine China**"), which holds approximately 7.57% interest in the Registered Shareholder of our Operation Entity. The ultimate beneficial owners of Alpine Electronics hold their remaining corresponding interest through Alpine China's approximately 7.57% interest in Neusoft Holdings.

(5) Apex Venture is beneficially owned by the spouse of LIU Ming, who holds approximately 2.47% interest in the Registered Shareholder of our Operation Entity. The ultimate beneficial owner of Apex Venture holds her remaining corresponding interest through LIU Ming's approximately 2.47% interest in Neusoft Holdings.

Establishment of our offshore subsidiaries

On 6 September 2018, Neusoft Education BVI was incorporated as a BVI business company limited by shares under the laws of the BVI. Neusoft Education BVI is authorised to issue a maximum of 50,000 shares with no par value each of a single class, of which 100 ordinary shares were allotted and issued to our Company for US$100.

On 26 September 2018, Neusoft Education HK was incorporated as a limited company under the laws of Hong Kong, with a share capital of HK$100 divided into 100 shares, all of which were allotted and issued to Neusoft Education BVI for HK$100.

See "Statutory and general information — Share Incentive Schemes — Pre-IPO Share Incentive Scheme" in Appendix V for subsequent grant of share options, and transfer of Shares, to employees, senior managers and directors of our Group.

Onshore Reorganisation

Incorporation of our JV

On 17 May 2019, Neusoft Ruixin, our JV, was incorporated under the laws of the PRC to serve as the PRC holding company for all of the businesses owned and controlled by our Group within the PRC. As at the Latest Practicable Date, our JV's shareholding is as follows:

Name	Registered capital (RMB)	Approximate percentage of registered capital held
Neusoft Education HK	8,082	80.82%
PICC Life	840	8.40%
Northeastern University Group(1)	593	5.93%
PICC Health	485	4.85%

Note:

(1) The interests of PICC Life, Northeastern University Group and PICC Health (collectively the "**Minority JV Shareholders**") in our JV correspond with their respective interests in the Registered Shareholder of our Operating Entity. PICC Life, Northeastern University Group, and PICC Health each hold their remaining corresponding interest through their approximately 14.01%, 9.88% and 8.08% interest, respectively, in Neusoft Holdings, which, in turn, controls Dongkong First's and Dongkong Second's combined approximately 49.49% interest in our Company.

Pursuant to our JV's articles of association ("**JV's articles**"), adopted on 29 April 2019, the directors of our JV ("**JV Directors**") who are appointed by the Minority JV Shareholders will act in concert with the JV Directors who are appointed by Neusoft Education HK in respect of certain reserved matters, being: amending the JV's articles, winding-up or dissolving our JV, alterations to the JV's share capital, and our JV's merger with another entity or division of the company. Except as disclosed in this sub-section, as at the date of this document, the Minority JV Shareholders have no special rights or obligations in the JV.

On 6 May 2019, as part of the Reorganisation and in order to further stabilise our corporate structure (including our Contractual Arrangements) and to increase the likelihood that the JV Interests (defined below) would remain part of the enlarged Group (being the Group and Neusoft Holdings), Neusoft Holdings entered into an agreement with (a) the PICC minority shareholders (PICC Life and PICC Health, together the "**PICC Shareholders**"); and (b) Northeastern University Group, respectively, pursuant to which:

- the PICC Shareholders and Northeastern University Group agreed, in their respective agreements, that, prior to the Listing, they would not sell any of their respective equity interests in the JV ("**JV Interests**") without Neusoft Education HK's consent, and

- following the Listing, each of (a) the PICC Shareholders and (b) Northeastern University Group, pursuant to their respective agreements, shall have the right to auction off all of their respective JV Interests (in whole). If the right is exercised within three years of the Listing, Neusoft Holdings shall bid for the JV Interests at an initial bidding price calculated according to a specified formula set out in the agreement (with reference to our average trading Share price following the Listing to better reflect the fair market value of the JV Interests).

Transfers of equity interests by the former Neusoft Holdings Group

In preparation for the Listing and as part of our Reorganisation, the former Neusoft Holdings Group (which included our Group prior to the Reorganisation) made the following equity transfers, all of which have been completed as at the date of this document:

(a) on 15 August 2018, our Operating Entity agreed to transfer 100% equity interest in Shanghai Ruixiang to Dalian Education for a consideration of RMB15 million.

(b) on 29 August 2018, Neusoft Holdings agreed to transfer 100% equity interest in Dalian Yunguan to Dalian Education for a consideration of RMB55 million.

(c) on 2 September 2018, Neusoft Holdings agreed to transfer all of its assets and businesses related to cloud services ("**cloud services business**") to Dalian Yunguan for a consideration of RMB14 million.

(d) on 2 September 2018, Tianjin Ruidao agreed to transfer all of its assets and businesses related to education software development to Dalian Yunguan for the consideration of RMB15 million. The consideration for this reorganisation step, and for the reorganisation steps described in (b) and (c) above, was negotiated on an arm's length basis with reference to the value as at 30 June 2018 of the acquired assets and businesses as determined by an independent valuer, and based on assets and/or liabilities of the acquired targets as the case may be.

(e) on 30 May 2019, Dalian University agreed to transfer 100% equity interest in Dalian Technology to Dalian Education for the consideration of approximately RMB10.8 million.

(f) on 17 June 2019, our Operating Entity agreed to transfer 95% equity interest, and LIU Mengyue agreed to transfer the remaining equity interest, in Dalian Education to our JV for the aggregate consideration of RMB12 million.

Establishment of onshore entities

We established the following entities as part of our Reorganisation:

(a) on 3 August 2018, Dalian Education was established as a partly-owned subsidiary of our Operating Entity (as to 95%) and LIU Mengyue (as to the remaining 5%), with an aggregate registered capital of RMB10 million.

(b) on 14 August 2018, Neusoft Industry Management was established as a wholly-owned subsidiary of Dalian Education, with a registered capital of RMB3 million.

(c) on 29 August 2018, Neusoft Training School was established as a wholly-owned subsidiary of Dalian Technology, with a registered capital of RMB1 million.

(d) on 26 April 2019, Neusoft Education Chengdu was established as a wholly-owned subsidiary of Dalian Education, with a registered capital of RMB1 million.

Yida school sponsor rights agreement

Prior to the Listing, pursuant to the power of attorney granted by Yida Group as part of the Contractual Arrangements, Yida Group granted to our JV entitlement to Yida Group's School Sponsor rights in our three universities, Dalian University, Chengdu University and Foshan University (being approximately 1.83% in Dalian University, 0.87% in Chengdu University, and 1.26% in Foshan University, collectively the "**Yida School Sponsor Rights**"). Subsequently, on 21 June 2019, Neusoft Holdings, Yida Group, and our JV entered into an agreement pursuant to which, following the Listing and envisioned part of the Reorganisation, in order to further stabilise our Contractual Arrangements and to ensure that the Yida School Sponsor Rights would remain part of the enlarged Group (being the Group and Neusoft Holdings), Neusoft Holdings (or its appointed third-party) would acquire the Yida School Sponsor Rights at a price calculated according to a specified formula set out in the agreement within three years of the Listing (with reference to our average trading Share price following the Listing to better reflect the fair market value of the Yida School Sponsor Rights) upon Yida Group's request. The acquired Yida School Sponsor Rights would subsequently be granted to our JV in accordance with the power of attorney granted by Neusoft Holdings as part of our Contractual Arrangements.

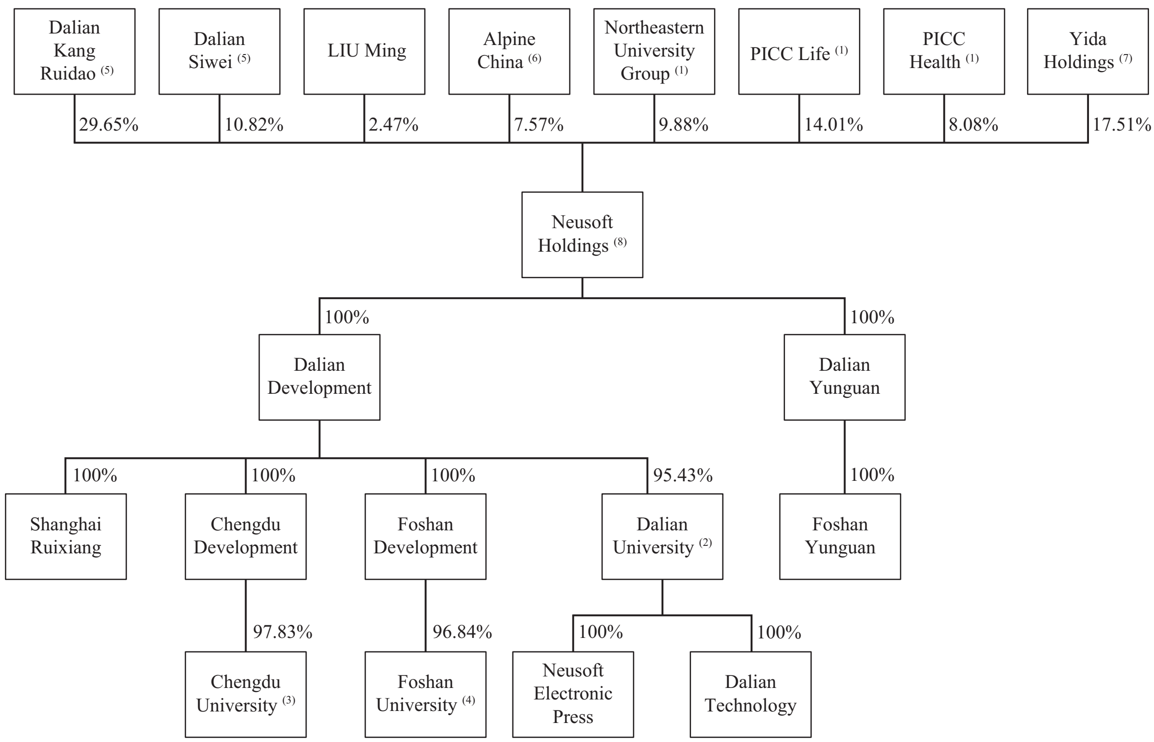
Entry into Contractual Arrangements

On 21 June 2019, we (through our JV) entered into the Contractual Arrangements with, among others, Neusoft Holdings (being the Registered Shareholder of our Operating Entity), Dalian Development (our Operating Entity) and our universities, pursuant to which economic benefits arising from our Consolidated Affiliated Entities would be, to the extent permissible under PRC Laws, consolidated into our Group's financial statements. See "Contractual Arrangements" for more information.

CORPORATE STRUCTURE

Corporate structure before the Reorganisation

The following diagram illustrates the corporate and shareholding structure of the onshore entities of our Group immediately before the Reorganisation:



Notes:

(1) Each of Northeastern University Group, PICC Life and PICC Health continues to hold their interests in our Group following the Reorganisation through (i) their minority shareholding in our JV; and (ii) Neusoft Holdings' interest in our Company. Northeastern University Group is a wholly-owned subsidiary of Northeastern University (東北大學), a public university in Shenyang, Liaoning province in China, which is ultimately controlled by the Ministry of Education. PICC Life and PICC Health are both ultimately controlled by MOF.

(2) The remaining interests are held by Neusoft Holdings and Yida Group as to 2.74% and 1.83%, respectively. Yida Group is wholly-owned by Dalian Zhongzhi Investment Co., Ltd., which is ultimately beneficially owned by the same three individuals who also ultimately beneficially own Century Bliss and Yida Holdings, and each of them is an Independent Third Party.

(3) The remaining interests are held by Neusoft Holdings and Yida Group as to 1.30% and 0.87%, respectively. See also Note 2 above. Prior to the reorganisation, Chengdu University wholly-owned Chengdu Neusoft Software Co., Ltd., which was subsequently transferred to Tianjin Ruidao and as at the Latest Practicable Date, Chengdu Neusoft Software Co., Ltd. is a subsidiary of Tianjin Ruidao.

(4) The remaining interests are held by Neusoft Holdings and Yida Group as to 1.89% and 1.26%, respectively. See also Note 2 above.

(5) Dalian Kang Ruidao is a limited partnership. Dr. J. Liu (our Chairperson, Director and a core founding member of our Group) ultimately controls (a) Dalian Kang Ruidao, through, among others, his majority ownership of Dalian Kang Ruidao's general partner, and (b) Dalian Siwei, a 99% owned subsidiary of Dalian Kang Ruidao (with Dr. J. Liu having majority ownership of Dalian Siwei's

remaining 1% shareholder). Both Dalian Kang Ruidao and Dalian Siwei are associates of Dr. J. Liu and connected persons of our Company. Following the Reorganisation but before the Global Offering, Dalian Kang Ruidao transferred interests representing RMB1 registered capital in Neusoft Holdings to Baidu Online Network Technology (Beijing) Co., Ltd., a company ultimately owned by Baidu, Inc., a company listed on NASDAQ under the stock code "BIDU." The transfer of interests between Dalian Kang Ruidao and Baidu Online Network Technology (Beijing) Co., Ltd was completed on 9 September 2019.

(6) Alpine China is a subsidiary of Alpine Electronics, which in turn is a subsidiary of Alps Alpine Co., Ltd. (a company listed on the Tokyo stock exchange (stock code: TSE-67700)).

(7) Yida Holdings is ultimately owned by three individuals who are Independent Third Parties.

(8) No shareholder controls more than 50%, or otherwise has statutory control, of Neusoft Holdings. The single largest ultimate controlling shareholder of Neusoft Holdings is Dr. J. Liu (see "Substantial shareholders" and note 5 above), who indirectly controls Dalian Kang Ruidao and Dalian Siwei, which collectively hold approximately 40.47% interest in Neusoft Holdings.

Corporate developments following the Reorganisation

Acquisition of Tianjin Ruidao

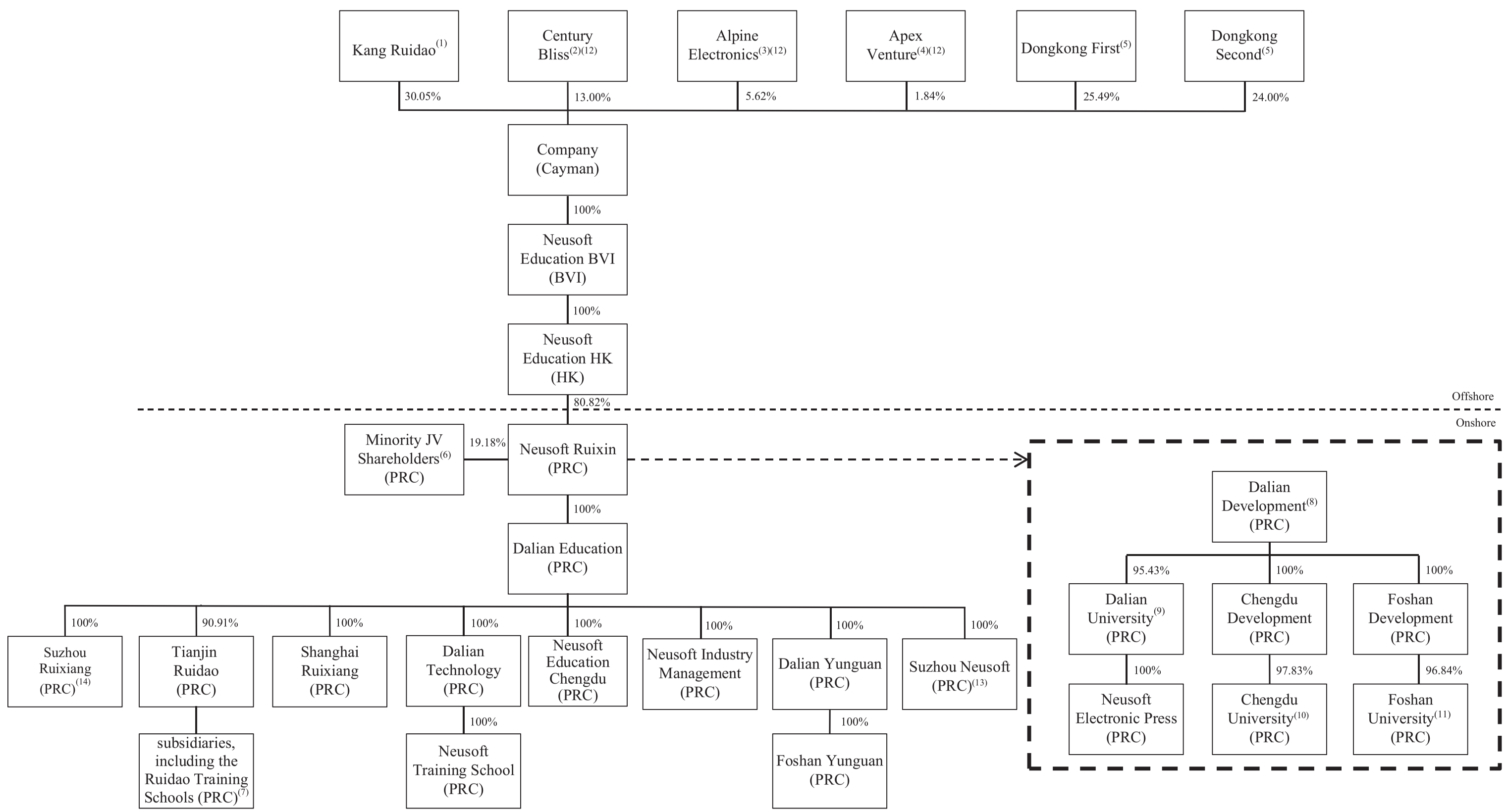
On 1 March 2020, we, through our subsidiary Dalian Education, acquired 90.91% equity interest in Tianjin Ruidao from Neusoft Holdings, our controlling shareholder, for a consideration of approximately RMB362.8 million. On 1 March 2020, the transfer of the title to the target shares was completed and Dalian Education became the shareholder of the 90.91% equity interest in Tianjin Ruidao. As at the date of this document, the Company has fully paid the total consideration. The consideration was determined on an arm's length basis, with reference to the acquired equity interest percentage multiplied by the calculated value of Tianjin Ruidao as at 31 December 2019. The value of Tianjin Ruidao, as used to calculate the consideration of the acquisition, was determined by an independent valuer based on information as of 31 December 2019 and adopting the income approach in valuing the target group. The valuation took into account the historical financial performance of Tianjin Ruidao group, the industry condition, the projected profits and cash flow of the target over the next five years (taking into account the unique nature of education providers and the education industry, including the relatively direct correlation between the target group's assets and its income) and related market risks over the next five years typically associated with the industries in which Tianjin Ruidao operates. The Company also considered the consolidated net asset value of Tianjin Ruidao as at 31 December 2019 (the book value of which was approximately RMB172.6 million, based on its accounts, which have not been audited or reviewed by our reporting accountant) as well as the intangible assets (including human resources and goodwill) of the Tianjin Ruidao group in considering the reasonableness and appropriateness of the valuation of the independent valuer. Having considered the above factors, our Directors are of the view that the valuation of Tianjin Ruidao was reasonable and appropriate. The acquisition was funded by cash at hand. Following the acquisition, Tianjin Ruidao became a subsidiary of our Group and its financial results were consolidated into the Company's financial accounts. We believe that Tianjin Ruidao would be complementary to our Group and allow us to further develop our education business, and expand our "continuing education services" and "education resources and apprenticeship programme" business segments. The acquisition would extend our "continuing education services" to adult students and individual customers, which would be a new customer base for our Group. The acquisition would also expand our "education resources and apprenticeship programme" business by allowing our Group to leverage Tianjin Ruidao's existing deep customer base and extensive sales and marketing team network. We believe that Tianjin Ruidao's existing customer base and sales network are complementary to the education resources we have cultivated over the years, and are strategically beneficial to the development of our "education resources and apprenticeship programme" business. Please see "Business — Acquisition of Tianjin Ruidao" for further information.

Tianjin Ruidao share option agreement

On 19 May 2020, Dalian Education and Tianjin Ruiyi Enterprise Management Consulting Center (Limited Partnership) (天津睿熠企業管理諮詢中心(有限合夥)) ("**Tianjin Ruiyi**") entered into a share option agreement, pursuant to which, within three years from the Listing, Dalian Education has the option to acquire from Tianjin Ruiyi, and Tianjin Ruiyi has the option to sell to Dalian Education, a 9.09% equity interest in Tianjin Ruidao for a consideration of approximately RMB36.3 million. Pursuant to the share option agreement, upon the exercise of the option, the other party shall be obliged to sell or acquire the 9.09% interest (as appropriate) to the extent permitted under relevant Laws, including in accordance with, and subject to, the Listing Rules. The consideration was calculated as the target equity interest percentage multiplied by the calculated value of Tianjin Ruidao as at 31 December 2019, as determined by an independent valuer based on information as of 31 December 2019 and adopting the income approach in valuing the target group. The valuation took into account a number of factors, including the historical financial performance of the target group, its projected profits and cash flow over the next five years (and taking into account the unique nature of education providers and the education industry, including the relatively direct correlation between the target group's assets and its income) and related market risks over the next five years typically associated with the industries in which Tianjin Ruidao operates. Our Directors are of the view that the valuation of Tianjin Ruidao was reasonable and appropriate. Tianjin Ruiyi was established in January 2018 for the purpose of holding equity interest in Tianjin Ruidao on behalf of participants of Tianjin Ruidao's completed share incentive plan. The share incentive plan was adopted for the purpose of incentivising and rewarding key employees of Tianjin Ruidao and its subsidiaries, and was effected through a capital injection by Tianjin Ruiyi in Tianjin Ruidao in 2018. Tianjin Ruiyi is a partnership consisting of two limited partners and one general partner. The two limited partners are partnership entities, through which the incentivised employees hold their interests. The general partner is a company ultimately controlled by a director of Tianjin Ruidao, which became a subsidiary of our Company following this acquisition, and therefore a connected person at the subsidiary level; as such, Tianjin Ruiyi will become a connected person of our Company following the Listing. In determining whether to exercise the option to purchase under the agreement, the Company will consider a number of factors, including the actual and anticipated financial and business performance of Tianjin Ruidao and its subsidiaries and potential tax implications to our Group in the timing of any such exercise.

Corporate structure before the Global Offering

The following diagram illustrates the corporate and shareholding structure of our Group following the Reorganisation but immediately prior to completing the Global Offering:



Notes:

(1) Kang Ruidao is ultimately controlled by Dr. J. Liu (our Director, Chairperson and a core founding member of our Group), who, through Kang Ruidao First, holds all of the voting shares in Kang Ruidao (see "Substantial Shareholders"). Except for four of our Directors (being Dr. Wen, Mr. Rong, Dr. Yang, and Dr. Zhang), and certain directors of our subsidiaries, who each hold minority non-voting shares in Kang Ruidao (each with less than 1.5% of Kang Ruidao's shares) and are connected persons, the remaining non-voting shares of Kang Ruidao are ultimately held by more than 100 individuals, who are Independent Third Parties.

(2) Century Bliss is ultimately controlled by three individuals who are Independent Third Parties.

(3) Alpine Electronics is wholly-owned by Alps Alpine Co., Ltd. (a company listed on the Tokyo stock exchange (stock code: TSE-67700)).

(4) Apex Venture is wholly-owned by an Independent Third Party.

(5) Dongkong First and Dongkong Second are wholly-owned subsidiaries of Neusoft International, which is a wholly-owned subsidiary of Neusoft Holdings (one of our Controlling Shareholders), and are connected persons of our Company. See "Substantial Shareholders." See "— Corporate structure — Corporate structure before the Reorganisation" for the shareholding structure of Neusoft Holdings.

(6) PICC Life, Northeastern University Group and PICC Health each hold approximately 8.40%, 5.93% and 4.85% interest in our JV, respectively. PICC Life and PICC Health are both ultimately controlled by MOF, all of which are substantial shareholders and connected persons of our Company at the subsidiary level (see "Substantial Shareholders"). Northeastern University Group is an Independent Third Party.

(7) Tianjin Ruidao's subsidiaries include the Ruidao Training Schools and the following subsidiaries: Shenyang Neusoft Ruidao Education Services Co., Ltd. (wholly-owned); Nanjing Neusoft Ruidao Information Technology Co., Ltd. (wholly-owned); Dalian Neusoft Ruichuang Technology Development Co., Ltd. (wholly-owned); Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd. (60% controlled by Tianjin Ruidao, with the remaining interest held by two individual third parties); Chongqing Neusoft Ruidao Information Technology Co., Ltd. (wholly-owned); Qingdao Neusoft Ruidao Education Information Technology Co., Ltd. (wholly-owned); Neusoft Ruidao (Weihai) Education Information Consulting Co., Ltd. (wholly-owned); Guangzhou Neusoft Ruidao Education Information Technology Co., Ltd. (wholly-owned); Guangdong Ruidao Gongchuang Technology Co., Ltd. (51% controlled by Tianjin Ruidao, with the remaining interest held by a third party); Beijing Neusoft Ruidao Education Technology Co., Ltd. (wholly-owned); Dalian Neusoft Ruidao Education Information Service Co., Ltd. (wholly-owned); Dalian Waye Information Service Co., Ltd. (60% owned by Tianjin Ruidao, with the remaining interest held by a third party); and Chengdu Neusoft Software Co., Ltd. (wholly-owned). See "Substantial Shareholders—Interests in our Group (excluding our Company)" for more information on the minority shareholders.

(8) Neusoft Holdings is the Registered Shareholder of Dalian Development, our Operating Entity, which in turn, is controlled by our Group through the Contractual Arrangements. See "Contractual Arrangements." See "— Corporate structure — Corporate structure before the Reorganisation" for the shareholding structure of the Registered Shareholder of our Operating Entity.

(9) Please refer to Note 2 under " — Corporate structure before the Reorganisation" above.

(10) Please refer to Note 3 under " — Corporate structure before the Reorganisation" above.

(11) Please refer to Note 4 under " — Corporate structure before the Reorganisation" above.

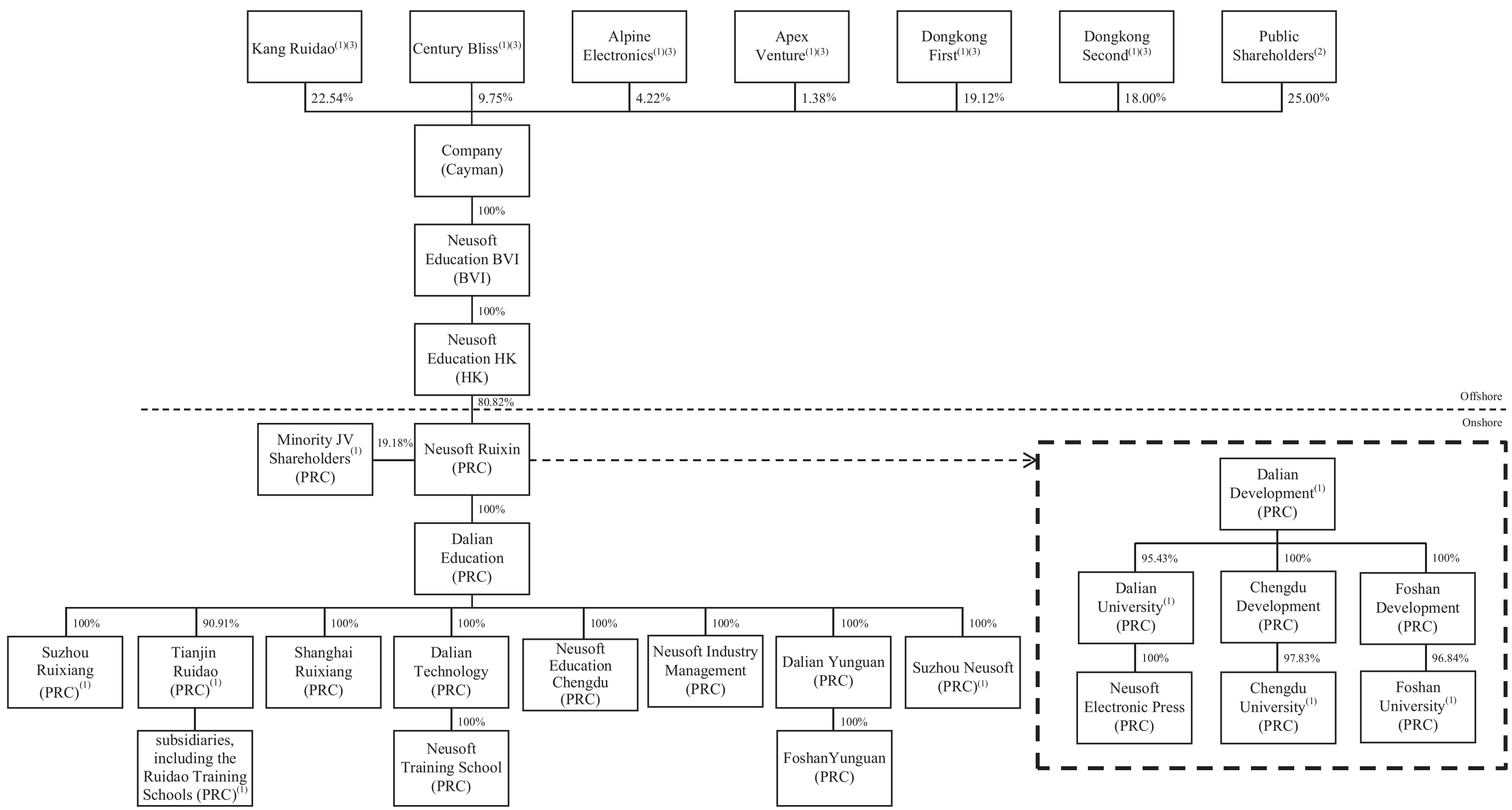
(12) Each of these entities has granted an Irrevocable Voting Proxy to Dr. J. Liu entitling him to the voting rights attached to all of the Shares held by the respective entity. The Irrevocable Voting Proxies were granted as part of the Reorganisation and with a view to increasing operational efficiency and stream-lining the decision-making process. See "Relationship with our Controlling Shareholders" for more information.

(13) On 23 January 2020, Suzhou Neusoft Technology Development Co., Ltd. ("**Suzhou Neusoft**") was established as a wholly-owned subsidiary of Dalian Education, with a registered capital of RMB10 million.

(14) On 22 June 2020, Suzhou Neusoft Ruixiang Technology Co., Ltd. ("**Suzhou Ruixiang**") was established as a wholly-owned subsidiary of Dalian Education, with a registered capital of RMB10 million.

Corporate structure immediately following the Global Offering

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the Global Offering (presuming the Assumptions):



Notes:

(1) Please refer to the notes under "— Corporate structure before the Global Offering" above.

(2) These Shares will count towards public float (expected to be approximately 25.00% in aggregate) immediately following the Global Offering. As at the date of this document, none of our existing Shareholders' shareholdings will count towards public float.

(3) Our Controlling Shareholders are: (i) Neusoft Holdings and its wholly-owned subsidiaries, Neusoft International, Dongkong First and Dongkong Second; and (ii) Dr. J. Liu, through his control over the voting rights in our Company held by Kang Ruidao and the Irrevocable Voting Proxy grantors Century Bliss, Alpine Electronics and Apex Venture. See "Relationship with our Controlling Shareholders — Controlling Shareholders" for more information.

COMPLIANCE WITH PRC LAWS

Our PRC Legal Adviser confirms that, as at the Latest Practicable Date, (i) the PRC incorporated entities within our Group (the "**PRC Companies**") had been duly established, (ii) all requisite approvals and permits in respect of the Reorganisation had been obtained in accordance with PRC Laws, and (iii) the Reorganisation complies with all applicable PRC Laws in all material respects. Our Directors confirm that all transfers of equity interests in the PRC Companies (including within our Group) have been completed.

M&A Rules

Under the *Merger and Acquisition of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), a foreign investor is required to obtain necessary approvals when:

(i) a foreign investor acquires equity in a domestic non-foreign invested enterprise (thereby converting the domestic non-foreign enterprise into a foreign-invested enterprise), or subscribes for new equity in a domestic enterprise via an increase of registered capital (thereby converting it into a foreign-invested enterprise); or

(ii) a foreign investor establishes a foreign-invested enterprise that purchases and operates assets of a domestic enterprise, or that purchases assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/them, acquires a domestic company that is related to or connected with it/them, approval from the MOC is required, and the relevant parties shall not circumvent the above requirements through a foreign-invested enterprise's domestic investment or other means ("**Regulated Activities**").

Given that (i) our JV was established as a foreign-owned enterprise by means of direct investment rather than merger or acquisition by our Company under the M&A Rules, and (ii) at the time of the JV's acquisition of shares of Dalian Education, Dalian Education was a Sino-foreign joint venture whose 5% equity interest was held by Liu Mengyue, a natural person of foreign nationality, no approval from the MOC is required in respect of the JV's acquisition of shares of Dalian Education, and no Regulated Activities were involved in our Reorganisation.

Accordingly, our PRC Legal Adviser is of the view that the M&A Rules do not apply to our Reorganisation. On 11 February 2020, with the assistance of our PRC Legal Adviser, we consulted the Foreign Investment Administration Office at Tianjin Commission of Commerce, and we were informed that our acquisition of Tianjin Ruidao is not subject to the M&A Rules and no procedure with commerce authorities is required for such acquisition.

SAFE registration

Circular on the Management of Offshore Investment and Financing and Round Trip Investment by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**Circular 37**"), a PRC resident must register with the local SAFE branch:

(i) before contributing assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") directly or indirectly controlled by a PRC resident for investment and financing purposes (the "**Initial Registration**"); and

(ii) following any major change to the Overseas SPV (following the Initial Registration), including a change in the Overseas SPV's (a) PRC resident shareholder(s), (b) name, and (c) terms of operation; or the occurrence of any capital, share transfer or swap, merger or division.

Pursuant to the *Circular of the SAFE on Further Simplifying and Improving in the Direct Investment-related Foreign Exchange Administration Policies* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) ("**Circular 13**"), the power to accept SAFE registrations under Circular 37 has been subsequently delegated from the local SAFE branch to the local bank where assets or interest in the domestic entity is located.

As advised by our PRC Legal Adviser, as at the date of this document, each domestic resident who is subject to SAFE regulations has completed the registration as required by Circular 37 (and in accordance with Circular 13) in accordance with PRC Laws.

OVERVIEW

We are a leading private IT higher education service provider in China, focusing on nurturing IT professional talent to cater for the fast-growing demand for talent in China's software and IT service industry. Leveraging our two decades of experience and knowhow accumulated in the IT higher education industry and driven by our vision of becoming a leader in China providing digital education services, we have developed an education service ecosystem with full-time formal higher education services as our fundamental business; continuing education services, and education resources and apprenticeship programme as our two strategic businesses. We are supported by the reputation of Neusoft Corporation, the first software company listed on the Shanghai Stock Exchange (stock code: 600718), and are able to leverage Neusoft Corporation's expertise in software and IT services. We have strategically established three application-oriented universities in Dalian, Chengdu and Foshan and developed a comprehensive portfolio of IT-related majors covering a wide range of industry sectors with a high demand for IT talent, such as computer science, electronic information, digital media, information management service, and healthcare technology. According to the Frost & Sullivan Report, we ranked the first in terms of the number of IT majors provided by China's private higher education institutions and the second in terms of the number of students enroled in IT majors among all private higher education institutions in China, for the 2018/2019 school year. After excluding independent colleges from the ranking, we ranked the first in terms of the number of students enroled in IT majors among all private higher education institutions in the 2018/2019 school year, according to the Frost & Sullivan Report. The number of students enroled in our full-time formal higher education programmes reached 36,066 for the 2019/2020 school year, of which approximately 16,053 were enroled in IT majors. In December 2019, three bachelor degree programmes of Dalian University, i.e. computer science and technology, software engineering, and digital media technology, were included in the list of the first batch of national-level first-class bachelor degree programmes by the MOE, making Dalian University rank the first among all private universities (including independent colleges) in terms of the number of bachelor degree programmes included in the list. With respect to each of the three bachelor degree programmes mentioned above, Dalian University is the only private university (including independent colleges) that was included in the list.

In the course of operating our universities, we have developed an integrated talent cultivation approach, with reference to international engineering education models, to nurture future IT talent bestowed with eight key capabilities/skills — Technical knowledge and reasoning, Open thinking and innovation, Personal and professional skills, Communication and teamwork, Attitude and manner, Responsibility, Ethical values, and Social values created by application practice — an approach we call "TOPCARES". Under our TOPCARES approach, we not only impart knowledge to students, but also focus on fostering good moral character, nurturing innovation capabilities, professional skills and communication skills, and inspiring the spirit teamwork in our students. Our TOPCARES approach is applied to all aspects of our students' learning experience and is instrumental in improving the overall competency of our students. In addition, we creatively blended traditional "face-to-face" offline education methods with our online e-learning platform to become a pioneer in China providing blended learning solutions, so that our students are able to study any education content at anytime and anywhere.

With the support of Neusoft Corporation, we engaged in an extensive school-enterprise cooperation in order to better equip our students with skills that can be applied directly in their future employment, and improve their career prospects. We effectively integrate our education resources with expertise in the software and IT service industry offered by leading enterprises, such as Hewlett-Packard and IBM. We have put in place a mechanism for the interaction between our teachers and engineers to enhance our teaching team. We invite engineers from leading enterprises to our universities to jointly design curricula, establish practical training sites, and deliver lectures, among others. We also encourage our teachers to obtain industry experience and keep abreast of the latest industry trends by working in enterprises that cooperate with us. Through such cooperation and exchange, we are able to formulate student advancement plans that reflect the industry's recent developments and amass a team of teachers with both academic expertise and industry experience to disseminate cutting-edge knowledge to our students, which we believe will narrow the skills gap between school education and future work requirements.

We are among the leaders in innovation and entrepreneurial education. Since we started our business in 2000, we have been focusing on innovation and entrepreneurship education and in 2002 established a unique start-up incubator, Student Office & Venture Office (the "**SOVO**"), through which we encourage and support our students to start their own businesses. SOVO aims at fostering our students' innovative thinking and nurturing entrepreneurial spirit. Teachers and mentors in the SOVO help our students turn the business ideas into projects and provide guidance and support in operating the projects. As of 31 March 2020, SOVO had incubated more than 7,300 start-up projects and over 1,000 "virtual" companies, of which more than 250 had been formally registered as companies. We have won numerous honours and awards for our innovation and entrepreneurship education. For example, in 2016, Dalian University was recognised as one of China's First 50 Model Universities of Experimental Innovation and Entrepreneurship (全國首批50所創新創業典型經驗高校) by the MOE. SOVO of all of our three universities have been awarded as national-level Mass Entrepreneurship Space under the Torch Centre of Ministry of Science and Technology (科技部火炬中心眾創空間).

As a result of the above initiatives, we have achieved favourable graduate employment outcomes for our students. According to the Frost & Sullivan Report, for the 2018/2019 school year, the initial employment rates of the graduates of our Dalian University, Chengdu University and Foshan University full-time formal higher education programmes reached 92.73%, 97.19% and 92.42%, respectively. The employment rates of Dalian University and Chengdu University were higher than the average level of initial employment rates of graduates from full-time formal higher education programmes in Liaoning province and Sichuan province, i.e. 91.95% and 88.28%, respectively, while the employment rate of Foshan University was close to that of Guangdong province, i.e. 94.58%. For the 2017/2018 school year, the average monthly salary of the graduates of our Dalian University, Chengdu University and Foshan University full-time formal higher education programmes was RMB5,211, RMB5,045, and RMB4,528, respectively. These average salaries were also higher than the average level of the salaries of graduates from full-time formal higher education programmes in the provinces where each of our three universities is located, i.e. RMB4,600, RMB4,453 and RMB4,071, respectively.

Our relentless efforts at improving the quality of our education services by applying our education philosophy and approach have won us numerous awards and gained the trust of students, parents, teachers, local governments, potential employers and business partners. Our "Neusoft Education" brand has also achieved strong brand awareness and high social recognition in China's private higher education industry, which in turn enables us to attract more high quality students. Our students are admitted from either the liberal arts stream or science stream of high schools. According to the Frost & Sullivan Report, for the 2019/2020 school year, the admission scores of students from the science and liberal arts streams entering our Dalian University both ranked the first among all the private universities (exclusive of independent colleges) in Liaoning province, while the admission scores of students from the science and liberal arts streams entering our Chengdu University both ranked the fourth among all the private universities (exclusive of independent colleges) in Sichuan province, and for those entering our Foshan University, ranked the first and the third in terms of science stream and liberal arts stream, respectively, among all the private universities (exclusive of independent colleges) in Guangdong province.

Our extensive experience accumulated through our two decades of school operation and management track record, in particular our experience in IT education, has enabled us to establish our current education service ecosystem, through which we provide a full spectrum of education services, including not only our fundamental business of full-time formal higher education services, but also our two strategic businesses: continuing education services, and education resources and apprenticeship programme. We are committed to empowering other higher education institutions and their students by sharing with them our education philosophy, approach, model, system and standard that we distilled from our two decades of school operations and management. As of the Latest Practicable Date, we had delivered our quality education resources to over 400 universities, colleges and vocational schools. Relying on our education service system and through such scalable model, we are able to rapidly replicate our quality education resources to other schools and establish our unique "3+N" business model ("3" stands for our three universities and "N" stands for other higher education institutions that enjoy our quality education resources), which we believe will provide significant potential to our further growth. According to the Frost & Sullivan Report, as measured by cumulative number of schools using IT value-added education services provided by us as of 31 March 2020, we ranked the second in China among providers of IT value-added education services.

Our revenue increased by 16.7% from RMB731.4 million for the year ended 31 December 2017 to RMB853.2 million for the year ended 31 December 2018 and further increased by 12.3% to RMB958.2 million for the year ended 31 December 2019. Our revenue decreased by 7.3% from RMB171.4 million for the three months ended 31 March 2019 to RMB158.9 million for the three months ended 31 March 2020. Our gross profit increased by 16.1% from RMB234.4 million for the year ended 31 December 2017 to RMB272.3 million for the year ended 31 December 2018 and further increased by 18.6% to RMB323.0 million for the year ended 31 December 2019. Our gross profit increased by 6.4% from RMB27.6 million for the three months ended 31 March 2019 to RMB29.4 million for the three months ended 31 March 2020. Our net profit increased by 14.3% from RMB143.2 million for the year ended 31 December 2017 to RMB163.7 million for the year ended 31 December 2018 and further increased by 6.9% to RMB175.0 million for the year ended 31 December 2019. Our net profit increased by 169.0% from RMB4.5 million for the three months ended 31 March 2019 to RMB12.2 million for the three months ended 31 March 2020.

OUR COMPETITIVE STRENGTHS

We believe the following are our principal strengths that contribute to our success and differentiate us from our competitors:

Leading position in China's IT higher education industry

We are a leading private IT higher education service provider in China, focusing on nurturing IT professional talent to cater for the fast-growing market demand for talent in China's software and IT service industry. According to the Frost & Sullivan Report, we ranked the first in terms of the number of IT majors provided by China's private higher education institutions and the second in terms of the students enroled in IT majors among all private higher education institutions in China, for the 2018/2019 school year. After excluding independent colleges from the ranking, we ranked the first in terms of the number of students enroled in IT majors among all private higher education institutions in the 2018/2019 school year, according to the Frost & Sullivan Report. The number of students enroled in our full-time formal higher education programmes reached approximately 36,066 for the 2019/2020 school year, among which, approximately 16,053 were enroled in IT majors.

We have received various recognition and awards in our two decades of school operations. The most recent one is that in December 2019, three bachelor degree programmes of Dalian University, i.e. computer science and technology, software engineering, and digital media technology, were included in the list of the first batch of national-level first-class bachelor degree programmes by the MOE, making Dalian University rank the first among all private universities (including independent colleges) in terms of the number of bachelor degree programmes included in the list. With respect to each of the three bachelor degree programmes mentioned above, Dalian University is the only private university (including independent colleges) that was included in the list. In addition, another six bachelor degree programmes of Dalian University and three bachelor degree programmes of Chengdu University were included in the list of the first batch of provincial-level first-class bachelor degree programmes by the MOE. Students enroled in the three national-level and six provincial-level first-class bachelor degree programmes of Dalian University mentioned above accounted for approximately 42.4% of Dalian University's total students enrolments for the 2019/2020 school year.

The software and IT service industry in China has experienced strong growth in recent years, primarily driven by innovations in technology, industry demand and favourable government policies. As China's IT-related higher education currently lags behind the rapidly growing software and IT service industry in China, there is a significant supply-demand gap for IT talent with practical skill sets. According to "The Guidelines for the Planning of Talent Development in Manufacturing" ("製造業人才發展規劃指南") jointly promulgated by the MOE, the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) and MIIT, it is estimated that total demand for the new-generation of IT talent would reach 20.0 million persons in 2025, with an expected shortage in supply of 9.5 million persons. We seized the market opportunities presented by the strong growth of China's software and IT service industries and established five categories of academic majors in the IT and healthcare fields with high demands for talent, i.e. computer science majors, electronic information majors, digital media majors, information management service majors, and healthcare technology majors.

Since our inception in 2000, we have opened universities in Dalian, Chengdu and Foshan, respectively. We strategically choose the locations of our campuses and currently operate our universities in cities where local government policies support the development of the IT service industry and demand for IT professional talent is high. Our practical skill-oriented programmes equip our students with practical skill sets, enabling us to seize the significant geographical advantage and supply the right talent to satisfy the huge demand presented by the local IT service industry. According to the Frost & Sullivan Report, Dalian University, Chengdu University and Foshan University ranked the first, the third and the fifth, respectively, in terms of number of student enrolments in IT majors for the 2018/2019 school year, among all private higher education institutions in the provinces where each university is located.

As a result of our current market leading position, we are able to supply high-quality IT talent with practical skill sets to cater for the fast-growing market demand for talent in China's software and IT service industry. Such market leading position also enables us to supply our quality education resources, including our education philosophy, approach, model, system and standard that we distilled from our two decades of school operations and management to other schools.

Our industrial background enables us to develop an education model that closely tied to the industry demand

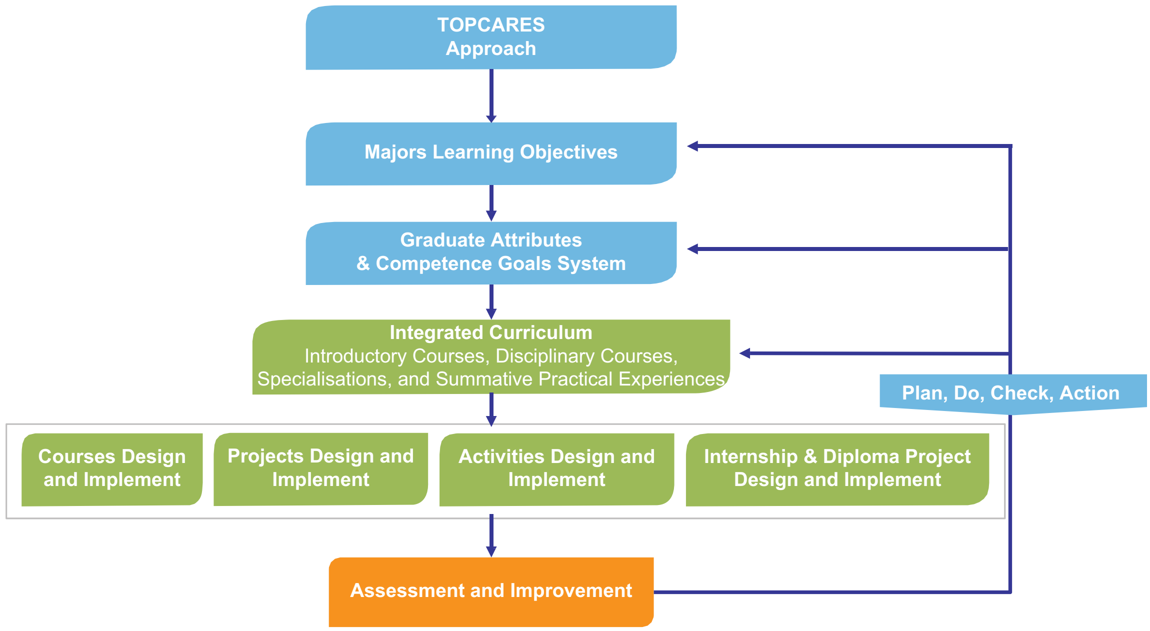
Our Group began as the educational arm of Neusoft Corporation, and later, became the educational arm of Neusoft Holdings, currently one of our Controlling Shareholders, when Neusoft Holdings was established in 2011. The solid track record of Neusoft Corporation in software and IT service industries provides us with an edge in our talent cultivation. As a result of such industry background, we have developed a solid understanding on the industry's demand for talent and built an education model that stay abreast of the evolving demand for talent.

We effectively combined our university education with enterprises' daily operations through extensive school-enterprise cooperation. Enterprises that cooperate with us are deeply involved in various aspects of our student training processes ranging from curriculum design, to talent cultivation, and practical training. Backed by the industrial advantages of Neusoft Corporation in software and IT service industry, we are able to effectively integrate our education resources with software and IT service industry expertise. We cooperate with more than 700 world-leading enterprises, including IBM, Lenovo, Hewlett Packard, Intel, Concentrix, Accenture and Alpine to provide our students with internship and potential employment opportunities. For example, since 2002, Dalian University has carried out extensive cooperation with IBM on various fronts such as student internship and potential employment. In 2003, Dalian University became the ninth and the only private university in China that was included in the SAP Seed Programme for Universities Globally (SAP全球高校種子計劃).

In addition, we partnered with industry-leading enterprise to establish industrial colleges. For example, we entered into a business collaboration framework agreement with Baidu in May 2019 to establish a college focusing on artificial intelligence in each of our three universities, optimising our existing curriculum offerings, formulating talent cultivation systems, and developing education resources, and smart education solutions, which consist of smart course solutions and smart campus solutions. Such framework agreement provides a collaboration period of six years unless otherwise agreed by the two parties or separately agreed under any further business cooperation agreement, and may be terminated by either party with a written notice delivered 30 days in advance under certain circumstances such as bankruptcy or insolvency. In furtherance of the framework agreement we entered into with Baidu, we entered into a business collaboration agreement with Baidu in November 2019 to further carry out the two parties' cooperation in artificial intelligence sector. According to such agreement, the two parties will jointly formulate and upgrade talent cultivation plans and teaching recourses in intelligent science and technology major, artificial intelligence technology service major, data science and big data technology major, and big data technology and application major, and will jointly establish and promote Neusoft Baidu Artificial Intelligence College among the application-oriented universities and colleges across the country, the profit from which will be allocated between Baidu and us based on contribution and subject to further negotiation. The business collaboration agreement on artificial intelligence college provides a collaboration period of six years and the same termination clauses as the framework agreement. In November 2019, the artificial intelligence college was established in each of our three universities. Further, our university science park, which was recently recognised as a provincial-level university science park, also played a role in our school-enterprise cooperation by integrating academic research, talent cultivation, and business operations. We have carried out in-depth integration of industry and education with some renowned IT enterprises in the science park. Some of our employer-tailored education programmes are also offered in the science park at the relevant enterprises' premise. The convenient location significantly facilitates the interaction among enterprises, our students and us. Moreover, through our apprenticeship programme, we offer our students and students of other higher education institutions that cooperate with us opportunities to obtain actual work experience before entering professional career and acquire knowledge and skills demanded by prospective employers. Apart from increasing students' capabilities and competitiveness, our apprenticeship programme also empowers higher education institutions that cooperate with us in their supply of qualified talents to IT-related industries and to contribute to the development of local economy.

Unique TOPCARES education approach developed to deliver our mission of "Empower Students with Innovative Education"

We are committed to creating value for students by helping them to develop a promising career that is commensurate with their expertise, which in turn generates a good return for their families and benefits society as a whole. To achieve this goal, we developed, and are constantly improving our unique TOPCARES approach based on the extensive experience accumulated through our two decades of school operation and management. Our TOPCARES approach is composed of a complete set of key performance indicators in terms of knowledge, competence and capabilities. Under our TOPCARES approach, we not only impart knowledge to students, but also focus on fostering good moral character, nurturing innovation capabilities, personal professional skills and communication skills and inspiring teamwork spirit in our students. TOPCARES approach is now applied across all of our education activities and is instrumental in improving the overall competency of our students. As a result of our continuous education reform and innovation based on our TOPCARES approach, we became the first in China's private higher education industry winning the first prize of the National Teaching Achievement Award (國家級教學成果獎一等獎) in 2005. In 2009, we won the second prize of the National Teaching Achievement Award. As of the Latest Practicable Date, we had received numerous provincial or national recognition in terms of our teaching quality and curriculum design.



Leveraging Dalian University's first-mover advantage as the first Laptop University in China, we established an advanced high-speed internet system, and blended the traditional "face-to-face" education with digital learning. We are a pioneer in China in supplying blended learning solutions to our students, effectively combining online learning platforms with offline teaching resources such as laboratories and experimental apparatuses, so that our students are able to study any education content at any time and location. We also developed our proprietary smart education platforms such as Neusoft MOOC (Massive Open Online Courses) Platform, Neusoft Practical Curriculum Platform, and Neusoft Software Development Practical Training Platform and integrated our quality education resources into those platforms. The outbreak of COVID-19 in 2020 prompted higher education institutions to move course instructions online, which promoted the use of our smart education platforms. As of the Latest Practicable Date, approximately 300 higher education institutions with a total of 87,000 registered users across these three platforms in China used our smart education platforms.

We are among the leaders in innovation and entrepreneurship education. In 2002, we established a unique start-up incubator, SOVO, through which we support our students to start up their own businesses. As of 31 March 2020, SOVO had incubated more than 7,300 start-up projects and over 1,000 "virtual" companies, among which more than 250 had been formally registered as companies. We have won numerous honours and awards for our innovation and entrepreneurship education. Dalian University was recognised by the MOE as one of China's First 50 Model Universities of Experimental Innovation and Entrepreneurship (全國首批50所創新創業典型經驗高校) in 2016 and as one of China's First 99 Model Universities with Deepening Innovation and Entrepreneurship Education (全國首批99所深化創新創業教育改革示範高校) in 2017. Further, SOVO of all of our three universities have been awarded as national-level Mass Entrepreneurship Space under the Torch Centre of Ministry of Science and Technology (科技部火炬中心眾創空間).

As a result of our innovative and skill-oriented educational model, the quality and capability of our graduates are well recognised by prospective employers. According to the Frost & Sullivan Report, for the

2018/2019 school year, the initial employment rates of the graduates of our Dalian University, Chengdu University and Foshan University full-time formal higher education programmes reached 92.73%, 97.19% and 92.42%, respectively. The employment rates of Dalian University and Chengdu University were higher than the average level of initial employment rates of graduates from full-time formal higher education programmes in Liaoning province and Sichuan province, i.e. 91.95% and 88.28%, respectively, while the employment rate of Foshan University was close to that of Guangdong province, i.e. 94.58%. For the 2017/2018 school year, the average monthly salary of the graduates of our full-time formal higher education programmes of Dalian University, Chengdu University and Foshan University was RMB5,211, RMB5,045, and RMB4,528, respectively, each of which was higher than the average salary level for graduates of full-time formal higher education programmes in the provinces where each of our three universities is located.

Strong brand awareness and high public recognition

Our "Neusoft Education" brand has achieved strong brand awareness and high public recognition in China's private higher education industry, winning the trust of students, parents, teachers, local governments, potential employers and business partners. As of the Latest Practicable Date, we had received over 200 awards from provincial or national education authorities in relation to teaching quality and curriculum design and won numerous honours and awards, such as:

- Dalian University and Chengdu University were both included in the First Batch of 35 Model Software Vocational Technical Institutes in China (全國首批35所示範性軟件職業技術學院) by the MOE in 2003;

- Our project on "The Exploration and Practise on Cultivation Mode of Practical IT Talent" (創新型 IT 職業人才培養模式的探索與實踐) won the first prize of the "National Teaching Achievement Award" (國家級教學成果獎) in 2005; we were the first private university in China to win such a high national award;

- Foshan University was recognised as the "National Base for Nurturing Skill-Oriented Professionals in Short Supply on Computer Application and Software Technology" (國家計算機應用和軟件技術專業技能型緊缺人才培養培訓基地) in 2005;

- Our project on "Construction and Application of Software Talent's Training Platform" (軟件人才培養的實訓平台建設與應用) won the second prize of "National Teaching Achievement Award" (國家級教學成果獎) in 2009;

- Dalian University was the first private university in China, among all the eight Chinese universities, including well-known public universities such as Tsinghua University and Beijing Jiaotong University, to be admitted by Conceiving — Designing — Implementing — Operating (CDIO) Initiative as a collaborator in 2012, adopting the CDIO framework to govern its curriculum design and outcome-based evaluation;

- Dalian University was recognised by Xinhuanet (新華網) as a Private University with Social Influence in China (中國社會影響力民辦高校) in 2015;

- Chengdu University was recognised as a Pilot University in Sichuan Province in the Reform of the Overall Transformation and Development of Undergraduate Colleges (四川省本科院校整體轉型發展改革試點) in 2016;

- Dalian University was recognised as a Model Higher Education Institution in Liaoning Province Transforming to be Application-Oriented (遼寧省普通本科高等學校向應用型轉變示範高校) in 2017.

- According to Wushulian China Private Universities in Comprehensive Competitiveness ("武書連中國民辦大學綜合實力排行榜"), Dalian University ranked the fifth in 2018 and 2019 among all private universities in China, respectively;

- Dalian University ranked the first among all private universities in China in the "Teachers Teaching Development Index" released by the China Association of Higher Education (中國高等教育學會), a national non-profit social organisation, in 2019;

- Neusoft Education Technology Group was recognised by Xinhuanet (新華網) as "Comprehensive Strength Education Group" in 2019;

- Our three universities were included as top 100 private universities among all universities in China by Ruanke (軟科), a world-leading professional research and consulting firm focusing on higher education institution's performance review and improvement, in 2020 and Dalian University ranked fifth among all private universities in China; and

- Dalian University ranked the first among all private universities (inclusive of independent colleges) in China in the "Analysis Report on National Teachers' Teaching Contests (2012-2019)" released by the Expert Working Group of *the College Contests Evaluation and Management System Research* of the China Association of Higher Education (中國高等教育學會) in early 2020.

Our strong brand awareness and high public recognition enable us to admit students obtaining a high score in the National Higher Education Entrance Exams from the provinces where each of our three universities is located despite the fact that our tuition fees have been increasing in recent years. Our students are admitted from either the liberal arts stream or science stream of high schools. According to the Frost & Sullivan Report, for the 2019/2020 school year, Dalian University ranked the first among all the private universities (exclusive of independent colleges) in Liaoning province in terms of the admission scores of both science stream and liberal arts stream, Chengdu University ranked the fourth in terms of the admission scores of both science stream and liberal arts stream among all the private universities (exclusive of independent colleges) in Sichuan province, Foshan University ranked the first in terms of the admission scores of science stream and the third in terms of the admission scores of liberal arts stream among all the private universities (exclusive of independent colleges) in Guangdong province.

Backed by our strong brand awareness and high public recognition, we have extended our education network worldwide through partnerships with foreign universities. As of 31 March 2020, we had established approximately 200 international programmes cooperation with over 130 universities abroad. Our partnership network has extended to include universities in the United States, Australia, the United Kingdom, Japan, South Korea and Russia, and we have developed various programmes such as dual-degree granting programmes and exchange student programmes, accepting international students from foreign universities and providing overseas study opportunities to our students.

Comprehensive education services across our continuing education services and education resources and apprenticeship programme

Leveraging our unique TOPCARES approach, quality education resources accumulated since our business started in 2000, and our leading position in the market, we have established a comprehensive education service ecosystem with full-time formal higher education services as our fundamental business, and continuing education services and education resources and apprenticeship programmes as our strategic businesses.

We have established a lifelong education platform by providing continuing education services to serve a wider group of students and meet their needs for higher degrees and desire to learn more knowledge and skills. By applying our education resources and experience in full-time formal higher education programmes, we are able to offer a wide range of formal higher continuing education programmes to cater to students' different needs. As of 31 March 2020, we had a total of over 4,000 students enroled in our formal higher continuing education programmes. In order to further diverse our customer base and monetise our education resources, we also provide short-term training services to both institutional customers and individual customers. Our institutional customers include companies, schools and government agencies, as well as other institutional customers. We offer training services that are customised to the needs of those institutional customers. As of the Latest Practicable Date, we had provided 70 short-term training programmes to our institutional customers. We have received 30 qualifications recognised by national, provincial and municipal governments, including being recognised by the Ministry of Human Resources and Social Security as one of the first batch of 50 online vocational training platforms (人社部推薦的職業技能培訓線上平台機構) during COVID-19 pandemic, by four ministries including the MOE as one of the first batch of enterprise practice sites for teachers of vocational education (首批職業教育教師企業實踐基地), by Liaoning provincial government as a service outsourcing talent training base in Liaoning province (遼寧省服務外包人才培訓基地), and by Dalian municipal government as a vocational skills public training base in Dalian (職業技能公共實訓基地). The acquisition of 90.91% of the equity interests of Tianjin Ruidao in March 2020 expanded our short-term training services to cover individual customers. Tianjin Ruidao had a well-established short-term training business targeting individual customers such as college students, graduates, IT company employees and anyone interested in acquiring or improving their IT skills. This type of short-term training services aim at enhancing our customers' professional skills and competency in their future career. From 2017 to 2019, Tianjin Ruidao attracted over 4,000 individual customers each year to attend its short-term training programmes, with each customer generating an average revenue of approximately RMB16,000. According to the Frost & Sullivan Report, Tianjin Ruidao ranked the seventh among IT and internet technology vocational training providers in China in terms of revenues generated from offering IT training services in 2019.

Over the course of our university operations, we have distilled our experience and resources accumulated in the past two decades into quality education products, services and solutions. We categorised our education resources business into three modules: (i) joint establishment of academic majors and industrial colleges (專業共建與產業學院), (ii) smart education platform and teaching resources, and (iii) practical training laboratory solutions. Supported by our dedicated research and development team and our safe and reliable internet data center, we are able to supply either standard or customised education resources that are infused with our featured education philosophy, approach, model, system and standard to other universities, colleges or vocational schools. In March 2020, we acquired Tianjin Ruidao, a company that provides IT training and education services to higher education institutions and individuals. Tianjin Ruidao had an established sales network in China covering 12 provinces. It also had a client base of 194 higher education institutions. In addition, Tianjin Ruidao had a team of teachers/engineers who are experienced in delivering training and education services to students. The acquisition of Tianjin Ruidao further strengthened our education resources and apprenticeship programme and optimised our delivery of education resources to our clients in a more effective and efficient way, which in turn increased our capacity in supplying qualified talent to the IT services industries and contributes to the development of local economy.

We have supplied our quality education resources to a number of higher education institutions that are in need of such resources. We call this asset-light and highly scalable business model "3+N" model ("3" stands for our three universities and "N" stands for other higher education institutions that enjoy our quality education resources). The "3+N" business model goes beyond physical, regulatory and capital limitations and constraints that traditional education services are subject to, enables us to rapidly replicate our success to other universities, colleges and vocational schools, and provides us with significant potential to further growth. In addition, we have established a research and development team with composed of excellent teachers of our three universities, experienced enterprise engineers and full-time professional researchers to develop education resources products and support our delivery of such premium products to other higher education institutions. As of the Latest Practicable Date, over 400 universities, colleges and vocational schools in China had used our education resources products, services and/or solutions to upgrade their offerings or curriculum design and improve the effectiveness and efficiency of their teaching activities. Among these universities and colleges, 31 of them are included in the tertiary education development initiative called "Double First Class Universities" ("雙一流大學"), consisting of 15 "World First Class Universities" and 16 "First Class Academic Discipline Construction Universities". Among those vocational schools, 64 of them are included in the vocational education development initiative called "Double High-level Vocational Colleges" (中國職業教育"雙高計畫"建設學校). According to the Frost & Sullivan Report, as measured by cumulative number of schools using IT value-added education services provided by us as of 31 March 2020, we ranked the second in China among providers of IT value-added education services.

Efficient operations and resources sharing under centralised management model

We have adopted a centralised management model to efficiently manage our schools based on modern enterprise management procedures and established practice in operating universities. From our beginnings operating just one school, we have grown today to operate our schools independently in different provinces. We believe our centralised and standardised management is essential to the success of our business, which lays a solid foundation for our future business expansion.

Our centralised management model enables us to carry out unified school operating strategies and implement consistent teaching and education principles. This model also allows us to share various types of education resources among our schools. Meanwhile, we delegate necessary autonomy to each school to maintain their flexibility and accommodate their individual development needs.

- *Unified school operating strategies*: At our Group level, we carry out unified school operating strategies and make central decisions for key issues that are vital to our business development. Our three universities are managed under a similar business structure and share the same education philosophy, which enables us to effectively carry out our business strategies as a Group.

- *Consistent teaching and education principle*: At our Group level, we implement consistent teaching and education principles, represented by our TOPCARES approach. We guide each school to design its own curriculum system and develop the relevant education content to ensure consistent education quality. Each school is delegated certain school's discretion to make necessary adjustments to its own education content to accommodate the individual school's development needs.

- *Education resources sharing*: At our Group level, we make holistic planning for the allocation of education resources across all our schools in terms of procurement, maintenance and upgrade plans for textbooks, collection of books in libraries, laboratory instruments and devices, IT systems, laboratory establishment and construction, and school buildings and facilities construction, among other matters, so that we can maximise the use of our education resources, allow our schools to share resources, and improve utilisation efficiency.

With the support of our advanced online administration system, we are able to apply our centralised management model to other core aspects of our business operations. The centralised management model has effectively improved our education quality, enabled us to control operating costs, improved our operating efficiency, strengthened our control over operational risks and enhanced our brand value, all of which allow us to replicate our success when we supply our quality education resources and apprenticeship programme to other universities and colleges or when we acquire or establish new schools in the future.

Experienced management team and high-quality teaching staff

Our core management team has extensive knowledge, rich management experience and a proven track record in the IT higher education industry in China. Our core management team, as well as the principals of our three universities, each have at least 17 years of work experience in the IT higher education industry.

Our Chairperson, Dr. J. Liu, entered China's higher education industry over 30 years ago, and was previously a vice principal of Northeastern University. Dr. J. Liu is currently a professor and Ph.D. supervisor at Northeastern University. He is also the chairperson of Neusoft Corporation, which when it listed in 1996 was the first software company listed on the Shanghai Stock Exchange (stock code: 600718). With extensive experience accumulated in both the higher education and IT service industries, Dr. J. Liu is an elite in both industries, which enables him to bring his valuable insights and expertise accumulated from both industries to the management of our schools. Dr. J. Liu has won numerous honours and awards, domestically and internationally, including "China Business Leaders Award" ("中國最佳商業領袖") in 2007, "the Sixth Consumer News and Business Channel Asia Business Leaders Award – Innovators" ("第六屆CNBC亞洲商業領袖-創新人物") in 2008, "2009 CCTV China Economy Person of the Year" ("2009 CCTV 中國經濟年度人物") in 2009, "China Software Industry Decade Great Player" ("中國軟件產業十年功勛人物") in 2011, and was named as one of the "One Hundred Outstanding Private Entrepreneur for the 40-Year Reform and Opening up" ("改革開放40年百名傑出民營企業家") in 2018. In 2019, Dr. J. Liu was awarded as the EY Entrepreneur of the Year – Award for Societal Impact (安永全球企業家-社會貢獻獎).

Dr. Wen, an executive Director, chief executive officer and president of our Company, entered China's higher education industry over 30 years ago, and was the former vice principal of Liaoning Shihua University (遼寧石油化工大學副校長). Dr. Wen is currently a professor and Ph.D. supervisor at Northeastern University. He received a Ph.D. degree in engineering at Northeastern University in 1994, and has committed himself to the IT education industry. Dr. Wen began exploring e-learning models in China as early as in 2001. Inspired by the idea of e-learning models, we started to develop our online learning platform and provide blended learning solutions to our students. Dr. Wen has served various roles in government and industry organisations, such as deputy director member of the National Industry and Information Segment Education Steering Committee (全國工業和信息化職業教育教學指導委員會副主任委員) and member of the Software Engineering Professional Education Supervision Committee of the MOE (教育部高等學校軟件工程專業教學指導委員會). Dr. Wen has won numerous honours and awards, including "China Private Higher Education Innovation Award" ("中國民辦高等教育創新獎") in 2003, "National Excellent Individual in Vocational Education" ("全國職業教育先進個人") in 2005, Hundred-Level Talent of "Liaoning BaiQianWan Talent Programme" ("百千萬人才工程百人層次人選") in 2007, "Famous Teacher Award" ("教學名師獎") of Liaoning Province in 2009, "Excellent Educator of Liaoning Province" ("遼寧省優秀教育工作者") in 2009, "China's Most Charming Principal" ("中國最具魅力校長") in 2011, and "China's Outstanding Educator" ("中國傑出教育家") in 2011.

We believe that the quality of our education is primarily dependent on the quality of our teachers. Our schools have a professional and stable teaching team possessing rich subject knowledge, industry expertise, teaching experience, and overseas education background. We have formulated strict standards and procedures for recruiting teachers, and conduct assessments of teachers, such as student satisfaction surveys, regularly. As of 31 March 2020, our three universities had 1,318 full-time teachers, among which approximately 87.0% have a master degree or a Ph.D. degree, and approximately 40.5% were professors or associate professors. As of the same date, approximately 21.7% of our full-time teachers had overseas study and/or work experience. As of 31 March 2020, our three universities also had 852 part-time teachers. In addition, as of 31 March 2020, Tianjin Ruidao had 98 full-time teachers.

OUR BUSINESS STRATEGIES

Digital economic transformation and people's pursuit of living a healthy life have generated a strong demand for talent with expertise in IT and healthcare sectors. We strive to become a leading provider of digital talent education services in China and are committed to benefiting more students from our premium digital talent education services, and thus empower students, parents and society with innovative education.

Our mission is to “empower students with innovative education.” To carry out this mission, we aim to provide employment-oriented first-class full-time formal higher education services with a focus on IT and healthcare sectors and build first-class universities of applied science. With respect to our continuing education services, we strive to build an open continuing education system that integrates online and offline models and provides governments, enterprises, higher education institutions and individuals with one-stop, specialised and lifelong continuing education services and solutions. For our education resources and apprenticeship programme, we intend to further supply and empower other higher education institutions with our quality education resource and becoming an innovator and pioneer for value-added IT education services. To achieve these goals, we plan to execute the following business strategies.

Grow our student enrolments and further expand our enrolment capacity

- *Increase student enrolments for our existing majors and offer new majors*

  For the 2019/2020 school year, we have been approved to admit more students in our full-time formal higher education programmes. Going forward, we plan to continue to increase student enrolments in our existing majors and start to offer new majors that we anticipate would be well received by employers in the IT services industry in China, as well as the general health and wellness industry. “Health China” is now a national strategy, and according to the Frost & Sullivan Report, it is estimated that the supply-demand gap in talent for the general health and wellness market is expected to reach 25.4 million by 2023. Leveraging our position as a leading private IT higher education service provider in China, we seized the market opportunities brought about by the “Health China” national strategy, and started to offer new majors on healthcare technology. In 2018, Dalian University started to offer three new majors which were health services and management, medical imaging technology, and data science and big data technology. The overall enrolment rate of the three new majors, as defined by the number of students who enroled in the new majors divided by the number of students who were admitted in these new majors, was 93% in 2018. For the 2019/2020 school year, Dalian University was also approved to offer two additional majors in intelligent medical engineering and medical product management, Chengdu University was approved to set up two new majors in digital media art and cyberspace security, and Foshan University was approved to set up two new majors in industrial design, and big data management and application. In 2020, Dalian University was also approved to offer four new majors, i.e. medical information engineering, artificial intelligence, robotics engineering, and big data management and application, and Chengdu University was approved to offer three new majors in medical information engineering, intelligence science and technology, and health services and management. In the future, we plan to offer more new majors in healthcare technology and IT related areas such as medical examination technology in our three universities, to satisfy the demand for talent brought about by China’s talent supply shortage in these markets.

- *Expand and improve school infrastructure*

  We believe that school infrastructure is crucial to drive our student enrolments. We intend to increase our investment in new construction projects to build academic, office and living facilities that can drive our student enrolments in the years to come. See “— Campus facilities and services — Upgrade and expansion plans". In addition, we will increase investment in information infrastructure so as to comprehensively improve digitalised management of our campuses and apply digital technology across our campuses.

- *Expand our school network*

  Education resources in China are not evenly allocated. Leveraging our two decades of school operation and management experience and our in-depth knowledge of China's private IT-related higher education market, we intend to expand our school network by acquiring education institutions that are complementary to our business based on various factors, in particular, where the majors offered by the target school are complementary to our current and prospective curriculum, such as majors related to IT and healthcare technology. As of the Latest Practicable Date, we did not have specific acquisition targets. We will ensure that any acquisitions in the future will fully comply with the relevant laws and regulations in effect from time to time.

Maintain and strengthen our market-leading position in terms of education quality and reputation

- *Further develop our online/offline blended learning solutions based on our TOPCARES approach*

  We believe that the quality of education is the lifeline of our business. By utilising our advanced education philosophy, unique TOPCARES approach, industry-leading education resources, and our online learning management platform, we plan to further upgrade our online/offline blended learning solutions by applying outcome-based education approach and artificial intelligence, big data, and cloud computing technologies and continuously improve our digitalised and personalised education system. We will also continue to improve our offline-to-online smart education platforms and realise all-dimension improvement of our students' knowledge, capability and quality.

- *Optimise our course offerings and curricula and continue to refine our teaching evaluation system*

  We will follow closely developments in cutting-edge technologies in IT and healthcare as well as China's higher education industry, and further optimise our course offerings and curricula based on the needs brought about by these developments, to best reflect the evolving market trends and to make our education content more practical. We will strengthen our market-leading position by further enhancing our academic majors, curricula and practical training projects. In addition, we will integrate artificial intelligence, big data and other information technologies into our teaching quality evaluation system that is benchmarked on our TOPCARES indicators so as to realise student-centered smart learning and smart evaluation.

- *Further expand and deepen our school-enterprise cooperation with well-known enterprises*

  We aim to establish collaboration with more industry-leading enterprises and strengthen our relationships with existing partnership enterprises, focusing on areas such as employer tailored programmes and school-enterprise joint establishment of laboratories, through which the enterprises will be more deeply involved in curriculum design, talent cultivation and practical training. As a result, our students will be provided with high quality learning experiences, and increased internship and potential employment opportunities. For example, in November 2019, we established jointly with Baidu the artificial intelligence college in each of our three universities. We plan to develop jointly with Baidu education resources by applying Baidu's leading artificial intelligence platform, tools, technologies and applications. We also plan to work with Baidu to jointly develop application-oriented professional talent cultivation systems, education resources and smart education platforms that are customised to academic majors such as artificial intelligence and big data.

- *Further enhance our brand awareness and public recognition*

  We plan to further enhance our brand awareness and public recognition. We believe that our brand awareness is critical to maintaining and strengthening our market leading position. We plan to promote our brand and enhance our social recognition through both online and offline media. Through a deeper, wider and more effective international communication and cooperation, we plan to provide our teachers and students with additional opportunities to enhance their international vision and competitiveness, promote in-depth cooperation with high-level overseas universities, and enhance the brand awareness of "Neusoft Education" around the world.

Further optimise our pricing strategy and enhance our profitability

Tuition fee level is one of the factors that affect our profitability. Along with the growth of China's economy, the increase in inflation, the high and growing salary levels of high-quality IT talent, as well as the increase in Chinese families' expenditure on higher education, we believe that there is room for us to raise our tuition fees in the future. We review our tuition fee level for each of our three universities periodically based on considerations such as market conditions, the demand for our services and regulatory environment, and will raise our tuition fee level where appropriate. For example, we raised our tuition fees for newly admitted students in Dalian University for bachelor degree programmes from RMB16,000 to RMB18,000 in the 2016/2017 school year to RMB20,000 to RMB24,000 in the 2017/2018 school year and further to RMB20,000 to RMB28,000 in the 2019/2020 school year. We also raised tuition fees for newly admitted students in Foshan University for bachelor degree programmes from RMB18,000 to RMB20,000 in the 2016/2017 school year to RMB18,000 to RMB30,000 in the 2017/2018 school year, to RMB20,000 to RMB30,000 in the 2018/2019 school year, and further to RMB24,000 to RMB30,000 in the 2019/2020 school year. We will raise tuition fees for the bachelor degree programmes and junior college diploma programmes offered by Dalian University and tuition fees for the bachelor degree programmes offered by Foshan University for the 2020/2021 school year.

To further improve our profitability, we plan to raise the tuition fee level while recruiting more students into our bachelor degree programmes. We believe that we are able to raise our tuition fee level as we continuously improve our education quality, in particular, our practical skill-oriented training.

Further expand our continuing education services in particular online continuing education services

According to the Frost & Sullivan Report, an increasing demand for talent with a good command of practical skills, a greater emphasis on higher education by the general public, and increasingly abundant online learning resources are driving the development of continuing education in China.

- *Higher continuing education services*

  Leveraging our reputation and strong brand recognition for the provision of quality full-time formal higher education services, and strategic locations of our three universities, we plan to further expand our higher continuing education services by (i) covering more students across China, (ii) improving the quality of our education service and learning experience, and (iii) optimising our teaching management and student support services.

- *Short-term training services for institutional customers*

  We plan to (i) actively apply for more qualifications on training sites and continuously expand our short-term training programmes according to the needs of our institutional customers, (ii) continue to develop additional featured training programmes that can be delivered to students through both online and offline channels and improve the adaptability and effectiveness of short-term training services, (iii) build an offline-to-online education platform that is open, shared and tailored to students' lifelong education needs, and (iv) further develop our online continuing education leveraging our existing online education resources.

- *Short-term training services for individual customers*

  Guided by our goal of improving our individual customers' competency in their career development, we plan to establish a full supply chain of talent focusing on enterprises' evolving talent demand. We will create a competitive edge by further improving the quality of our training service and customer experience, developing online and offline delivery model, and helping our students improve their career prospects.

Further expand our education resources and apprenticeship programme under our "3+N" business model

According to the 2020 Government Work Report (2020政府工作報告), student enrolments in higher vocational colleges in China will increase by two million persons in 2020 and 2021. As of 31 December 2018, 85.9% of all universities, 77.8% of all junior colleges, and 71.4% of all secondary vocational schools in China were offering IT majors, according to the Frost & Sullivan Report. Higher education institutions and the general public have increasing needs for quality education resources, creating a huge market demand for our quality education resources and apprenticeship programmes.

We plan to further promote our asset-light "3+N" model and deliver our quality education resources through both online and offline formats. By applying such business model, we can break through physical restraints and admission quota limitations of our universities and realise higher growth. After other higher education institutions start to enjoy our education resources, we will continuously supply them our additional value-added services such as talent cultivation standard system, teaching content updates, establishment of smart education platform, data monitoring and assessment, and teacher training services, to address additional needs of these higher education institutions. In addition, we plan to further improve the development and delivery of our education resources by adopting big data technology so that our delivery of education resources is more monitorable, measurable and evaluable.

- *Enhance our product research and development*

  We will further amass a research and development team with a motivation to innovate comprised of excellent teachers of our three universities, experienced enterprise engineers and full-time professional researchers. This research and development team will design and develop various education and teaching solutions based on the actual needs of different business departments in business development through standardised, proceduralised and systematic independent research and development that integrates external high-quality resources.

- *Expand our sales network*

  On top of our existing sales network covering more than ten provinces in China, we will further expand our sales network to cover more geographical regions, build up local sales teams to improve our sales capabilities in each geographical region and further penetrate the market. We will establish and maintain our relationship with local governments and customers and further promote our brand awareness, so as to provide a support to the development of our business in each geographical regions.

- *Optimise our project implementation*

  We have established a dynamic team comprising excellent teachers at our three universities and engineers to develop and continuously improve our quality education and teaching resources. We will keep attracting and retaining teachers and engineers with rich experience in the IT industries by giving full play to the role of college alliances and enterprise alliances so that we are able to enhance our business implementation capabilities and provide support for our business growth. We will further optimise our delivery of quality education resources through both online and offline modalities so that we are able to further improve the efficiency of our delivery of our education resources while not compromising the quality of our education resources.

  In order to ensure our quality education resources products function in a stable and efficient way after purchases by other higher education institutions, we will further improve our internet data centre with high storage capability and bandwidth so that we are able to provide education resources products that are customised to diversified needs of our customers and lay a good foundation for our future business growth.

- *Further optimise our apprenticeship programme*

  Our apprenticeship programme provides our students and students of other higher education institutions that cooperate with us with the opportunity to further hone their skills and obtain practical work experience through participation in the actual IT development programmes. We will further consolidate Tianjin Ruidao's off-campus programme into our apprenticeship programme and at the same time optimise the ways we train students in our apprenticeship programme so that we can improve the efficiency of student training while not compromising the quality of such training. By doing so, we may use our online practical training platform in our student trainings, further optimise employee structure, in particular, our engineer team, and attract more students of other higher education institutions. Through further optimising our apprenticeship programme, we can attract more higher education institutions to cooperate with us so that we can further establish a talent supply ecosystem that benefits schools, enterprises, students and governments.

Strengthen our teaching staff and optimise our employee structure

- *Strengthen our efforts in teaching staff recruitment*

  We believe teachers are our most valuable assets. We plan to improve the quality of our teachers through both external recruitment and internal training. We offer competitive packages to recruit teachers, domestically and internationally, and to attract teachers from industry and well-known colleges and universities. We also plan to recruit teachers with advanced degrees or an overseas education background as well as teachers who have extensive industry experience and have worked in large enterprises or have overseas work experience. We also plan to hire more renowned experts, senior engineers and senior management professionals as full-time or adjunct teachers.

- *Refine teacher compensation, evaluation and promotion mechanisms*

  We aim to improve the satisfaction and loyalty of our teachers by establishing well-designed compensation, evaluation and promotion mechanisms. We will continue to conduct periodic evaluations of our teachers, in the form of student feedback and teaching supervisors' evaluations, based on factors such as teachers' teaching capabilities and subject matter expertise, and scientific research capabilities, and decide the remuneration package of our teachers based on these performance evaluations. Meanwhile, we will continue to implement our enterprise pension policy, and establish stock incentive plans in order to further increase the compensation of our teachers and promote the satisfaction and loyalty of our teachers.

- *Support continued development of our teachers*

  We will also continue to provide extensive training to our teachers to maintain and improve their knowledge and skills. We plan to continue to send our teachers to enterprises for secondments and on-the-job training to allow them to acquire first-hand industry experience and enhance their professional expertise and knowledge. We also encourage our teachers to participate in nation-wide training programmes, conference, and seminars, and we plan to offer international training opportunities for our teachers to broaden their horizons and advance their skills.

OUR EDUCATION PHILOSOPHY AND APPROACH

Our fundamental education philosophy is "Empower Students with Innovative Education" (教育創造學生價值). We apply our unique TOPCARES approach to nurture future IT talent bestowed with eight types of capabilities/skills — Technical knowledge and reasoning, Open thinking and innovation, Personal and professional skills, Communication and teamwork, Attitude and manner, Responsibility, Ethical values, Social values created by application practise. TOPCARES is an acronym of these eight phrases, representing our greatest care for our students. By applying our TOPCARES approach, we aim to create value for our students by helping them develop a promising career path that is commensurate with their expertise, which in turn generates a good return for their families and benefits the whole society. This is the core value and ultimate goal of our education.

OUR SERVICES

Overview

We primarily offer three types of services: (i) full-time formal higher education services, (ii) continuing education services, and (iii) education resources and apprenticeship programme. Our full-time formal higher education services and continuing education services are operated by our three universities and our eight training schools. Our education resources and apprenticeship programme are offered by Dalian Education and a few of its subsidiaries, such as Shanghai Ruixiang and Tianjin Ruidao. Our three business segments mutually support and complement with each other, and create a unique education service ecosystem. The following table sets forth a breakdown of our revenue by type of services during the Track Record Period.

	For the years ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Full-time formal higher education services	631,410	673,027	733,480	119,593	124,116
Continuing education services	43,621	58,642	76,435	10,510	13,919
Education resources and apprenticeship programme	56,359	121,498	148,313	41,291	20,832
Total	**731,390**	**853,167**	**958,228**	**171,394**	**158,867**

Full-time formal higher education services

Full-time formal higher education services consist of (i) bachelor degree programmes, (ii) junior college diploma programmes, and (iii) junior college to bachelor degree transfer programmes. We offer full-time formal higher education services through three universities: Dalian Neusoft University of Information ("**Dalian University**") in Dalian, Liaoning province, Chengdu Neusoft University ("**Chengdu University**") in Chengdu, Sichuan province, and Neusoft Institute of Guangdong ("**Foshan University**") in Foshan, Guangdong province. The following table sets out the number of students enroled in our full-time formal higher education programmes in our three universities in the school years presented.

	Number of students enroled in our full-time formal higher education programmes in the school year			
	2016/2017*	**2017/2018***	**2018/2019***	**2019/2020***
Dalian University				
Bachelor degree programmes	12,484	12,775	13,001	13,229
Junior college diploma programmes	1,943	1,585	1,169	1,756
Junior college to bachelor degree transfer programmes	82	273	389	351
Sub-total	14,509	14,633	14,559	15,336
Chengdu University				
Bachelor degree programmes	8,949	9,722	10,123	10,596
Junior college diploma programmes	1,569	872	256	352
Junior college to bachelor degree transfer programmes	134	83	86	57
Sub-total	10,652	10,677	10,465	11,005
Foshan University				
Bachelor degree programmes	5,025	7,058	8,190	8,722
Junior college diploma programmes	3,828	2,238	930	1,003
Sub-total	8,853	9,296	9,120	9,725
Total	**34,014**	**34,606**	**34,144**	**36,066**

* Our school year generally ends in June or July of each year. For the purpose of calculating the number of students in each school year, we use 31 August 2017, 2018 and 2019 as the cut-off date for the number of students in the 2016/2017 school year, the 2017/2018 school year, and the 2018/2019 school year, respectively, and 31 March 2020 as the cut-off date for the 2019/2020 school year.

Students enroled in junior college diploma programmes in our three universities decreased gradually from the 2016/2017 school year to the 2018/2019 school year because we strategically focused our resources on the development of our bachelor degree programmes. The total number of students enroled in full-time formal higher education programmes in our three universities decreased for the 2018/2019 school year due to the decreases in the number of students enroled in junior college diploma programmes in our three universities, which was partially offset by the increases in the number of students enroled in bachelor degree programmes in our three universities. In response to government's policies encouraging student enrolments in higher vocational colleges and junior college diploma programmes in 2019, we increased our student enrolments in junior college diploma programmes in the school year of 2019/2020 and expect to further increase in future school years.

Bachelor degree programmes

Bachelor degree programmes are full-time higher education programmes that generally take four years for students to complete. Upon satisfying all the requirements set by the student cultivation plans, such as earning a minimum number of credits and passing all types of assessments, students are able to graduate with a bachelor degree. Our three universities offer a total of 77 bachelor degree majors and over 2,847 courses for bachelor degree programme students. These courses can be categorised into general courses for all bachelor degree programme students, major-related foundational courses, major-related specialised courses, and comprehensive practise courses. For information about admission criteria, see "— Student admission".

Dalian University currently offers 34 bachelor degree majors, including 27 IT related majors, such as data science and big data technology, Internet of Things engineering, computer science and technology, and five healthcare technology related majors which are health services management, medical imaging technology, intelligent medical engineering, medical product management and medical information engineering. As of the Latest Practicable Date, three bachelor degree programmes of Dalian University were included in the list of national-level first-class bachelor degree programmes by the MOE and another six bachelor degree programmes of Dalian University were included in the list of provincial-level first-class bachelor degree programmes by the MOE. As of the Latest Practicable Date, Dalian University had one national-level undergraduate comprehensive reform pilot major, two national-level and 24 provincial-level premium courses, and its majors were recognised in four national-level and 49 provincial-level government supporting programmes, such as pilot major for the reform of engineering talent cultivation mode and pilot major for the internationalisation of undergraduate curricula. Bachelor degree programmes in Dalian University are offered through six schools: (i) school of computer and software, (ii) school of information and business management, (iii) school of intelligence and electronic engineering, (iv) school of digital arts and design, (v) school of foreign languages, and (vi) school of healthcare technology.

Chengdu University currently offers 25 bachelor degree majors, including 17 IT related majors, such as data science and big data technology, computer science and technology, and internet engineering, and two healthcare technology related majors, i.e. medical information engineering and health services management. As of the Latest Practicable Date, three bachelor degree programmes of Chengdu University were included in the list of provincial-level first-class bachelor degree programmes by the MOE. As of the Latest Practicable Date, Chengdu University had 15 provincial-level premium courses and its majors were recognised in 19 provincial-level government supporting programmes, such as application-oriented demonstration major for local undergraduate universities and pilot programme for undergraduate major comprehensive reform. Bachelor degree programmes in Chengdu University are offered through six departments: (i) department of computer science and engineering, (ii) department of information and software engineering, (iii) department of information management, (iv) department of business management, (v) department of digital arts, and (vi) department of applied foreign languages.

Foshan University currently offers 18 bachelor degree majors, including 13 IT related majors, such as big data management and application, software engineering, internet engineering, and digital media technology. As of the Latest Practicable Date, Foshan University had five provincial-level premium resources sharing courses and its majors were recognised in 11 provincial-level government supporting programmes, such as provincial-level featured majors. Bachelor degree programmes in Foshan University are offered through five schools: (i) school of computer science, (ii) school of information management and engineering, (iii) school of business management, (iv) school of digital media and design, and (v) school of foreign languages.

Junior college diploma programmes

Junior college diploma programmes are another type of full-time higher education programmes that generally take three years for students to complete. Upon satisfying all the requirements set by the student cultivation plans, such as earning a minimum number of credits and passing all types of assessments, students are able to graduate with a junior college diploma. Our three universities offer a total of 36 junior college diploma majors and over 480 courses for junior college diploma programme students. These courses can be categorised into general courses, major-related foundational courses, major-related specialised courses, and comprehensive practise courses. For information about admission criteria, see "— Student admission".

Dalian University currently offers eight junior college diploma majors, all of which are IT majors. Chengdu University currently offers eleven junior college diploma majors, eight of which are IT related majors. Foshan University currently offers 17 junior college diploma majors, 11 of which are IT related majors.

Junior college to bachelor degree transfer programmes

Junior college to bachelor degree transfer programmes are another type of full-time higher education programmes that generally take two years for students to complete. Upon satisfying all the requirements set by the student cultivation plans, such as earning a minimum number of credits and passing all types of assessments and examinations, students are able to graduate with a bachelor degree. Applicants applying for such programmes have to be full-time junior college graduates and take nationwide entrance examinations administered by each provinces, municipalities directly under the central government, and autonomous regions. For more information, see "— Student admission".

We provide junior college to bachelor degree transfer programmes through Dalian University and Chengdu University. The two universities offer a total of 14 junior college to bachelor degree transfer majors, such as software engineering, computer science and technology, e-commerce, industrial design, and animation. For information about student admission, see "— Student admission".

School capacity and utilisation rate

Each of our universities generally requires its full-time higher education programme students to live on campus in student dormitories during their study at our universities. Under limited circumstances, such as off-campus internships, we allow full-time formal higher education programme students to live outside campus after receiving their parent's written request to do so. As a result, we believe the number of students our student dormitories are designed to accommodate is the most reasonable metric to estimate the maximum capacity of our universities. With respect to continuing education programmes, we do not require students of our continuing education programmes to live on-campus. There is no reasonable metric in estimating the maximum capacity of students of our continuing education programmes. Therefore, we do not include the number of students in our continuing education programmes in estimating the maximum capacity and calculating the utilisation rate of our universities. We also do not take into account very limited number of students enroled in the summer programmes that we may offer from time to time. The following table sets forth our school capacities and utilisation rates for the school years presented.

	Capacity[(1)] for the school year				Utilisation rate[(2)] for the school year			
	2016/2017	2017/2018	2018/2019	2019/2020	2016/2017	2017/2018	2018/2019	2019/2020
Dalian University	15,013	15,013	15,013	16,843	96.64%	97.47%	96.98%	91.05%
Chengdu University	10,796	10,942	10,878	10,878	98.67%	97.58%	96.20%	101.17%[(3)]
Foshan University	9,526	9,430	9,430	10,429	92.94%	98.58%	96.71%	93.25%
Total/Average	35,335	35,385	35,321	38,150	96.26%	97.80%	96.67%	94.54%

Notes:

(1) The capacity of each school represents the total number of beds in student dormitories in each school year. Students enroled in continuing education programmes are not included in calculating school capacity.

(2) The utilisation rate of each school is calculated as the total number of students enroled in our full-time formal higher education programmes as of 31 August in each corresponding school year (except for the 2019/2020 school year, the cut-off date for which is 31 March 2020) divided by the school capacity for each corresponding school year.

(3) Chengdu University had 136 graduating students living outside the campus for purposes of inter-campus exchange or internships.

The school capacity for Foshan University and the school capacity for Chengdu University decreased slightly in the 2017/2018 school year and the 2018/2019 school year, respectively, because we changed the floor plans for certain student dormitory buildings to provide a better living condition for our students.

The utilisation rates of Dalian University and Foshan University decreased in the 2019/2020 school year because we increased the school capacities for both schools. In 2019, Dalian University completed the construction and put into use a new student dormitory building in preparation for future expansion, providing an additional of approximately 1,800 beds in student dormitories. For the school year of 2019/2020, Foshan University adjusted the floor plans for certain student dormitory buildings and leased additional student dormitory buildings and, as a result, was able to accommodate an additional of approximately 1,000 students.

Tuition fees and boarding fees

Tuition fees

We generally require students to pay tuition fees and boarding fees for the entire school year prior to the commencement of each school year. We recognise tuition fees as revenue over the school year based on our school calendar. The following table sets forth the listed tuition fees applicable to newly admitted students for the school years presented.

	Tuition fees for newly admitted students for the school year				
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
			(RMB)		
Dalian University					
Bachelor degree programmes	16,000~18,000	20,000~24,000	20,000~24,000	20,000~28,000	24,000~28,000
Junior college diploma programmes	14,000	20,000	20,000	24,000	28,000
Junior college to bachelor degree transfer programmes	16,000	20,000	20,000	20,000	24,000
Chengdu University					
Bachelor degree programmes	16,000	16,000	16,000	16,000	18,000~19,000
Junior college diploma programmes	16,000	16,000	16,000	16,000	16,000
Junior college to bachelor degree transfer programmes	16,000	16,000	16,000	16,000	18,000~19,000
Foshan University					
Bachelor degree programmes	18,000~20,000	18,000~30,000	20,000~30,000	24,000~30,000	28,000~34,000
Junior college diploma programmes	13,500~30,000	18,000~30,000	18,000~30,000	22,000~30,000	22,000~30,000

For the 2017/2018 school year, we raised our tuition fees for bachelor degree programmes, junior college diploma programmes and junior college to bachelor degree transfer programmes offered by Dalian University, and raised tuition fees for bachelor degree programmes and junior college diploma programmes offered by Foshan University. For the 2018/2019 school year, we raised tuition fees for bachelor degree programmes offered by Foshan University. For the 2019/2020 school year, we increased tuition fees for bachelor degree programmes and junior college diploma programmes offered by Dalian University and Foshan University. For the 2020/2021 school year, we increased tuition fees for bachelor degree programmes and junior college diploma programmes offered by Dalian University, and bachelor degree programmes offered by Foshan University. Tuition fee rates and boarding fee rates of our Chengdu University are no longer subject to government approval and we raised tuition fees for bachelor degree programmes and junior college to bachelor degree transfer programmes offered by Chengdu University for the 2020/2021 school year. We raise tuition fees to reflect our increased operating costs, the improvements of our facilities and the changes in the market price for higher education services. Our tuition fee increase decisions depend on the market condition and other special circumstances we may encounter in the future.

Our tuition fee recognition policy generally leads to seasonal fluctuations of our results of operations. We recognise tuition fees we receive for each school year based on school year calendar and tend to recognise less tuition fees during the first quarter and the third quarter due to the winter holiday (generally starts in January and ends in February) and summer holiday (generally starts in July and ends in August). As a result, our quarterly results for the first quarter and third quarter are significantly lower than the results of other quarters. See "Risk Factors — Risks relating to our business and our industry — Our results of operations are subject to seasonal fluctuations which could result in volatility or have an adverse effect on the market price of our Shares" for more information.

Boarding fees

We generally require students to pay boarding fees for the entire school year prior to the commencement of each school year. We recognise boarding fees as revenue over a 12-month period. The following table sets forth the boarding fees applicable to newly admitted students for the school years presented.

	Boarding fees for newly admitted students for the school year				
	2016/2017	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
			(RMB)		
Dalian University	1,200	2,400	2,400	2,400	2,400
Chengdu University	1,200	1,200	1,200	1,200	2,000
Foshan University	1,700	3,000	3,000	2,000~3,000	2,000~3,000

We raised our boarding fees for each of Dalian University and Foshan University for the 2017/2018 school year and the boarding fees for Chengdu University for the 2020/2021 school year. In the future, we plan to raise the boarding fees periodically to reflect our increased operating cost and the improvements of our accommodation conditions. For the 2019/2020 school year, we changed the floor plan for certain student dormitory buildings of Foshan University to accommodate more students. Boarding fees were adjusted accordingly to reflect such change.

Tuition fee and boarding fee policy

We are able to determine the level of tuition fee and boarding fee rates for our three universities ourselves. According to our tuition fee policy, increase of tuition fees is only applicable to the incoming first year students and the tuition fee rate for the existing students remains the same throughout the course of the relevant programme. In the meanwhile, we allow students with financial difficulties to postpone the payment of tuition fees and help them obtain students loans in certain circumstances.

We have tuition fees and boarding fees refund policies in place at our universities for students who leave during a school year. For Dalian University, if a student enrols and pays tuition fees and boarding fees but withdraws from the university through a written application within one week after the new semester begins, tuition fees and boarding fees would be refunded in full. For students who withdraw from the university after the first week, prorated monthly tuition fees and boarding fees starting from the second month of the month when the students submit withdrawal application to the university will be refunded. Dalian University does not refund tuition fees and boarding fees to students who are expelled from the university. For Chengdu University, for newly admitted students who fail to enrol for a school year due to reasonable causes, tuition fees and boarding fees prepaid will be refunded in full. For existing students who leave the university due to causes such as voluntary withdrawal and being expelled during a school year, prorated monthly tuition fees and boarding fees will be refunded. For Foshan University, for newly admitted students who fail to enrol for a school year due to reasonable causes, the tuition fees and boarding fees prepaid will be refunded in full. For newly admitted students who are enroled in the university but withdraw before taking any courses, 90% of the tuition fees and boarding fees will be refunded. For existing students who withdraw from the university during a school year, prorated monthly tuition fees and boarding fees will be refunded. Foshan University does not refund tuition fees and boarding fees to students who are expelled from the university.

The following table sets out the number of students dropped out during the school years presented.

	Number of students dropped out in the school year			
	2016/2017*	**2017/2018***	**2018/2019***	**2019/2020***
Dalian University	69	53	45	18
Chengdu University	23	21	16	14
Foshan University	43	33	26	16
Total	**135**	**107**	**87**	**48**

* Our school year generally ends in June or July of each year. For the purpose of calculating the number of students dropped out in each school year, we use 31 August 2017, 2018 and 2019 as the cut-off date for the number of students in the 2016/2017 school year, the 2017/2018 school year, and the 2018/2019 school year, respectively, and 31 March 2020 as the cut-off date for the 2019/2020 school year.

The following table sets out the amount of tuition fees and boarding fees refunded to the students who dropped out in the school years presented.

	Tuition fees and boarding fees refunded			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Dalian University	657	702	487	378
Chengdu University	231	208	134	196
Foshan University	452	472	515	359
Total	**1,340**	**1,382**	**1,136**	**933**

* Our school year generally ends in June or July of each year. For the purpose of calculating the amount of tuition fees and boarding fees refunded to students that dropped out in each school year, we use 31 August 2017, 2018 and 2019 as the cut-off date for the number of students in the 2016/2017 school year, the 2017/2018 school year, and the 2018/2019 school year, respectively, and 31 March 2020 as the cut-off date for the 2019/2020 school year.

Featured education model

School-enterprise cooperation, student start-up support, and internationalisation are three special features of our higher education services.

School-enterprise cooperation

We engaged in an extensive school-enterprise cooperation in order to better equip our students with skills that can be applied directly in their future employment, and improve their career prospects. Our school-enterprise cooperation primarily focuses on joint curriculum design, joint student cultivation, and joint practical training. Our school-enterprise cooperation not only benefits students from obtaining actual skills and knowledge that are readily applicable to their future job, but also enables enterprises to pre-train and pre-select prospective employees that fit their job vacancies well.

We invite our students' future employers to participate in the design and development of curriculum/major offerings and student cultivation plans as we believe that employers are more sensitive in anticipating industry trend and know better what type of knowledge and skills students should acquire in school study. For example, under our cooperation with IBM, Dalian University invited engineers from IBM to jointly establish the software engineering major and formulate the student cultivation plan. IBM also worked closely with Dalian University to jointly develop curriculum and related teaching resources such as textbooks and case studies so that students have a closer access to the actual applications of theoretical knowledge in their school study. In addition to reviewing our student cultivation plans, we cooperate closely with enterprises to jointly cultivate our students. Cooperating enterprises send industry experts to our universities to guide our students in various competitions, to lecture on cutting-edge technologies, and participate in the review of graduation project or thesis defence. We have also established employer-tailored programmes with industry leading companies such as Intel and Accenture. The student cultivation plans for these programmes have been tailored to the cooperating enterprises.

Employees of such enterprises will participate in the teaching of relevant courses that are specifically related to the enterprises and the industry so that students can acquire specific knowledge and skills that are desired by such enterprises. Furthermore, our cooperation with enterprises also provides our students with the opportunities to intern at leading companies in various industries, such as Accenture, IBM, and Hewlett Packard. Upon accepting our students as interns, cooperating enterprises will assign an instructor to guide and train our students during the course of their internship. Students who perform well in the internship will have a priority when such enterprises recruit future employees. Taking IBM as an example, starting from 2012, IBM accepts around on average 24 students from Dalian University every year as interns. Interns work on the actual projects undertaken by IBM and are guided by instructors assigned by IBM. In the past three years, IBM has hired over 40 graduates of Dalian University. Other than the above, our cooperating enterprises, such as Texas Instrument, Toshiba, and Intel, have also established jointly with us various laboratories of mainstream IT technologies such as 3D printing, cloud computing, smart logistics, and wearable technology. We also involve our own IT development company in our education activities. See "— Education resources and apprenticeship programme — Apprenticeship programme (數字工場)" for more information. As of 31 March 2020, our three universities have entered into cooperation agreements with over 700 enterprises in various industries such as IT, internet, e-commerce, healthcare, arts and culture industries.

In addition, we have a university science park strategically located in the Dalian High-Tech Industrial Zone near the campus of Dalian University. The university science park is an important vehicle for us to carry out school-enterprise cooperation. It integrates academic research, talent cultivation, and business operations. We currently have several renowned IT enterprises such as Hewlett-Packard and Alpine in the science park. There are also a number of well-known IT enterprises such as IBM, SAP and Accenture located near our campus. We have carried out in-depth integration of industry and education with some of these enterprises. Some of our employer-tailored education programmes are also offered in the science park at relevant enterprises' premise. Enterprises in and near the science park also actively participate in our school activities such as sponsoring scientific projects or competitions. The convenient location significantly facilitates the interaction among enterprises, our students and us.

Student start-up support programme

We effectively integrate our education on practical skills with education on innovation and entrepreneurship and established the student office & venture office (SOVO), a student start-up centre in each of our three universities to create and foster the spirit of innovation and entrepreneurship. SOVO provides multidisciplinary training for students and encourage students to create business value by innovatively applying what they have learnt at school. Against the backdrop of the national policy of innovative and entrepreneurship education, SOVO also serves as a student start-up incubator whereby our students can establish a virtual company and operate the company in a way as a real company is operated. Students will face actual problems encountered by a real company such as internal management, completion of specific projects, competition from other companies and obtain hands-on experience in solving those problems. We have mentors available at SOVO to provide guidance and support to our students such as professional counselling on various problems encountered over the course of running virtual companies. These mentors comprise both dedicated teachers from our universities and entrepreneurs outside the campus. Students can also acquire relevant knowledge by enroling in courses we specifically designed for innovation and entrepreneurship education. What makes it even more attractive to students is that if a virtual company is doing well, there are opportunities to get venture financing from companies outside the campus and turn the virtual company into a real company.

As of 31 March 2020, SOVO had incubated more than 7,300 start-up projects and over 1,000 "virtual" companies in our three universities, among which more than 250 virtual companies had been successfully registered with relevant government agencies as real companies. SOVO of all of our three universities have been awarded as national-level Mass Entrepreneurship Space under the Torch Centre of Ministry of Science and Technology (科技部火炬中心眾創空間).

International programmes

In order to provide our students with necessary exposure to various cultures and opportunities to seek education overseas, as of 31 March 2020, we have established 198 international programmes by cooperating with over 130 universities abroad. According to the cooperation agreements with these overseas universities, undergraduate students can apply to study at an overseas university after completing certain years of study at our universities and generally meeting the minimum grade threshold for language proficiency test. After studying overseas for certain years/semesters and meeting certain requirements of the overseas university, students will be eligible to receive a bachelor degree of that overseas university. Our students can also apply for studying abroad as exchange students for certain period of time after meeting the minimum grade threshold for language proficiency test. After completing their study at an overseas university, students can transfer the credits they earned in overseas universities back and count towards the total number of credits they have to earn according to their cultivation plan. For students of our junior college programmes, we have corresponding international programmes available for them to apply as well. In the meantime, our universities are also accepting international students for the two types of international programmes described above. As of 31 March 2020, there had been over 1,800 students in our three universities studying abroad through applying our international programmes and our universities had accepted over 2,500 international students studying in our three universities.

Grade assessment

For each of our universities, examinations are centrally administered by each school's department of academic affairs at the end of each semester to test students' understanding in various subject matters. The final grade a student receives for a particular course generally consists of his/her class attendance, quizzes, coursework assessment, experiment performance, and final examination. The final examination primarily takes the form of closed book and/or open book examinations. The final examination could also take the form of project design, thesis, or other forms of assessment. Final grade can be in the form of scores (with maximum score of 100) or levels (excellence, good, medium, pass, and fail). Students who fail the course will not be able to earn the corresponding credits and have to either re-take the assessment or re-take the course. The form of assessment and detailed assessment questions/requirements/standards are generally formulated by the primary instructor based on the teaching syllabus and examination scope and filed with the department of academic affairs of each university after having been reviewed by relevant responsible persons of the curriculum and department or school. The department of academic affairs will arrange and administer final assessments.

Graduate employment

Successful post-graduate employment is one of the main objectives for students to pursue higher education, especially private higher education, in China. As such, graduate employment rate is a key indicator of our university operations. To help our students find jobs that fit their interests and skills, each of our three universities has designed employment related courses for students. For our junior students, we generally require them to take mandatory career planning courses to let them understand that future employment and career planning are actually something that they need to care about since the start of their college study. For our senior students, we also make available a variety of general and specialised courses such as career development analysis, business etiquette, basic laws for start-ups, accounting and finance for start-ups for them to freely choose and provide more detailed guidance for their future employment.

In addition, each of our three universities has a dedicated career guidance and service centre that provides a wide range of services to our students who seek employment or internship opportunities. These career guidance and service centres not only serve as a platform to gather and disseminate employment information, but also help our students explore life, work and learning options available to them. When our students approach a career guidance and service centre for counselling services, our professionally trained staff will offer career advice based on the student's personal interests and preference and fine-tune his/her work and learning plans. The career guidance and service centre of each school organises various information sessions, job fairs, job-hunting trainings and other employment-related events from time to time to ensure that our students are well equipped with necessary information and the desired skill sets.

Employment rate

For the 2016/2017, 2017/2018 and 2018/2019 school years, the average initial employment rate of our full-time formal higher education programmes in our three universities was 93.0%, 94.5% and 94.1%, respectively, substantially above the overall average initial employment rate for higher education in China, which was 78.4%, 78.6% and 77.4%, according to the Frost & Sullivan Report. The table below sets forth the initial employment statistics of our universities for the school years presented.

	Initial employment rate for the school year		
	2016/2017	**2017/2018**	**2018/2019**
Dalian University	92.55%	91.79%	92.73%
Chengdu University	95.38%	96.82%	97.19%
Foshan University	91.04%	94.76%	92.42%

Continuing education services

Our continuing education services consist of (i) formal higher continuing education programmes, (ii) non-formal higher continuing education programmes, and (iii) short-term training programmes.

Formal higher continuing education programmes

Our formal higher continuing education programmes are essentially adult higher education programmes. Our adult higher education programmes are designed to provide formal higher continuing education services to adult students who are not registered as our full time students. Upon completion of the relevant courses and passing the required examinations, adult students enroled in such programmes will be awarded a bachelor degree or a junior college diploma, depending on the programmes they are enroled in. Our adult higher education programmes have a flexible course schedule so that adult students can have more flexibility in balancing their study, work, and personal life. Adult students are able to conveniently and efficiently learn relevant courses.

Our adult higher education programmes consist of junior college to adult bachelor degree transfer programmes (專科起點升本科) and high school to adult junior college transfer programmes (高中起點升專科). Applicants of junior college to adult bachelor degree transfer programmes have to possess a junior college diploma and take the National College Entrance Examination for Adults. Applicants of high school to adult junior college transfer programmes have to possess a high school diploma or an equivalent diploma and take the National College Entrance Examination for Adults. For more information about admission criteria, see "— Student admission". It generally takes two years and a half for students to complete junior college to adult bachelor degree transfer programmes and two years and a half for students to complete high school to adult junior college transfer programmes. After completing all courses pursuant to the nationally prescribed teaching plan, students enroled in junior college to adult bachelor degree transfer programmes will receive an adult bachelor degree and students enroled in high school to adult junior college transfer programmes will receive an adult junior college diploma. All of our three universities can offer adult higher education programmes.

Dalian University currently offers five junior college to adult bachelor degree transfer programmes: digital media technology, financial management, human resources management, e-commerce and marketing, and three high school to adult junior college transfer programmes: applied computer technology, computer network technology, and e-commerce. The tuition fees for the adult higher education programmes offered by Dalian University generally range from RMB2,800 to RMB6,000.

Foshan University currently offers 12 junior college to adult bachelor degree transfer programmes, such as software engineering, visual communication design, business management and e-commerce, and 12 high school to adult junior college transfer programmes, such as computer network technology, animation production technology, information security and management, and digital media arts design. The tuition fees for the adult higher education programmes offered by Foshan University range from RMB9,800 to RMB17,800, depending on the programmes that students are enroled in. In response to the market demand, the adult higher education services offered by Foshan University, in addition to normal course instructions, include (i) extra practical courses and trainings to help students acquire hands-on knowledge and experience, and (ii) additional services offered to students to facilitate their employment after graduation. As a result, the tuition fees for the adult higher education services offered by Foshan University are generally higher than the tuition fees charged by Dalian University.

Chengdu University will start to offer one junior college to adult bachelor degree transfer programmes (e-commerce) and two high school to adult junior college transfer programmes (information security and management, and product art design) in the 2020/2021 school year.

The following table sets out the number of students enroled in our adult higher education programmes in Dalian University and Foshan University in the school years presented.

	Number of students enroled in the school year			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
Dalian University	991	1,083	1,325	1,682
Foshan University	1,761	2,575	2,448	2,320
Total	**2,752**	**3,658**	**3,773**	**4,002**

* Our school year generally ends in June or July of each year. For the purpose of calculating the number of students in each school year, we use 31 August 2017, 2018 and 2019 as the cut-off date for the number of students in the 2016/2017 school year, the 2017/2018 school year, and the 2018/2019 school year, respectively, and 31 March 2020 as the cut-off date for the 2019/2020 school year.

Non-formal higher continuing education programmes

Self-taught examination preparation services

Self-taught examination education in China is open to any person who wants to pursue higher education (bachelor degree or junior college diploma) without any restrictions in admission. Applicants can freely choose a self-taught examination programme of a major that they are interested in a school that they want to attend, and the level of higher education (bachelor degree or junior college diploma) that they want to pursue. However, students have to pass all examinations and tests required by relevant rules and regulations and administered by provincial department of education before they can be awarded a bachelor degree or a junior college diploma, depending on the programmes they are enroled in.

We provide self-taught examination preparation services through Dalian University and Chengdu University. After students are enroled in a self-taught examination programme, they can attend courses we designed for them to get them prepared for the examinations and tests required for obtaining a bachelor degree or a junior college diploma.

Currently, Dalian University offers six self-taught examination preparation programmes for students who plan to take the self-taught examinations for a bachelor degree and one self-taught examination preparation programmes for students who plan to obtain a junior college diploma. The tuition fees for the self-taught examination preparation programmes offered by Dalian University range from RMB3,315 to RMB5,400, depending on the programmes that students are enroled in.

Chengdu University currently offers five self-taught examination preparation programmes for students who plan to take the self-taught examinations for a bachelor degree and four self-taught examination preparation programmes for students who plan to obtain a junior college diploma. The tuition fees for the self-taught examination preparation programmes offered by Chengdu University range from RMB3,000 to RMB3,800.

The following table sets out the number of students enroled in our self-taught examination preparation programmes in Dalian University and Chengdu University in the school years presented.

	Number of students enroled in the school year			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
Dalian University	451	566	479	445
Chengdu University	81	75	68	95
Total	**532**	**641**	**547**	**540**

* Our school year generally ends in June or July of each year. For the purpose of calculating the number of students in each school year, we use 31 August 2017, 2018 and 2019 as the cut-off date for the number of students in the 2016/2017 school year, the 2017/2018 school year, and the 2018/2019 school year, respectively, and 31 March 2020 as the cut-off date for the 2019/2020 school year.

Short-term training programmes

We provide short-term training services on a wide variety of IT and IT related topics to institutional and individual customers. Unlike formal or non-formal higher continuing education programmes, short-term training programmes are not categorised as higher education, participants of our short-term training programmes will not be awarded any degrees or diplomas, and there are also no admission thresholds for these programmes. Our short-term training programmes typically have a term of several weeks to several months.

Training services to institutional customers

We provide customised short-term training services on various topics primarily to institutional clients such as universities/colleges, government agencies, and enterprises through our three universities and our training schools. Specifically, our short-term training services can be categorised primarily as follows:

- Training services for universities/colleges: Leveraging our experience in higher IT education sector and our brand recognition, we offer teacher training services to vocational colleges and application-oriented universities. For example, we provided special trainings in information technology area to teachers from vocational colleges in Shanxi province so as to improve their practical experience and capabilities in applying information technology in their teaching activities. We have been recognised as a premium provincial centre for the scheme of improving capabilities of the teachers in vocational schools by the MOE.

- Training services for government agencies: In response to the market demand, we also provide training services to staffs of government agencies and, on behalf of government agencies, provide trainings in specific areas to the society. For example, we provided staff trainings to employees of the Civil Affairs Bureau of Xigang District of Dalian (大連市西崗區民政局), so that they are able to effectively use relevant IT systems in carrying out their duty. We also provided special trainings in the practical exploration of embedded technology in intelligent manufacturing field on behalf of Dalian Human Resources and Social Security Bureau (大連市人力資源和社會保障局) to the general public.

- Training services for enterprises: We offer customised training services to enterprises in industries such as construction and finance to match their differentiated needs primarily in the form of new employee trainings, language trainings and management trainings. For example, we provided a tailored training to new employees of China Construction Eighth Engineering Bureau Co., Ltd. (中國建築第八工程局有限公司) in terms of business etiquette, communication and execution, and office software, and other quality development training based on the nature of the industry and different roles played by the employees.

Service fees for our short-term training services we provide to institutional customers are negotiated on a case-by-case basis, depending on the number of people participating the training courses, the length of the programmes, training topics, among others. As of the Latest Practicable Date, we had provided 70 short-term training programmes to companies, schools and government agencies, as well as other institutional customers, and received 30 qualifications recognised by national, provincial and municipal governments, including being recognised by the Ministry of Human Resources and Social Security as one of the first batch of 50 online vocational training platforms (人社部推薦的職業技能培訓線上平台機構) during COVID-19 pandemic, by four ministries including the MOE as one of the first batch of enterprise practice sites for teachers of vocational education (首批職業教育教師企業實踐基地), by Liaoning provincial government as a service outsourcing talent training base in Liaoning province (遼寧省服務外包人才培訓基地), and by Dalian municipal government as a vocational skills public training base in Dalian (職業技能公共實訓基地).

Training services to individual customers

In March 2020, we acquired Tianjin Ruidao and merged its short-term training services for individual customers into our existing short-term training services. The primary objective of our short-term training services to individual customers is to enhance their IT skills by offering them a wide range of specialised practical training programmes. Our individual customers mainly include employees in the IT industry and students entering the IT industry. We currently offer a total of 141 courses covering popular IT technologies such as JAVA, UI, and Python. These training services are offered by our eight training schools in seven cities across China. Generally, the training courses have a term of four to five months. Individual customers pay a tuition fee based on the courses they are enroled in. Depending on the length and subject of the courses, tuition fee for such courses offered by Tianjin Ruidao ranges from RMB9,000 to RMB25,800. In 2019, Tianjin Ruidao offered short-term training services to over 4,000 individual customers. We promote our training services mainly through online channels such as website advertisement, WeChat public account, and offline in-campus roadshows. We hold information sessions in-campus and make available trial courses to students.

Education resources and apprenticeship programme

Education resources

Over the course of our university operations in the past 20 years, we have distilled our TOPCARES approach and accumulated abundant education experience and resources. In order to further realise the value of our education approach and abundant education resources, we established a dedicated research institute and a product centre to develop and continuously optimise our proprietary education products. By supplying these quality products to other universities of applied science, junior college, and vocational schools that are in need of quality education resources, we are able to help them improve effectiveness and efficiency of their education services. Our education resources currently comprise three modules: (i) joint establishment of academic majors and industrial colleges (專業共建與產業學院), (ii) smart education platform and teaching resources, and (iii) practical training laboratory solutions. We are able to offer our clients a customised, fully-integrated major design solution or college establishment solution based on their differentiated demands by a different combination of the three modules.

Joint establishment of academic majors and industrial colleges

Targeting IT related majors and healthcare technology majors of higher education institutions that cooperate with us, we offer them a wide range of our quality education resources such as joint formulation of talent cultivation plan, joint development of course offerings, teacher training, and practical training projects. By supplying them our quality education resources, we are able to help them establish talent cultivation systems that better integrate their school education with enterprises' business operations so as to better cater for the industries' demand for talent. As of the Latest Practicable Date, we had helped other higher education institutions establish 20 academic majors, including engineering software, artificial intelligence, and big data.

By partnering with industry-leading enterprises, we offer five types of industrial college establishment solutions to other higher education institutions. These five types of industrial colleges are: college of computer and software, college of artificial intelligence, college of digital media, college of enterprise informatisation, and college of healthcare technology. We also carry out multi-disciplinary cooperation with other higher education institutions encompassing talent cultivation, technology development and scientific research. In 2019, we entered into a business collaboration framework agreement and a business collaboration agreement on artificial intelligence college with Baidu and established Neusoft Baidu Artificial Intelligence College in each of our three universities. The establishment of artificial intelligence colleges further optimised our existing education resources in artificial intelligence sector such as curriculum offerings, talent cultivation systems, and practical training projects. We have started to promote such cooperation model to other higher education institutions and jointly establish Neusoft Baidu Artificial Intelligence College in other universities.

The joint establishment of academic majors and industrial colleges services include full-cycle cooperation of talent cultivation and practical training cooperation tailored to senior students. Generally, we charge fees based on the number of students enroled in the majors under joint establishment. For full-cycle cooperation of talent cultivation, which generally starts from the first school year to the last school year of a programme, we charge higher education institutions that cooperate with us fees for each school year based on the number of students enroled in the majors under joint establishment. For practical training cooperation tailored to senior students, we charge higher education institutions that cooperate with us fees based on the number of students joining the practical training and the length of the training period.

Smart education platform and teaching resources

Based on our two decades of experience operating universities of applied science, we have accumulated and further developed premium teaching resources, such as curriculum resources and case studies, regarding our

IT majors, healthcare technology majors and innovation and entrepreneurship education. Through various smart education platforms we developed in-house, we are able to supply these quality education resources to other universities, colleges and vocational schools. Smart education platforms we developed in-house mainly include Neusoft MOOC platform, practical curriculum platform, and software project practical training platform. These platforms contain approximately 200 courses and over 4,000 cases, videos and courseware covering seven majors including software technology, big data, artificial intelligence, Internet of Things, and digital media. The project resources we integrated into the platforms are derived from actual projects undertaken by companies in the market. We convert and compile these actual projects into educational resources that are ready-for-use by course instructors and have appropriate levels of difficulties for students of different grades. Our smart education platforms support course instructors' core teaching activities such as case study, in-class practice and after-class project training, which reduce repetitive work in the teaching activities, enable digitalised feedback on students' performance in the project practices, and facilitate course instructors' assessment of the effectiveness of teaching activities. We sell our clients smart education platforms that are embedded with teaching resources. We charge our clients for each platform sold and the amount of resources integrated into the platform.

Practical training laboratory solutions

The IT industry is rapidly evolving and has a higher requirement on students' hands-on capabilities. Pure curriculum resources are far from being enough in cultivating a qualified student for the industry. Students have to obtain sufficient practical experience before graduation. As a result, practical trainings and laboratories are of great importance for schools that primarily provide IT and technology education services. Based on our prior experience and a large number of actual cases in our previous cooperation with IT enterprises, our three universities have established a number of professional practical training laboratories that are close to the forefront of the industry by imitating the actual development environment of the companies outside the campus, enabling our students to effectively solidify the knowledge acquired by them through progressive experiments and trainings. By virtue of summarising and refining our years of experience in practical training laboratory construction and management, we have built an advanced and integrated experimental training system and streamlined a complete set of experimental and training room construction solutions, which include a set of education objectives, standards, principles, and experiment contents for establishing and operating offline or online laboratories for our clients that are universities and colleges. Our practical training laboratory solutions currently cover software engineering, data science and big data technology, artificial intelligence, automotive electronics, and digital media technology majors. By applying our laboratory solutions, our clients will be able to efficiently establish their own laboratories, significantly shorten the construction period and improve the effectiveness of experiment and training while effectively solving the problem of the disconnection between school education and future employment.

As of the Latest Practicable Date, we have supplied our education resources to over 400 universities, colleges, and vocational schools in China. Among the universities, colleges, and vocational schools that use our education resources, 31 of them are included in the tertiary education development initiative called "Double First Class Universities" ("雙一流大學"), including Nanjing University, Wuhan University, Sichuan University, Harbin Institute of Technology, Dalian University of Technology, Northeastern University, and Huazhong University of Science and Technology, and 64 of them are included in the vocational education development initiative called "Double High-level Vocational Colleges" (中國職業教育"雙高計畫"建設學校). In addition, as of the Latest Practicable Date, a total of approximately 300 higher education institutions utilised our smart education platform to study online amid COVID-19 pandemic.

Apprenticeship programme (數字工場)

In order to ensure our education resources business has a continual competitive edge and unique features, we developed apprenticeship programme, a creative education model that effectively integrates school education with on-the-job training so as to comprehensively and effectively improve the capabilities of our students and students of other higher education institutions that cooperate with us and get them prepared for their future career, which in turn empowers higher education institutions in their supply of qualified talents to IT-related industries and contribute to the development of local economy.

The school education part of our apprenticeship programme focuses on practical trainings that hone students' practical skills, while on-the-job training part emphasises on the training of differentiated skills and capabilities that are specifically tailored to students' prospective employers through involving students in the actual project development activities. Specifically, students of our three universities and other higher education institutions that cooperate with us can participate in our apprenticeship programme and be trained intensively in a workplace simulation environment to acquire knowledge and skills that are important to engineers in the IT and IT-related industries. Afterwards, depending on their capabilities, outstanding students will have the opportunities to be involved in various IT development projects we undertake from our clients. These students are guided by our engineers in those actual IT development projects, which gives them an actual work experience before starting their career. Outstanding students also have the opportunities to conduct off-campus internships at enterprises that cooperate with us. For the students who are able to competently complete assignments in the actual IT development projects or off-campus internships, they will have opportunities to be employed by enterprises cooperating with us through our recommendation. The successful implementation of our apprenticeship programme allowed us to form a chain of talent supply that starts from customised school education to intensive trainings, to on-the-job trainings/off-campus internships, and finally to supply of qualified talents to enterprises.

Before the acquisition of Tianjin Ruidao in March 2020, we operated our apprenticeship programme mainly through Shanghai Ruixiang. Shanghai Ruixiang provides Shanghai Sirui with human resources and technology expertise through assigning engineers to the actual IT development projects outsourced to Shanghai Sirui by third parties. Shanghai Ruixiang involves our students in such actual IT development projects with the guidance of the engineers of Shanghai Ruixiang. Shanghai Sirui is a company wholly-owned by Neusoft Holdings, one of our Controlling Shareholders. Shanghai Ruixiang charges fees from Shanghai Sirui based on the number of engineers assigned to each IT development project and the actual development work. The fees charged are determined on an arm's length basis based on the market rates. Since the primary purpose of our apprenticeship programme is to better educate our students, fees received by Shanghai Ruixiang are used primarily to cover the cost we incurred in offering apprenticeship programme to our students. For more information, please see "Connected Transactions" in this document. As part of education resources we supply to other higher education institutions, we started to accept students of other higher education institutions in our apprenticeship programme in late 2019 and charge fees from other higher education institutions. Such revenue from accepting students of other higher education institutions is recorded under revenue from education resources.

After the acquisition of Tianjin Ruidao in March 2020, we amalgamated Tianjin Ruidao's off-campus internship programme into our apprenticeship programme. Under the off-campus internship programme, Tianjin Ruidao offers students opportunities to intern at various enterprises after training them systematically and intensively. In the meanwhile, Tianjin Ruidao charges fees from those enterprises based on the number of students supplied and their working hours. By giving students opportunities to conduct internship, students are able to obtain actual work experience and build their resume for their future career. The acquisition of Tianjin Ruidao also expanded the delivery network of our apprenticeship programme. As of the Latest Practicable Date, we had ten delivery centres in eight provinces across China. These delivery centres are able to offer our apprenticeship programme to over 5,000 students across China.

After the acquisition of Tianjin Ruidao, off-campus internship programme is still operated by Tianjin Ruidao and a few other subsidiaries. As we consolidate Tianjin Ruidao's off-campus programme into our apprenticeship programme, we are also reforming our apprenticeship programme by optimising the ways students are trained, such as changing offline face to face training to using a combination of online and offline trainings, so that we can improve the efficiency of student training while not compromising the quality of such training.

IMPACT OF COVID-19 ON OUR BUSINESS OPERATIONS

In response to the outbreak of COVID-19, the Chinese government took a number of actions such as extending the Chinese New Year holiday, quarantining and otherwise treating individuals in China who had contracted COVID-19, asking residents to remain at home and to avoid gathering in public, among other actions. The outbreak of COVID-19 in China have also resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China. Schools are not allowed to reopen until local provincial government's further notice. After the second semester of the 2019/2020 school year started, our three universities offered nearly all instruction through online modality. Our training schools have also been offering training services online since February 2020. Since our students did not live on campus for the second semester of the 2019/2020 school year, we decided to refund the boarding fees to our students in the three universities and Neusoft Training School. In April and May 2020, the MOE and the provincial governmental authorities issued their policies on refund of boarding fees and our boarding fee refund estimation is consistent with such policies. The policy of our Dalian University is refunding boarding fees of five months to all students. The policy of our Foshan University is refunding boarding fees of 150 days to graduating students and boarding fees of 120 days to students of other class years. The policy of our Chengdu University is refunding boarding fees of 150 days to all students. The policy of our Neusoft Training School is refunding boarding fees of five months to all of its students. The total amounts of boarding fees to be refunded by Dalian University, Foshan University and Chengdu University and Neusoft Training School are expected to be RMB15.3 million, RMB10.0 million, RMB3.7 million and RMB1.7 million, respectively. As of the Latest Practicable Date, Dalian University, Foshan University and Neusoft Training School had refunded almost all the boarding fees to be refunded, and Chengdu University had refunded approximately 20% of the boarding fees to be refunded. The remaining portion of boarding fees to be refunded will be refunded in the near future. As of the Latest Practicable Date, our three universities had reopened. Starting from the end of June, our training schools gradually resumed offering courses offline. Our subsidiaries operating education resources and apprenticeship programme business gradually resumed offline work since February 2020. During COVID-19 when we offered online instruction, we primarily relied on our proprietary "Neusoft Blended Teaching Platform", "Neusoft MOOC Platform" and "Neusoft Practical Training Project Platform". In addition, we used other third-party products to assist our teachers' online instruction and facilitate after-class communications between students and teachers. These products primarily included curriculum resources and online streaming products such as Tencent Courses, teaching management products such as U Campus and Ketangpai, and instant communication products such as Dingding, Foxmail and Tencent Meeting. With these platforms, our teachers were able to deliver instruction through live streaming and recorded lectures. These online platforms also allowed students to interact with teachers, submit their assignments and attend after-class tutoring sessions. We believed that by offering instruction through alternative modalities, we could minimise the impact of COVID-19 pandemic on our school operations. In fact, COVID-19 pandemic also has a positive impact on the promotion of our online education platforms. During the outbreak of COVID-19, many schools choose to deliver instruction online, which created higher demand for our online education platforms. As of the Latest Practicable Date, there were approximately 300 universities, colleges and vocational schools using our online education platforms. Our Neusoft IT Capabilities Training Platform was included in the first batch of 50 online vocational training platforms by the Ministry of Human Resources and Social Security during COVID-19 pandemic.

Normal economic life throughout China was sharply curtailed amid COVID-19 pandemic. Our short-term training services for individual customers, which was operated by Tianjin Ruidao prior to the acquisition in March 2020, also experienced a decline in the number of students enroled in our short-term training programmes from 852 in the first quarter of 2019 to 536 in the first quarter of 2020 primarily due to (i) our inability to conduct in-campus marketing and promotional activities as a result of temporary campus closures, and (ii) our inability to offer face-to-face course instruction which negatively affected individual customers' willingness to take our training courses. Such decrease in the number of students enroled also negatively affected Tianjin Ruidao's revenue from providing short-term training services to individual customers for the three months ended 31 March 2020, which together with the fact that the provision of innovation and entrepreneurial education service to higher education institutions by Tianjin Ruidao usually happens in the second half of a calendar year, are primary reasons for Tianjin Ruidao to have a net loss for the three months ended 31 March 2020. We expect that the student enrolment number will increase after schools and universities in the provinces where we have business operations reopen and we resume face-to-face course instruction. To further improve the student enrolment, we plan to further promote our short-term training services through popular social media channels so as to capture more potential customer base. We also plan to offer online courses through live streaming to attract potential students and combine such online instruction with offline instruction to capture a wider range of customer base. In addition to our existing programmes targeting graduating students, we have been developing new training programmes targeting junior students to capture more potential customers through offering differentiated training programmes for college students in different class years.

As COVID-19 has become a global pandemic, our international programmes are also adversely affected. Many countries changed their immigration policies and imposed restrictions on international travel. As a result, many of our international students are unable to return to China and certain Chinese students are also unable to travel to overseas universities for study. We are offering online instruction for our international students for the new semester. Depending on the arrangements of the overseas universities cooperating with us, Chinese students enroled in our international programmes would take courses online or defer the semester. In addition, short-term exchange programmes that were supposed to be implemented in the first half of 2020 were cancelled or delayed. If the spread of COVID-19 in other countries and regions cannot be effectively controlled, our international programmes for the next school year would be materially and negatively affected.

Student admission and business development usually require travels and site visits. If COVID-19 pandemic drags on for longer, we may not be able to effectively carry out student admission marketing activities for the next school year, cooperate with our business partners and develop new business opportunities in the future. We currently carry our student admission marketing activities mostly online. Due to our good brand image and reputation of the good quality of our education services, we do not expect our student admission for the 2020/2021 school year will be materially and adversely affected.

In addition, the operation of our education resources business was negatively affected by COVID-19 pandemic due to the travel restrictions across China and remote working arrangements of our business partners, which restricted our ability to develop new business. Without taking into account our acquisition of Tianjin Ruidao, operating results of our education resources business for the three months ended 31 March 2020 were negatively affected due to COVID-19 pandemic. If the spread of COVID-19 cannot be fully controlled or continues for longer, however, operating results of our education resources business may be materially and adversely affected.

While many of the restrictions on movement within China had been relaxed as of the Latest Practicable Date, there is great uncertainty as to the future progress of the disease. Currently, there is no vaccine or specific anti-viral treatment for COVID-19. Relaxation of restrictions on economic and social life may lead to new cases which may lead to the reimposition of restrictions. Our business and financial performance have been negatively affected by the outbreak of coronavirus in China since the beginning of 2020, and this is likely to continue throughout the current year, if not longer. See "Risk Factors — Risks relating to our business and our industry — Our business has been and is likely to be materially and adversely affected by the outbreak of COVID-19" for more information.

Our Directors confirm that the outbreak of COVID-19 have had a negative impact on our business operations in the short run as (a) our universities and training schools were temporarily closed for a period of time; (b) students of our universities and training schools had to take courses online; (c) the number of students enroled in Tianjin Ruidao's short-term training programmes experienced a decline in the first quarter of 2020; (d) we have to refund boarding fees of approximately RMB30.7 million to our students; (e) our international programmes for the second semester of the 2019/2020 school year were cancelled or delayed; and (f) the operation of our education resources business was negatively affected due to the travel restrictions across China. However, it is unlikely for COVID-19 to have a material adverse impact on our continuing business operations and sustainability in the long run as (i) we are able to provide education services online and students can attend classes without physically present at our universities or training schools, which will mitigate the negative impact of COVID-19 on our business operations; (ii) as of the Latest Practicable Date, all of our three universities had reopened and our training schools also began to gradually offer offline training services starting from late June 2020; (iii) our major source of revenue, tuition fee income from our fundamental business full-time formal higher education services has not been affected by the COVID-19; and (iv) we have sufficient cash and cash equivalents to maintain our business operations.

OUR CENTRALISED MANAGEMENT MODEL

Over the course of our university operations in the past two decades, we have established a centralised management model through which we apply unified school operation strategies, TOPCARES education philosophy, school management and decision making mechanism to all our universities and share various types of resources among our universities. Our Board is responsible for formulating overall school operation strategies and implement such strategies across all our universities. Our Board is led by our Chairperson, Dr. J Liu, and is supported by our Chief Executive Officer, Dr. Wen, and various functional departments. The principals of our three universities are also members of our Board. The composition of our Board ensures that different situations in the operation of each of our three universities are adequately considered and the strategies/decisions made by the Board are implemented in each of our three universities with consistent standards. We believe that our centralised management model lays a foundation for our future school network expansions. Specifically, our centralised management model has the following advantages:

- Operating strategies and decision-making: our centralised management model allows us to implement our current school operation strategy that focuses on the provision of high quality full-time formal higher education services that are complemented by our continuing education services and education resources and apprenticeship programme. Similar business structure and the same education philosophy enable us to apply unified strategies and decision making across all our universities;

- Student admission and employment information sharing: we formulate consistent student admission plans and marketing strategies that are complementary to each other for different programmes of our three universities. In the working level in each year, our universities share student admission experience and resources in each provinces, municipalities, and autonomous regions in China. In addition, our three universities share with each other employment information available for our students;

- Education resources sharing: we make holistic planning for the development and allocation of education resources across all our universities and individually approve each university's procurement, maintenance and upgrade plan with respect to textbooks, collection of books in libraries, experiment instruments and devices, IT systems, laboratory establishment and constructions, school buildings and facilities constructions, among others, so that we can maximise the use of our education resources and the utilisation efficiency. From education management perspective, we apply the same overall human resources management system across our three universities and share teaching experience and teacher resources periodically;

- Clear and effective management hierarchy: at school level, each of our universities is managed on a day-to-day basis by its principal, who is assisted by several vice principals responsible for one or more specific aspects of our universities' operations. The board of each of our respective schools is responsible for the overall management of each of our universities. We believe this management system allows us to maximise the capabilities of our teachers and administrative personnel to enhance the quality of education we provide and promote students' well-being; and

- Unified internal management and IT systems: we have formulated various internal management rules such as internal control and compliance rules, procurement rules and procedures, and property management rules. These internal rules are implemented by all our universities and subsidiaries consistently. To improve operational efficiency, we use IT systems in various aspects of our daily school operations such as teaching management system, course selection system, grading system, and student management system. These IT systems are connected to each other. Our senior management team is able to obtain overall school operation data/information on a real-time basis to facilitate their decision-making.

STUDENT ADMISSION

Student admission process

The National Higher Education Entrance Exam is the major channel for our universities to enrol students in our bachelor degree programmes and junior college diploma programmes. Graduating high school students nationwide submit applications to several universities of their choice based on the scores they receive in the National Higher Education Entrance Exam. Each province in China sets its own admission thresholds for different academic concentrations and different category of universities based on students' overall performance in the National Higher Education Entrance Exam. Universities in each province then evaluate and admit prospective students within the thresholds based on the respective scores and specific aspirations in students' applications, which usually rank universities in several categories with the first choice being the school the student wants to attend the most.

For our junior college to bachelor degree transfer programmes, our universities admit students based on their grades in the nationwide entrance examination administered by the provincial department of education. Applicants must be full-time junior college graduates possessing a junior college diploma. Similar to bachelor degree programmes and junior college diploma programmes, junior college to bachelor degree transfer programmes are also subject to admission quotas set by each provincial government. The admission quotas for junior college to bachelor degree transfer programmes form part of the overall student admission quotas for full-time formal higher education programmes that each university is subject to every year.

In terms of our full-time formal higher education programmes, for the 2019/2020 school year, (i) Dalian University admitted approximately 34% of the new students from Liaoning province and the remaining 66% from other provinces, (ii) Chengdu University admitted approximately 77% of the new students from Sichuan province and the remaining 23% from other provinces, and (iii) Foshan University admitted approximately 85% of the new students from Guangdong province and the remaining 15% from other provinces.

For our adult higher education programmes, we admit adult students through the National Higher Education Entrance Examination for Adults. Similar to the National Higher Education Entrance Exam, students will generally be admitted based on their grade in the National Higher Education Entrance Examination for Adults.

Student admission quota

The number of students our full-time formal higher education programmes and formal higher continuing education programme are able to enrol is subject to the admission quotas determined by local education authority. For each upcoming school year, each of our universities formulates a student admission plan that contains admission quotas for its full-time formal higher education programmes and formal higher continuing education programmes to be reviewed and approved by local education authority. We formulate student admission plans for our universities by taking into account our overall available resources and the resources of each of our three universities. The following table sets forth the admission quotas of each of our full-time formal higher education programmes and formal higher continuing education programmes for the school years presented.

	Admission quotas for the school year				
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Dalian University					
Bachelor degree programmes	3,477	3,477	3,657	3,757	4,109
Junior college diploma programmes	546	546	546	696	696
Junior college to bachelor degree transfer programmes	200	200	200	200	700
Adult higher education programmes	323	466	549	629	*
Chengdu University					
Bachelor degree programmes	3,000	3,079	3,000	3,288	3,473
Junior college diploma programmes	160	120	50	900	1,000
Junior college to bachelor degree transfer programmes	41	41	39	8	222
Foshan University					
Bachelor degree programmes	2,220	2,300	2,548	2,932	2,944
Junior college diploma programmes	450	450	350	838	1,500
Adult higher education programmes	926	513	788	1,002	*

* As of the Latest Practicable Date, applicable local education authority has not determined the admission quotas of adult higher education programmes of Dalian University and Foshan University for the 2020/2021 school year.

The student admission quota for junior college diploma programmes of Chengdu University decreased continuously from the 2016/2017 school year through the 2018/2019 school year primarily because we intentionally reduced the number of students in our admission plan for junior college diploma students after considering a number of factors such as school capacity and the university's overall development strategy of focusing on bachelor degree programmes. Since Chengdu University admits students for its junior college to bachelor degree transfer programmes from graduates of its junior college diploma programmes, decreases in the number of students enroled in Chengdu University's junior college diploma programmes from the 2016/2017 school year through the 2018/2019 school year naturally led to the decreases in the student admission quota for Chengdu University's junior college to bachelor degree transfer programmes during the same school years. The student admission quota for junior college diploma programmes of Foshan University decreased continuously from the 2016/2017 school year through the 2018/2019 school year primarily because we intentionally reduced the number of students in our admission plan for junior college diploma students as the university is positioned as a bachelor degree programme focused university supplemented by featured junior college diploma programmes. The student admission quota for adult higher education programmes of Foshan University fluctuated from the 2016/2017 school year through the 2018/2019 school year primarily due to changes in the market competition landscape. In response to the central government's policy in 2019 encouraging higher vocational colleges to admit more students, we intentionally increased the number of students in our student admission plan for junior college programmes for the 2019/2020 and 2020/2021 school years for our universities. Our universities had complied with their respective admission quotas during the Track Record Period and up to the Latest Practicable Date. Although our universities generally admit the maximum number of students for each programme to fully utilise the admission quotas, the actual number of students enroled in each school year may be less than the admission quota as there may be students who choose not to accept our admission offer.

Student admission marketing

Our student admission has historically been driven primarily by our brand recognition. Our competency in student admission can be boiled down to (i) a vast majority of the IT related majors we offer equip our students with knowledge and skills desired by the highest-paying jobs and we have competitive advantage in these major offerings when compared to other private higher education institutions; (ii) our TOPCARES approach and school-enterprise education ensure that our students acquire hands-on knowledge and skills that can be applied directly to their future jobs, which would significantly increase our students' job prospects; and (iii) our first-class faculty and learning environment such as digital smart campus, flexible learning environment, which enables our students to study at any time, in any place. Based on the feedback we received from our students, we believe they are generally satisfied with the high-quality education we provide and are therefore willing to help us attract more students through referrals. We also utilise new and targeted marketing techniques, such as live streaming of campus activities and online advertising targeting potential students and their parents as well as organising student admission informational meetings and high school principal forums. Dalian University, Chengdu University and Foshan University each runs a WeChat public account that publishes news and events about the school from time to time. In addition, after over ten years of operations, we have built a wide base of alumni, who we believe have passionate and genuine emotional connections with our universities. Other than referrals, another major marketing effort is to participate in information sessions organised by provincial level education bureaus during student admission season each year. We have a team in each of our three universities responsible for student admission. Prior to the National Higher Education Entrance Exam each year, our student admission staff visit certain high schools in selected cities in Liaoning province, Sichuan province, and Guangdong province, as well as other provinces where we usually admit a substantial number of students, to hold information sessions. Due to our efforts in multiple student recruitment channels and the reputation of our high quality education services, the number of students applying to our universities has been higher than the actual number of students we are able to enrol in recent years and the actual grades of the students we enroled in various provinces were also higher than the minimum grade we may enrol.

OUR TEACHERS

We believe that our team of experienced and dedicated teachers are crucial to our success. As an operator of private schools, we can provide better incentives to qualified teachers who fit our hiring criteria. Teachers are the key to maintaining high-quality educational programmes and services as well as maintaining our brand and reputation. Our aim is to continue hiring teachers with a strong command of academic knowledge and/or practical skills in their respective specialised areas who are open to innovative teaching methods and a caring heart towards students' well-being. We also value the awards and recognition bestowed upon our teachers who have achieved teaching excellence. We believe that academic studies and practical skills are equally important for our students and are two inseparable part of our education objectives. In addition to teaching relevant courses, our teachers are actively involved in various research activities. As of 31 March 2020, our three universities had 1,318 full-time teachers, of whom 87.0% had a master degree or Ph.D. degree, approximately 40.5% were professors or associate professors, and approximately 21.7% had overseas studies and/or work experience. As of 31 March 2020, our three universities also had 852 part-time teachers. In addition, as of 31 March 2020, Tianjin Ruidao had 98 full-time teachers. The following table sets forth the number of our teachers in each of our three universities for the school years indicated:

	Number of teachers for the school year			
	2016/2017*	**2017/2018***	**2018/2019***	**2019/2020***
Dalian University				
Full time	560	517	528	521
Part time	333	361	350	424
Chengdu University				
Full time	357	385	446	430
Part time	194	216	203	196
Foshan University				
Full time	271	355	362	367
Part time	220	226	229	232
Total	1,935	2,060	2,118	2,170

* Our school year generally ends in June or July of each year. For the purpose of calculating the number of teachers in each school year, we use 31 August 2017, 2018 and 2019 as the cut-off date for the number of teachers in the 2016/2017 school year, the 2017/2018 school year, and the 2018/2019 school year, respectively, and 31 March 2020 as the cut-off date for the 2019/2020 school year.

The following table sets forth the highest degree held by our teachers for the school years indicated:

	Number of teachers for the school year			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
Ph.D. degree	77	92	100	101
Master degree	923	980	1,043	1,046
Bachelor degree	181	176	187	166
Junior college diploma	7	9	6	5
Total	1,188	1,257	1,336	1,318

* Our school year generally ends in June or July of each year. For the purpose of calculating the number of teachers in each school year, we use 31 August 2017, 2018 and 2019 as the cut-off date for the number of teachers in the 2016/2017 school year, the 2017/2018 school year, and the 2018/2019 school year, respectively, and 31 March 2020 as the cut-off date for the 2019/2020 school year.

We have adopted the policy regarding the student-to-teacher ratio pursuant to the applicable regulatory requirements. Our PRC Legal Adviser advised us that, according to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標 (試行)》), restrictions on student admission will be imposed if a comprehensive higher education institution has a student-to-teacher ratio higher than 22:1. The Circular of the General Office of the Ministry of Education on Conducting the Undergraduate Teaching Quality Assessment in General Higher-education School (《教育部辦公廳關於開展普通高等學校本科教學工作合格評估的通知》) also includes the teacher-to-student ratio as a criterion for undergraduate teaching quality assessment. During the Track Record Period, our three universities maintained a student-to-teacher ratio lower than 22:1.

The following table sets forth the student-to-teacher ratio, taking into account both full-time and part-time teachers, for each of our universities for the school years indicated. As advised by our PRC Legal Adviser, our training schools are not subject to the student-to-teacher ratio requirement.

	Student-to-teacher ratio in the school year			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
Dalian University	18.8	19.0	18.6	18.9
Chengdu University	21.5	19.6	17.8	19.6
Foshan University	21.4	19.4	18.8	19.6

* Our school year generally ends in June or July of each year. For the purpose of calculating the number of students and teachers in each school year, we use 31 August 2017, 2018 and 2019 as the cut-off date for the number of students in the 2016/2017 school year, the 2017/2018 school year, and the 2018/2019 school year, respectively, and 31 March 2020 as the cut-off date for the 2019/2020 school year.

According to the Regulations on Teacher Licences (《教師資格條例》), personnel engaged in teaching activities in various types of schools and other educational institutions must obtain teacher licences (教師資格證書) from education authorities. According to the Notice on Issuing Qualifications of Teachers in Vocational Schools and Employment Training Centers and Other Vocational Training Institutions (《關於做好技工學校和就業訓練中心及其他職業培訓機構教師上崗資格認定工作的通知》), all personnel engaged in the education and teaching activities at vocational training institutions should obtain teacher qualifications (職業培訓教師上崗資格證書) from human resources and social security authorities. As of the Latest Practicable Date, 38 teachers of our four training schools had not obtained teacher licences and/or teacher qualifications. Three of the four training schools have obtained written confirmations from the competent government authorities confirming that, with respect to vocational training or educational training services without granting academic credentials, the corresponding teacher licence examination or teacher qualification accreditation is no longer administered and the corresponding teacher licences or teacher qualifications are not mandatorily required in practice in the places where such training schools are located. Our PRC Legal Adviser has interviewed the competent education authority of the remaining one training school and was given to understand that the teacher licences are also not mandatorily required insofar as this training school is concerned. Our PRC Legal Adviser is of the view that these government bodies are the competent authorities to give such confirmations.

As advised by our PRC Legal Adviser, the applicable PRC laws and regulations are silent on the legal liabilities that may be imposed on training schools employing teachers without requisite teacher licences or teacher qualifications. However, based on the above confirmations given by the government authorities, the PRC Legal Adviser is of the view that our risk of being penalised by government authorities for employing teachers without teacher licences or teacher qualifications is remote.

As advised by the PRC Legal Adviser, the applicable PRC Laws are also silent on whether students are entitled to compensation from training schools for receiving training from teachers without teacher licences or teacher qualification. Based on the above, our PRC Legal Adviser is of the view that our risk of being required by ruling courts to pay compensation to students for providing training services through non-qualified teachers is relatively low.

We believe our students enrol in our training courses and subscribe to the “Ruidao” training brand due to the quality of teaching and courses (including course content and materials) provided to students. Based on the above, we believe that the teacher licence issue does not present a significant reputational risk or materially affect our reputation. See “Risk Factors — Risks relating to our business and our industry — We face regulatory risks and uncertainties associated with our teachers’ lack of teacher licences or teacher qualifications” and “— Internal control and risk management — Internal control.”

In addition, as of the Latest Practicable Date, except in the case of new teachers of our three universities waiting to take the next available qualification exam or due to some other reasons, all the PRC teachers who teach courses in our universities possess valid teacher licences issued by the PRC education authorities and all foreign teachers who teach courses in our universities possess valid foreigner’s work permit (外國人工作就業證) issued by the PRC government. We will fully comply with the applicable PRC laws and regulations as well as local regulatory practices in relation to teacher licences and teacher qualifications when we recruit new teachers in the future. Where teacher licences or teacher qualifications are still mandatorily required, we will only employ new teachers with teacher licences or teacher qualifications, or, if being employed by a school is a prerequisite for taking the qualification exam, instruct the newly recruited teachers to take qualification exams within the prescribed period.

Teacher recruitment

We recruit teachers based on the size of our current student enrolment and the number of newly admitted students at the beginning of each school year. We recruit teachers mainly from two channels: (i) recent graduates from graduate schools of top universities domestically and overseas, and (ii) candidates with rich practical knowledge and industry experience, in particular, overseas work experience. For candidates we recruit through the first channel, we primarily recruit graduates with a Ph.D. degree and demonstrate strong academic research and study capabilities and overall quality as a teacher. For candidates we recruit through the second channel, we primarily recruit candidates with a master degree or above, demonstrate a solid command of practical skills and rich industry experience that fit the objectives of our curricula, and are able to keep abreast of the latest cutting-edge technologies, as well as overall quality as a teacher. We generally conduct three rounds of interviews. The first round is conducted by the human resources department. The second round is conducted by corresponding schools and departments together with teaching quality control department of the relevant schools, which generally consists of a written exam and a simulated lecture testing the candidate's professional expertise. The third round is an interview conducted by the principal or vice principals of the relevant schools. The final hiring decision will be made after an overall assessment taking into consideration of the feedbacks of the interviews.

Teacher training

We provide our teachers with several types of trainings to improve their capabilities. Newly hired teachers undergo mandatory training programmes that cover, among others, teaching skills and techniques, teacher management policies, and education theories. We also provide continuing training for our teachers so that they can stay abreast of the changes in student demands, new teaching theories and/or methodologies, changing testing standards and latest industry developments or trends. In addition, we have established a number of exchange programmes with universities, research institutes, enterprises and other educational institutions domestically and abroad so that our teachers can have the opportunity to study or conduct researches both in China and abroad. In order to give our teachers necessary exposure to the latest development of technologies in various industries, we periodically invite industry experts to provide trainings to our teachers and at the same time provide our teachers with the opportunity to train or work in enterprises and improve practical skills. We believe that our teaching staff can gain valuable knowledge and insights from these trainings.

Teaching performance evaluations

To ensure the quality of our education services, we periodically monitor and evaluate our teachers' teaching quality. Each of our universities has established a school-level department responsible for the overall teaching qualify supervision and evaluation and formulating a number of quality standards governing all aspects of our teaching activities. Each school also has a team of teaching supervisors. These supervisors periodically conduct teaching evaluations, which include in-class observations, evaluation of our teachers' class preparation and/or the effectiveness of their classroom instructions. The evaluations generally focus on teachers' moral qualities, teaching capabilities, work attitude, and teaching results in terms of various targets. As an important part of the evaluation process, we highly encourage our students to complete teacher evaluations and teaching satisfaction surveys at the end of each semester or school year. Such survey results are given a large weight in the final evaluation result. We may take into consideration the performance of each teacher when making decisions regarding their compensation. We generally award teachers who receive outstanding performance reviews. For those teachers who fail to meet our rigorous standards, we generally talk to those teachers and help them make new plans, improve teaching methods, guide them to revise classroom instructions and improve their overall teaching ability. We allow them to improve their performance within a certain period of time. If they still cannot satisfy our rigorous requirements, we will move them to non-teaching positions or, in the worst case scenario, dismiss them. We believe we offer competitive compensation to our teachers as compared to that offered by public schools in the same areas where our universities are located. Compensation typically includes a base salary and a performance bonus, which is generally based on the teaching quality, scientific research achievements, work attendance and other factors.

CAMPUS FACILITIES AND SERVICES

Campus facilities

The campus of Dalian University encompasses approximately 833,000 square metres. The university has a variety of campus facilities, such as modern classroom buildings, library, multimedia audio-visual centre, SOVO, apartment buildings, track and field facilities, gymnasiums, restaurants and café. A classroom building and a library building in the campus were awarded with China Construction Engineering Luban Prize (National Prime-quality Project), the highest honour in China in terms of the quality of the construction project, by the Ministry of Housing and Urban-Rural Development of the PRC and the China Construction Industry Association. Dalian University has a number of advanced experimental equipment and has built a number of laboratories of mainstream technologies that reflect the development trends, such as wearable technology laboratory, cloud computing and big data laboratory, industrial robot laboratory, and 3D printing laboratory. We strive to provide comfortable living conditions for our students. School dormitories are equipped with a variety of furniture and home appliances such as computer desk, wardrobe, and washing machines. Wireless network, banking services, supermarkets, restaurants and canteens, telecommunication services, express delivery services, and healthcare services, among others, are all available in the campus.

The campus of Chengdu University is located in the World Natural and Culture Heritage Site — Dujiangyan and Qingcheng Mountain National Quintuple A Grade Scenic Spot, encompassing approximately 527,000 square metres. The university has a variety of campus facilities, such as classroom buildings, library, apartment buildings, track and field, SOVO, student centres and restaurants. The campus has two lakes surrounded by lush green trees, which provide our students an enjoyable campus environment. Chengdu University has a number of advanced experimental equipment and has built a number of laboratories of mainstream technologies that reflect the development trends, such as smart hardware experiment and training studio, Internet of Things laboratory, digital sculpture laboratory, enterprise resource planning (ERP) simulation laboratory (ERP沙盤實驗室). We strive to provide comfortable living conditions for our students. School dormitories are equipped with a variety of furniture and home appliances such as computer desk, wardrobe, and washing machines. Wireless network, banking services, supermarkets, restaurants and canteens, telecommunication services, express delivery services, and healthcare services, among others, are all available in the campus.

The campus of Foshan University is located in the core area of High-tech Industrial Development Zone, Foshan City, near Guangzhou, encompassing approximately 336,670 square metres. The university has a variety of campus facilities, such as classroom buildings, laboratory buildings, library, multimedia audio-visual classrooms, SOVO, apartment buildings, track and field, gymnasiums and restaurants. The campus has a lake surrounded by lush green trees, which provide our students an enjoyable campus environment. The university has various laboratories in the campus that require students' substantial involvement in hands-on practices. We strive to provide comfortable living conditions for our students. School dormitories are equipped with a variety of furniture and home appliances such as computer desk, wardrobe, and washing machines. Wireless network, banking services, supermarkets, restaurants and canteens, café, telecommunication services, and express delivery services, among others, are all available in the campus.

Campus services

To ensure that our students have a convenient living and study environment, we cooperated with third-party service providers to make available various types of services to meet students' daily needs. The campus service arrangements at our universities primarily include meal catering services and medical care services, as well as postal services, grocery stores, among others.

Meal catering services

As of the Latest Practicable Date, we had 13 canteens at our three universities. These canteens are outsourced to catering service providers who are Independent Third Parties. These canteens provide a variety of cuisines and dishes so as to cater to students from all parts of China. We typically enter into cooperation agreements with catering providers for a term ranging from one year to five years. We require all catering service providers to obtain relevant licences and permits required by applicable laws and regulations and all catering service providers have obtained required licences and permits to operate catering services. The catering providers are obliged to ensure the food quality and safety. To oversee the catering services, we conduct inspection of the daily operation of the canteens at each of our universities. For risks associated with meal catering services, see "Risk Factors — Risks relating to our business and our industry — We could be liable and suffer reputational harm if a third-party service provider provides inferior food or medical care services or harm our students, which may have a material adverse effect on our business and reputation."

Medical care services

Dalian University and Chengdu University offer general medical services to students and teachers by engaging qualified medical care providers who are Independent Third Parties. We require third-party medical care providers to hold all licences and permits required by laws and regulations and all of the medical staff and health care personnel engaged by us hold the required licences as required by laws and regulations. In serious and emergency medical situations, we promptly send our students to local hospitals for treatment. Foshan University does not have medical services available in the campus as there is a hospital conveniently located nearby.

Upgrade and expansion plans

In order to provide a better education services to our students and continuously increase our student enrolment, we plan to upgrade our existing school facilities and expand our campus by acquiring additional land. We set out below details of our upgrade and expansion plans that require capital investments as of the end of 2021. We plan to finance our upgrade and expansion plans primarily by applying a portion of the proceeds from the Global Offering. To the extent that the proceeds applied to our upgrade and expansion plans are not sufficient, we will use our own funds and obtain additional funds through bank loans.

	Upgrade and expansion plan	Expected completion date	Total construction cost* / capital expenditure	Estimated total cost as of the end of 2021	Amount spent as of 30 April 2020	Additional number of students expected to be accommodated by the end of 2021	Additional number of students expected to be accommodated upon completion	Estimated depreciation charges from 2020 to 2024
Dalian University	Practical training base(1)	October 2021	RMB396.5 million	RMB378.2 million	RMB90.0 million	—	—	RMB37.7 million
	New campus construction on land recently acquired(2)	December 2022	RMB871.4 million	RMB610.0 million	—	5,046	8,014	RMB41.2 million
Chengdu University	Library and playground	July 2021	RMB83.1 million	RMB83.1 million	RMB48.7 million	—	—	RMB8.5 million
	New campus construction on land recently acquired	August 2023	RMB600.4 million	RMB220.8 million	RMB11.6 million	2,500	5,000	RMB22.1 million
Foshan University	Student dormitory building	September 2020	RMB59.3 million	RMB59.3 million	RMB25.7 million	1,572 (by September 2020)	1,572	RMB7.7 million
	Campus expansion project (one teaching and research building and two student dormitory buildings)	August 2022	RMB316.7 million	RMB193.5 million	—	1,500	3,800	RMB25.3 million

Notes:

* For Dalian University, the estimated total amount of construction costs for the expansion plans is RMB1,267.8 million. We plan to finance the constructions by obtaining bank loans of RMB1,235.0 million and using our own funds for the remaining construction costs.

For Chengdu University, the estimated total amount of construction costs for the expansion plans is RMB683.5 million. We plan to finance the constructions by applying a proceed of RMB225.0 million from the Global Offering, obtaining bank loans of RMB440.0 million and using our own funds for the remaining construction costs.

For Foshan University, the estimated total amount of construction costs for the expansion plans is RMB376.0 million. We plan to finance the constructions by applying a proceed of RMB137.2 million from the Global Offering, obtaining bank loans of RMB145.0 million and using our own funds for the remaining construction costs.

(1) The new practical training base will be used to offer practical training courses to students of our newly established healthcare related programmes. Such courses will be offered by cooperating with enterprises. For example, cooperating enterprises may provide equipment and facilities for the practical training and may also dispatch their employees to Dalian University to provide support and guidance for the practical trainings.

(2) For more information on the land recently acquired, please see "— Properties — Owned properties — Land".

Upon the completion of the above expansion plan, Dalian University is expected to accommodate an additional 8,014 students, Chengdu University is expected to accommodate an additional 5,000 students, and Foshan University is expected to accommodate an additional 5,372 students, representing an increase in school capacity of 47.6% for Dalian University, 46.0% for Chengdu University, and 51.5% for Foshan University, compared to the school capacity in each corresponding school for the 2019/2020 school year. Such increases in school capacity have not taken into account a new student dormitory building that Chengdu University established in August 2020. Such student dormitory building is able to accommodate 2,000 students. In addition to the above expansion plan, depending on the actual situation of our future development, we may have additional expansion plans in the future or may adjust our existing expansion plans in the future that are not yet completed by then. Our Directors are of the view that we will be able to obtain approval from the relevant authorities for admitting additional students in each of our three universities upon completion of the expansion plan, because (i) the relevant authorities of the provinces where our three universities are located at support the development of private higher education and our three universities are recognised by relevant government authorities and the society, which are conducive to our expansion in student admission in the future, (ii) government authorities are supporting higher education's expansions in student admission, for example, according to the *2020 Report on the Work of the Government*, student enrolments in higher vocational colleges in China will increase by two million persons in 2020 and 2021, and (iii) our three universities focus on IT related majors and healthcare technology related majors, which fall within the category that the government authorities of the provinces where our universities are located at support student admission expansions.

We treat each construction or upgrade projects as a part of our overall expansion plan and assess the soundness and effectiveness of the construction or upgrade projects holistically on our overall school operations level. When we formulate expansion plans, we primarily consider the impacts of such investments in expansions on our overall business operations and financial performance. In terms of business operations, we do a necessity analysis before making investments in expansions. We primarily consider whether such investments are commensurate with the offering of new majors, conducive to our student enrolment, improvement of our education quality and talent cultivation system, and our compliance with relevant regulatory requirements. With respect to our financial performance, we consider the impact of the investments in expansions on our cash flows, our funding costs of financing for such expansion and the impact on depreciation and amortisation after completion of the construction or upgrade projects so that we will continue to be profitable as a whole in the future.

There is no assurance that our actual expansion will not deviate from our current expansion plans. For more information, please see "Risk Factors — Risks relating to our business and our industry — We are subject to uncertainties brought by the recent developments of PRC Laws relating to private education." Our management will consider making various adjustments to our business plans, including but not limited to, delaying or suspending our expansion plans and increasing our debt and/or equity financing. In the event of any material change in circumstances or our business plans, to comply with Rule 13.09 of the Listing Rules, we will make announcements as and when appropriate if our business might be materially and adversely affected.

ACQUISITION OF TIANJIN RUIDAO

Overview of Tianjin Ruidao's business operations

In March 2020, we acquired 90.91% of the equity interests of Tianjin Ruidao and merged its businesses into our Group. Prior to the acquisition, Tianjin Ruidao primarily engaged in providing short-term training services to individual customers and practical training services to students of higher education institutions. Short-term training services provided to individual customers refer to short-term IT professional skill training services provided through seven training schools to individual customers such as college students, graduates and employees in the IT and IT related industries for purposes of improving their IT skills and strengthen their competitiveness in their career. Practical training services refer to IT professional education and vocational training services provided to students of other universities and colleges. Target customers of such services are universities and colleges. The objective of such services is to enhance students' practical skills and application of theoretical knowledge through involving them in the full cycle of actual software development projects. In addition to the above two main businesses, Tianjin Ruidao provided innovation and entrepreneurial education services to higher education institutions and off-campus internship services.

Background of Tianjin Ruidao's training schools

Tianjin Ruidao had seven training schools in Shenyang, Dalian, Nanjing, Qingdao, Guangzhou, Tianjin and Qinhuangdao. These schools were established in a period from September 2008 to March 2016. Three of these seven schools were established by a subsidiary of Dalian Kang Ruidao and were later transferred to Tianjin Ruidao. One of the seven schools was co-established by a subsidiary of Tianjin Ruidao (holding 90% of the sponsorship interest) and a subsidiary of the Qinhuangdao campus of the Northeastern University (holding the remaining 10% of sponsorship interest). The remaining three schools were established either by a subsidiary of Tianjin Ruidao or directly by Tianjin Ruidao. These training schools are managed by management teams with relevant experience in both IT related industries and IT education industry and experience in school management positions. All of these seven schools have obtained the private school operating licence.

The seven training schools offer short-term training programmes on topics such as JAVA, Python, User Interface and front-end development. These training programmes mainly target people working in the IT or IT related industries and students studying IT or IT related majors, as well as anyone interested in these IT skills. As of 31 March 2020, these seven schools had total assets of RMB51.7 million. The following table sets forth additional details of the seven training schools:

School name	Tuition fee[(1)] of different programmes in 2020	Number of student enrolments for the first half of 2020[(2)]	Number of students dropped out for the first half of 2020
Shenyang Neusoft Software Talent Training Centre	20,800 ~ 25,800	487	22
Dalian Neusoft Software Talent Training Centre	20,800 ~ 25,800	169	8
Nanjing Neusoft Talent Training Centre	20,800 ~ 25,800	77	0
Qingdao West Coast New District Neusoft Ruidao Software Talent Training School	20,800 ~ 25,800	76	1
Guangzhou Neusoft Software Talent Vocational Training School	20,800 ~ 25,800	121	9
Tianjin Binhai Newtown Neusoft Ruidao Software Talent Vocational Training School	20,800 ~ 25,800	109	18
Qinhuangdao Neusoft Venture School	20,800 ~ 25,800	0	0

(1) Represents tuition fee ranges of different training programmes offered by our training schools. The actual amount of tuition fees received may be lower than these amounts due to discounts we offered after considering, among other factors, COVID-19, local market competition and affordability of school students. For the first half of 2020, Tianjin Ruidao received total tuition fees of RMB15.8 million, of which approximately RMB1.0 million were refunded to students who dropped out.

(2) Represents the number of students who entered into a training contract with the corresponding training school. As we allow students to take courses in schools other than the school with which he/she enters into the training contract based on their location preference, the number of student enrolments in each training school does not necessarily equal to the actual number of students who take training courses at such training school.

Students drop out generally due to their personal reasons such as changes in their career development plans. They drop out usually before or shortly after the commencement of relevant courses. For the first half of 2020, part of the reason for the drop-out is due to our inability to provide face-to-face course instruction as a result of COVID-19.

Tianjin Ruidao solicits individual customers primarily through the following efforts or competitive advantages: (i) our experience and expertise in the IT education industry and our brand recognition, (ii) keep abreast of the development of technologies and adjust our programme offerings based on evolving customer demands and industry trends, (iii) further improve our overall business management, optimise our services to improve customer experience and strengthen our reputation, and (iv) diversified marketing approaches, such as information session or delivering sample lectures in universities and marketing efforts through social media.

Timing of and expected benefits from the acquisition

The timing of the acquisition of Tianjin Ruidao was the result of a commercial decision decided among the parties involved. The opportunity for the acquisition of Tianjin Ruidao arose in around the end of 2019 and after taking into account the benefits that the acquisition would bring to us and our financial and business position, we considered it beneficial to us and our Shareholders as a whole to accept the opportunity when it arose and to not risk Tianjin Ruidao being acquired by a competitor in the future. Prior to this, the opportunity to acquire Tianjin Ruidao was not available and discussions with Tianjin Ruiyi Enterprise Management Consulting Center (Limited Partnership) (天津睿熠企業管理諮詢中心(有限合夥)) ("**Tianjin Ruiyi**"), the minority shareholder of Tianjin Ruidao, and Tianjin Ruiyi's ultimate beneficial shareholders and general partner, had not reached a point where the Directors believed that it would be in the interests of our Group and our Shareholders to pursue the acquisition. Notably, the Directors were of the view that it was important for Tianjin Ruiyi (and its ultimate beneficial owners and general partner) to agree to the acquisition of Tianjin Ruidao and the change in control from Neusoft Holdings to our Company and granting an option to permit our Company to acquire the remining minority interests in the future. See "History, Reorganisation and corporate structure — Corporate structure — Corporate developments following the Reorganisation" for further information on Tianjin Ruiyi and the share option agreement entered into between our Group and Tianjin Ruiyi with respect to the remaining 9.09% equity interest in Tianjin Ruidao.

In deciding to acquire Tianjin Ruidao, we considered, among other factors, the business of Tianjin Ruidao (and in particular, its seven training schools), how it would complement our business before the acquisition (the "**existing business**"), and how the enlarged Group would benefit from the symbiotic relationship between Tianjin Ruidao and the existing Group, such as: (i) it would better facilitate the development of our "continuing education services" business by providing short-term training services to a wider range of customers (from offering customised training services to institutional customers under the existing business, to also extending IT training services to any individual interested customers with the integration of Tianjin Ruidao); (ii) it would facilitate the growth of our existing education resources business as Tianjin Ruidao has an established sales network across China and has a team of over 100 experienced sales personnel with local client relationships; (iii) it would also supplement our existing teacher resources with a team of teachers with both IT industry experience and IT training experience; (iv) it would allow us to share our existing resources so as to better utilise our existing resources such as curriculum resources, intellectual property rights, brand recognition, better understanding of universities' demand and physical premises of our three universities, which in turn benefit the enlarged Group; and (v) it would allow us to leverage the "Ruidao" brand in the training schools, bring us greater customer resources and market opportunities in the training education industry. As a result, we believe that Tianjin Ruidao's business is complementary to our existing business.

In addition, Neusoft Holdings, one of our Controlling Shareholders, has given in favour of us a non-compete undertaking. See "Relationship with our Controlling Shareholders — Delineation of business from our Controlling Shareholders — Non-compete undertaking" for more information. Had Tianjin Ruidao remained controlled by Neusoft Holdings, pursuant to the non-compete undertaking, Tianjin Ruidao would have been prevented from developing its business, or offering services, in a way that would directly or indirectly compete with our existing business. Given this limitation on Tianjin Ruidao, had it remained controlled by Neusoft Holdings, considering that Tianjin Ruidao's business is complementary to our existing business as explained above, and taking into account the opportunity to combine and share many of the resources from Tianjin Ruidao and our existing business (as described below), the acquisition of Tianjin Ruidao was considered to be mutually beneficial to both Tianjin Ruidao and us, with the added benefit of eliminating one source of potential competition in the future should Neusoft Holdings decide to dispose of Tianjin Ruidao to a third party. Given the above, the Directors considered the acquisition of Tianjin Ruidao to be in our best interest and the best interest of our Shareholders.

Changes in our business strategies and focuses before and after the acquisition

Our business strategies and focuses remain unchanged after the acquisition of Tianjin Ruidao. Offering full-time formal higher education services is still our fundamental business while continuing education services and education resources and apprenticeship programme are still our two strategic businesses. The primary purpose of acquiring Tianjin Ruidao is to supplement and further develop our continuing education services and education resources and apprenticeship programme. See "— Continuing education services — Short-term training programmes — Training services to individual customers", "— Education resources and apprenticeship programme — Apprenticeship programme (數字工場)" and "Acquisition of Tianjin Ruidao — Timing of and expected benefits from the acquisition" for more information on how Tianjin Ruidao's businesses are going to supplement and further develop our two strategic businesses. After the acquisition of Tianjin Ruidao, we will further expand our continuing education services, in particular, online continuing education services and further expand our education resources and apprenticeship programme under our "3+N" business model. See "— Our business strategies" for more information.

Integration of seven training schools after the acquisition

In addition to the integration of business models and client base, as described above, the acquisition of Tianjin Ruidao integrates resources and manpower, including in the following manner:

(a) Tianjin Ruidao and the existing Group plan to combine resources and have established a research and development centre, to research and develop products and intellectual property that would be shared between the two parties.

(b) Tianjin Ruidao and the existing Group's intellectual property resources (including brand recognition of our universities and training schools, teaching and learning materials, teaching methodology and course development resources) and engineering talent and capabilities would be pooled together in order to assist with the enlarged Group's research and development and applied towards the enlarged Group's business.

(c) Tianjin Ruidao's sales network would be combined and shared with our existing sales resources distribution network to create a more efficient and cost-effective way of promoting the enlarged Group's business, services and products, and brand.

(d) Property leases and tangible assets would be shared among the businesses within the enlarged Group, which would decrease expenses such as the expenses for hosting training schools and offering training facilities.

(e) Customer and business know-how would be shared among the businesses (including schools) within the enlarged Group to create a symbiotic relationship between Tianjin Ruidao's and the existing Group's key business segments.

Following the acquisition of Tianjin Ruidao, Tianjin Ruidao's core management team would be based in Dalian, in close proximity to our management, and the enlarged Group would share certain key management personnel to ensure a smooth transition and enduring and stable integration of the businesses. Shared management personnel includes: (i) Dr. Wen, our executive Director and chief executive officer, who also oversees Tianjin Ruidao's business; (ii) Mr. LI Yingao, our vice-president and Tianjin Ruidao's president; and (iii) Mr. DENG Haibo, former vice president of Tianjin Ruidao, now serves as our skills training department's general manager.

POTENTIAL IMPLICATIONS OF THE DECISION ON AMENDING THE LAW FOR PROMOTING PRIVATE EDUCATION OF THE PRC

Regulatory development

On 7 November 2016, the Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (《全國人民代表大會常務委員會關於修改〈中華人民共和國民辦教育促進法〉的決定》) (the "**2016 Decision**"), was signed into law by Order No. 55 of the President of the PRC and became effective on 1 September 2017. The most significant change made by the 2016 Decision was the re-classification of private schools as for-profit schools and non-profit schools. Future regulations on private schools will be based on such re-classification. Depending on whether private schools are established and operated for profit-making purposes, the 2016 Decision classifies private schools into non-profit schools and for-profit schools. There are the pros and cons of choosing to be either a for-profit school or a non-profit school. For example, the sponsors of a for-profit private school are able to obtain operating profits of the school and have a greater discretion in determining the types and amounts of fees charged to students based on its operating costs and market demand, but it may receive less benefits and supports from governments compared with a non-profit school, such as tax benefits, obtaining land use right from government by means of allocation, and various government grants. See "Regulations — Regulations relating to education — Regulations relating to private education" of this document for details of the pros and cons of choosing to be a for-profit school or a non-profit school. The sponsors of private schools, other than schools providing compulsory education, may at their own discretion choose to establish non-profit or for-profit private schools. For the existing private schools that were established before the 2016 Decision was published, the 2016 Decision only provides a few general principles in making for-profit/non-profit election when doing re-registration. For example, a private school electing to re-register as a for-profit school must carry out financial settlement procedures, clarify property ownership, pay relevant taxes and fees, and re-apply for registration. Other than those general principles, the 2016 Decision does not provide detailed rules to address various issues that may arise for school sponsors of existing private schools to choose to re-register as for-profit private schools or non-profit private schools. The 2016 Decision, instead, delegates the authority to formulate detailed rules to implement the 2016 Decision to the State Council, educational authorities under the State Council, provinces, municipalities directly under the central government, and autonomous regions of the PRC.

On 30 December 2016, the Implementation Rules on the Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the "**Classification Registration Rules**") were promulgated by five departments under the State Council, including the MOE, to provide more details with respect to classification registration procedures. As of the Latest Practicable Date, except for Liaoning province, all provinces where our universities and training schools are located had issued their own rules on classification registration ("**Provincial Classification Registration Rules**") in order to further implement the Classification Registration Rules locally. These rules, however, still do not provide sufficient details to guide the existing private schools in choosing to re-register as for-profit schools or non-profit schools. For further details of these rules, see "Regulations — Regulations relating to education" of this document.

All provinces where our three universities and training schools are located have promulgated local regulations (the "**Provincial Amendment Implementation Rules**") to further implement the 2016 Decision. The Provincial Amendment Implementation Rules shed some light on the existing private school's for-profit/non-profit election in doing re-registration, but are still not clear enough for the existing private schools to comprehensively and accurately assess the potential impact on their business after making for-profit/non-profit election in doing re-registration. We operate our universities in Liaoning, Guangdong and Sichuan provinces. The Provincial Amendment Implementation Rules promulgated by Liaoning province and Guangdong province do not set forth a deadline for making the election, nor did Liaoning and Guangdong province set a deadline for making the election as of the Latest Practicable Date. However, the implementation rules promulgated by Sichuan province provide that sponsors of the existing private schools should submit materials to relevant competent government authorities regarding the election of for-profit or non-profit status by 1 September 2020. Failure to do so will lose the opportunity to elect to be a for-profit school. Private schools that intend to elect as non-profit schools should complete relevant procedures by 1 September 2021. For private schools that provide higher education services and intend to elect as for-profit schools, relevant procedures should be completed by 1 September 2023. We have duly reported to the Education Department of Sichuan Province our decision to re-register Chengdu University as a for-profit private school and will complete the relevant procedures by 1 September 2023.

We operate our training schools in Liaoning, Guangdong, Tianjin, Hebei, Jiangsu and Shandong provinces. The Provincial Amendment Implementation Rules or Provincial Classification Registration Rules issued by some of these provinces set forth deadlines for making the for-profit or non-profit election including that, the deadline in Tianjin is 31 August 2020 and in Jiangsu is 31 December 2020. We are in the process of re-registering our Tianjin training school as a for-profit private school. As of the Latest Practicable Date, we have not reported to the relevant government authority on our election for the Jiangsu training school. See "Regulations — Regulations relating to education — Regulations relating to private education" of this document for details.

Factors we consider in making for-profit status / non-profit status election

Subject to changes in relevant laws and regulations that may have a material effect on the education industry, in particular, the private higher education industry, after taking into account the following factors, we intend to register our three universities and training schools as for-profit private schools after the Global Offering:

School sponsors' rights to operating surplus and residual assets

Pursuant to the 2016 Decision, sponsors of a for-profit private school are entitled to the distribution of operating surplus of such school and are entitled to the residual assets of such school in the case of liquidation, while sponsors of a non-profit private school are not allowed to receive any distribution of operating surplus or residual assets from such school. Considering from this perspective, we have a very strong incentive to elect for-profit status in re-registering our three universities and training schools.

Tax treatment

Pursuant to the 2016 Decision, and the state council opinions, non-profit private schools enjoy the same preferential tax treatment as that applicable to public schools, i.e. exemption from the enterprise income tax. With respect to for-profit private schools, the Draft Amendment to the Implementation Regulation has delegated the authority to formulate tax treatment policies that are applicable to for-profit private schools to SAT. Although the detailed tax treatment policies applicable to for-profit private schools located in Liaoning province, Guangdong province and Sichuan province have not been formulated by SAT, we do not anticipate any major negative consequences from enterprise income tax perspective if we re-register our universities as for-profit private schools because our three universities have not been enjoying the preferential tax treatment applicable to public schools. As a result, we believe that there may not be major negative impacts on our net profit if we re-register our three universities as for-profit private schools. If we choose to re-register our three universities as non-profit private schools, without doubt, we will benefit, to the maximum extent, from preferential tax treatment policies. We also do not anticipate any major negative consequences from enterprise income tax perspective if we re-register our training schools as for-profit private schools because all of our training schools have not been enjoying the preferential tax treatment applicable to public schools, either.

Land use right

Pursuant to the 2016 Decision, non-profit private schools may obtain land use right to a parcel of land by means of allocation by government for free or at a lower cost, while for-profit private schools may need to obtain land use right by means of acquisition from government with a cash consideration. In addition, private schools that obtained land use right by means of free allocation from government before making for-profit status / non-profit status election may be required to pay the cash consideration as if they obtained the land use right by means of acquisition if they choose to re-register as for-profit private schools. We do not expect any major negative consequences to our business and results of operations if we re-register our three universities as for-profit private schools because we obtained the land use right to all the land we own by means of acquisition with cash consideration. However, electing non-profit status may entitle our three universities to obtain land use right for free or at a lower cost in the future. All of our training schools lease properties as premises to operate their business, thus would not be affected by for-profit status / non-profit status election.

Fee charging regulations

Pursuant to the 2016 Decision, depending on the relevant provincial policies, fees charged by non-profit private schools may be subject to government approval or regulatory restrictions, while for-profit schools are entitled to determine the level of tuition fees and boarding fees, as well as other fees, without government approval. All our universities and training schools are currently not subject to regulatory approval with respect to tuition fee levels. Electing to be for-profit schools would enable our universities and training schools to reserve their discretion in determining tuition fee and boarding fee rates.

Government support

According to the 2016 Decision and its implementation rules, non-profit schools may enjoy more favourable government support than for-profit schools may be able to enjoy. For instance, the Draft Amendment to the Implementation Regulation provides that local governments could subsidise non-profit schools to a certain percentage of the average funding per student applicable to public schools.

Public image

The general public in China may have a pre-existed negative connotation towards for-profit private schools and tend to view them as profit seekers rather than quality education services providers. Although we do not agree with such view and believe that being a for-profit private school does not mean that the quality of the education services will be compromised. On the contrary, for-profit private schools have a higher incentive to continuously improve the quality of the education services they offer so that they can survive and thrive in the competition. However, it takes time for the general public to change their pre-existed perception.

Re-registration procedures

According to the 2016 Decision and the Classification Registration Rules, if an existing school chooses to re-register as a for-profit school, it will have to go through a series of procedures, including carrying out financial liquidation, clarifying the ownership of properties including lands, school buildings and accumulated operating profits with the relevant government authorities at or below provincial level and other relevant institutions, paying relevant taxes and fees, applying for a new permit for operating private school, and going through re-registration before starting to operate as a for-profit private school. The 2016 Decision and the Classification Registration Rules designated the provincial governments to formulate the detailed rules relating to the re-registration of an existing school as a for-profit or non-profit private school, however, as of the Latest Practicable Date, the governments of the provinces where our universities and training schools are located have not formulated detailed rules that could provide sufficient and concrete guidance on such re-registration. The 2016 Decision and the Classification Registration Rules require a financial liquidation in the case of re-registering an existing private school as for-profit, but no further implementation rules have been promulgated with respect to such financial liquidation.

Draft Amendment to the Implementation Regulation

On 10 August 2018, the MOJ published the Draft Amendment to the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (for Consultation) (《中華人民共和國民辦教育促進法實施條例(修訂草案) (送審稿)》) (the "**Draft Amendment to the Implementation Regulation**") to solicit comments from the general public. In a nutshell, the Draft Amendment to the Implementation Regulation further promotes the development of private education by clarifying the preferential treatment in terms of tax and land acquisition enjoyed by private schools. The Draft Amendment to the Implementation Regulation also provides a more detailed regulation on private schools. For example, (i) transactions between a private school and its related parties should follow the principles of transparency, fair and justice; disclosure mechanisms for such transactions should be established and agreements between a non-profit private school and its connected parties involving material interests or relating to long-term and recurring transactions should be reviewed and audited by the relevant government authorities with respect to necessity, legitimacy and compliance, (ii) the registered capital of a for-profit private school providing formal higher education should be no less than RMB200 million; and (iii) "private education service providers that operate private schools as an education group" ("集團化辦學") are not allowed to obtain control over non-profit private schools through merger and acquisition, franchise, and contractual arrangement.

If the Draft Amendment to the Implementation Regulation is promulgated by the State Council in its current form, it is highly likely that according to (i) above, our Contractual Arrangements will be regarded as connected transactions of our private schools and we may incur substantial compliance costs for establishing disclosure mechanisms and undergoing reviewing and audit by the relevant government authorities. In reviewing and auditing our agreements, government authorities may require us to modify our Contractual Arrangements in a way that adversely affect our school operations. Government authorities may also find that one or more agreements under our Contractual Arrangements do not comply with applicable PRC Laws and may subject us to severe penalties, resulting in material adverse impact on our operations and financial condition. Regarding (ii) above, we may be required to increase the registered capital of Foshan University from RMB158.40 million to RMB200 million or above if we choose to register Foshan University as a for-profit private school. Both Dalian University and Chengdu University have a registered capital of over RMB200.0 million. In terms of (iii) above, even if we are eventually regarded as "private education service providers that operate private schools as an education group" and are not grandfathered under the Draft Amendment to the Implementation Regulation, we do not expect that there will be non-compliance issues as we intend to, subject to changes in relevant laws and regulations that may have a material effect on the education industry, register our three universities as for-profit private schools. We do not believe our school operations will be materially and adversely affected by our intended election in the future to register our three universities as for-profit private schools, due to the reasons discussed above, i.e. our universities have been paying income tax at the rate of 25% and paid fees for the land we acquired from government. The relevant competent authorities confirmed in our interviews with them that our three universities can choose to re-register either as for-profit or non-profit schools at our own discretion. We are not aware of any conditions that may preclude any of our three universities from choosing to re-register as for-profit private schools. We also do not believe our school operations will be materially and adversely affected by our intended election to register our training schools established prior to 2016 Decision as for-profit private schools because our training schools have not been enjoying the preferential tax treatment applicable to public schools, nor did our training schools obtain allocated land from government authorities.

As of the Latest Practicable Date, the amendment to the Regulations on the Implementation of the Law for Promoting Private Education of the PRC has not been promulgated yet, nor is there a clear timetable for the promulgation. There are substantial uncertainties as to when it will be promulgated and whether it will be promulgated in the current form.

Since the 2016 Decision and all related implementation rules do not provide a sufficient guidance for potential issues we may encounter in making for-profit / non-profit election, we are unable to comprehensively and thoroughly assess the potential impacts of for-profit / non-profit election on our school operations. As a result, we had not yet made any decision in electing for-profit or non-profit status in the re-registration of our universities as of the Latest Practicable Date except in the case of Chengdu University where provincial rules require us to report our decision by 1 September 2020. We will closely monitor the promulgation of new regulations regarding the detailed guidance on for-profit / non-profit election and seek legal advice before making the decision on the election of for-profit or non-profit status for Dalian University and Foshan University after a thorough and detailed analysis on all potential issues associated with the re-registration. We have duly reported to the Education Department of Sichuan Province our decision to re-register Chengdu University as a for-profit private school and will complete the relevant procedures by 1 September 2023. We have decided to register all our training schools established prior to 2016 Decision as for-profit schools and will work actively to complete the re-registration procedures following timelines set by relevant provinces and under the instruction of relevant competent authorities. We will update our Shareholders and investors in this regard by way of disclosure in announcement and/or annual/ interim reports, as and when appropriate.

For risks relating to our business as a result of changes in laws and regulations, see "Risk Factors — Risks relating to our business and our industry — We are subject to uncertainties brought by the recent developments of PRC Laws relating to private education" of this document.

COMPETITION

The education services market in China is rapidly evolving, highly fragmented and competitive. According to the Frost & Sullivan Report, the number of private higher education institutions in China was approximately 749 as of 31 December 2018. In 2018, students attending private higher education institutions accounted for approximately 21.0% of the total number of students enroled in higher education institutions in China. Competition in the private higher education industry is primarily based on brand recognition, the scope and quality of education programmes, graduate employment rate, student quality, experience and skills of the management team, and the ability to attract and retain qualified teachers. We expect the competition in the private education market to persist and intensify. Some of our existing and potential competitors, especially public universities, have governmental support in the form of government subsidies and other payments or fee reductions. Our competitors may devote greater resources, financial or otherwise, than we can to student recruitment, campus development and brand promotion, and respond more quickly than we can to changes in student demands and market needs. See "Risk Factors — Risks relating to our business and our industry — We face intense competition in the PRC higher education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures" and "Industry Overview" in this document for more information.

CUSTOMERS AND SUPPLIERS

Our customers

Our customers primarily are our students. For our education resources and apprenticeship programme, our customers primarily include universities/colleges, vocational schools, companies, and government agencies. In 2017, 2018, 2019 and the three months ended 31 March 2020, the percentage of revenue from sales of goods or rendering of services attributable to our five largest customers combined is less than 30% of our total revenue in each corresponding period.

Our suppliers

Our suppliers primarily comprise landlords that lease properties to us for our school operations, construction companies for building campus facilities, property management service providers, electronic equipment providers, and software developers. Some of them are our related parties. In 2017, 2018, 2019 and the three months ended 31 March 2020, purchases from our five largest suppliers amounted to RMB103.5 million, RMB90.9 million, RMB81.3 million and RMB21.2 million, respectively, which represented 35.9%, 34.7%, 17.3% and 25.1% of our total purchases from all suppliers in the respective periods. During the same periods, purchases from our single largest supplier amounted to RMB39.7 million, RMB38.8 million, RMB39.1 million and RMB9.6 million, respectively, which represented 13.8%, 14.8%, 8.3% and 11.4% of our total purchases from all suppliers in the respective periods. Our single largest supplier during the Track Record Period is a company that offers property leasing and property maintenance services. During the Track Record Period, this company leased properties and provided property maintenance services to Dalian University. These properties are used by Dalian University as student dormitories and student service centre.

The following tables set forth a summary of our top five suppliers during the Track Record Period.

For the year ended 31 December 2017

No.	Supplier	Principal business activities	Years of relationship	% total purchases
1.	A property leasing and property maintenance company ("**Interested Supplier A**")	Computer software and hardware development and sales, technical services and system integration; computer information systems, communication technology, software development technology consulting; real estate development, property leasing and maintenance; property management; parking lot operation; among others	Since 2002	13.8%
2.	A steel structure engineering company in Shenyang	Civil engineering, building construction, decoration engineering design, steel structure design, manufacturing and engineering construction	Since 2017	9.6%

For the year ended 31 December 2017				
No.	**Supplier**	**Principal business activities**	**Years of relationship**	**% total purchases**
3.	An education consulting company in Foshan	Education planning, education service consultation	Since 2014	4.6%
4.	A computer technology company in Dalian ("**Interested Supplier B**")	Technology development and sales of computer software and auxiliary equipment; education consulting services; information technology consulting services; project investment; entrusted asset management; property management	Since 2016	4.0%
5.	A power supply company in Dalian	Power supply, power management; installation and maintenance of power facilities	Since 2001	3.9%

For the year ended 31 December 2018				
No.	**Supplier**	**Principal business activities**	**Years of relationship**	**% total purchases**
1.	A property leasing and property maintenance company (Interested Supplier A)	Computer software and hardware development and sales, technical services and system integration; computer information systems, communication technology, software development technology consulting; real estate development, property leasing and maintenance; property management; parking lot operation; among others	Since 2002	14.8%
2.	An education consulting company in Foshan	Education planning, education service consultation	Since 2014	6.0%
3.	A property service company ("**Interested Supplier C**")	Property management; parking management services; greening management, architectural decoration, engineering design and construction, among others	Since 2002	5.3%
4.	A construction company in Dalian	Civil engineering construction, indoor and outdoor decoration construction	Since 2005	4.4%
5.	A power supply company in Dalian	Power supply, power management; installation and maintenance of power facilities	Since 2001	4.3%

For the year ended 31 December 2019

No.	Supplier	Principal business activities	Years of relationship	% total purchases
1	A property leasing and property maintenance company (Interested Supplier A)	Computer software and hardware development and sales, technical services and system integration; computer information systems, communication technology, software development technology consulting; real estate development, property leasing and maintenance; property management; parking lot operation; among others	Since 2002	8.3%
2	A power supply company in Dalian	Power supply, power management; installation and maintenance of power facilities	Since 2001	2.6%
3	A property service company (Interested Supplier C)	Property management; parking management services; greening management, architectural decoration, engineering design and construction, among others	Since 2002	2.4%
4	An education consulting company in Foshan	Education planning, education service consultation	Since 2014	2.0%
5	A training centre in Foshan	Cultural art training (including self-taught examination counselling and adult education counselling)	Since 2018	1.9%

For the three months ended 31 March 2020

No	Supplier	Principal business activities	Years of relationship	% total purchases
1	A property leasing and property maintenance company (Interested Supplier A)	Computer software and hardware development and sales, technical services and system integration; computer information systems, communication technology, software development technology consulting; real estate development, property leasing and maintenance; property management; parking lot operation; among others	Since 2002	11.4%
2	A property service company (Interested Supplier C)	Property management; parking management services; greening management, architectural decoration, engineering design and construction, among others	Since 2002	4.4%

No	Supplier	Principal business activities	Years of relationship	% total purchases
3	A training centre in Foshan	Cultural art training (including self-taught examination counselling and adult education counselling)	Since 2018	3.6%
4	A power supply company in Dalian	Power supply, power management; installation and maintenance of power facilities	Since 2001	3.4%
5 .	A property service company in Guangdong	Property management	Since 2017	2.3%

From 2017 to 2019, except as disclosed in this paragraph, to the best of our knowledge and as at the Latest Practicable Date, none of our Directors, their respective close associates, or any Shareholders (which to the best of our Directors' knowledge held more than 5% of our Company's issued share capital), had any interest in our five largest suppliers: (a) Neusoft Holdings (a Controlling Shareholder) held a majority interest in one supplier (i.e. the Interested Supplier B identified in the tables above); (b) Dr. J. Liu (our Chairperson, Director and a core founding member of our Group) and his close associates held indirectly more than 30% interest in Neusoft Holdings, which in turn held a majority interest in one supplier (i.e. the Interested Supplier B identified in the tables above); (c) Dr. Wen and Mr. Rong was each interested in one supplier (i.e. the Interested Supplier B identified in the tables above) through their minority interest in the supplier's majority shareholder; (d) Alpine Electronics held an interest in one supplier (i.e. the Interested Supplier B identified in the tables above) through its minority interest in Neusoft Holdings; and (e) Century Bliss (a substantial shareholder under the SFO) and its ultimate controlling shareholders, collectively (i) held, through a trust arrangement (as well as through a minority indirect interest), an interest in a company that controlled the entire interest in two suppliers (i.e. the Interested Supplier A and the Interested Supplier C identified in the tables above), and (ii) an interest in one supplier (i.e. the Interested Supplier B identified in the tables above) through its minority interest in Neusoft Holdings.

For the three months ended 31 March 2020, except as disclosed in this paragraph, to the best of our knowledge and as at the Latest Practicable Date, none of our Directors, their respective close associates, or any Shareholders (which to the best of our Directors' knowledge held more than 5% of our Company's issued share capital), had any interest in our five largest suppliers: Century Bliss (a substantial shareholder under the SFO) and its ultimate controlling shareholders collectively held, through a trust arrangement (as well as through a minority indirect interest), an interest in a company that controlled the entire interest in two suppliers (i.e. the Interested Supplier A and the Interested Supplier C identified in the tables above).

The identity of the Interested Supplier B is Dalian Neusoft Ruichuang Technology Development Co., Ltd., a wholly-owned subsidiary of Tianjin Ruidao. This interested supplier became our subsidiary after our acquisition of Tianjin Ruidao in March 2020.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 37 registered trademarks and eight trademark applications, 16 patents, 163 software copyright, one artwork copyright and 44 domain names in mainland China that are material to our business operations. In addition, as of the Latest Practicable Date, we had nine trademarks registered in Hong Kong. The registered owner of the trademark "Neusoft" or "東軟" is Neusoft Corporation. We are authorised by Neusoft Corporation to operate our business under the name of "Neusoft" or "東軟" on a royalty free basis. See "Statutory and general information" in Appendix V to this document for more information.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims that had any material impact on our business. See "Risk Factors — Risks relating to our business and our industry — We may face disputes from time to time relating to the intellectual property rights of third parties" in this document.

AWARDS AND RECOGNITION

We have received many awards and recognition since our establishment in recognition of the quality of education we provide and the outstanding achievements of our students. The following table sets forth some of the awards and recognition we received:

Year	Award / Accreditation	Awarded entity	Awarding organisation
2003	First Batch of 35 Model Software Vocational Technical Institutes in China (全國首批35 所示範性軟件職業技術學院)	Dalian University	MOE
2003	First Batch of 35 Model Software Vocational Technical Institutes in China (全國首批35 所示範性軟件職業技術學院)	Chengdu University	MOE
2004	First Batch of Model Software Institutes in Guangdong Province (廣東省首批示範性軟件學院)	Foshan University	Department of Education of Guangdong Province
2005	First prize of "National Teaching Achievement Award" (國家級教學成果獎)	Dalian University	MOE
2005	National Base for Nurturing Skill-Oriented Professionals in Short Supply on Computer Application and Software Technology (國家計算機應用與軟件技術專業技能型緊缺人才培訓基地)	Foshan University	Department of Education of Guangdong Province
2009	Second prize of "National Teaching Achievement Award" (國家級教學成果獎)	Dalian University	MOE
2013	National Vocational College Employment Competitiveness Demonstration School (全國職業院校就業競爭力示範校)	Foshan University	China Youth Daily
2012-2014	Seven majors were ranked among top three in the evaluation of major offerings among all undergraduate universities in Liaoning province (遼寧省面向所有本科高校開展的專業評價中七個專業排名前三)	Dalian University	The Educational Department of Liaoning Province

Year	Award / Accreditation	Awarded entity	Awarding organisation
2016	Pilot University in Sichuan Province in the Reform of the Overall Transformation and Development of Undergraduate Colleges (四川省本科院校整體轉型發展改革試點)	Chengdu University	The Education Department of Sichuan Province
2016	First Batch of 50 Colleges and Universities in China with Exemplary Experience in Innovation and Entrepreneurship (全國首批50所創新創業典型經驗高校)	Dalian University	MOE
2017	First Batch of Model Universities in Liaoning Province Transforming to be Universities of Applied Science (遼寧省首批向應用型轉變示範高校)	Dalian University	The Educational Department of Liaoning Province
2017	First 99 Model Universities Nationwide that Deepen the Reform of Innovation and Entrepreneurship Education (全國首批99 所深化創新創業教育改革示範高校)	Dalian University	MOE
2016-2019	Ranked No.7 in 2016, No.8 in 2017, and No.5 in 2018 and 2019 in Wushulian China Private Universities in Comprehensive Strength (武書連中國民辦大學綜合實力排行榜)	Dalian University	Chinese University Ranking Research Group of Chinese Academy of Management Science (中國管理科學研究院《中國大學評價》課題組)
2019	Ranked No.1 in the "Teachers Teaching Development Index" (民辦及獨立學院教師教學發展指數) among all private universities (inclusive of independent colleges) in China	Dalian University	China Association of Higher Education (中國高等教育學會)
2019	Nine majors were recognised as provincial-level first-class undergraduate education demonstration programmes (省級一流本科教育示範專業)	Dalian University	The Educational Department of Liaoning Province
2019	Three bachelor degree programmes were included in the list of national-level first-class bachelor degree programmes and another six bachelor degree programmes were included in the list of provincial-level first-class bachelor degree programmes in 2019 (2019年度國家級和省級一流本科專業建設點), ranking No. 1 among all private universities (inclusive of independent colleges) in China in terms of the number of majors included in the list of national-level first-class bachelor degree programmes	Dalian University	MOE

Year	Award / Accreditation	Awarded entity	Awarding organisation
2019	Three bachelor degree programmes were included in the list of provincial-level first-class bachelor degree programmes	Chengdu University	MOE
2019	Provincial-level University Science Park (省級大學科技園), being the first provincial-level university science park constructed by a private university in Liaoning province	Dalian University	Department of Science & Technology of Liaoning Province, The Educational Department of Liaoning Province
2019	Most Beautiful Campus of Liaoning Province (遼寧最美校園)	Dalian University	The Educational Department of Liaoning Province
2019	Neusoft Education Technology Group was recognised by Xinhuanet (新華網) as "Comprehensive Strength Education Group"	Our Group	Xinhuanet (新華網)
2020	Ranked No.1 according to "Analysis Report on National Teachers' Teaching Contests (2012-2019)" (全國普通高校教師教學競賽分析報告(2012-2019)) among all private universities (inclusive of independent colleges) in China for three consecutive years from 2017 to 2019	Dalian University	China Association of Higher Education (中國高等教育學會)
2020	Our three universities were included as top 100 private universities among all universities in China by Ruanke (軟科) in 2020 and Dalian University ranked fifth among all private universities in China	Our three universities	Ruanke (軟科)

EMPLOYEES

As of 31 December 2017, 2018, 2019 and 31 March 2020, we had 2,263, 3,169, 2,381 and 2,894 employees, respectively. As of 31 March 2020, 1,304 of our employees were based in Liaoning province, 604 of our employees were based in Sichuan province, 613 of our employees were based in Guangdong province and the rest were based in other provinces. The following table sets forth the total number of employees by function as of 31 March 2020:

Function	Number of employees	% of total
Full-time teachers(1)	1,416	48.9
Engineers(2)	472	16.3
Research and development(2)	126	4.4
Management and administrative staff(2)	755	26.1
Sales and marketing	125	4.3
Total	**2,894**	**100.0**

Notes:

(1) Include 1,318 full-time teachers in our three universities and 98 full-time teachers in Tianjin Ruidao.

(2) 295 of our engineers, research and development staff, and management and administrative staff also serve as part-time teachers in our schools. In addition, we have an additional 557 part-time teachers.

Each of our three universities has established a labour union. Employees of each school may join the labour union voluntarily. During the Track Record Period, we did not experience any material labour disputes.

We believe the quality of our education is strongly tied to the quality of our teachers. We have implemented training and recruitment policies in order to uphold the quality of our teachers. See "— Our teachers" for details of our training and recruitment policies for our teachers and other educational staff.

As required by PRC Laws, we participate in the employee social security plan administered by local governments. Such plan consists of housing provident fund and social insurances comprising pension, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance. In addition, we provide additional benefit to our employees by making voluntary contributions to annuity for our employees.

As advised by our PRC Legal Adviser, employers in China are required under the Interim Measures for Participation in the Social Insurance System by Foreigners Working within the Territory of China (在中國境內就業的外國人參加社會保險暫行辦法) to participate in and make contributions to the social insurance plan for their foreign employees. Historically, we failed to make contributions to the social insurances for our foreign employees. As of 31 March 2020, the aggregate amount of contribution that we had not made for our foreign employees was RMB3.3 million. We started to make contributions for our foreign employees in early 2019. Our PRC Legal Adviser advises us that relevant authorities may require us to pay, within a prescribed period of time, the overdue contributions and the late payment penalty at the daily rate of 0.05%, and if we fail to make the overdue contributions within the prescribed period of time, a fine ranging from one to three times as much as the amount of overdue contributions may be imposed. As of 31 March 2020, the maximum amount of penalties in relation to our failure to make contributions to the social insurances for our foreign employees was a late payment penalty of RMB1.7 million. If we are required to pay the overdue contributions within a prescribed period of time and we fail to do so, we will be subject to a fine ranging from RMB3.3 million to RMB9.8 million on top of the late payment penalty aforementioned. As of the Latest Practicable Date, we were not required by relevant competent authorities to pay the overdue contributions and the late payment penalty. As of 31 March 2020, we had made provisions for the overdue social insurances contributions and late payment penalty of RMB5.0 million so that we would be able to meet the competent authorities' request for payments just in case we are required to do so in the future.

PROPERTIES

Owned properties

Land

As of the Latest Practicable Date, we had obtained the land use right to 41 parcels of land in the PRC with a total gross site area of approximately 1,484,812.73 square metres. The following table sets forth a summary of the land use right owned by us as of the Latest Practicable Date:

No.	Land use right owner	Location	Gross site area (sq.m.)	Permitted use	Expiry date
1.	Dalian University	Ganjingzi District, Dalian	62,190.7	Education	27 May 2051
2.	Dalian University	Ganjingzi District, Dalian	125,806.9	Education	27 May 2051
3.	Dalian University	Ganjingzi District, Dalian	60,018.8	Education	19 July 2052
4.	Dalian University	Ganjingzi District, Dalian	85,422	Education	27 May 2051
5.	Dalian University	Ganjingzi District, Dalian	24,665.8	Science and education	27 May 2051
6.	Dalian University	Ganjingzi District, Dalian	31,992	Science and education	27 May 2051
7.	Dalian University	Lvshunkou District, Dalian	76,936.10	Science and education	26 November 2068
8.	Dalian University	Lvshunkou District, Dalian	152,622.80	Science and education	26 November 2068
9.	Chengdu University	Qingchengshan Town, Dujiangyan	395,056.50	Scientific research and design, education	1 January 2053
10.	Chengdu University	Qingchengshan Town, Dujiangyan	132,158.33	Commerce	4 December 2059
11.	Chengdu University	Qingchengshan Town, Dujiangyan	63	Residence	1 August 2075
12.	Chengdu University	Qingchengshan Town, Dujiangyan	62.83	Residence	1 August 2075
13.	Chengdu University	Qingchengshan Town, Dujiangyan	62.88	Residence	31 July 2075
14.	Chengdu University	Qingchengshan Town, Dujiangyan	62.91	Residence	1 August 2075
15.	Chengdu University	Qingchengshan Town, Dujiangyan	62.83	Residence	1 August 2075

No.	Land use right owner	Location	Gross site area (sq.m.)	Permitted use	Expiry date
16.	Chengdu University	Qingchengshan Town, Dujiangyan	62.83	Residence	1 August 2075
17.	Chengdu University	Qingchengshan Town, Dujiangyan	62.83	Residence	1 August 2075
18.	Chengdu University	Qingchengshan Town, Dujiangyan	62.85	Residence	1 August 2075
19.	Chengdu University	Qingchengshan Town, Dujiangyan	62.83	Residence	1 August 2075
20.	Chengdu University	Qingchengshan Town, Dujiangyan	69.31	Residence	1 August 2075
21.	Chengdu University	Qingchengshan Town, Dujiangyan	62.85	Residence	1 August 2075
22.	Chengdu University	Qingchengshan Town, Dujiangyan	63.14	Residence	1 August 2075
23.	Chengdu University	Qingchengshan Town, Dujiangyan	63.14	Residence	1 August 2075
24.	Chengdu University	Qingchengshan Town, Dujiangyan	69.31	Residence	1 August 2075
25.	Chengdu University	Qingchengshan Town, Dujiangyan	69.87	Residence	1 August 2075
26.	Chengdu University	Qingchengshan Town, Dujiangyan	63.11	Residence	1 August 2075
27.	Chengdu University	Qingchengshan Town, Dujiangyan	62.91	Residence	1 August 2075
28.	Chengdu University	Qingchengshan Town, Dujiangyan	62.88	Residence	1 August 2075
29.	Chengdu University	Qingchengshan Town, Dujiangyan	62.88	Residence	1 August 2075
30.	Chengdu University	Qingchengshan Town, Dujiangyan	63.21	Residence	1 August 2075
31.	Foshan University	Nanhai District, Foshan	33,333.4	Research facility	11 December 2052
32.	Foshan University	Nanhai District, Foshan	14,351.7	Scientific research and design	19 July 2050
33.	Foshan University	Nanhai District, Foshan	49,804.4	Science and Education	11 November 2062
34.	Foshan University	Nanhai District, Foshan	116,576.5	Science and Education	14 August 2056
35.	Foshan University	Nanhai District, Foshan	12,448.2	Research facility	11 June 2052

No.	Land use right owner	Location	Gross site area (sq.m.)	Permitted use	Expiry date
36.	Foshan University	Nanhai District, Foshan	3,609.2	Research facility	11 June 2052
37.	Foshan University	Nanhai District, Foshan	17,026.4	Research facility	11 June 2052
38.	Foshan University	Nanhai District, Foshan	2,494.3	Science and education	2 December 2063
39.	Foshan University	Nanhai District, Foshan	14,000	Science and education	23 September 2052
40.	Foshan University	Nanhai District, Foshan	68,089.5	Research facility	11 June 2052
41.	Foshan University	Nanhai District, Foshan	4,930.8	Research facility	11 June 2052

Potential idle land issue

Foshan University acquired five parcels of land with a total site area of 49,929.80 square metres adjacent to different parts of the existing campus from October 2006 to December 2013. The five parcels of land were acquired to expand the campus size and to better connect different parts of the campus so that our students and teachers are able to study and live in the campus more conveniently. We have not yet constructed any buildings on the five parcels of land mainly because the general conditions of the five parcels of land such as irregular shape are not ideal for development, but we have formulated a plan to establish a teaching and research building on one of the five parcels of land that is relatively more suitable for development together with the land adjacent to it. We have applied for approval from government authorities to start the construction and expect to obtain the construction permit in early 2021.

As advised by our PRC Legal Adviser, pursuant to Measures for Disposal of Idle Land promulgated by the Ministry of Land and Resources in 2012, a parcel of land may be regarded as idle land by relevant government authorities if the land use right owner of the land fails to commence land development within one year after the land development date set forth in the land use right transfer agreement. Local land and resources authorities are required to go through a series of procedures, such as issuing a written investigation notice before starting the investigation, issuing a written decision if the relevant authorities consider that a parcel of land should be regarded as idle land, and issuing a written decision if relevant government authorities are of the view that idle land fee should be charged to the land use right owner after going through relevant approval procedures. The idle land fee to be charged equals to 20% of the price paid by the initial purchaser acquiring land from government. If the idle land remains undeveloped for two years, local land and resources authorities may confiscate the land use right without compensating the land use right owner after going through relevant approval procedures and issuing a written decision in relation to the confiscation.

As of the Latest Practicable Date, we had not received any investigation notification and, to the best of the knowledge of our Directors, local land and resources authorities having jurisdiction over Foshan University had not started any investigation procedure, nor did relevant land and resources authorities, either orally or in writing, require us to commence the development forthwith, pay idle land fee, or confiscate the land. In June 2019, we received a certification letter issued by the competent local government authority having jurisdiction over Foshan University certifying that Foshan University had not been penalised by local land resources authorities due to a violation of relevant laws and regulations relating to land resources administration since 1 January 2014. In September 2019, the same government authority further issued a letter to Foshan University certifying that the four parcels of land which we currently have no plan to develop are not ready for development. Based on the above, our PRC Legal Adviser is of the view that the risk of these four parcels of land being regarded as idle land and thus being subject to idle land fees or land confiscation is relatively low. Our Controlling Shareholder, Neusoft Holdings, has also agreed to provide an indemnity in favour of us with respect to any loss we may suffer in connection with such idle land fees and/or confiscation of the land. Our Directors are satisfied that Neusoft Holdings is financially capable of honouring such indemnity. Based on (i) our PRC Legal Adviser's view above, (ii) the certification letters we received from the competent government authority, (iii) the fact that the amount of idle land fee that would be charged based on our estimation is approximately RMB0.2 million, representing only 0.02% of our total revenue in 2019, and (iv) the fact that we have obtained an indemnity from our Controlling Shareholder, our Directors are of the view that the risk that the five parcels of land are regarded as idle land is low and Foshan University's business operations and results of operations would not be materially and adversely affected even if the five parcels of land were to be regarded as idle land by the relevant government authorities.

In order to prevent similar situation from happening again, we have put in place an internal policy, the main provisions of which are summarised as follows:

(i) At the university level: if it is necessary to acquire additional land based on each university's development plan, extensive discussions and analysis shall be performed among logistics department, finance department, legal department, among other departments, at each university, regarding the location, site area, total costs, and future development plans, as well as other important factors in relation to the acquisition. After the discussion and analysis, a report of feasibility study shall be formulated by the financial director, logistic department director and the director of the principal's office and approved by the principal of each university. The proposed acquisition may then be submitted to the Group level for approval.

(ii) At the Group level: the Group shall organise meetings among the chief financial officer of the Group and the directors of various functional departments including the finance department, the general management department, the legal department, and the industrial management department to review the acquisition plan.

- The industrial management department of the Group shall (a) review the acquisition plan from a professional view regarding the particulars of the land to be acquired, future development plan and the construction plan, (b) conduct an onsite inspection, and (c) put forward opinions or suggestions regarding the acquisition;

- The finance department of the Group shall conduct an analysis on the budget of the acquisition, acquisition price, total costs, payment schedule, funding sources, potential financing activities, among other important factors;

- The legal department of the Group shall review the acquisition plan from legal and compliance perspective, join the negotiation of the contract terms and seek legal advice from outside counsel when necessary.

(iii) The chairperson of the Board and the president of the Group will decide whether to approve the acquisition plan based on the above analysis and opinions of various departments and submit to the Board or shareholders meeting for further approval depending on the total amount of consideration for such acquisition plan. The acquisition shall not proceed before the Group's approval.

Buildings

As of the Latest Practicable Date, we owned 105 buildings with a total gross floor area of 595,806.02 square metres on the 41 parcels of land mentioned above. All of these buildings have been designed for education-related purposes such as classroom building, dormitory, research and development, and recreational facilities for students and teachers.

All of the above owned properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. See "Property valuation report" in Appendix III to this document for more information.

Leased properties

As of the Latest Practicable Date, we had leased 86 properties with an aggregate gross floor area of approximately 302,235.7 square metres for our business operations, consisting of 68 properties leased from Independent Third Parties and 18 inter-group leases.

As of the Latest Practicable Date, the lease agreements for 32 leased properties have expired. We are negotiating with the relevant landlords on the renewal of the lease of such properties, pending which the relevant landlords allow us to continue occupying and using these properties. Based on the good cooperation relationship between the landlords and us, we believe that there is no impediment to the renewal of such leases.

Two properties with a total floor area of 1,553.79 sq.m., representing 0.51% of the aggregate gross floor area of our leased properties, leased by our subsidiaries from Independent Third Parties as classrooms and offices for our short-term training services are subject to fire control filing procedure requirements, have completed the fire control filings at the construction stage, but did not complete such procedures at the renovation stage. Pursuant to relevant laws and regulations, renovation is subject to fire control filing procedures if both the floor area and the renovation cost exceed the relevant thresholds, and where a property is put into use without completing fire control filing procedures, we may be ordered to make rectifications within a specified time limit and be imposed a fine of no more than RMB5,000.

Before leasing these properties, the relevant members of the Tianjin Ruidao group, as tenants ("**Tenants**"), had deployed employees with construction expertise to inspect the properties, to ensure that the premises are safe for use by students and teachers and there is no safety risk. No fire control filings for the renovation of these properties were made because the management of the relevant Tenants were not familiar with the relevant regulatory requirements and mistakenly believed that fire control filings are only required to be made in the construction stage.

Following the acquisition of Tianjin Ruidao in March 2020, we engaged an independent third-party professional institution to conduct a fire control assessment and such professional third-party concluded that these properties comply with relevant fire control requirements required by PRC laws and regulations and are suitable, from fire control perspective, for being used to carry out teaching activities. The third-party professional institution engaged by us is a company with fire control testing and fire control safety assessment as its principal business and holds a qualification certificate of inspection and testing agencies issued by Liaoning Bureau of Quality and Technical Supervision. According to the Administrative Measures on the Accreditation of Inspection and Testing Institutions (《檢驗檢測機構資質認定管理辦法》), which became effective on 1 August 2015, a provincial (instead of national) bureau of quality and technical supervision shall be responsible for the accreditation of inspection and testing institutions. Our PRC Legal Adviser confirms that the independent third-party professional institution has obtained the requisite approvals for conducting fire control assessment and is the competent institution to give the above-mentioned conclusion.

Given the measures we have taken above, our Directors believe that the risk that relevant schools are not allowed to use the affected properties and have to relocate to other premises is remote. However, if in the event that the relevant leased property is not allowed to be used by the relevant school and relocation is required, operations of that particular school would be negatively affected to a certain extent. Nevertheless, if any relocation is required, our Directors believe that the affected schools will be able to lease and relocate to other premises without significant disruptions. As such, failure to make fire control filings for certain leased properties at the renovation stage would not have any material adverse impact on our overall operations.

In response to the non-compliances, we have formulated and issued a set of management measures on property leasing, which stipulates the specific legal requirements in respect of fire control in the case of leased properties and aims to prevent the reoccurrence of the non-compliances in relation to fire control safety of leased properties. See "— Internal control and risk management — Internal control."

With respect to three properties with a total floor area of 1,248 sq.m. leased by our subsidiaries, representing 0.41% of the aggregate gross floor area of our leased properties, the landlords of these properties are unable to provide relevant documents proving that they have the right to lease these properties to us. All of these properties are leased from Independent Third Parties. As advised by our PRC Legal Adviser, there is uncertainty with respect to the validity of the lease agreements with respect to these properties. If our landlords have no right to lease such properties to us, our use of these properties may be challenged by third parties who have the actual right to lease these properties. In addition, as the landlords of these properties did not provide relevant title-related documents, we are unable to confirm that our current use of these properties are in line with their prescribed usage. In either case, we may not be able to continue to use these leased properties and have to relocate to other premises. These properties are used as teachers' apartments, dormitories or storage facilities. Should our use of such leased properties be adversely affected, our Directors believe that we will be able to lease and relocate to alternative premises without significant disruption. Based on the above, our Directors are of the view that the defect of the leased properties discussed under this paragraph would not have any material adverse impact on our operations as a whole.

The lease agreements with respect to all of the properties we leased for our business operations have not been registered with the relevant PRC government authorities. As advised by our PRC Legal Adviser, failure to register such lease agreements with relevant PRC government authorities does not affect the effectiveness of those lease agreements, but the relevant PRC government authorities may order us to, within a prescribed time limit, register the lease agreements. Failure to do so may subject us to a fine ranging from RMB1,000 to RMB10,000 for each lease agreement. As of the Latest Practicable Date, we had not been ordered by any government authorities to register any lease agreements. If we were ordered to do so in the future, our PRC Legal Adviser is of the view that the relevant PRC government authorities will not impose penalties on us if we complete the registration procedure within the prescribed time limit.

Regulatory requirements relating to the ratio of school site area/building area to the number of students

As advised by our PRC Legal Adviser, our universities are subject to certain requirements in relation to the prescribed ratio of school site area/building area to the number of students enroled. According to the Basic Conditions for Operating Higher Education Institutions (Trial) promulgated by the MOE in 2004, for an engineering higher education institution (工科類高等教育機構), the ratio of teaching and administrative building area to the number of students enroled should not be lower than 9 sq.m. per student (the yellow card line). As advised by our PRC Legal Adviser, such ratio is one of the basic school operating condition indicators (基本辦學條件指標), and in the event that one of the basic school operating condition indicators of a university does not meet the relevant regulatory requirement, the university may receive a yellow card issued by a competent authority and its student admission may be subject to certain restrictions. As advised by our PRC Legal Adviser, the ratio of school site area to the number of students enroled is one of the monitoring school operating condition indicators (監測辦學條件指標) under such regulation, and such ratio applicable to an engineering higher educational institution should not be lower than 59 sq.m. per student. Failure to meet such indicator will not subject a university to any penalty.

The following table sets forth the (i) ratio of teaching and administrative building area to the number of students enroled; and (ii) ratio of site area to the number of students enroled, for each of our universities as of the dates indicated:

	School year			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
Teaching and administrative building area to number of students				
Dalian University	11.91	11.81	14.20	13.48
Chengdu University	13.24	13.21	15.36	14.61
Foshan University	12.71	12.11	12.35	11.58
Site area to number of students				
Dalian University	41.58	41.23	57.21	54.31
Chengdu University	37.09	37.00	37.75	47.91
Foshan University	38.03	36.22	36.91	34.62

* Our school year generally ends in June or July of each year. For the purpose of calculating the number of students in each school year, we use 31 August 2017, 2018 and 2019 as the cut-off date for the number of students in the 2016/2017 school year, the 2017/2018 school year, and the 2018/2019 school year, respectively, and 31 March 2020 as the cut-off date for the 2019/2020 school year.

As illustrated in the table above, our Dalian University, Chengdu University and Foshan University did not comply with the ratio of site area to number of students enroled for each of the school year presented. With a view to confirm that this would not result in any adverse effect on our university operations, under the assistance of our PRC Legal Adviser, we consulted the Development Planning Offices (發展規劃處) of the Educational Department of Liaoning Province, the Education Department of Sichuan Province and the Department of Education of Guangdong Province on 22 May 2019, 17 June 2019, and 5 March 2019, respectively. During such consultation, we were given to understand that such situation, to a certain extent, is common in private higher education institutions, and the ratio of site area to number of students is a monitoring school operating condition indicator, failure to meet which would not give rise to any penalty or limitations on student enrolment or school operations. During such consultation, the education authorities confirmed that our universities had passed all annual inspections conducted by the relevant education authorities during the Track Record Period and as of the date of such consultation in each province. Each of our universities has also obtained a confirmation from competent education authorities confirming that there was no record of administrative penalty imposed on these universities by such education authorities due to any breach of laws. As advised by our PRC Legal Adviser, each of the Development Planning Offices of the Educational Department of Liaoning Province, the Education Department of Sichuan Province and the Department of Education of Guangdong Province is the competent authority to give the relevant confirmation. Based on the foregoing, our PRC Legal Adviser is of the view that our universities' failure to meet the ratio of site area to number of students does not constitute a non-compliance incident.

We endeavour to continuously improve the quality of our education and the ratio of site area to number of students. We will monitor and adjust this ratio as necessary and where practicable based on the needs of our increasing student enrolments and our universities' education plans and activities without compromising the quality of our existing teaching activities or profitability. We have also taken these ratios into account when formulating our expansion plans as set out in "— Campus facilities and services — Upgrade and expansion plans". We expect that these ratios will be improved as a result of our upgrade and expansion plans in the future.

INSURANCE

Our three universities are covered by school liability insurance, property all risks insurance, and public liability insurance to safeguard against certain risks and unexpected events in our school operations. Our school liability insurance generally covers liabilities that shall be borne by the school in accordance with the PRC Laws if a student suffers personal injury (or property loss in some cases) caused by accidents on campus or during activities held by or arranged by the school, due to the schools' failure to fulfil its education and management duties. Our school liability insurance also covers liabilities that shall be borne by the university in accordance with the PRC Laws if a student suffers personal injury by a third party on campus or during activities held by or arranged by the university due to the university's failure to fulfil its management duties. Property all risks insurance generally covers all damages and losses of our school properties due to the natural disaster or accidents except for certain circumstances as specified in the insurance policy. Public liability insurance generally covers liabilities that shall be borne by the university in accordance with the PRC Laws if a third party suffers personal injury or property loss within our three universities. In addition, Tianjin Ruidao maintains property all risks insurance.

Our Directors believe that our insurance coverage is generally consistent with the industry practise and provides adequate protection for our assets and school operations. Nevertheless, we cannot assure you that we will not be exposed to other claims or liabilities not covered by our insurance. See "Risk Factors — Risks relating to our business and our industry — Our insurance coverage may not be sufficient" for more information.

LICENCES AND PERMITS

Our PRC Legal Adviser has advised us that during the Track Record Period and up to the Latest Practicable Date, except certain non-compliance matter disclosed in this document, we had obtained all material licences, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licences, permits, approvals and certificates remained in full effect for all the universities we operate currently.

The table below sets forth details of our material licences and permits:

Licences/Permit	Holder	Granting authority	Grant date	Expiry date
Private school operating licence	Dalian University	MOE	2017	2021
Private school operating licence	Foshan University	MOE	December 2019	December 2023
Private school operating licence	Chengdu University	The Education Department of Sichuan Province	September 2019	September 2023
Private school operating licence	Neusoft Training School	Bureau of Education, Culture and Sports of Dalian High-Tech Industrial Zone	12 December 2019	11 December 2022
Private school operating licence	Tianjin Binhai Newtown Neusoft Ruidao Software Talent Vocational Training School	Administrative committee of Tianjin Airport Economic Area	14 August 2019	13 August 2022
Private school operating licence	Shenyang Neusoft Software Talent Training Centre	Shenyang Hunnan District Human Resources and Social Security Bureau	1 January 2020	31 December 2022
Private school operating licence	Dalian Neusoft Software Talent Training Centre	Bureau of Education, Culture and Sports of Dalian High-Tech Industrial Zone	8 June 2020	7 June 2023
Private school operating licence	Nanjing Neusoft Talent Training Centre	Nanjing Yuhuatai District Education Bureau	12 June 2019	11 June 2023

Licences/Permit	Holder	Granting authority	Grant date	Expiry date
Private school operating licence	Qingdao West Coast New District Neusoft Ruidao Software Talent Training School	Administrative Vetting Service Bureau of Qingdao Huangdao District	24 July 2020	30 April 2023
Private school operating licence	Guangzhou Neusoft Software Talent Vocational Training School	Human Resources and Social Security Bureau of Guangzhou Huangpu District	9 August 2019	8 August 2021
Private school operating licence	Qinhuangdao Neusoft Venture School (秦皇島東軟創業大學)	Administrative Vetting Bureau of Qinhuangdao	3 June 2020	2 June 2021

Qingdao West Coast New District Neusoft Ruidao Software Talent Training School ("**Qingdao Training School**") did not pass the annual inspection for 2017 conducted by the Bureau of Education and Sports of Qingdao West Coast New District ("**Qingdao Education Bureau**") due to a safety risk. Consequently, Qingdao Training School did not pass the annual inspection conducted by the Qingdao West Coast New District Civil Affair Bureau ("**Qingdao Civil Affair Bureau**") for 2017 and was unable to renew its registration certificate of private non-enterprise entities when it expired on 30 April 2018. However, Qingdao Training School has successfully passed the annual inspection conducted by Qingdao Education Bureau and Qingdao Civil Affair Bureau for 2018 and successfully renewed its registration certificate of private non-enterprise entities in December 2019. On 7 May 2020, Qingdao Education Bureau issued a certificate to us confirming that Qingdao Training School's failure to pass the annual inspection it conducted and the underlying safety risk do not constitute a material non-compliance or result in an administrative penalty. Qingdao Education Bureau further confirmed that Qingdao Training School has resolved the safety issue and it will not impose penalties or hold Qingdao Training School accountable otherwise. On 30 April 2020, Qingdao Civil Affair Bureau issued a certificate to us confirming that Qingdao Training School's failure to pass the educational inspection for 2017 was the reason that it did not pass the annual civil affair inspection for the same year, and confirming that no penalties was ever imposed by it on Qingdao Training School.

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. We have on-site medical staff or health care personnel at each of our universities to handle routine medical situations involving our students except for Foshan University where there is a hospital nearby. In serious and emergency medical situations, we send our students to local hospitals for treatment. For details of medical care services we provide, see "— Campus facilities and services — Campus services — Medical care services". With respect to school safety, we have in place a set of school safety and security measures and a team of security staff at each of our universities. In addition, we hire third-party property management companies to provide campus security. During the Track Record Period and up to the Latest Practicable Date, we did not experience any accident, medical situation or safety issue that would have a material adverse effect on our school operations.

As of the Latest Practicable Date, our universities had been reopened. We have put in place a series of precautionary measures to prevent the spread of COVID-19 for our school reopening. Each of our universities has set up a special pandemic response committee headed by the principal to oversee the overall implementation of the disease prevention measures. Before entering campus, temperature needs to be checked and a registration form needs to be filled in. Students' health profiles need to be recorded and students are requested to report on whether they were exposed to the virus and they are in good health. Each of our universities has increased the frequency of disinfection and ventilation at all of the school facilities. In addition to frequent disinfections, canteens in our campuses are required to implement staggered lunch times and strictly maintain physical distancing and hygiene standards. Students and teachers are also encouraged to order take away, as opposed to dine in. Our universities have also stocked up personal protection equipment and other medical stuff for the purpose of disease prevention. Temporary quarantine facilities have also been set up. We will closely monitor the development of the pandemic and dynamically adjust our disease prevention and control measures. Starting from end of June, our training schools gradually resumed offering courses offline. As of the Latest Practicable Date, our training schools had also implemented similar preventive measures.

As of 30 June 2020, we had incurred approximately RMB1.1 million for taking precautionary measures to prevent the spread of the COVID-19. As of the Latest Practicable Date, we were not aware of any incidents where our employees, including our teachers, failed to perform their reporting duty in relation to COVID-19.

If there are any COVID-19 resurgences in the places where we have business operations, we will follow government's instructions and resume, when necessary, our previous business arrangements during the spread of COVID-19 earlier this year, which include, without limitation, (i) offering face-to-face instruction through online by using our proprietary "Neusoft Blended Teaching Platform", "Neusoft MOOC Platform" and "Neusoft Practical Training Project Platform" as well as other third-party products, and our employees may also have to follow remote working arrangements; and (ii) communicating with our suppliers, clients and other business partners to find out feasible alternatives to ensure that existing business cooperation can be continued. In addition, our business contingency plan includes a set of precautionary measures as mentioned above to maintain a hygiene working, teaching and living environment. For risks relating to COVID-19 pandemic, see the section headed "Risk Factors — Risks relating to our business and our industry — Accidents or injuries suffered by our students or our employees on or outside our school campuses or by other personnel on our school campuses may adversely affect our reputation and subject us to liabilities" in this document.

ENVIRONMENTAL PROTECTION

Engaging in construction activities in China is subject to environmental protection laws and regulations. We have been devoting operating and financial resources to environmental compliance in accordance with relevant PRC Laws. During the Track Record Period and as of the Latest Practicable Date, we complied with the relevant environmental laws and regulations in China in all material respects and we did not have any incidents or complaints which had a material adverse effect on our business, financial condition or results of operations during the same period. During the same period, no material administrative sanctions or penalties were imposed upon us for the violation of environmental laws or regulations which had an adverse impact on our operations.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or systemic non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, are likely to have a material adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of our Company, the Directors or our senior management, to operate our business in a compliant manner. Our PRC Legal Adviser is of the opinion that we had complied with all relevant PRC Laws in all material respects during the Track Record Period and up to the Latest Practicable Date.

From time to time, we are subject to legal proceedings, investigations and claims incidental to the conduct of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our Directors, could have a material adverse effect on our operations or financial condition. Our Directors have confirmed that no member of our Group is currently engaged in any material litigation, arbitration or administrative proceeding.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have engaged an independent internal control consultant to conduct an assessment of our internal control system. The internal control consultant has conducted long-form review procedures on our internal control system within the scope agreed between us, the Sole Sponsor, and the internal control consultant, including revenue, purchase, fixed assets management, human resources, financial management and information technology (the "**Internal Control Review**"). The internal control consultant conducted its work in 2019 and provided several specific findings and recommendations in its report. These findings and recommendations primarily suggest us adopt certain internal control policies and improve our daily operations by strictly following our existing internal control procedures. The internal control consultant then performed follow-up review (the "**Follow-up Review**") in April 2020 to review the status of the management actions taken by us to address the findings of the Internal Control Review. The internal control consultant did not have any further recommendation in the Follow-up Review. We have considered the internal control findings identified by the internal control consultant and have subsequently taken remedial actions in response to such findings and recommendations. We consider that the internal control findings did not result in any material misstatement to our consolidated financial information prepared in accordance with IFRS during the Track Record Period as set out in Appendix I after certain appropriate rectifications. As of the Latest Practicable Date, we confirm that there were no material internal control findings outstanding.

We have established an internal control system. Each of our universities has designated the relevant personnel to be responsible for monitoring our on-going compliance with the relevant PRC Laws that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the principals and vice principals of our universities) and employees involved with continuing training programmes and/or updates regarding the relevant PRC Laws on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance.

In particular, we have adopted, and will continue to adopt, certain internal control measures to ensure the quality of our teachers and teaching staff and the safety of our buildings, including: (a) to ensure that our teachers and teaching staff are qualified: establishing clear and consistent guidelines and standard operating procedures for the hiring of personnel including teachers and teaching staff; implementing stringent background checks on potential candidates; when recruiting teaching staff for the Group's training schools, the relevant human resources department will review the qualifications required in accordance with local laws and regulations before candidates are contacted for further tests and interviews; and (b) with respect to our buildings: establishing clear and consistent guidelines and operating procedures when leasing properties; requiring at least three property proposals for future rental leases; requiring all property agreements to be internally reviewed from a legal and financial perspective; and having business departments, functional departments and the Group's management to assess and review the property lease proposals and monitor and ensure compliance with the terms of the leases. Based on the above, the Directors are of the view that the enhanced internal control measures are adequate and appropriate to prevent a recurrence of the non-compliances going forward, and the Sole Sponsor concurs with the views of our Directors.

Risk Management

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC education industry, our ability to offer quality education to our students, our ability to increase student enrolment and/or raising tuition rates, our potential expansion into other regions, availability of financing to fund our expansion and business operations, and competition from other school operators that offer similar quality of education and have similar scale. See "Risk Factors" for disclosures on various risks we face.

To properly manage these risks, we have established the following risk management structures and measures:

- our Board is responsible and has the general power to manage the operations of our schools, and is in charge of managing the overall risks in our business operations. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our school network into new geographic areas;

- board of directors of each university is responsible for managing the overall risks in its operations. Detailed risk management function in the university's daily operations is carried out by each functional departments of the school and the schools/departments under the university;

- we maintain insurance coverage, including school liability insurance, which we believe is in line with customary practise in the education industry in China; and

- we have formulated a comprehensive set of rules and standards in each of our schools covering all major aspects of our school operations to ensure that relevant activities in the daily operations of our schools are carried out orderly and minimise potential risks.

As a leader in the private higher IT education industry, we are committed to taking social responsibilities and cultivate a compliance culture among our employees. Through our employee handbook, various cultural activities and employee training activities, we continuously reinforce our corporate culture and compliance requirements among our employees. In addition, we have formulated employee code of conduct and ethics, which requires our employees to abide relevant laws and regulations, follow our internal rules and policies, be diligent and dedicated to work, observe professional ethics, and be honest and trustworthy, among other requirements. We have also formulated a comprehensive set of rules and standards in each of our schools covering all major aspects of our school operations, including specific reward and punishment mechanism, and channels of communication, appeals, petitions and complaints, to ensure that the daily operations of our schools are carried out orderly and minimise potential risks. We believe these efforts are conducive to the formulation of a consistent compliance culture and behaviour standards among our employees.

OVERVIEW

We (a) operate private higher education businesses (through our universities) ("**Education Business**"); and (b) publish audio-visual products and electronic publications, and provide internet publishing service (through Neusoft Electronic Press) ("**Publishing Business**"), in China (collectively, the "**Relevant Business**").

PRC Laws regulate foreign ownership in the Relevant Business by (a) restricting foreign ownership in the Education Business; and (b) prohibiting foreign ownership in the Publishing Business. As such, we operate our Relevant Business through our Consolidated Affiliated Entities. See "Regulations", "— Foreign investment restrictions under PRC laws on our education business" and "— Foreign investment restrictions under PRC laws on our publishing business."

To comply with PRC Laws and maintain effective control over our Relevant Business (being the Education Business and the Publishing Business), we entered into Contractual Arrangements on 21 June 2019, under which our JV (being Neusoft Ruixin) acquired effective control over the financial and operational policies of our Consolidated Affiliated Entities and became entitled to all of the economic benefits derived from their operations. For a simplified diagram of the flow of economic benefits under our Contractual Arrangements, see "— Operation of our Contractual Arrangements".

Accordingly, we do not directly own equity interest, or sponsor interest, in our Consolidated Affiliated Entities. Our three universities and Neusoft Electronic Press are ultimately majority owned by our Registered Shareholder, Neusoft Holdings (also a Controlling Shareholder), through our Operating Entity, Dalian Development. In this document, the term "ownership" (or its equivalent concept), as applied to our Company or our Group (as a whole), refers to economic interests in the assets or business of our subsidiaries (including our Consolidated Affiliated Entities).

We also operate short-term training services through our eight training schools. These short-term training services do not award students with academic credentials, and as such, is classified as a "training business." In May 2019 and February 2020, with the assistance of our PRC Legal Adviser, we consulted the educational departments and human resources and social security departments of the relevant cities or provinces in which our training schools are located, and we were informed that foreign investors could directly or indirectly own equity interest or sponsor interest in training institutions. Based on this guidance and the advice of our PRC Legal Adviser, we are of the view that our training business, as presently operated by our eight training schools, does not fall under the "restricted" or "prohibited" category of the Negative List (defined below) and is not subject to foreign investment restrictions in China.

FOREIGN INVESTMENT RESTRICTIONS UNDER PRC LAWS ON OUR EDUCATION BUSINESS

Foreign Control Restriction

Pursuant to the *Special Administrative Measures for Access of Foreign Investment (Negative List)* (《外商投資准入特別管理措施(負面清單)》) ("**Negative List**"), the provision of higher education in China falls within the "restricted" category of foreign investment activities. In particular, this means: (a) the catalogue explicitly restricts foreign-invested higher education institutions to Sino-foreign cooperation ventures ("**Sino-foreign Schools**"), meaning that foreign investors (such as our Company, "**foreign party**") may only operate higher education institutions in China by cooperating with PRC incorporated entities ("**domestic party**") that comply with the Sino-foreign Regulation (defined below); and even in such circumstances, and (b) the domestic party must play a dominant role in the Sino-foreign School ("**Foreign Control Restriction**"), meaning that (i) the schools' principals or chief executives must be PRC nationals, and (ii) the domestic party's representatives must account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign School (collectively, the "**governing body**"), as the case may be, depending on the governing structure adopted by the Sino-foreign School.

Qualification Requirements

Even if a Sino-foreign cooperation meets the Foreign Control Restriction, pursuant to the *Regulation on Operating Sino-foreign Cooperative Schools of the PRC* (中華人民共和國中外合作辦學條例), promulgated by the Stated Council in 2003 and amended on 18 July 2013 and 2 March 2019 (the "**Sino-foreign Regulation**") and further interpreted by its implementation measures, the foreign party in a Sino-foreign School must be a foreign education institution capable of providing quality education outside of China (the "**Qualification Requirements**").

Foreign Ownership Restriction

Pursuant to the *Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital into the Fields of Education and Promoting the Healthy Development of Private Education* (關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見), promulgated by the MOE on 18 June 2012, the foreign portion of the total investment in a Sino-foreign School should be below 50% (the "**Foreign Ownership Restriction**").

Sino-foreign Schools in Liaoning, Guangdong, and Sichuan provinces

With the assistance of our PRC Legal Adviser, we consulted the International Cooperation and Exchange Office (國際交流合作處) and the Development Planning Office (發展規劃處) of the Educational Department of Liaoning Province on 22 May 2019, the Policy and Regulation Office (政策法規處) and the Cooperation and Exchange Office (交流合作處) of the Department of Education of Guangdong Province on 5 March 2019, the Development Planning Office (發展規劃處) of the Education Department of Sichuan Province on 17 June 2019, and the International Cooperation and Exchange Office (國際合作交流處) of the Education Department of Sichuan Province on 12 June 2019. Based on such consultations, we were given to understand that:

(a) the Foreign Control Restriction, the Qualification Requirements and the Foreign Ownership Restriction apply to Sino-foreign Schools engaging in higher education in Liaoning, Guangdong, and Sichuan provinces;

(b) no implementing measures or specific guidance regarding the Qualification Requirements had been promulgated pursuant to the *Regulation on Sino-foreign Cooperation in Operating Schools of the PRC* in Liaoning, Guangdong, or Sichuan provinces;

(c) no Sino-foreign School providing higher education, the domestic party of which is a private educational institution, had ever been approved in Liaoning, Guangdong, or Sichuan provinces;

(d) it is not practicable to convert our universities into Sino-foreign Schools; and

(e) the execution and performance of the Contractual Arrangements do not require any prior filing or approval.

Our PRC Legal Adviser is of the view that each of the International Cooperation and Exchange Office (國際交流合作處) and the Development Planning Office (發展規劃處) of the Educational Department of Liaoning Province, the Policy and Regulation Office (政策法規處) and the Cooperation and Exchange Office (交流合作處) of the Department of Education of Guangdong Province, the Development Planning Office (發展規劃處) and the International Cooperation and Exchange Office (國際合作交流處) of the Education Department of Sichuan Province is competent to provide the above confirmation, since the International Cooperation and Exchange Office (國際交流合作處) of the Educational Department of Liaoning Province, the Cooperation and Exchange Office (交流合作處) of the Department of Education of Guangdong Province, and International Cooperation and Exchange Office (國際合作交流處) of the Education Department of Sichuan Province are the responsible departments in their respective provinces to accept and perform a preliminary or final review of the applications for establishing Sino-foreign schools providing higher education, and the Development Planning Office (發展規劃處) of the Education Department of Sichuan Province and the Educational Department of Liaoning Province and the Policy and Regulation Office (政策法規處) of the Department of Education of Guangdong Province are the responsible departments in their provinces to oversee the private higher education institutions in their respective provinces.

Based on the consultations above, our PRC Legal Adviser has advised us that, as of the Latest Practicable Date, there are no applicable PRC Laws providing clear guidance or interpretation on the Qualification Requirements, particularly considering that no implementation measures or specific guidance are available for the relevant provinces in which our three universities are located.

Based on the foregoing, our Directors consider that it is not practicable for us to seek to apply to reorganise any of our universities as a Sino-foreign School.

FOREIGN INVESTMENT RESTRICTIONS UNDER PRC LAWS ON OUR PUBLISHING BUSINESS

Pursuant to the Negative List, foreign investment in the publication of audio-visual products and electronic publications and in the provision of internet publishing services is prohibited.

Based on (a) the fact that PRC Laws restrict foreign ownership in our Education Business (through the Foreign Control Restriction and the Foreign Ownership Restriction), and following consultations with the competent government authorities in Liaoning, Guangdong, and Sichuan provinces, the understanding that we are not able to presently meet the Qualification Requirements (due to, among other reasons, there being no implementing measures or specific guidance on the Qualification Requirements in Liaoning, Guangdong, and

Sichuan provinces, and there is no applicable PRC Laws providing clear guidance or interpretation on the Qualification Requirements); and (b) foreign investment is prohibited in our Publishing Business, our PRC Legal Adviser has advised us that it is not possible to convert our three universities into sino-foreign schools, nor is it possible for the JV to directly hold any equity interest in Neusoft Electronic Press. Accordingly, our PRC Legal Adviser is of the view that our Contractual Arrangements, which cover our Education Business and our Publishing Business, are narrowly tailored.

We further explain why we have adopted our Contractual Arrangements in sub-sections "— Reasons why we have adopted the Contractual Arrangements for our Education Business" and "— Reasons why we have adopted the Contractual Arrangements for our Publishing Business" in "— Overview of our Contractual Arrangements" below.

OVERVIEW OF OUR CONTRACTUAL ARRANGEMENTS

Reasons why we have adopted the Contractual Arrangements for our Education Business

Under the Sino-foreign Regulation and applicable PRC Laws, our Education Business, which involves higher-education institutions in Liaoning province, Guangdong province and Sichuan province (collectively, the "**Relevant Provinces**") are restricted by the Foreign Control Restriction, and required to satisfy the Qualification Requirements and comply with the Foreign Ownership Restriction (collectively, the "**Foreign Investment Restrictions**").

Given that: (i) all of the principals of our universities are PRC nationals; and (ii) all of the directors of our universities are Chinese nationals, our PRC Legal Adviser is of the view that our universities are in full compliance with the Foreign Control Restriction.

Notwithstanding our compliance with the Foreign Control Restriction, our PRC Legal Adviser has advised us that no detailed rules have been released as to what specific criteria must be met by the foreign party (such as our Company) to demonstrate to the relevant authorities that it meets the Qualification Requirements.

Accordingly, given Foreign Investment Restrictions, we cannot hold direct controlling interests in our universities and, instead, we retain ownership over these entities and their businesses through the Contractual Arrangements. See " — Legality of our Contractual Arrangements" for the views of our Directors and our PRC Legal Adviser on the legality of the Contractual Arrangements.

Circumstances under which we will unwind our Contractual Arrangements with respect to our Education Business

In the event that the Qualification Requirements are removed, or we are able to meet Qualification Requirements, depending on whether and when some or all of the remaining Foreign Investment Restrictions are removed, we will unwind our Contractual Arrangements (with respect to the Education Business) in the following manner:

(a)	Both Foreign Control Restriction and Foreign Ownership Restriction remain	We will partially unwind our Contractual Arrangements, such that we: (i) acquire the right to appoint up to 50% of the governing body of our universities, and control the voting power of the other members of the governing body appointed by the domestic party through the Contractual Arrangements (in compliance with the Foreign Control Restriction); and (ii) directly hold less than 50% of the equity interests in our School Sponsors (in compliance with the Foreign Ownership Restriction). We will maintain the Contractual Arrangements to retain ownership over our universities and to consolidate their financials into our accounts.
(b)	Only Foreign Ownership Restriction remains	We will partially unwind our Contractual Arrangements, such that we: (i) acquire the right to appoint all members of the governing body of our universities (as we will no longer be restricted by the Foreign Control Restriction); and (ii) directly hold less than 50% of the equity interests in our School Sponsors (in compliance with the Foreign Ownership Restriction). We will maintain the Contractual Arrangements to retain ownership over our universities and to consolidate their financials into our accounts.
(c)	Only Foreign Control Restriction remains	Notwithstanding we will be able to hold a majority interest in our universities, according to our PRC Legal Adviser, it is commonly understood that the Foreign Control Restriction would still require a domestic interest in our three universities, which is entitled to appoint not less than 50% members of the governing body of our university, and the foreign party would not be able to operate our three universities by itself. Accordingly, we will partially unwind our Contractual Arrangements, such that we will: (i) acquire the right to appoint up to 50% of the governing body of our universities, and (ii) hold the maximum percentage of school sponsor interests in our universities as permitted under PRC Laws. We will control the voting rights of members appointed by the domestic party onto the governing body, and the minority school sponsor interests held by such domestic party through our Contractual Arrangements (or similar contractual agreements) in order to consolidate the financials of our three universities into our accounts.
(d)	Neither Foreign Control Restriction nor Foreign Ownership Restriction remains	We will fully unwind our Contractual Arrangements with respect to our Education Business such that we will: (i) acquire the right to appoint all members of the governing body of our universities (as we will no longer be restricted by the Foreign Control Restriction); and (ii) hold the maximum percentage of school sponsor interest in our universities as permitted under PRC Laws.

We note that our Contractual Arrangements cover both the Education Business and the Publishing Business. As such, even if none of the Foreign Control Restriction, the Foreign Ownership Restriction and the Qualification Requirements apply, and our Contractual Arrangements are fully unwound with respect to our

Education Business, the Contractual Arrangements may still be required to remain with respect to our Publishing Business. See "— Circumstances under which we will unwind our Contractual Arrangements with respect to the Relevant Business" for further discussion of this situation.

Our plan to comply with the Qualification Requirements

Our PRC Legal Adviser is of the view that, while Sino-foreign Schools are able to be jointly established by both foreign and domestic qualified educational institutions, no detailed rules have been released as to what specific criteria must be met by the foreign party (such as our Company), such as the length of experience in the relevant educational industry, and what form and extent of ownership is required in the foreign jurisdiction, in order to demonstrate that the foreign party meets the Qualification Requirements.

Nevertheless, we have implemented the following plan that represents our commitment and our meaningful endeavours to satisfy the Qualification Requirements (and should the criteria to be met by a foreign party under the Qualification Requirements be further clarified) (the two collaborations below, collectively the "**Cooperations**"):

(a) on 28 May 2019, Neusoft Education HK entered into a memorandum of understanding with The University of Aizu ("**Aizu**"), an university in Japan accredited by the Ministry of Education, Culture, Sports, Science and Technology, Japan, pursuant to which we and Aizu agreed to cooperate in international higher education, including, in particular:

    (i) information exchange concerning higher education, scientific research, and related activities;

    (ii) provision of books, publications and documents, including curricula for higher education and scientific research;

    (iii) mutual exchange of faculty and researchers;

    (iv) joint research activities by faculty members or researches, and cooperation in applying and promoting national or international projects;

    (v) mutual visits and/or exchange of students; and

    (vi) establishing overseas bases in China and Japan, respectively,

    pursuant to the memorandum of understanding with Aizu, our Group has established the Aizu-Neusoft Innovation Hub and the Neusoft Education Technology Co., Ltd. Contact Office on Aizu's campus, as part of our Group's efforts to establish overseas bases in Japan and to facilitate information and resource exchange with Aizu. We plan to start sending teachers to Aizu in 2021 for exchange and to gain experience in running schools in Japan.

(b) on 18 June 2019, Neusoft Education HK entered into a memorandum of understanding with IT Innovation Ltd. (IT創新股份有限公司) ("**IT Innovation**"), pursuant to which IT Innovation agreed to provide consulting services to Neusoft Education HK for the provision of higher-education in Japan, on the following areas subject to further agreement:

   (i) professional knowledge on education and training;

   (ii) our cooperation and collaboration with and/or acquisition of Japanese colleges and universities specialising in IT education; and

   (iii) exchange and secondments for teacher and personnel.

(c) our Group is in the process of communicating and negotiating with certain experienced and reputable overseas education services providers on potential collaboration opportunities, including expanding our Group's school network abroad.

(d) we envisage operating a higher-education institution in Japan, solely or in cooperation with our partners. The implementing scheme is to be determined, however, we plan to establish a company in Japan with an initial investment of USD150,000, which will serve as the vehicle through which our Group will perform preparatory work and as the entity to operate and manage the Japanese higher-education institution that we will sponsor in the future. We have engaged an agent to assist us with better understanding and navigating the business environment in Japan and we are preparing relevant documents in relation to establishing a subsidiary in Japan. We plan to complete the establishment of our Japanese subsidiary by the second half of 2020. We expect to commence operations in the education sector in Japan as soon as all applicable regulatory approvals have been obtained, all preparatory work has been completed, and when our Directors believe it is in the best interests of our Group to do so.

(e) it is intended that Neusoft Education HK will serve as a platform to:

   (i) negotiate and execute contracts for international business cooperation; and

   (ii) invest in education businesses overseas as and when appropriate.

Based on the steps taken above, our PRC Legal Adviser is of the view that:

(a) there are no applicable PRC Laws providing clear guidance or interpretation on the Qualification Requirements, in particular, what specific criteria must be met by the foreign party (such as the level of experience in overseas educational industry) so as to fulfil the Qualification Requirements;

(b) notwithstanding the foregoing in (a) above, the higher-education institution to be established by us in Japan or another overseas higher-education institution that we may establish in the future, which will provide university level education service, shall meet the basic requirements under the Sino-foreign Regulation;

(c) if the higher-education institution to be established by us in Japan, or any other overseas higher-education institution that we may establish in the future, successfully commences operation and gains sufficient level of experience, it is likely that we can fulfil the Qualification Requirements and will be able to own, control and operate our existing universities in the PRC wholly or partly through such overseas higher-education institution, subject to compliance with any other legal restrictions including the Foreign Ownership Restriction and the Foreign Control Restriction and approval from the relevant education authorities in the PRC, and

in light of the steps taken by us highlighted above, the limited experience that we had in operating overseas education institutions as of the Latest Practicable Date and the lack of clear guidance or interpretation on the Qualification Requirements issued by the relevant competent authorities, our PRC Legal Adviser is of the view that we have taken all reasonable steps towards fulfilling the Qualification Requirements under the current circumstances.

To keep our public investors clearly informed, we will disclose our progress in the Cooperations and the establishment of the Japanese subsidiary and the Japanese higher-education institution, as well as updates on the Qualification Requirements, in our annual and interim reports after the Listing, as and when appropriate.

We undertake to the Stock Exchange that we will:

(a) under the guidance of our PRC Legal Adviser, continue to keep ourselves updated on all relevant regulatory developments and guidance relating to the Qualification Requirements; and

(b) provide periodic updates in our annual and interim reports after the Listing to inform our Shareholders of the actions undertaken towards meeting the Qualification Requirements.

Reasons why we have adopted the Contractual Arrangements for our Publishing Business

Under the applicable PRC Laws, our Publishing Business, which involves publishing audio-visual products and electronic publications and providing internet publishing services in China and primarily in Liaoning province, is prohibited from any foreign investment (the "**Foreign Investment Prohibition**").

Accordingly, given that Foreign Investment Prohibition, we cannot hold any direct interest in Neusoft Electronic Press (being the entity to operate the Publishing Business) and, instead, we retain ownership over Neusoft Electronic Press and its businesses through the Contractual Arrangements. See "— Legality of our Contractual Arrangements."

Circumstances under which we will unwind our Contractual Arrangements with respect to the Relevant Business

Our Publishing Business is operated by Neusoft Electronic Press, which is a wholly-owned subsidiary of, but is a separate legal entity from, Dalian University. According to the development of applicable foreign investment restrictions concerning our Education Business and our Publishing Business, we will reorganise our Group accordingly, in a timely manner in accordance with prevailing Laws, in order to allow our Company to directly hold the maximum amount of equity interest in our Relevant Business, and will unwind our Contractual Arrangements to the greatest extent possible as permitted by PRC Laws to achieve direct equity ownership in our Consolidated Affiliated Entities.

In circumstances where the Foreign Investment Prohibition remains, we will maintain our Contractual Arrangements with respect to the Publishing Business, and depending on the degree of foreign investment restrictions over on our Education Business, we will partially or fully unwind our Contractual Arrangements with respect to our Education Business in the following manner.

(a)	Part of the Foreign Investment Restrictions are removed for our Education Business	We will: (i) transfer Neusoft Electronic Press from Dalian University to our Operating Entity, or another entity that would remain under the Contractual Arrangements; and (ii) partially unwind our Contractual Arrangements with respect to the Education Business to the maximum extent permissible under PRC Laws and to maintain ownership over our universities and consolidate their financials into our accounts. See "— Circumstances under which we will unwind our Contractual Arrangements with respect to our Education Business" for our detailed plan to unwind our Contractual Arrangements in the different circumstances under which the Foreign Investment Restrictions would be lifted with respect to our Education Business.
(b)	All of the Foreign Investment Restrictions are removed for our Education Business	We will: (i) transfer Neusoft Electronic Press from Dalian University to our Operating Entity, or another entity that would remain, or be created, under the scope of the Contractual Arrangements; and (ii) fully unwind our Contractual Arrangements with respect to the Education Business.

In the event that the Foreign Investment Prohibition is removed, we will unwind our Contractual Arrangements with respect to the Publishing Business, such that we will hold the maximum percentage of equity interest in our Consolidated Affiliated Entities (with respect to the Publishing Business) as permitted under PRC Laws in the following manner:

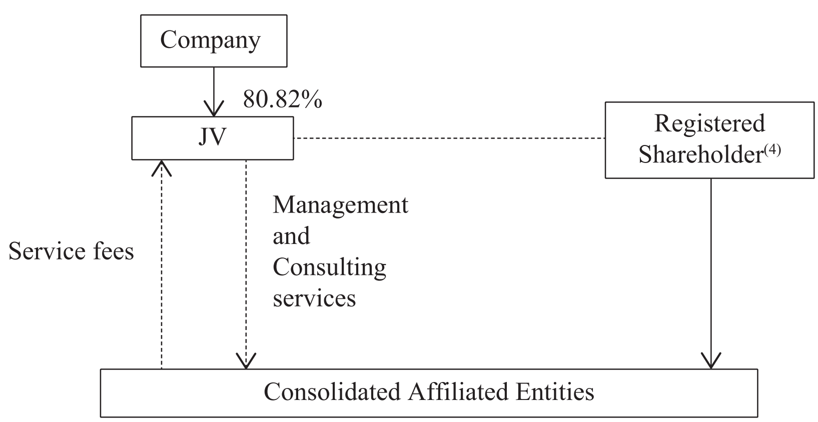
(a)	Foreign Investment Restrictions remains for our Education Business	We will: (i) transfer Neusoft Electronic Press (and any other entity that operates our Publishing Business) from Dalian University (and any other Consolidated Affiliated Entity, if applicable) to a subsidiary in which we hold direct equity interests (such as our JV or Dalian Education); and (ii) unwind our Contractual Arrangements with respect to the Publishing Business to the maximum extent

possible. Our Education Business will remain under the Contractual Arrangements, and our Contractual Arrangements will be unwound with respect to the Education Business according to our disclosure in "— Circumstances under which we will unwind our Contractual Arrangements with respect to our Education Business."

(b)	Foreign Investment Restrictions is removed for our Education Business	(i) Our JV will exercise the call option under the Exclusive Call Option Agreement (as defined below) and unwind our Contractual Arrangements such that we are able to directly operate the Education Business and Publishing Business without our Contractual Arrangements; and (ii) the Registered Shareholder of our Operating Entity will return to our Group, to the largest extent permissible by PRC Laws, any consideration received by the Registered Shareholder from our Group in our Group's acquisition of equity interests in our Consolidated Affiliated Entities.

OPERATION OF OUR CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group under the Contractual Arrangements:



Notes:

(1) "→" denotes direct legal and beneficial ownership in: (a) the equity interests of our Operating Entity and other entities within the Consolidated Affiliated Entities, and (b) the sponsor interests in our universities.

(2) "-->" denotes the contractual relationship.

(3) "---" denotes control by our JV over the Registered Shareholder and Consolidated Affiliated Entities under the Contractual Arrangements through: (a) powers of attorney to exercise all of the Registered Shareholder's rights in our Operating Entity and our universities; (b) exclusive options to acquire all or part of the Registered Shareholder's equity interest in our Operating Entity and sponsor interests in our universities; and (c) equity pledge over the Registered Shareholder's equity interest in our Operating Entity.

(4) See the notes to "Corporate structure before the Reorganisation" and Notes 8 to 12 to "Corporate structure before the Global Offering" in "History, Reorganisation and corporate structure — Corporate structure."

SUMMARY OF THE MATERIAL TERMS OF OUR CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below:

Main agreements

Exclusive Management Consultancy and Business Cooperation Agreement

Under the exclusive management consultancy and business cooperation agreement dated 21 June 2019, entered into between (i) our JV, (ii) our Consolidated Affiliated Entities, and (iii) the Registered Shareholder of our Operating Entity (the "**Exclusive Management Consultancy and Business Cooperation Agreement**"), our JV has the exclusive right, or the right to designate a third party, to provide each of our Consolidated Affiliated Entities with corporate management consulting services, educational management consulting services, intellectual property licensing, technical support and business support services.

Without our JV's prior written consent, none of our Consolidated Affiliated Entities may accept from, or establish any cooperation with, a third party in relation to any services covered by the Exclusive Management Consultancy and Business Cooperation Agreement. Our JV owns all intellectual property rights arising out of the performance of this agreement.

In exchange, our Consolidated Affiliated Entities agree to pay the entirety of their total income (net of costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld) to our JV as the service fee.

Under the Exclusive Management Consultancy and Business Cooperation Agreement, without prior written approval from our JV, our Consolidated Affiliated Entities shall not enter into any transaction (except for those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operations, including but not limited to: (i) the provision of any security or guarantee in favour of a third party or the creation of any encumbrances in relation to its assets or interest, except to secure the performance of its own obligations; (ii) the entry into of any loan or debt obligations in favour of a third party; and (iii) in relation to a third party, the disposal, acquisition or otherwise dealing of any assets (including but not limited to intellectual properties) with a value higher than RMB500,000.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreement, without the prior written consent of our JV, none of our Consolidated Affiliated Entities may change or remove the members of its board of directors or replace any member of its senior management. Our JV also has the right to appoint the directors, general managers, financial controllers and other senior managers of our Consolidated Affiliated Entities. Our JV has absolute control over the distribution of dividends or any other amounts to the shareholders of our Consolidated Affiliated Entities as our Consolidated Affiliated Entities and their shareholders have undertaken not to make any distribution without our JV's prior written consent.

Exclusive Call Option Agreement

Under the exclusive call option agreement dated 21 June 2019, entered into between (i) our JV, (ii) the Registered Shareholder of our Operating Entity, and (iii) our Operating Entity and our universities (the "**Exclusive Call Option Agreement**"), the Registered Shareholder unconditionally and irrevocably agreed to grant our JV an exclusive option to purchase all or part of the equity interest in our Operating Entity and/or sponsor interests in our universities, respectively, held by the Registered Shareholder (including any additional sponsor interests in our universities obtained by the Registered Shareholder in the future) for the minimum amount of consideration permitted by applicable PRC Laws, under circumstances in which our JV or its designated third party is permitted under PRC Laws to acquire all or part of the equity interests of our Operating Entity and universities.

Where the purchase price is required by PRC Laws to be an amount other than nil consideration, the Registered Shareholder undertakes to return the amount of purchase price they have received to our JV or its designated third party. We have the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The key factor for us to decide whether to exercise the option is whether the Foreign Investment Restrictions in relation to the Education Business will be removed in the future, the likelihood of which we were not in a position to know or comment on as at the Latest Practicable Date.

To prevent the flow of our Consolidated Affiliated Entities' value and assets to their respective registered shareholders, pursuant to the Exclusive Call Option Agreement, none of the assets of our Operating Entity or universities are to be transferred or otherwise disposed of without the written consent of our JV. In addition, under the Exclusive Call Option Agreement, no transfer of, or encumbrance over, the sponsor interests and/or equity interests, as the case may be, in our Operating Entity or Universities is permitted without our JV's prior written consent.

Any distribution of profit or dividend from our Operating Entity and universities must be immediately transferred or paid (subject to the relevant tax payment being made under applicable laws and regulations) to our JV (or its designated party). If our JV exercises its option, all or any part of the equity interests or sponsor interests (as the case may be) in the our Operating Entity and universities would be transferred to our JV and the benefits of ownership in the equity interests or sponsor interests (as the case may be) would flow to our JV and our Shareholders.

Equity Pledge Agreement

Each of our universities is a private non-enterprise entity (民辦非企業單位). As advised by our PRC Legal Adviser, under PRC Laws, entities or individuals who establish a private non-enterprise entity are generally referred to as "sponsors" rather than "owners" or "shareholders", and the economic substance of "sponsor interest" with respect to a private non-enterprise entity is substantially similar to that of "ownership" from a legal, regulatory and tax perspective. Under PRC Laws, our School Sponsors' sponsor interests in our universities are not capable of being pledged as security in favour of our JV. Our PRC Legal Adviser has advised us that any pledge of sponsor interests would not be registrable or enforceable under PRC Laws.

Accordingly, we have entered into an equity pledge arrangement in relation to the equity interest in our Operating Entity held by its Registered Shareholder. Under the equity pledge agreement dated 21 June 2019, entered into by and between (i) our JV, (ii) the Registered Shareholder of our Operating Entity, and (iii) our Operating Entity (the "**Equity Pledge Agreement**"), the Registered Shareholder unconditionally and irrevocably pledged all of the equity interests in our Operating Entity in favour of our JV in order to guarantee the performance of the obligations of the Registered Shareholder, our Operating Entity, the School Sponsors and our universities under the Contractual Arrangements. Under the Equity Pledge Agreement, the Registered Shareholder has agreed that, without the prior written consent of our JV, it would not transfer or dispose of the pledged equity interests or create or allow a third party to create any encumbrance on the pledged equity interests that would prejudice our JV's interest.

The pledge in respect of our Operating Entity takes effect upon completion of registration with the relevant administration for industry and commerce and will remain valid until: (i) the satisfaction of all contractual obligations by the Registered Shareholder, our Operating Entity, the School Sponsors and our universities under the Exclusive Management Consultancy and Business Cooperation Agreement, Exclusive Call Option Agreement and the Powers of Attorney (as defined below), or (ii) the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreement and the Powers of Attorney, whichever is later.

Our PRC Legal Adviser confirms that the Equity Pledge Agreement has been duly registered with the relevant PRC legal authority pursuant to PRC Laws.

Documents supporting the structural integrity and stability of our main agreements

Power of Attorneys

The Registered Shareholder of our Operating Entity, the School Sponsors and Dalian University have each executed an irrevocable power of attorney dated 21 June 2019 (each a "**Power of Attorney**", and collectively, the "**Powers of Attorney**") granting our JV (or a person designated by our JV, including our Directors and their successors and any liquidators substituting our Directors, but excluding anyone who may give rise to a conflict of interest), as its attorney, with authorisation to vote on all matters that require our Consolidated Affiliated Entities' shareholders' or school sponsors' approval and on which the respective grantor is entitled to vote, including the right to appoint directors and vote on the director's behalf on the boards of our universities.

To prevent the Powers of Attorney from giving rise to a conflict of interest, each of the School Sponsors and Dalian University, under their respective Powers of Attorney, irrevocably undertook that:

(a) the authorisations granted under the Powers of Attorney have not and would not lead to any conflict of interest between our JV (or its parent companies) and our Consolidated Affiliated Entities; and

(b) if the entity or any direct or indirect shareholder of the entity or their delegated representatives concurrently serve as the Director or senior management of our Company, the authorisations granted under the Powers of Attorney shall be exercised in a manner in favour of our Company.

Through the Powers of Attorney, our JV has effectively acquired control over the Consolidated Affiliated Entities through shareholder or school sponsors' votes, which allows our JV to control, among other matters, the composition of the board of directors for our Consolidated Affiliated Entities. As advised by our PRC Legal Adviser, the Powers of Attorney are valid, legal and binding on the parties under PRC Laws.

Undertaking Letters

To support the stability and continued validity and enforceability of our Contractual Arrangements, and in particular the Equity Pledge Agreement, our JV received irrevocable undertakings (承諾函) on 21 June 2019 and 8 October 2019 (collectively, the "**Undertaking Letters**") from (a) each of the following shareholders of Neusoft Holdings (the Registered Shareholders): Dalian Kang Ruidao, Dalian Siwei, LIU Ming, Alpine China, Northeastern University Group, PICC Life, PICC Health, Yida Holdings; and (b) the following shareholders and/or controlling persons of the shareholders of Neusoft Holdings: Dr. J. Liu, the general partner of Dalian Kang Ruidao, Alpine Electronics, Baidu Online Network Technology (Beijing) Co., Ltd. and the three individual shareholders of Yida Holdings. Pursuant to the Undertaking Letters, the undertaking shareholders would not (or procure that respective shareholder of the Registered Shareholder not to, as the case may be) enter into an arrangement (including pledge, sale, disposal or creation of other third-party rights) in respect of the equity interests held by them (or that respective shareholder) in the Registered Shareholder that may reduce either the effectiveness of the Registered Shareholder's equity pledge to our JV under the Contractual Arrangements or the stability of the Contractual Arrangements, unless: (i) they, except for PICC Life and PICC Health, have obtained our JV's consent; and (ii) the counterparties or beneficiaries of the proposed arrangement have executed similar written undertaking(s) to the effect that they will not affect the performance of our Contractual Arrangements.

The main purpose of the Undertaking Letters is to further support the stability of the operation of the Contractual Arrangements (and the VIE structure that is created by the Contractual Arrangements and described at "— Overview" and "— Operation of our Contractual Arrangements", the "**VIE Structure**"). It is envisioned that the Undertaking Letters would achieve this purpose through, among others:

(a) preventing the undertaking shareholders from entering into any arrangement involving their respective direct or indirect interests in the Registered Shareholder that would adversely affect the first priority pledge granted by the Registered Shareholder to our JV under the Equity Pledge Agreement;

(b) requiring the undertaking shareholders to refrain from taking any action that would harm the operation of the Contractual Arrangements (and the VIE Structure that it underpins); and

(c) ensuring that the undertaking shareholders are aware of, and directly support, the Registered Shareholder's entry into, and obligations under, the Contractual Arrangements; and that any new person that proposes to obtain an interest in the Registered Shareholder would, before acquiring such interest, give similar undertakings to our JV to maintain the stability of the Contractual Arrangements (and the VIE Structure that it underpins).

The Registered Shareholder is a corporate legal entity. It has separate legal personality and is legally bound by, and is required to perform under, the terms of the Contractual Arrangements. Notwithstanding the fact that the Registered Shareholder, being a corporate legal entity, is under substantively the same obligations, and legal responsibility, to perform under the Contractual Arrangements, as those that would be imposed on a natural person in the position of the Registered Shareholder, the following factors, among others, provide further protection in maintaining the operation and effectiveness of our Contractual Arrangements:

(a) the Undertaking Letters given by the undertaking shareholders ensure that the ultimate controlling entities or natural persons behind the Registered Shareholder are supportive of, and would not undermine the stability of, or jeopardise the Registered Shareholder's performance under, the Contractual Arrangements;

(b) although the undertaking shareholders may enter into arrangements that may directly or indirectly concern interests in the Registered Shareholder, as advised by our PRC Legal Adviser, under PRC Laws, these arrangements (which include any change in the shareholders of the Registered Shareholder) would not affect the validity of the Contractual Arrangements or its legally binding effect upon the Registered Shareholder; and

(c) the undertaking shareholders (or their associates, as defined in the Listing Rules) are also our Shareholders or shareholders of our JV; and therefore, each has a vested interest in ensuring that the parties to the Contractual Arrangements (including both the domestic and foreign parties) perform their obligations under the Contractual Arrangements and that the VIE Structure effectively ensures that control over our Consolidated Affiliated Entities vests in our Company (through our JV) and allows the economic interests of our Consolidated Affiliated Entities to flow through to our JV and that the financials of our Consolidated Affiliated Entities are able to be consolidated into the accounts of our Company.

Spousal Undertakings

Each of the spouses of Dr. J. Liu, LIU Ming, and the three ultimate beneficial owners of Yida Holdings, being all the individual ultimate beneficial owners that control the shareholders of the Registered Shareholder, has given an irrevocable spousal undertaking (collectively, the "**Spousal Undertakings**") to our Group that:

(i) he/she has full knowledge of our JV, and has consented to the entry into of the Contractual Arrangements by our JV, the Registered Shareholder and our Operating Entity;

(ii) he/she undertakes to execute all necessary documents and take all necessary acts to safeguard the performance of our Contractual Arrangements and to give effect to the aims and purpose of our Contractual Arrangements, and confirms and agrees to all documents executed and acts taken in relation thereto;

(iii) any undertaking, confirmation, consent and authorisation under the Spousal Undertakings would not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events in respect of the shares in the Registered Shareholder held by its shareholders; and

(iv) any undertaking, confirmation, consent and authorisation under the Spousal Undertakings will not be revoked, prejudiced, invalidated or otherwise adversely affected by the spouse's death, loss of or restriction on legal capacity, or by divorce or other similar events.

SUMMARY OF OTHER MATERIAL TERMS OF OUR CONTRACTUAL ARRANGEMENTS

Dispute resolution

Under the Exclusive Management Consultancy and Business Cooperation Agreement, Exclusive Call Option Agreement, and Equity Pledge Agreement (collectively, the "**Main VIE Agreements**"), where any dispute arises in connection with the interpretation or performance of the provisions of the Main VIE Agreements ("**dispute resolution clause**"): (i) the parties will negotiate in good faith to resolve the dispute; and (ii) failing that, any party may refer the dispute to the *China International Economic and Trade Arbitration Commission* ("**CIETAC**") for arbitration, in accordance with the then-effective arbitration rules. The arbitration will be conducted in Beijing, and the language used during arbitration will be Chinese. Any arbitration award (or decision, as appropriate) will be final and binding on all parties.

The dispute resolution clause also provides that: (i) the arbitral tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities, injunctive relief (for example: for the conduct of business or to compel a transfer of assets), or the winding up of our Consolidated Affiliated Entities; and (ii) the Hong Kong courts, the Cayman Islands courts (being the place of incorporation of our Company), and Chinese courts (being the place of incorporation of our Consolidated Affiliated Entities) will also have jurisdiction to grant interim remedies.

However, our PRC Legal Adviser has advised us that, under current PRC Laws: (i) an arbitral tribunal does not have power to grant injunctive relief, nor would it be able to order the winding-up of our Consolidated Affiliated Entities; and (ii) interim remedies issued by an overseas court (such as a court in Hong Kong and the Cayman Islands) may not be recognisable or enforceable by Chinese courts. Therefore, if the Registered Shareholder or our Consolidated Affiliated Entities breach our Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our Relevant Business could be materially and adversely affected. See "Risk factors — Risks relating to our Contractual Arrangements" for further details.

Succession

Under the Exclusive Management Consultancy and Business Cooperation Agreement: (i) the rights and obligations of the parties, including those of the Registered Shareholder, will be legally binding on any assignee or successor of the parties; and (ii) if the Registered Shareholder loses its legal personality (for example, due to a merger or acquisition, dissolution or liquidation) or if a situation arises that may affect our JV's rights over the

Registered Shareholder's shareholder interests in our Operating Entity, the successor (including any administrator or liquidator) will make all necessary arrangements and execute all necessary documents such that the rights and obligations of our Group would not be adversely affected.

Under the Powers of Attorney, in the event that the authorisation given under the Powers of Attorney are adversely affected by an event, including the grantor's loss of legal personality, the Powers of Attorney would continue to be effective over any third-party that inherits the grantors' shareholding interests.

Considering the above, and the undertakings given in the Undertaking Letters and Spousal Undertakings, our PRC Legal Adviser is of the view that: (i) the Contractual Arrangements provide us with sufficient protection, including in the event of death, bankruptcy, divorce or change in legal personality of the Registered Shareholder and its ultimate beneficial owners ("**successorship events**"); and (ii) we would still be able to enforce our rights under the Contractual Arrangements against successors should any of the successorship events occur.

Conflicts of interest

Our Contractual Arrangements have sufficient arrangements in place to address and prevent against conflicts of interest between the Registered Shareholder (or its shareholders and ultimate beneficial individual owners) and our Group. See "— Summary of the material terms of our Contractual Arrangements — Powers of Attorney."

Loss sharing

Under relevant PRC Laws, neither our Company nor our JV is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, each of our Consolidated Affiliated Entities is a legal person and is solely liable for its own debts and losses with assets owned by it.

Nevertheless, given that (i) our Group conducts its businesses in China through Consolidated Affiliated Entities that hold the requisite PRC licences and approvals; and (ii) our Consolidated Affiliated Entities' financial results are consolidated into that of our Group, and meaning that under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if our Consolidated Affiliated Entities were to suffer losses, our Contractual Arrangements are tailored such that it limits, to the greatest extent possible, the potential adverse effect on our JV and our Company, that may result from any losses suffered by our Consolidated Affiliated Entities. For instance:

(a) under the Exclusive Call Option Agreement, the assets of our Operating Entity are not to be sold, transferred or otherwise disposed of without the written consent of our JV;

(b) under the Exclusive Call Option Agreement, the Registered Shareholder may not transfer, or permit the encumbrance of, or allow any guarantee or security to be created on, its equity interest in our Operating Entity and universities without our JV's prior written consent; and

(c) under the Exclusive Management Consultancy and Business Cooperation Agreement: (i) without the prior written consent of our JV, our Consolidated Affiliated Entities will not change or remove members on the boards of directors or replace any member of the senior management of our Consolidated Affiliated Entities who are appointed by our JV; (ii) our JV has the right to appoint the directors, financial controllers and other senior managers of our Consolidated Affiliated Entities; (iii) our JV has absolute control over the distribution of dividends and any other amounts to the shareholders of our Consolidated Affiliated Entities; (iv) our JV has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities; and (v) without the written consent of our JV, none of our Consolidated Affiliated Entities may enter into, among others, an acquisition or disposal of, or dealing in, assets, with a third party, where the transaction is of a value higher than RMB500,000.

Liquidation

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreement and the Exclusive Call Option Agreement, a committee designated by our JV will be established as the liquidation committee upon the winding-up of our Consolidated Affiliated Entities to manage their assets. In the event of a liquidation or dissolution, all of the remaining assets and residual interests of our Consolidated Affiliated Entities will be transferred to our JV to the maximum extent permissible under PRC Laws.

Insurance

We do not maintain an insurance policy to cover the risks relating to our Contractual Arrangements.

Our confirmations

As at the Latest Practicable Date, we did not encounter any interference or encumbrance from PRC authorities in operating our business through the Consolidated Affiliated Entities in accordance with the Contractual Arrangements.

LEGALITY OF OUR CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Adviser is of the opinion that the Contractual Arrangements are narrowly tailored to minimise potential conflict with relevant PRC Laws, and that:

(a) our JV and our Consolidated Affiliated Entities are duly incorporated and validly existing entities in the PRC, and their respective establishment is valid, effective and compliant with relevant PRC Laws in all material respects and each of our JV and our Consolidated Affiliated Entities has obtained all necessary approvals and authorisations to execute and perform the Contractual Arrangements;

(b) as at the date of our PRC Legal Adviser issuing its legal opinion, no PRC Laws explicitly prohibit contractual arrangements in the private education industry in the PRC. Parties to each of the arrangements are entitled to execute the agreements and perform their respective obligations thereunder, except for the provisions regarding dispute resolution and liquidation committees. Each of the agreements is binding on the parties thereto and none of them would be deemed as "concealment of illegal intentions with a lawful form" and void under the PRC contract law;

(c) none of our Contractual Arrangements violate any provisions of the articles of association (as amended from time to time) of our JV and our Consolidated Affiliated Entities;

(d) each of the Contractual Arrangements is binding on the assignees or successors of the parties thereto. In the event our Consolidated Affiliated Entities are liquidated, either our Company or our JV is entitled to enforce its rights against the assignees or successors of our Consolidated Affiliated Entities;

(e) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from relevant PRC authorities to perform our Contractual Arrangements, except that:

(i) under the Exclusive Call Option Agreement, the exercise of the option by our JV to acquire all or part of the equity interests in our Consolidated Affiliated Entities are subject to approvals from, and/or registrations with, relevant PRC regulatory authorities;

(ii) any share pledge contemplated under the Equity Pledge Agreement will be subject to registration with the local administration bureau for industry and commerce;

(iii) any arbitral awards (or decisions) or foreign judgements (or orders) issued in relation to the performance of our Contractual Arrangements is subject to recognition and enforcement by the applicable PRC court;

(f) each of our Contractual Arrangements is valid, legal and binding under PRC Laws, except for the following in relation to dispute resolution and the liquidation committee:

(i) our Contractual Arrangements provide that any dispute will be submitted to the CIETAC for arbitration, in accordance with the then effective arbitration rules. See "— Summary of other material terms of our Contractual Arrangements — Dispute resolution" for further details on the dispute resolution mechanism. However, as detailed above in "— Summary of other material terms of our Contractual Arrangements — Dispute resolution", our PRC Legal Adviser has advised us that, under current PRC Laws, arbitral tribunals in China are not empowered to grant injunctive relief or make winding-up decisions; and

(ii) our Contractual Arrangements provide for the establishment of a liquidation committee that may not be enforceable in the event that a mandatory liquidation is required under PRC Laws. See "— Summary of other material terms of our Contractual Arrangements — Liquidation" for further details.

Given that: (a) our Contractual Arrangements are used for the purpose of enabling our Group to control our Consolidated Affiliated Entities that engage in operating private education institutions and publishing; and

(b) current PRC Laws (i) restrict private education institutions to Sino-foreign ownership and impose Foreign Investment Restriction that are currently impracticable for us to meet or obtain, and (ii) prohibit foreign ownership of publishing businesses, our Directors are of the view that our Contractual Arrangements are narrowly tailored.

Our Directors confirm that our Contractual Arrangements were entered into between the relevant parties based on their actual and genuine intentions, and that the service fees are paid by our Consolidated Affiliated Entities as consideration for obtaining genuine services of substance provided by our JV, which include, among other things, providing comprehensive corporate management consulting services, education management consulting services, intellectual property licensing, technical support and business support services, as required by our Consolidated Affiliated Entities in their ordinary course of business.

According to our PRC Legal Adviser, no current PRC Laws expressly restrict or prohibit our JV's contractual rights to receive service fees from our Consolidated Affiliated Entities for the services rendered under the Contractual Arrangements.

With the assistance of our PRC Legal Adviser, we consulted (a) the Educational Department of Liaoning Province (遼寧省教育廳) (on 22 May 2019), the Education Department of Sichuan Province (四川省教育廳) (on 17 June 2019), and the Department of Education of Guangdong Province (廣東省教育廳) (on 5 March 2019), being the relevant competent government authorities, to confirm matters relating to our universities and the Education Business, and (b) the Liaoning press and news publication bureau (遼寧省委宣傳部(省新聞出版局)) (on 10 June 2019), to confirm matters relating to our Publishing Business in the relevant provinces. Based on the consultations, we were given to understand that (a) the payment of service fees is made on the basis of a service relationship between our JV and our universities, which would not be regarded as "reasonable returns" or profits being distributed to the school sponsors of our universities; and (b) we would not need the respective bureau's approval for the entry into the Contractual Arrangements.

We have been advised by our PRC Legal Adviser, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC Laws. Accordingly, there can be no assurance that relevant PRC authorities will not, in the future, take a view that is contrary to our PRC Legal Adviser's opinion above. We have been further advised by our PRC Legal Adviser that if the PRC government finds that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the Relevant Business, we could be subject to severe penalties, which could include:

(i) revoking the business and operating licences of our JV and our Consolidated Affiliated Entities;

(ii) restricting or prohibiting related party transactions between our JV and our Consolidated Affiliated Entities;

(iii) imposing fines or other requirements with which our Group or our Consolidated Affiliated Entities may find difficult or impossible to comply;

(iv) requiring our Group or our Consolidated Affiliated Entities to restructure the relevant ownership structure or operations; or

(v) restricting or prohibiting the use of any proceeds from the Global Offering to finance our business and operations in China.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. See "Risk factors — Risks relating to our Contractual Arrangements."

ACCOUNTING ASPECTS OF OUR CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of our Consolidated Affiliated Entities

Under the Exclusive Management Consultancy and Business Cooperation Agreement, in consideration for the services provided by our JV, each of our Consolidated Affiliated Entities will pay service fees. The service fees (subject to our JV's adjustment) are equal to the entirety of the total income of our Consolidated Affiliated Entities (net of costs, expenses, taxes and payments required by relevant laws and regulations to be reserved or withheld). Our JV may adjust the service fees following negotiations with other relevant parties and has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities. Accordingly, our JV has the ability, at its sole and full discretion, to extract substantially all of the economic benefits of our Consolidated Affiliated Entities.

Additionally, under the Exclusive Management Consultancy and Business Cooperation Agreement, our JV's written consent must be obtained before any distribution of dividends is made. As such, and together with the authorities granted to our JV under the Powers of Attorney, our JV has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entities. Any profit distribution or dividend from our Consolidated Affiliated Entities must be immediately paid or transferred (subject to the relevant tax payment being made under relevant laws and regulations) to our Company.

As a result of our Contractual Arrangements, our Company has obtained control of the Consolidated Affiliated Entities through our JV and, at our Company's sole and full discretion, can receive substantially all the economic returns generated by our Consolidated Affiliated Entities in proportion to its indirect shareholding interest in our JV. Accordingly, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into that of our Company.

For the reasons above, our Directors consider that the Company can consolidate the financial results of the Consolidated Affiliated Entities into that of our Group as if the financial results were those of our Company's subsidiaries. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in Note 2.2 in "Accountant's Report" set out in Appendix I.

DEVELOPMENTS IN FOREIGN INVESTMENT RESTRICTIONS IN CHINA

Foreign Investment Law

On 15 March 2019, the 2nd session of the 13th National People's Congress enacted the Foreign Investment Law (the "**FIL**"), which replaced the *Law on Sino-Foreign Equity Joint Ventures*, the *Law on Sino-Foreign Contractual Joint Ventures* and the *Law on Foreign-Capital Enterprises*, and became the legal foundation for foreign investment law in China. The FIL stipulates three major forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment.

Impact and potential consequences of the FIL on our Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of our Contractual Arrangements to establish control over our Consolidated Affiliated Entities by our JV, and through which we operate our Relevant Business in China. If the then laws, administrative regulations and provisions of the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole, and each of the agreements comprising our Contractual Arrangements, will not be materially affected and will continue to be legal, valid and binding on the parties.

Notwithstanding this, the FIL stipulates that foreign investment includes "*investment by foreign investors through such other methods under laws, administrative regulations or provisions prescribed by the State Council*." There is the possibility that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether our Contractual Arrangements would be deemed in violation of foreign investment laws and regulations and how our Contractual Arrangements would then be handled by relevant PRC authorities. Therefore, there is no guarantee that our Contractual Arrangements, and the business of our Consolidated Affiliated Entities, will not be materially and adversely affected in the future due to changes in PRC Laws. See "Risk factors — Risks relating to our Contractual Arrangements" for more details.

COMPLIANCE WITH OUR CONTRACTUAL ARRANGEMENTS

We have adopted the following measures to ensure our Group's effective implementation, operation of, and compliance with, our Contractual Arrangements:

(i) we will submit any major issues arising from implementing or complying with our Contractual Arrangements to our Board for discussion and review;

(ii) our Board will review the overall performance of, and compliance with, our Contractual Arrangements at least annually;

(iii) our Company will disclose the overall performance of, and compliance with, our Contractual Arrangements in our annual reports; and

(iv) our Company will engage legal advisers and other professional advisers (if necessary) to assist our Board with reviewing the implementation of our Contractual Arrangements, and to deal with specific issues or matters arising out of our Contractual Arrangements.

REGULATIONS RELATING TO EDUCATION

Education Law of the PRC

On 18 March 1995, the National People's Congress of the PRC (全國人民代表大會, "**NPC**") enacted the Education Law of the PRC (《中華人民共和國教育法》, the "**Education Law**"), which was later amended on 27 August 2009. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising kindergarten education, primary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the State formulates plans for the development of education, establishes and operates schools and other educational institution. Furthermore, it provides that enterprises, other social organisations and individual citizens are encouraged to establish and operate schools and other types of educational institutions in accordance with PRC Laws. The Education Law also provides that some basic conditions shall be met for the establishment of a school or any other educational institution, and the establishment, modification or termination of a school or any other educational institution shall, in accordance with the relevant PRC Laws, go through the formalities of examination, verification, approval, registration or filing for record.

The 2009 amended Education Law prohibits any organisation or individual from establishing or operating a school or any other educational institution for profit-making purposes. On 27 December 2015, the Education Law was further amended with effect from 1 June 2016. The 2015 amended Education Law abolishes the aforesaid provision. Thereafter, the establishing or operating of schools for profit-making purposes is allowed under the newly amended Education Law. Nevertheless, schools and other educational institutions sponsored wholly or partially by government funds or donated assets are still prohibited from being operated as for-profit.

Regulations Relating to Private Education

The Law for Promoting Private Education (i.e. the edition prior to the 2016 Decision (as defined below)) and its Implementation Regulations

Prior to the Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (《全國人民代表大會常務委員會關於修改〈中華人民共和國民辦教育促進法〉的決定》) (the "**2016 Decision**"), the private education in China is mainly governed by the Law for Promoting Private Education of the PRC (the "**Private Education Law of 2002**"), which was enacted on 28 December 2002 and amended on 29 June 2013, and the Regulations on the Implementation of the Law for Promoting Private Education (《中華人民共和國民辦教育促進法實施條例》), which became effective on 1 April 2004. Under these regulations, "private schools" are defined as schools established by social organisations or individuals with non-governmental funds. The establishment of a private school shall meet the local need of educational development and the requirements prescribed in the Education Law and the relevant laws and regulations. The standards for the establishment of private schools shall conform to those for the establishment of public schools of the same level and category. The establishment of private schools that provide education for academic credentials, pre-school education, training for preparing self-study examinations and other cultural education shall be subject to approval by education authorities at or above the county level, while the establishment of private schools that provide training for vocational skills and training for vocational qualification shall be subject to approval by labour and social security authority at or above the county level. A duly approved private school will be granted a Permit for Operating a Private School (民辦學校辦學許可證) and shall be registered with the MCA or its local counterparts as a privately run non-enterprise institution (民辦非企業單位). Each of our universities has obtained the Permit for Operating a Private School and has been registered as a privately run non-enterprise institution. All training schools except for Neusoft Training School were established under the Private Education Law of 2002 prior to the 2016 Decision, and have all obtained the Permit for Operating a Private School and been registered as a privately run non-enterprise institution. Neusoft Training School was established under the Private Education Law of 2016 (as defined below) as a for-profit training school, and has obtained the Permit for Operating a Private School and been registered as a limited liability company.

The operations of a private school are intensively regulated. For example, a private school shall set up the executive council, the board of directors or any other form of decision-making body and such decision-making body shall have a meeting at least once a year. Teachers recruited by a private school shall have the qualifications specified for teachers and meet the conditions as provided for in the Teachers Law of the PRC (《中華人民共和國教師法》) and the other relevant laws and regulations, and there shall be a requisite number of full-time teachers in a private school, and in private schools offering education for academic credentials full-time teachers shall account for no less than one-third of the total number of the teachers. Each of our universities provides education for academic credentials, while each of our training schools provides training services without academic credentials being awarded to students.

The revision of the Law for Promoting Private Education in 2016

On 7 November 2016, the Standing Committee of the National People's Congress passed the 2016 Decision. According to the 2016 Decision, the amended Law for Promoting Private Education of the PRC came into effect on 1 September 2017. The Law for Promoting Private Education of the PRC as revised in accordance with the 2016 Decision and as amended thereafter from time to time is referred to as the "Private Education Law of 2016".

Prior to the revision of the Education Law and the Higher Education Law of the PRC (《中華人民共和國高等教育法》) (the "**Higher Education Law**") in 2015, no organisation nor individual may establish or operate a school or any other educational institution for profit-making purposes. In line with this restriction, the Law for Promoting Private Education prior to the 2016 Decision and its implementation regulations classify private schools into three categories, i.e., (i) private schools established with donated funds, (ii) private schools established by sponsors which demand no reasonable returns, and (iii) private schools established by sponsors which demand reasonable returns.

On 27 December 2015, the Standing Committee of the National People's Congress amended the Education Law and the Higher Education Law by removing the restrictions on operating school for profit-making purposes. Subsequently, the 2016 Decision establishes a new classification system for private schools which is based on whether a private school is established and operated for profit-making purposes. Under the 2016 Decision, sponsors of private schools may elect to establish for-profit or non-profit private schools at their own discretion. Nonetheless, private schools providing compulsory education are not allowed to be registered as for-profit.

The following table sets forth the key differences between a for-profit private school and a non-profit private school under the Private Education Law of 2016 and the Implementation Rules on the Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the "**Classification Registration Rules**")

	For-profit Private School	Non-profit Private School
Distribution of Operating Profits	The operating surplus may be distributed to school sponsors in accordance with the provisions of the Company Law of the PRC (《中華人民共和國公司法》)(the "PRC Company Law") and other relevant laws and regulations.	Sponsors are not entitled to any school distribution of operating profits or proceeds from the school and all operating surplus shall be retained and used for the operation of the school.
Licences and Registration Requirements	— Permit for operating a private school — Registration requirements applicable to a corporate legal person	— Permit for operating a private school — Registration certificate of private non-enterprise entities
Fee Charging Regulation	The school is entitled to set the level of tuition fees and other fees on its own	The fees charged by the school shall be regulated in accordance with the rules to be promulgated by governments at provincial level.
Tax Treatment	Taxation policies are still unclear as more specific provisions are yet to be introduced.	Same preferential tax treatment as that applicable to public schools.
Land	The school may obtain the land use rights by means of assignment with compensation.	The school may obtain the land use rights by means of allocation by the government as a preferential treatment.
Government Support	The people's governments at or above the county level may support the school by subscribing to the school's services, providing student loans and scholarships, and leasing or transferring unused state-owned assets.	The school will also enjoy the support from the people's governments available to a for-profit private school. In addition, the people's governments may further take such measures as government subsidies, bonus funds and incentives for donation in support of the school.
Liquidation	The remaining assets of the school after liquidation shall be distributed to the sponsors in accordance with the PRC Company Law.	The remaining assets of the school after liquidation shall be applied to the operation of other non-profit private schools.

In accordance with the 2016 Decision, private schools established prior to the publication date of the 2016 Decision can elect to register as for-profit or non-profit. In the case of choosing to register as a non-profit school, the private school shall revise its articles of association in accordance with the 2016 Decision and continue its operation. Upon its termination in the future, the school sponsors may apply for reasonable compensations or awards that are to be paid from the residual assets of the private school. The remaining assets shall be used for the operation of other non-profit schools. In the case of choosing to register as a for-profit school, the private school shall carry out financial liquidation, clarify property ownership pursuant to the law, pay relevant taxes and fees, and go through re-registration before continuing school operations. Specific measures relating to conversion into for-profit and non-profit private schools will be formulated by the governments at provincial level.

School Sponsors' Interests

Under the relevant PRC laws, entities and individuals establishing private schools are commonly referred to as "sponsors" rather than "owners" or "shareholders."

Private education is consistently considered as a public welfare cause under the regulatory regime. In particular, prior to the 2015 amendment of the Education Law and the Higher Education Law, a private school cannot be established and operated for profit-making purposes. That being said, under the Private Education Law of 2002, sponsors of a private school may still choose to demand "reasonable returns" from the annual net balance of the school after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. The 2016 Decision abolished the classification based on whether to demand reasonable returns and brought in the new classification system of for-profit and non-profit schools. According to the 2016 Decision, the private schools established prior to the promulgation of 2016 Decision shall elect to re-register as either for-profit or non-profit schools. After the re-registration, the sponsors of private schools will no longer be required to indicate whether they demand "reasonable returns" or not. All sponsors of our three universities do not demand reasonable returns currently.

Under the Private Education Law of 2002 and its implementation regulations, at the end of each fiscal year, every private school is required to allot a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. This amount shall be no less than 25% of the annual net income of the school (where the sponsor demands reasonable returns) or no less than 25% of the annual increase in the net assets of the school (where the sponsor demands no reasonable returns). Whether a private school shall continue to allot a certain amount to the development fund is subject to the revision of the Regulations on the Implementation of the Law for Promoting Private Education.

A private school is an independent legal person. The capital contributed by the sponsor becomes the assets of the school since the contribution. However, subject to the school's constitutional documents, the school sponsor has the right to exercise ultimate control over the school by controlling the composition of the school's decision-making body. An individual sponsor himself or herself can also be appointed as a member of the school's decision-making body. As the sponsor has control over the private school's constitutional documents and has the right to elect and replace the majority of the private school's decision-making body, which is generally the school's board of directors, the sponsor is able to control the private school's business and operation.

Under the Private Education Law of 2016, as set forth in the table in "— The revision of the law for promoting private education in 2016", the operating surplus of a for-profit school may be distributed to the sponsors in accordance with the provisions of the PRC Company Law and other relevant laws and regulations, while the operating surplus of a non-profit school shall not be distributed to sponsors and only be retained within the school and used for the school operation.

Opinions of State Council and Provincial Governments on Encouraging Private Education

On 29 December 2016, the State Council issued Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《國務院關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》) (the "**State Council Opinions**"), which, among other things, call for the relaxation of regulation on market access into private education industry and encourage social forces to enter the education industry. Pursuant to the State Council Opinions, the people's governments at every local level shall increase their support to private schools in terms of financial support, preferential tax treatments, land policies, fee charging regulation, school's autonomy, and the protection of teachers and students' rights. The State Council Opinions further order the people's governments at local levels to perfect their policies on government support to private schools in various respects including preferential tax treatments. The State Council Opinions also require private schools to set aside an amount not less than 5% of their tuition revenue for scholarship and financial aids purpose.

All provinces where our universities and training schools are located have promulgated their own opinions on encouraging private education (the "**Provincial Amendment Implementation Rules**"). These provincial opinions, for the most part, reiterate the principles contained in the State Council Opinions.

Implementation Rules on the Classification Registration of Private Schools

On 30 December 2016, the MOE, the MCA, the SAIC, the Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部, the "**MHRSS**") and the State Commission Office of Public Sectors Reform jointly issued the Classification Registration Rules, which detail the requirements and procedures for the establishment approval, classified registration, changes and termination of for-profit and non-profit schools. The Classification Registration Rules also contain provisions regarding the re-registration of private schools established prior to the promulgation of 2016 Decision, which, however, are generally the same as those provided in the 2016 Decision. According to the Classification Registration Rules, if electing to be a non-profit school, a private school shall revise its articles of association, complete the new registration process and continue its operation, while if electing to be a for-profit school, a private school shall carry out financial liquidation, invite the relevant government authorities to clarify the ownership of such properties as lands, school building and the accumulated operating profits, pay relevant taxes and fees, apply for the new Permit for Operating Private School, re-register as a for-profit school and continue its operation. The Classification Registration Rules order the provincial governments to formulate the detailed measures on the re-registration of private schools established prior to the promulgation of the 2016 Decision.

As of the Latest Practicable Date, except for Liaoning province, all provinces where our universities and training schools are located have issued their own rules on classification registration (the "**Provincial**

Classification Registration Rules"), which for the most part repeat the provisions contained in the Classification Registration Rules.

Implementation Rules on the Supervision and Administration of For-profit Private Schools

On 30 December 2016, the MOE, the SAIC and the MHRSS jointly issued the Implementation Rules on the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》), which detail the supervision and administration of for-profit private schools regarding the establishment of schools, the organisation structure, the education and teaching activities, finance and assets, the information publication, the change and termination of schools and the penalties for violation.

As of the Latest Practicable Date, except for Liaoning and Shandong provinces, all provinces where our universities and training schools are located have issued their own rules on the supervision and administration of for-profit private schools, which resemble the rules at state level to a large extent.

Draft Amendment to the Regulations on the Implementation of the Law for Promoting Private Education

On 10 August 2018, the MOJ published on its official website the Draft Amendment to the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (for Consultation) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) (the "**Draft Amendment to the Implementation Regulation**") to solicit comments from the public. The Draft Amendment to the Implementation Regulation provides that:

(i) social organisations which adopt centralised school management models (集團化辦學的社會組織) are not allowed to acquire non-profit private schools or control them through ways of franchising or contractual arrangements; however, the Draft Amendment to the Implementation Regulation has not given the definition of "centralised school management models";

(ii) a for-profit private school providing education for academic credentials shall have such amount of registered capital commensurate with its type, level and operating scale; in particular, the registered capital of a for-profit private school providing formal higher education should be no less than RMB200 million; and

(iii) transactions between a private school and its connected parties should follow the principles of transparency, fair and justice; disclosure mechanisms for such transactions should be established; such agreements involving material interests or relating to long-term and recurring transactions should be reviewed and audited by the relevant government authorities with respect to necessity, legitimacy and compliance.

Timeline for the Re-registration of Existing Private Schools

The 2016 Decision provides that private schools established prior to the publication date of the 2016 Decision can elect to register as for-profit or non-profit schools. Some provinces have formulated their timelines for the re-registration work through Provincial Amendment Implementation Rules or Provincial Classification Registration Rules. The table below sets out the timelines required by the relevant provinces where we operate universities or training schools.

Province	School Type We Operate there	Timeline for Re-registration
Liaoning	University / Training School	No timeline is provided
Sichuan	University	— School sponsors report to the competent authorities their decisions on the for-profit / non-profit election by 1 September 2020. Sponsors failing to make such report in a timely manner will not be able to re-register their schools as for-profit schools. — Private schools providing higher education shall complete the relevant process before 1 September 2021 if electing to be non-profit schools or complete the re-registration process before 1 September 2023 if electing to be for-profit schools.
Guangdong	University / Training School	No timeline is provided
Tianjin	Training School	Complete the re-registration before 31 August 2020
Hebei	Training School	Complete the re-registration before 1 September 2022
Jiangsu	Training School	Complete the re-registration before 31 December 2020, or before 31 December 2022 if extension is warranted
Shandong	Training School	Complete the re-registration before 1 September 2022

Regulations Relating to Higher Education

The Higher Education Law was enacted on 29 August 1998, amended on 27 December 2015 and further amended on 29 December 2018. Under the Higher Education Law, higher education is divided into higher education for academic credentials and higher education not for academic credentials. Higher education for academic credentials consists of junior college, undergraduate programs and postgraduate programs ("研究生教育"). Higher education institutions comprise universities, independent colleges, specialised higher education schools which include higher vocational schools and higher education schools for adults. Universities and independent colleges mainly provide undergraduate programs and postgraduate programmes, while specialised higher education schools provide junior college programs. With the approval of the relevant education authority, research institutes may also provide graduate programmes. Higher education not for academic credentials is offered by other organisations of higher education.

The establishment of higher education institutions that provide education at or above the undergraduate level shall be subject to the examination and approval by the education administrative department of the State Council. The establishment of higher education institutions for junior college programs shall be subject to the examination and approval by the people's governments of all provinces, autonomous regions and municipals and be reported to the education administrative department of the State Council for record-filing. The establishment of other organisations of higher education shall be subject to the examination and approval by the education administrative authorities at provincial, autonomous region and municipal levels.

The MOE issued the Several Provisions on the Administration of Private Higher Education Institutions (《民辦高等學校辦學管理若干規定》) on 3 February 2007 and amended them on 10 November 2015, which require that a higher education institution shall meet the establishment standards set by the government and the basic operating condition indicators applicable to it; the sponsors of a private higher education institution shall make the full capital contribution in a timely manner; a private higher education institution shall not operate in places other than specified in the permit for operating private school; a private higher education institution shall not set up a branch; a private higher education institution shall not lease or lend its permit for operating private school to any third party; the principal of a private higher education institution shall meet the qualification requirements set by the State, have over 10 years of experience in higher education management, and be aged under 70.

According to the Provisions on the Set-up of Undergraduate Majors in Colleges and Universities (《普通高等學校本科專業設置管理規定》) and the Undergraduate Majors Directory for Colleges and Universities (2012) (《普通高等學校本科專業目錄(2012年)》) (the "**Undergraduate Majors Directory**"), the set-up of undergraduate majors included in the Undergraduate Majors Directory shall be filed with the MOE, while the set-up of undergraduate majors outside the Undergraduate Majors Directory or state-controlled majors is subject to the approval of the MOE.

The Central Committee for Comprehensively Deepening Reform met in the 15th session on 1 September 2020 and passed the Opinions on Revitalising Higher Education in the Central and Western Regions in New Era (《關於新時代振興中西部高等教育的若干意見》) ("**Central-Western Regions Higher Education Opinions**"). These opinions are not yet officially published, though Xinhua News has reported a few information about the resolutions and opinions of the Central Committee for Comprehensively Deepening Reform. According to Xinhua News, the 15th session of the Central Committee for Comprehensively Deepening Reform sets the goal of revitalising the higher education in the central and western regions and building a higher education system which matches with the development and opening conditions of the central and western regions. Our PRC Legal Adviser believes that Chengdu University, which is located in the western region, is expected to benefit from the Central-Western Regions Higher Education Opinions.

Regulations Relating to Vocational Education

The Standing Committee of the NPC enacted the Vocational Education Law of the PRC (《中華人民共和國職業教育法》) (the "**Vocational Education Law**") on 15 May 1996, which as the basic law in vocational education sector provides for the vocational education system and the implementation of and governmental support to vocational education. Under the Vocational Education Law, vocational education divides into vocational school education and vocational training. Vocational school education is further divided into three tiers, i.e., primary, secondary and higher vocational school education. Primary and secondary vocational school education is offered by primary vocational schools and secondary vocational schools respectively, while higher vocational school education could be provided by either higher vocational schools or universities. The Vocational

Education Law lists various types of vocational training, including pre-employment training, job-change training, apprenticeship training, on-the-job training, job-transfer training and other vocational training. The Vocational Education Law provides that vocational training could also be divided into three tiers, i.e., primary, secondary and higher vocational training. Vocational training services can be provided by either vocational schools or vocational training schools.

Regulations Relating to Private Education Fees

In case of education for academic credentials, for a long time, the level of tuition fees and boarding fees charged by private schools is subject to the approval of relevant government authorities. Pursuant to the Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費管理暫行辦法》), which was promulgated by the NDRC, the MOE and the Ministry of Labour and Social Security (currently known as the MHRSS) on 2 March 2005, in case of education for academic credentials, the level of tuition fees and boarding fees shall be examined by the education authority (or the labour and social security authority) and approved by the price administrative authority. On 12 March 2020, the NDRC abolished the Interim Measures for the Management of the Collection of Private Education Fees.

On 12 October 2015, the State Council and the Central Committee of the Communist Party of China jointly issued the Several Opinions on Promoting the Price Mechanism Reform (《中共中央 國務院關於推進價格機制改革的若干意見》), which allow for-profit private schools to determine their fee level on their own, while the fee-collecting policies for non-profit private schools shall be formulated by the provincial governments on the principle of market-orientation and based on the local conditions. Following the promulgation of the Several Opinions on Promoting the Price Mechanism Reform at central level, many provincial governments brought in their own reforms to relax regulation on fee charging by private schools.

According to the Circular on Strengthening the Supervision on the Decontrol of Academic Education Fees Collection (《遼寧省物價局 遼寧省教育廳關於加強對放開學歷教育收費行為監管的通知》) promulgated by the Liaoning Price Bureau and the Educational Department of Liaoning Province on 20 April 2016, the tuition and boarding fee levels of private academic education institutions except for primary and secondary schools in Liaoning are open for market adjustment and determined by schools on their own.

On 11 October 2016, Guangdong Development and Reform Commission, Department of Education of Guangdong Province and Guangdong Department of Human Resources and Social Security jointly issued the Circular on Issues Concerning the Cancellation of Record-filing of Tuition and Approving of Boarding Fee Charged by Private Higher Education Institutions and Private Secondary Vocational Schools in Guangdong Province (《廣東省發展改革委 廣東省教育廳 廣東省人力資源和社會保障廳關於取消我省民辦高校和民辦中職學校學費備案以及住宿費核准有關問題的通知》), pursuant to which, the record-filing of tuition and the approving of boarding fee charged by private higher education institutions in Guangdong province are abolished. Therefore, private higher education institutions in Guangdong province are entitled to determine the tuition and boarding fee level on their own.

Before 2020, the level of tuition and boarding fee charged by higher education institutions in Sichuan was subject to the examination and approval from education authority and price administrative authorities. According to the Notice on Further Regulating the Fees Charged by Private Higher Education Institutions (《四川省教育廳四川省發展和改革委員會關於進一步規範民辦高校收費管理的通知》) issued by the Education Department of Sichuan Province and the Sichuan Development and Reform Commission (四川省發展和改革委員會) on 8 October 2013, the tuition fee level of private higher education institution shall be put forward by the school, examined by the Education Department of Sichuan Province and approved by the Sichuan Development and Reform Commission; the boarding fee level shall continue to be governed by the relevant provisions forwarded to each school previously by the provincial price administrative authority. On 15 May 2020, the Education Department of Sichuan Province, the Sichuan Development and Reform Commission and the Administration for Market Regulation of Sichuan Province (四川省市場監督管理局) issued the Notice on Improving the Administration Approach on Fee Charging by Private Higher Education Institutions and Strengthening the Ongoing and Ex-post Regulation (《四川省教育廳四川省發展和改革委員會四川省市場監督管理局關於完善我省民辦高校價格管理方式加強事中事後監管的通知》), which provides that level of tuition and boarding fees charged by private higher education institutions is open for market adjustment, for-profit private higher education institutions may determine the fee level at their own discretion, and non-profit private higher education institutions may determine the fee level on their own taking into account their operating cost, market demand, local economic condition and people's power of consumption.

In terms of education not for academic credentials, according to the regulations on tuition fees issued by the local authorities in regions where we operate our training schools, tuition fees charged by all of our training schools are not subject to governmental approval.

On 17 August 2020, the MOE and other four departments jointly promulgated the Opinions on Further Strengthening and Regulating the Administration of Education Fees (《關於進一步加強和規範教育收費管理的意見》) (the "**Education Fees Opinions**"), which reiterate the previous provision that the fee level of for-profit private schools is open for market adjustment and can be determined by for-profit private schools at their own discretion, while the fee-collecting regulatory policies for non-profit private schools shall be formulated by the provincial governments. The Education Fees Opinions further clarify that private schools established prior to 7 November 2016 shall be regulated in the same way as non-profit private schools in terms of fee-collecting policies before they have completed the classification registration procedures. Since the Education Fees Opinions and other previous regulations have designated provincial governments to formulate their regulatory policies regarding non-profit private schools fee collection and all three provinces where we operate our universities have promulgated local rules to abolish the requirements for approval for private higher education tuitions and boarding fees, regardless of the school's for-profit or non-profit status, our PRC Legal Adviser is of the view that the Education Fees Opinions do not have any material impact on our universities' fee-collecting policies and all our universities would remain able to determine their fee level on their own.

Besides the fee-collecting policies, the Education Fees Opinions also contain provisions regarding the management and use of education fees. The Education Fees Opinions require that all education fee revenue of a private school shall be deposited into a bank account filed with education authorities and be used mainly for education activities, the improvement of school conditions, faculty and staff's compensation and the appropriation of development fund. The Education Fees Opinions propose to explore a special audit system for school education fees, in particular for non-profit private schools. The Education Fees Opinions underline that sponsors of non-profit private schools shall not obtain proceeds from schools' operating profits, distribute the operating surplus or residual assets, or transfer operating profits through related-party transactions or related parties. Since we intend to re-register all our universities and training schools as for-profit private schools and we did not engage and will not engage in the aforementioned prohibited activities, our PRC Legal Adviser is of the view that the Education Fees Opinions do not have any material impact on us in terms of the management and use of education fees.

Regulations on Safety and Health in Schools

According to the Regulation on Sanitary Work of Schools (《學校衛生工作條例》), which was promulgated on 4 June 1990 and became effective on the same day, schools shall carry out sanitary work. The main tasks of sanitary work include monitoring health conditions of students, carrying out health education among students, helping students develop good health habits, improving health environment and health conditions for teachers and enhancing the prevention and treatment of infectious disease and common diseases among students.

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》), which was last amended on 29 December 2018, canteens in schools shall obtain licences in accordance with the laws and strictly abide by the laws, regulations and food safety standards. Schools should only order meals from off-site providers that have obtained the relevant food production licences and should conduct regular inspections on meals provided.

According to Administrative Measures on Licence of Catering Industry (《餐飲服務許可管理辦法》), which was promulgated on 4 March 2010 and became effective on 1 May 2010, a licencing system for catering industry is implemented. A catering service provider shall obtain food service licence and take responsibility for the food safety in accordance with the laws. Pursuant to Administrative Measures for Food Operation Licencing (《食品經營許可管理辦法》) promulgated on 31 August 2015 and amended on 17 November 2017 with effect from the same day, a food operation licence shall be obtained in accordance with the law to engage in food selling and catering services within the territory of the PRC. The principle of one licence for one site shall apply to the licencing for food operation, and classified licencing for food operation according to food operators' types of operation and the degree of risk of their operation projects is implemented.

Pursuant to Administrative Measures for the Supervision of Food Safety in Catering Service (《餐飲服務食品安全監督管理辦法》), which was promulgated on 4 March 2010 and became effective on 1 May 2010, catering service providers shall carry out catering service activities in accordance with the laws, regulations, food safety standards and relevant requirements, be responsible for society and the general public, ensure food safety, accept social supervision, and take responsibilities for food safety in catering service.

REGULATIONS RELATING TO PUBLISHING

Relevant Licences for Publishing

The State Council promulgated the Regulations on Publication Administration (《出版管理條例》) on 25 December 2001 and last amended them on 6 February 2016. The Regulations on Publication Administration applies to various publishing activities and various publications. Under the Regulations on Publication Administration, "publishing activities" include the publishing, printing or reproduction, importation and distribution of publications and "publications" include newspapers, periodicals, books, audiovisual products, electronic publications, etc. Our publication business involves the publishing of audiovisual products, electronic publications and the internet publishing service. According to the Regulations on Publication Administration, the establishment of a publisher is subject to the approval of the publication administration department under the State Council. Subsequent to the approval, the publisher could apply for the Licence for Publishing (出版許可證).

The State Council promulgated the Regulations on the Administration of Audio-visual Products (《音像製品管理條例》) on 25 December 2001 and amended them for the last time on 6 February 2016. On 17 June 2004, the General Administration of Press and Publication promulgated the Provisions on the Administration of Publication of Audio and Video Products (《音像製品出版管理規定》), which was amended for the last time on 11 December 2017. These two regulations and provisions apply to the publication, production, reproduction, import, wholesale, retail and lease of audio-visual products, and also require that the establishment of an institution publishing audio-visual products shall be approved by the publication administration department under the State Council. Subsequent to the approval, the audio-visual products publisher could apply for the Licence for Publishing Audio-visual Products (音像製品出版許可證).

On 21 February 2008, the General Administration of Press and Publication (the "**GAPP**") promulgated the Administrative Provisions on the Publishing of Electronic Publications (《電子出版物出版管理規定》), which was amended on 28 August 2015. The Administrative Provisions on the Publishing of Electronic Publications applies to the production, publication and import of electronic publications, and also requires that the establishment of an institution publishing electronic publications shall be approved by the publication administration department under the State Council. Subsequent to the approval, the electronic publications publisher could apply for the Licence for Publishing Electronic Publications (電子出版物出版許可證).

Pursuant to the Regulations on Publication Administration and Regulations on the Administration of Audio-visual Products, institutions carrying on the wholesale of publications shall obtain approval and apply for the Publications Business Permit (出版物經營許可證) from the publication administration authorities at provincial level, while institutions carrying on the retail of publications shall get approval and apply for the Publications Business Permit from the publication administration authorities at county level. The provisions on the Administration of the Publication Market (《出版物市場管理規定》) was promulgated on 31 May 2016 jointly by the State Administration of Press, Publication, Radio, Film and Television and the Ministry of Commerce. The Provisions on the Administration of the Publication Market applies to the wholesale, retail, lease and exhibition of publications and also contains licensing requirements for the wholesale and retail of publications.

On 27 June 2002, the GAPP and the Ministry of Information Industry (currently the Ministry of Industry and Information Technology) jointly promulgated the Interim Provisions on Internet Publication Administration (《互聯網出版管理暫行規定》) which regulated internet publishing activities. On 4 February 2016, the State Administration of Press, Publication, Radio, Film and Television and MIIT jointly promulgated the Provisions on Administration of Internet Publishing Services (《網絡出版服務管理規定》), which replaces the Interim Provisions on Internet Publication Administration. Pursuant to the Provisions on Administration of Internet Publishing Services, "internet publishing services" refers to activities of providing internet publications to the public through information networks; "internet publications" refers to digitised works with publishing features such as editing, producing and processing. An internet publishing service provider shall obtain the approval and an Internet Publishing Service Licence (網絡出版服務許可證) from the competent publication administration department.

Regulations on the Content of Publications

Pursuant to the Regulations on Publication Administration, no publication shall contain the following contents: (1) those opposing the basic principles established in the Constitution; (2) those endangering the unification, sovereignty and territorial integrity of the State; (3) those divulging secrets of the State, harming national security, or impairing the honour and interests of the State; (4) those inciting the enmity, discrimination of nationalities, jeopardising the unity among the various ethnic groups, or violating the customs and habits of nationalities; (5) those spreading cults or superstitions; (6) those disturbing social order and destroying social stability; (7) those inciting pornography, gambling, violence or instigating a crime; (8) those insulting or libelling others, violating the lawful rights and interests of others; (9) those endangering social moralities or fine national cultural traditions; or (10) other contents which are prohibited by laws and administrative regulations or by the State. A publisher shall adopt a system of editor's responsibility to ensure that the contents of its publications conform to the provisions of these regulations.

On 16 February 2007, the GAPP promulgated the Notice of the General Administration of Press and Publication on Strengthening the Review of Audio-visual Products, Electronic Publications and internet publications (《新聞出版總署關於加強音像製品、電子出版物和網絡出版物審讀工作的通知》), pursuant to which the GAPP shall strengthen the review of audio-visual products, electronic publications and internet publications. The review consists mainly of: (i) the ex-ante review of annual topic-selection plan for audio-visual products and electronic publications; (ii) the ex-post review of the content of published audio-visual products and electronic publications; and (iii) the regulation of the content published on the internet.

REGULATIONS RELATING TO FOREIGN INVESTMENT

Regulations on Foreign Investment Prior to 2020

Prior to 1 January 2020, the fundamental laws governing the foreign-invested enterprises were the Sino-foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法》), together with their implementation rules and regulations. These laws, rules and regulations applied to the establishment, material changes, approving requirements, registered capital requirements, foreign exchange restrictions, accounting practices, taxation, labour issues and other aspects of a foreign-invested enterprise.

The Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law were enacted on 1 July 1979, on 13 April 1988 and on 12 April 1986, respectively, and amended from time to time. On 3 September 2016, the Standing

Committee of the National People's Congress of the PRC (全國人大常務委員會) published the Decision of the Standing Committee of the National People's Congress on Revising Four Laws Including the "Wholly Foreign-invested Enterprise Law of the PRC" (《全國人大常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定》) (the "**2016 Foreign Investment Decision**"), amending the trio of existing foreign investment laws with effect from 1 October 2016.

Prior to the 2016 Foreign Investment Decision, the establishment of a foreign-invested enterprise is subject to the examination and approval of the MOC or its local branches with no exception. The 2016 Foreign Investment Decision made significant changes to this regulatory approach. According to the 2016 Foreign Investment Decision, only foreign investment in the areas subject to the PRC government's special entry administration measures needs to get the approval from the MOC or its local branches. Foreign investment in other areas is only required to be filed with the MOC or its local branches for record. The MOC promulgated the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-investment Enterprise (《外商投資企業設立及變更備案管理暫行辦法》) on 8 October 2016, and amended it on 30 July 2017 and 30 June 2018, respectively, which details the record-filing requirements and procedures for foreign investment in areas not subject to PRC government's special entry administration measures.

Foreign Investment Law

On 15 March 2019, the National People's Congress approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which came into effect on 1 January 2020 and replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law.

The Foreign Investment Law aims to further expand the opening-up of the Chinese market, promote the foreign investment, and protect the legitimate rights and interests of foreign investors. The Foreign Investment Law defines "foreign investment" as the investment activities carried out directly or indirectly by foreign investors in China, including the following scenarios where:

(i) foreign investors, independently or jointly with other investors, set up foreign-invested enterprises in China;

(ii) foreign investors obtain shares, equities, property shares or other similar rights and interests of Chinese domestic enterprises;

(iii) foreign investors, independently or jointly with other investors, invest in new projects in China; and

(iv) investment through other means stipulated in laws, administrative regulations or provisions of the State Council.

The Foreign Investment Law stipulates that the PRC implements a system of pre-entry national treatment plus negative list for the administration of foreign investment. "Pre-entry national treatment" means the treatment given to foreign investors and their investment at the market accessing stage being not less favourable than that given to domestic investors and their investment. "Negative list" means the special administrative measures stipulated by the State for foreign investment's access to specific areas. Foreign investors shall not invest in any area where foreign investment is prohibited as set out in the negative list. Foreign investors shall meet the conditions prescribed in the negative list before investing in any area where foreign investment is restricted. The PRC grants national treatment to foreign investment outside the negative list.

Except for the regulations on market entry, the Foreign Investment Law undertakes to protect the investment, incomes and other legitimate rights and interests of foreign investors in China. The Foreign Investment Law provides that the State would not impose expropriation on the investment of foreign investors; under special circumstances where expropriation or requisition on foreign investment is justified, legal procedure shall be followed, and fair and reasonable compensation shall be provided. The Foreign Investment Law allows foreign investors' profits, capital gains, intellectual property royalties and other gains to be freely remitted outward in accordance with laws. The Foreign Investment Law pledges to protect the intellectual property of foreign investors and foreign-invested enterprises.

The Foreign Investment Law also contains many provisions aiming to promote foreign investment, including that the State's policies supporting enterprise development are equally applicable to foreign-invested enterprises in accordance with the law; that foreign-invested enterprises are able to participate in government procurement activities through fair competition; and that products produced and services provided by foreign-invested enterprises in China will be treated equally in government procurement activities.

In terms of foreign-invested enterprises established according to the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law or the Wholly Foreign-invested Enterprise Law before the implementation of the Foreign Investment Law, i.e., 1 January 2020, the Foreign Investment Law provides that they may maintain their original organisation forms within five years after the implementation of the Foreign Investment Law. Specific implementing measures will be prescribed by the State Council.

On 26 December 2019, the State Council promulgated the Implementing Regulations of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Foreign Investment Regulation**") with effect from 1 January 2020 to provide implementing measures and detailed rules to ensure the effective implementation of the Foreign Investment Law.

Along with the implementation of Foreign Investment Law and Foreign Investment Regulation, the MOC and State Administration for Market Regulation (國家市場監督管理總局) jointly promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the "**Foreign Investment Reporting Measures**") on 30 December 2019. The Foreign Investment Reporting Measures came into effect on 1 January 2020 and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-investment Enterprise. Under the Foreign Investment Reporting Measures, the requirement of record-filing with or approval from the MOC is replaced with a reporting requirement, regardless of whether such foreign investment is subject to PRC government's special entry administration measures.

Pursuant to the Foreign Investment Reporting Measures, foreign investors or foreign-invested enterprises shall report relevant information to the MOC or its local branches through the online enterprise registration system when the foreign investment takes place or the reported information changes.

Catalogue of Industries for Guiding Foreign Investment and the Negative List

The Catalogue of Industries for Guiding Foreign Investment (Amended in 2017) (《外商投資產業指導目錄》(2017年修訂)) ("**2017 Catalog**") was promulgated by the NDRC and the MOC on 28 June 2017 with effect from 28 July 2017. For the purpose of regulating foreign investment, the 2017 Catalog divides all industries into two categories, namely: (a) industries where foreign investment is encouraged; and (b) industries subject to special administrative measures for access of foreign investment. On 28 June 2018, the NDRC and the MOC jointly promulgated the *Special Administrative Measures for Access of Foreign Investment (Negative List)* (《外商投資准入特別管理措施(負面清單)》) ("**Negative List**"), with effect from 28 July 2018, to replace the previous list of industries subject to special administrative measures for access of foreign investment under the 2017 Catalog. The Negative List is amended from time to time, and the recent revision was published on 23 June 2020. Unless otherwise provided in the PRC Laws, foreign investment in areas not listed on the Negative List is permitted and treated equally as domestic investment. On 30 June 2019, the MOC and the NDRC jointly promulgated the *Catalog of Industries Encouraging Foreign Investment (2019)* (《鼓勵外商投資產業目錄(2019年版)》), which became effective on 30 July 2019 and replaced the previous list of the industries where foreign investment is encouraged under the 2017 Catalog.

Restrictions on Foreign Investment in Education

Pursuant to the Negative List, foreign investment in higher education is restricted, meaning that it shall only take the form of Sino-foreign cooperative schools and the domestic party shall play a dominant role. A dominant role requires that (i) the school's principal or chief executive must be a PRC national, and (ii) the school' governing body (including the board of directors, executive council or joint administration committee) must consist of a majority of representatives from the domestic party. Training business is not on the Negative List.

Sino-foreign cooperation in operating schools is specifically governed by (i) the Regulation on Operating Sino-foreign Cooperative Schools of the PRC (《中華人民共和國中外合作辦學條例》), which was promulgated by the State Council on 1 March 2003 and amended on 18 July 2013 and 2 March 2019 respectively, (ii) the Implementing Measures for the Regulations on Operating Sino-foreign Cooperative Schools of the PRC (《中華人民共和國中外合作辦學條例實施辦法》), which was issued by the MOE on 2 June 2004 and (iii) the Administrative Measures for the Sino-foreign Cooperative Education on Vocational Skills Training (《中外合作職業技能培訓辦學管理辦法》), which was issued by the Ministry of Labour and Social Security (currently known as the MHRSS) on 26 July 2006 and last amended on 30 April 2015. Pursuant to these rules, "Sino-foreign cooperative schools" are educational institutions established in China jointly by foreign parties and domestic parties targeting primarily students of PRC nationality. Both the foreign and domestic parties of a Sino-foreign cooperative school shall be educational institutions with the commensurate qualification for running schools and a good track record in providing high quality education. However, no implementing measures or specific guidance has been released as to what specific criteria must be met by the foreign party to demonstrate to the relevant authority that it meets the Qualification Requirements. The establishment of a Sino-foreign cooperative school shall be approved by the relevant education authority or human resources and social security authority. In particular, the establishment of a Sino-foreign cooperative school providing higher education at or above undergraduate level shall be approved by the MOE.

On 18 June 2012, the MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital into the Field of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資本進入教育領域促進民辦教育健康發展的實施意見》), with the aim of encouraging private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital contribution in a Sino-foreign cooperative school shall be less than 50%.

Restrictions on Foreign Investment in Publishing

On 6 July 2005, the Ministry of Culture, the State Administration of Radio, Film and Television, the GAPP, the NDRC, and the MOC jointly formulated the Several Opinions on Drawing Foreign Investment into the Cultural Sector (《關於文化領域引進外資的若干意見》), pursuant to which foreign investors are prohibited from engaging in business such as the publication of audio-visual products and electronic publications, and internet publishing. The Negative List also lists foreign investments in the publication of audio-visual products and electronic publications and in the provision of internet publishing services as a prohibited category.

The wholesale and retail of publications is not listed in the Negative List, indicating that the wholesale and retail of publications is a permitted area where foreign investment can enter. In particular, the Provisions on the Administration of the Publication Market clearly states that PRC allows foreign-invested enterprises to carry out the publication distribution (including wholesale and retail) business.

M&A Rules

Under the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (Revised in 2009) (《關於外國投資者併購境內企業的規定》(2009年修訂)), the "**M&A Rules**"), a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign-invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a such domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which subsequently purchases and operates the assets of a domestic enterprise, or purchases the assets of a domestic enterprise and uses those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic non-foreign-invested company which is related to or connected with it/him/her, approval from the MOC is required.

REGULATIONS RELATING TO COMPANIES

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law, which was promulgated on 29 December 1993 and amended on 25 December 1999, 28 August

2004, 27 October 2005, 28 December 2013 and 26 October 2018, respectively. Under the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies but where other relevant laws regarding foreign investment provide otherwise, such other laws shall prevail.

The revision of the PRC Company Law in 2013 removed the generic time limit for shareholders to make full capital contribution to a company, save that other relevant laws, administrative regulations and State Council decisions may require otherwise for companies in specific industries. Generally speaking, shareholders may set the time limit for the capital contribution on their own in the articles of association of the company. Further, the initial payment of a company's registered capital is no longer subject to a minimum amount requirement and the business licence of a company will not record its paid-up capital. In addition, shareholders' contribution of the registered capital is no longer required to be verified by capital verification agencies.

REGULATIONS RELATING TO PROPERTY

Pursuant to the Property Law of the PRC (《中華人民共和國物權法》) (the "**Property Law**") which was promulgated on 16 March 2007 and became effective on 1 October 2007, educational, medical and health and other public welfare facilities of institutions and social groups with the aim of benefiting the public such as schools, kindergartens and hospitals are not allowed to be mortgaged. As advised by our PRC Legal Adviser, educational facilities in our universities cannot be mortgaged.

On 28 May 2020, the NPC enacted the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which will become effective since 1 January 2021. The Civil Code amalgamates and replaces a series of specialised laws in civil law area, including the Property Law. The Civil Code provides that non-profit legal persons established for public good such as schools, kindergartens and medical institutions shall not mortgage their educational facilities, health care facilities and other public welfare facilities. It seems that the Civil Code limits the ban on property mortgage only to non-profit private schools. However, since the Civil Code is newly enacted, its interpretation and implementation are yet to be seen.

According to the Property Law and the Civil Code, transferable fund units and equity, property rights in intellectual property, rights of transferable exclusive trademark rights, patent rights, copyrights, accounts receivable and other property rights as stipulated by any law or administrative regulation to be pledgeable may be pledged. As advised by our PRC Legal Adviser, as no law or administrative regulation stipulates that a sponsor's right is pledgeable, the pledge of a sponsor's right in a private school will not be allowed by the MOE or MCA.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**"), which was amended on 26 February 2010 with effect from 1 April 2010, copyrights comprises of personal rights (such as the right to publish the work and the right of attribution) and property right (such as the right to reproducing or distributing the work). Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the relevant right owner would constitute infringement of copyright, unless otherwise provided in the Copyright Law. The infringer shall, depending on the circumstances of the case, cease the infringement, take remedial action, make an apology, and/or pay damages.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) (the "**Trademark Law**"), which was revised on 30 August 2013 with effect from 1 May 2014 and further revised on 23 April 2019 with effect from 1 November 2019, registered trademarks refer to trademarks that have been approved and registered by the Trademark Office (商標局). Registered trademarks could be commodity trademarks, service trademarks, collective marks or certification marks. The trademark registrant shall enjoy an exclusive right to use the trademark, which shall be protected by law.

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the "**Patent Law**"), which was amended on 27 December 2008 with effect from 1 October 2009, after the grant of the patent right for an invention, utility model, or design, unless otherwise provided in the Patent Law, no entity or individual may, without the authorisation of the patent owner, infringe the patent. Where the infringement of a patent is found, the infringer shall, in accordance with the laws and regulations, cease the infringement, take remedial action and/or pay damages.

Domain Name

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology of the PRC on 24 August 2017 with effect from 1 November 2017, domain name registration is performed on a "first come, first served" basis. The domain names registered or used by an organisation or individual shall not contain any contents prohibited by laws and administrative regulations. A domain name registration applicant shall provide the domain name registration service agency with true, accurate and complete identity information about the domain name holder.

REGULATIONS RELATING TO LABOUR PROTECTION

According to the Labour Law of the PRC (《中華人民共和國勞動法》) (the "**Labour Law**"), which was promulgated by the Standing Committee of the NPC on 5 July 1994 and amended on 27 August 2009 and 29 December 2018, respectively, an employer shall establish a comprehensive management system to safeguard the rights of its employees, including developing and improving its labour safety and health system, stringently implementing national protocols and standards on labour safety and health, conducting labour safety and health education for workers, guarding against labour accidents and reducing occupational hazards. Labour safety and health facilities must comply with relevant national standards. An employer must provide employees with the necessary labour protection equipment that comply with labour safety and health conditions stipulated under national regulations, as well as provide regular check-ups for workers that engage in operations with occupational hazards. Labourers who engage in special operations shall have received specialised training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the Standing Committee of the NPC on 29 June 2007 and became effective on 1 January 2008, and was amended on 28 December 2012, and the Implementation Regulations on Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated and became effective on 18 September 2008, regulate employer and employee relations and contain specific provisions on the terms of the labour contract. Labour contracts must be made in writing. An employer and an employee may enter into a fixed-term labour contract, an un-fixed term labour contract, or a labour contract that concludes upon the completion of certain work assignments, after reaching due negotiations. An employer may legally terminate a labour contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labour contracts concluded prior to the enactment of the Labour Contract Law and subsisting within the validity period thereof shall continue to be honoured.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010 and amended on 29 December 2018, has included pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with the relevant laws and regulations on social insurance.

According to the Interim Measures for Participation in the Social Insurance System by Foreigners Working within the Territory of China (《在中國境內就業的外國人參加社會保險暫行辦法》), which was promulgated by the MHRSS on 6 September 2011 and became effective on 15 October 2011, employers which employ foreigners shall participate in the basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, and maternity insurance in accordance with the law, with the social insurance premiums to be contributed respectively by the employers and foreigner employee. In accordance with such interim measures, the social insurance administrative agencies shall supervise and examine the legal compliance of foreign employers and employees. The employers which do not pay social insurance premium in conformity with the laws shall be subject to the administrative provisions provided in the Social Insurance Law and the relevant regulations and rules mentioned above.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated and became effective on 3 April 1999 and last amended on 24 March 2019, employers are required to contribute to housing provident funds for the benefit of their employees.

REGULATIONS RELATING TO TAX

Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was enacted on 16 March 2007 and last amended on 29 December 2018, and the Implementation Rules to the EIT Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated on 6 December 2007 and amended on 23 April 2019 by the State Council, enterprises are classified as either resident enterprises or non-resident enterprises. The income tax rate for resident enterprises, including both domestic-invested and foreign-invested enterprises, shall typically be 25%. Non-resident enterprises which have not established agencies or offices in China, or which have established agencies or offices in China but whose income has no association with such agencies or offices shall pay enterprise income tax on its income deriving from inside China at the reduced rate of 10%.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (《財政部國家稅務總局關於教育稅收政策的通知》) (the "**Circular 39**"), schools shall be exempted from enterprise income tax on fees they have collected under approval and managed in the fiscal budget or in the special funds account outside the fiscal budget. Schools shall be exempted from enterprise income tax on the fiscal allocation they have received and special subsidies they have obtained from their administrative departments or institutions at higher levels.

According to the Private Education Law of 2002 and its implementation rules, a private school the sponsor of which does not demand reasonable returns enjoys the same preferential tax treatment as public schools, whereas the preferential tax treatment policies applicable to private schools the sponsors of which demand reasonable returns are to be separately formulated by the relevant authorities under the PRC State Council. However, local tax authorities have a lot of discretion over the tax treatment of private schools and may have different interpretations and implementation practices. Although all school sponsors of our three universities currently do not seek reasonable returns, all our three universities are still subject to enterprise income tax at the rate of 25%, the tax rate for normal profit-making enterprises in China.

According to the Private Education Law of 2016, private schools that are established after the enactment of the Private Education Law of 2016 or have completed the re-registration procedure in the case of existing private schools will be entitled to preferential tax treatments on the basis of their for-profit/non-profit status, among which non-profit private schools will be entitled to the same preferential tax treatment as public schools and taxation policies for for-profit private schools are yet to be introduced. Therefore, the preferential tax treatment of our schools under the Private Education Law of 2016 will be subject to (i) the decision we make to operate our universities as for-profit or non-profit schools, and (ii) the tax treatment for for-profit schools to be formulated by the relevant government authorities.

Income Tax in relation to Dividend Distribution

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) (the "**Double Tax Avoidance Arrangement**") on 21 August 2006. According to the Double Tax Avoidance Arrangement, when a PRC company is distributing dividends to a HK resident who is the beneficial owner of such dividends, the PRC withholding tax rate is 5% in the case where the receiver holds directly no less than 25% equity interests in the aforesaid PRC company, or 10% in other cases.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated by the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) ("**SAT**") and becoming effective on 20 February 2009, all of the following requirements shall be met in order for a resident of the counterparty country to a tax agreement to enjoy the preferential tax rate treatment as provided in such tax agreement: (i) the counterparty's tax resident who is receiving dividends is an enterprise; (ii) the counterparty's tax resident directly owns a requisite percentage in the owner's equity of or voting rights in the PRC company; and (iii) the counterparty's tax resident directly owns a requisite percentage in the capital of the PRC company as required in the tax agreement at any time during the 12 months prior to receiving dividends.

Pursuant to the Administrative Measures for Tax Agreements Treatment for Non-resident Taxpayers (《非居民納稅人享受稅收協定待遇管理辦法》) (the "**2015 Agreements Treatment Measures**"), which became effective on 1 November 2015, a non-resident taxpayer meeting conditions for enjoying the tax agreement treatment may be entitled to the tax agreement treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

On 14 October 2019, SAT promulgated the Administrative Measures for Agreements Treatment for Non-resident Taxpayers (《非居民納稅人享受協定待遇管理辦法》) (the "**2019 Agreements Treatment Measures**") to replace the 2015 Agreements Treatment Measures with effect from 1 January 2020. According to the 2019 Agreements Treatment Measures, a non-resident taxpayer no longer needs to submit the supporting documents when filing for enjoying tax agreement treatment. Instead, the non-resident taxpayer shall collect and keep the supporting documents for inspection upon request.

Business Tax

According to the Provisional Regulations on Business Tax (《營業稅暫行條例》), which was promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, and the Detailed Implementing Rules on the Temporary Regulations on Business Tax (《營業稅暫行條例實施細則》), which was promulgated by the MOF and SAT on 25 December 1993 and amended on 15 December 2008 and 28 October 2011 respectively, business tax is imposed on the income derived from the furnishing of specified services and sale of immovable property or transfer of intangible property at rates ranging from 3% to 20%, depending on the activity.

According to Circular 39 and the Provisional Regulations of the PRC on Business Tax, kindergartens and educational services provided by schools and other educational institutions shall be exempt from business tax.

Value-added Tax

According to the Temporary Regulations on Value-added Tax (《增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, 6 February 2016 and 19 November 2017, respectively, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (《增值稅暫行條例實施細則》), which was promulgated by the MOF on 25 December 1993, and was amended on 15 December 2008 and 28 October 2011 respectively, all taxpayers selling goods, providing processing, repair or replacement services, selling services, intangible properties or immovable properties within the PRC or importing goods to the PRC shall pay value-added tax.

Previously, sale of services, intangible properties or immovable properties here subject to business tax. According to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》), which was promulgated by the MOF and SAT on 16 November 2011, the State began to launch taxation reforms in a gradual manner. According to the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the "**Circular 36**"), which was promulgated on 23 March 2016 and became effective from 1 May 2016, education services provided by schools engaged in diploma education shall be exempted from VAT. Circular 36 stipulates that income from the provision of education services that is exempted from VAT refers to the income from the provision of degree education services for student enroled within the officially prescribed admission plans, specifically including: income from tuitions, accommodation fees, textbook fees, exercise-book fees, and exam entry fees that are examined and approved by the relevant government authorities and charged according to the prescribed standards, as well as fees for meals provided by school canteens. Except for the aforesaid income, income from the sponsorship fees and school-selection fees charged by schools in any name is not exempted from VAT.

Other Tax Exemptions

According to Circular 39, the real properties and land used by schools, nurseries and kindergartens established by enterprises shall be exempted from house property tax and urban land use tax. Schools and kindergartens which expropriate arable land upon approval shall be exempted from arable land use tax. Schools and educational institutions established by any enterprises, social groups or other social organisations or individuals and citizens with non-state fiscal funds for education and open to the public upon the approval of the administrative department for education or for labour of the relevant people's government at the county level or above which has also issued the relevant school running licence, shall be exempted from deed tax on their ownerships of land and houses used for teaching activities.

REGULATIONS RELATING TO FOREIGN EXCHANGE

The fundamental regulation governing foreign exchange in China is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Administration Rules**"). This was promulgated by the State Council of the PRC on 29 January 1996 and amended on 14 January 1997 and 5 August 2008 with effect from the same day. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China, unless the prior approval of SAFE or its local counterparts is obtained.

Pursuant to the Notice of the State Administration of Foreign Exchange on Issuing Service Trading Foreign Exchange Administration Rules (《國家外匯管理局關於印發服務貿易外匯管理法規的通知》), which was promulgated on 18 July 2013, and Notice of the State Administration of Foreign Exchange on Further Promoting Trade and Investment Facilitation and Improving the Authenticity Review (《國家外匯管理局關於進一步促進貿易投資便利化完善真實性審核的通知》), which was promulgated on 26 April 2016, the State does not restrict the international payments under service trading; a foreign-invested enterprise can pay dividends to its foreign investors through the financial institutions without the approval of SAFE; financial institutions may review the relevant documents to ensure the authenticity of the transaction.

In accordance with the Foreign Exchange Administration Rules, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with SAFE or its local counterparts and approval form or filling with the relevant PRC government authorities (if necessary).

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular No. 37**"), which was promulgated on 4 July 2014 with effect from the same day, the domestic resident shall be required to register with the local branch of SAFE for foreign exchange registration of overseas investments before contributing the domestic and overseas lawful assets or interests into a SPV, and to update such registration in the event of any change of basic information of the registered SPV or major changes in the SPV's capital, including increases and decreases of capital, share transfers, share swaps, mergers or divisions. The SPV is defined as an "offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of investment and financing"; "Round Trip Investments" refer to "the direct investment activities carried out by a domestic resident directly or indirectly via a SPV, *i.e.*, establishing a foreign-invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests". In addition, according to the procedural guidelines as attached to the SAFE Circular No. 37, the principle of review has been changed to "the domestic individual resident is only required to register the SPV directly established or controlled (first level)."

Pursuant to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular No. 13**"), which was promulgated on 13 February 2015 and implemented on 1 June 2015, the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau, and the SAFE Circular No. 13 also simplifies some procedures relating to foreign exchange for direct investments.

On 30 March 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), which came into effect from 1 June 2015. According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement (the "**Discretional Foreign Exchange Settlement**"). The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes:

(i) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment as prohibited by relevant laws and regulations;

(ii) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations;

(iii) directly or indirectly used for granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and

(iv) used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) ("**Circular 16**"), on 9 June 2016, which became effective simultaneously. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on self-discretionary basis. Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis which applies to all enterprises registered in the PRC. Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC Laws, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

On 23 October 2019, SAFE issued the Circular on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**Circular 28**"), which became effective immediately upon promulgation. The Circular 28 allows all foreign-invested enterprises, including enterprises which are not registered as foreign-funded investment enterprises, to make equity investment in the PRC using their capital, subject to compliance with the negative list.

CONTROLLING SHAREHOLDERS

Our Controlling Shareholders

Immediately following the Global Offering (presuming the Assumptions), each of Dr. J. Liu (our Chairperson, Director and a core founding member of our Group) and Neusoft Holdings, through intermediaries, will become our Controlling Shareholders. We set out their respective controlling interests below:

	Controlling Shareholder[1]		Aggregate approximate percentage of voting rights held in our Company (presuming the Assumptions)
1.	Dr. J. Liu	who (i) beneficially controls the Shares held by Kang Ruidao,[2] and (ii) controls the voting rights of Shares held by Century Bliss, Alpine Electronics, and Apex Venture (collectively, the Proxy Grantors) through the Irrevocable Voting Proxies[3]	37.88%[3]
2.	Neusoft Holdings . . .	being the holding company of Neusoft International, which is the sole holding company of Dongkong First and Dongkong Second[4]	37.12%

Dr. J. Liu

Dr. J. Liu is our Chairperson, Director and a core founding member of our Group. See "Directors and senior management — Directors — Chairperson". See "History, Reorganisation and corporate structure — Overview" for our historical founding relationship with Dr. J. Liu.

Notes:

(1) Dr. J. Liu and Neusoft Holdings, through their shareholding in intermediaries, are the ultimate beneficial holders of 30% or more voting rights in our Company, and are our ultimate Controlling Shareholders. The intermediaries through which Neusoft Holdings holds its interests in our Company (being Neusoft International, Dongkong First and Dongkong Second) are also our Controlling Shareholders.

(2) Kang Ruidao holds Shares representing approximately 22.54% of the voting rights in our Company immediately following the Global Offering (presuming the Assumptions). Dr. J. Liu is the sole beneficial owner of Kang Ruidao First, which holds shares representing all of the voting rights in Kang Ruidao.

(3) See "— Irrevocable Voting Proxies" for more information. The aggregate percentage of voting rights immediately following the Global Offering (presuming the Assumptions) comprise of: (i) voting rights of approximately 22.54% held directly by Dr. J. Liu through Kang Ruidao First, and (ii) voting rights controlled by Dr. J. Liu through the Irrevocable Voting Proxies, totaling approximately 15.34%. See also "Substantial shareholders."

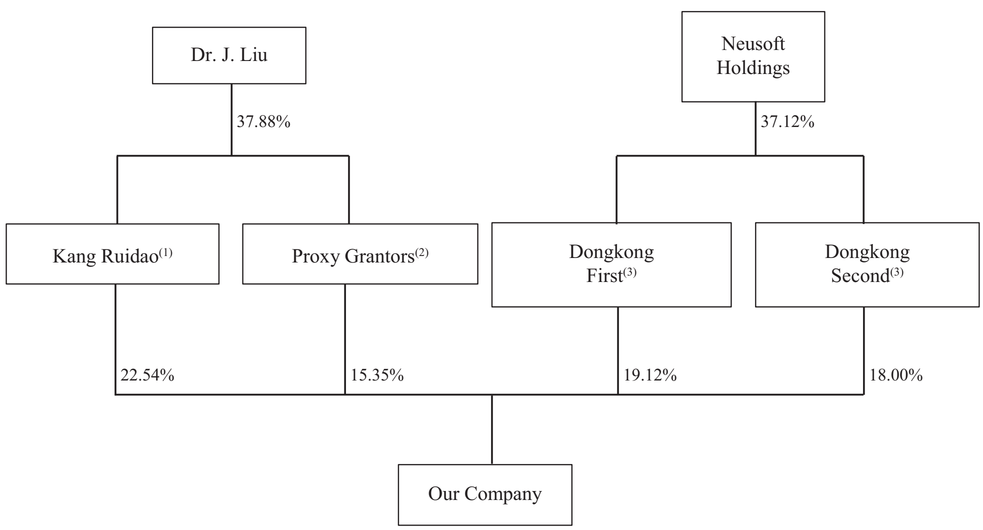
(4) Dongkong First and Dongkong Second each holds Shares representing approximately 19.12% and 18.00%, respectively, of the voting rights in our Company immediately following the Global Offering (presuming the Assumptions), and both of which are wholly-owned subsidiaries of Neusoft International, which is a wholly-owned subsidiary of Neusoft Holdings. See "History, Reorganisation and corporate structure — Corporate structure — Corporate structure before the Reorganisation" for the shareholding structure of Neusoft Holdings.

Neusoft Holdings

Neusoft Holdings is an investment holding company. As at the Latest Practicable Date, Neusoft Holdings invests and has operations in four primary industries: education, IT services, medical devices, and healthcare services. Neusoft Holdings' IT services business is primarily held (and operated) by Neusoft Corporation, a company currently listed on the Shanghai Stock Exchange. Neusoft Holdings' education business is primarily held (and operated) by our Group.

See "History, Reorganisation and corporate structure — Overview" for further information about our Group's relationship with our Controlling Shareholders.

The following diagram illustrates the ultimate beneficial interest of our Controlling Shareholders' voting rights at general meeting, immediately following the Global Offering (presuming the Assumptions):



Notes:

(1) Dr. J. Liu holds all the voting shares in Kang Ruidao.

(2) Dr. J. Liu is entitled to exercise the voting rights attached to the Shares held by the Proxy Grantors pursuant to the Irrevocable Voting Proxies.

(3) Neusoft Holdings wholly-owns Neusoft International, which, in turn, wholly-owns each of these entities.

Irrevocable Voting Proxies

Century Bliss, Alpine Electronics and Apex Venture each holds Shares representing approximately 9.75%, 4.22% and 1.38%, respectively, of voting rights in our Company immediately following the Global Offering (presuming the Assumptions). Century Bliss (on 22 February 2019), Alpine Electronics (on 26 December 2018) and Apex Venture (on 12 November 2018) each gave an Irrevocable Voting Proxy, entitling Dr. J. Liu to exercise, in accordance with and subject to the respective Irrevocable Voting Proxy documents, the voting rights ("**Voting Rights**") attached to their respective Shares (including upon their exercise of any share options in our Company) on resolutions proposed at a Shareholders' meeting or in written Shareholders' resolutions.

DELINEATION OF BUSINESS FROM OUR CONTROLLING SHAREHOLDERS

Delineation of business natures

There is a clear delineation of business with those operated by our Controlling Shareholders. Our core businesses include offering (i) full-time formal higher education services, (ii) continuing education services, and (iii) education resources and apprenticeship programme. See "Business."

Non-compete undertaking

Our Controlling Shareholders, Dr. J. Liu and Neusoft Holdings (for itself and on behalf of the entities that it controls) have given our Company a non-compete undertaking, pursuant to which, each of the two Controlling Shareholders has undertaken that while they remain a controlling shareholder of our Company (as defined in the Listing Rules), whichever is earlier, he/it would not, and would procure other members that it controls not to, carry on, engage or participate in the "restricted businesses" (being businesses that our Group operates, which consists of (i) full-time formal higher-education services, (ii) continuing education services, and (iii) education resources and apprenticeship programme, collectively the "**Restricted Business**") in China. The restrictions do not apply to (i) minority investments in any Restricted Businesses in which the Controlling Shareholders are merely passive investors, or (ii) opportunities in Restricted Businesses provided that we were given a priority option to participate in the opportunity and have decided not to take up the opportunity after a commercially reasonable period of time.

As at the Latest Practicable Date, apart from the business of our Group, our Controlling Shareholders did not operate higher-education institutions that compete with our universities, nor did they operate businesses that compete (whether in the nature of services offered or customer-base) with our other businesses (being (i) continuing education services, and (ii) education resources and apprenticeship programme).

Our Controlling Shareholders' investments

Our Controlling Shareholders, through intermediaries, may invest in higher-education institutions, educational services or technological or innovative businesses from time to time. While our Controlling Shareholders may hold non-controlling interests in sectors similar to those in which we operate, they act as financial investors only, and have (or will have) no management or shareholding control over these investee business. As such, our Controlling Shareholders do not operate any business that competes in any material way with our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates following the Listing.

Management independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of nine Directors, comprising of one executive Director, five non-executive Directors and three independent non-executive Directors.

Of our nine Directors, Dr. J. Liu (our Chairperson, non-executive Director and a core founding member of our Group) is also the chairperson of Neusoft Holdings, since November 2011. Dr. Wen (our executive Director and chief executive officer) sits on the board and is the vice-president (education sector) of Neusoft Holdings and primarily oversees Neusoft Holdings' education investment (*i.e.*, our Group). Apart from our Group's business, Dr. Wen does not manage, or report to the board of Neusoft Holdings on, any other Neusoft Holdings' business operations. Mr. Rong (our non-executive Director) is a deputy chairperson, general manager and chief executive officer of Neusoft Holdings. Mr. Zimmer (our non-executive Director) is a vice-president of Neusoft Holdings. See "Directors and senior management."

Nevertheless, our Directors consider that our Board and senior management will function independently of our Controlling Shareholders (and their respective close associates) because:

(a) each Director is aware of his/her fiduciary duties as a director, which require, among other things, that he/she acts for the benefit and in the interests of our Company and not to allow any conflict between his/her duties as a Director and his/her personal interests;

(b) our daily management and operations are carried out by a senior management team (including our executive Director), all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Company;

(c) we have a separate management team and administrative departments, including financial, human resources, legal and general management department, through which our Company carries out essential administration and its daily operations;

(d) we have three independent non-executive Directors who are independent of our Controlling Shareholders, and certain matters (*e.g.*, non-exempt connected transactions, including transactions between our Group and Neusoft Holdings) of the Company must always be referred to the independent non-executive Directors for review;

(e) in the event there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors, the interested Director(s) is/are required to declare the nature of such interest before, and shall not vote at the relevant Board meetings of our Company in respect of the transaction; and

(f) we have adopted a series of corporate governance measures to manage conflicts of interests, if any, between our Group and any Controlling Shareholders, which would support our independent management. See " — Corporate governance measures" below.

Operational independence

We are not operationally dependent on our Controlling Shareholders. Save as disclosed in "— Properties — Leased properties" and "— Intellectual property" sub-sections of the "Business" section, "— Neusoft Holdings Framework Agreement" and "— Property Framework Agreement" sub-sections of the "Connected Transactions" section: (i) our Group holds all material licences; (ii) our Group has sufficient capital, facilities and employees to operate independently from our Controlling Shareholders; (iii) we have independent access to, and directly engage with, our customers and suppliers; and (iv) we have an independent management team to operate and manage our business.

Our Directors are satisfied that we are capable of operating our business independently from our Controlling Shareholders (and their respective close associates) following the Listing.

Financial independence

We are not financially dependent on our Controlling Shareholders. We have independent internal controls and accounting systems, and an independent financial department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders (and their respective close associates).

There will be no financial assistance, security or guarantee, provided by our Controlling Shareholders (or their close associates) in favour of our Group, or vice versa, upon the Listing.

Our Directors are satisfied that we are capable of financing our Group independently from our Controlling Shareholders (and their respective close associates) following the Listing.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Save as disclosed in this chapter, each of our Controlling Shareholders and Directors confirms that, as at the Latest Practicable Date, he/she/it does not have any interest in a business outside of our Group that competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance in protecting Shareholders' interests. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

(a) under the Listing Rules, where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders has a material interest, that Controlling Shareholder will not vote on the relevant resolutions;

(b) we have established internal control mechanisms to identify connected transactions. We will identify in advance any connected transaction between our Group and our Controlling Shareholders (or their respective close associates), and the conflicting Director will abstain from voting on the relevant resolutions and we will comply with the requirements set out in Chapter 14A of the Listing Rules;

(c) our independent non-executive Directors are independent of our Controlling Shareholders and are appointed in accordance with the requirements under the Listing Rules to ensure that decisions of the Board are made only after due consideration of independent and impartial opinions;

(d) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interest between our Group and our Controlling Shareholders and seek impartial and professional advice to protect the interests of our other Shareholders;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in our annual reports or by way of announcements as required by the Listing Rules;

(f) we will engage third-party professionals to advise our Board when necessary;

(g) we have appointed the Compliance Adviser to provide advice and guidance in respect of compliance with applicable laws and regulations, including the Listing Rules, SFO and requirements relating to corporate governance; and

(h) we have established an Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules. The Audit Committee consists of non-executive Directors, the majority of which, including its chairperson, are independent non-executive Directors.

Based on the above, our Directors are satisfied that we have put in place sufficient corporate governance measures to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests following the Listing.

CONNECTED PERSONS

The table below sets out the connected persons of our Company upon Listing, with whom we have entered into certain transactions that will subsist at Listing, and the nature of their connection with our Company:

Name	Connected relationship
Neusoft Holdings Group	Neusoft Holdings is a Controlling Shareholder and a substantial shareholder at the issuer and subsidiary levels. Its subsidiaries are associates of Neusoft Holdings
Dr. J. Liu and entities controlled by him . . .	Dr. J. Liu is our Chairperson, Director and a core founding member of our Group and a substantial shareholder at the issuer level. Entities controlled by him are associates of Dr. J. Liu

We have entered into certain transactions with our connected persons (listed above) that will constitute continuing connected transactions after Listing.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

				Proposed annual caps for FY *(approximately RMB 'million)*		
	Transactions	Applicable Listing Rule	Waiver	2020	2021	2022
A.	***Neusoft Holdings Framework Agreement***					
	Fully-exempt continuing connected transactions					
1.	Property leasing and management by our Group to Neusoft Holdings Group	14A.76(1)(a)	N/A	N/A	N/A	N/A
	Partially-exempt continuing connected transactions					
2.	Software development and technological services by our Group to Neusoft Holdings Group	14A.76(2)(a)	Announcement requirement	6.0	6.0	6.0

	Transactions	Applicable Listing Rule	Waiver	Proposed annual caps for FY (approximately RMB 'million) 2020	2021	2022
	Non-exempt continuing connected transaction					
3.	Provision of on-site engineers by our Group to Neusoft Holdings Group	Rules 14A.34-36 Rule 14A.49 Rules 14A.52-53 Rule 14A.59 Rule 14A.105	Announcement, circular and independent shareholders' approval, annual cap, term of agreements limited to three years	90.0	90.0	90.0
B.	***Property Framework Agreement***					
	Fully-exempt continuing connected transaction					
1.	Property leasing and management between our Group and entities controlled by Dr. J. Liu	14A.76(1)(c)	N/A	N/A	N/A	N/A
C.	***Contractual Arrangements***					
	Non-exempt continuing connected transactions					
1.	Contractual Arrangements	Rules 14A.34-36 Rule 14A.49 Rules 14A.52-53 Rule 14A.59 Rule 14A.105	Announcement, circular and independent shareholders' approval, annual cap, term of agreements limited to three years	N/A	N/A	N/A

NEUSOFT HOLDINGS FRAMEWORK AGREEMENT

Background

Prior to our Reorganisation, we were part of the Neusoft Holdings Group. There were a number of intra-group transactions to which we were party due to the talent nurtured through our three universities and the nature of businesses offered (or assets owned) by our Group.

See "Business" for further information on our businesses, "Relationship with our Controlling Shareholders" for more information on our relationship with Neusoft Holdings Group, and "History, Reorganisation and corporate structure — Reorganisation" for information on our Reorganisation.

Following our Reorganisation, our Directors believed that certain of these transactions remain mutually beneficial to our Group and the Neusoft Holdings Group, as (i) we (and our students) would benefit from the software and technological products developed and businesses offered by Neusoft Holdings Group to Chinese and global markets, and (ii) Neusoft Holdings Group would benefit from talent employed by or nurtured through our Group (including our universities), and assets (including buildings and technology) owned or developed by our Group.

On 11 September 2020, our Company (for itself and on behalf of the other members of our Group) and Neusoft Holdings (for itself and on behalf of the other members of Neusoft Holdings Group) entered into the Neusoft Holdings Framework Agreement, pursuant to which: (i) our Group would lease certain properties to Neusoft Holdings Group; (ii) our Group would provide software development and technological services to Neusoft Holdings Group; and (iii) our Group would outsource talent (including secondment placements) to Neusoft Holdings Group. The terms of the agreement were entered into on normal commercial terms (or better) after arm's length negotiations and will be from the Listing Date to 31 December 2022 (both dates inclusive).

Details of these transactions and waivers granted by the Stock Exchange from strict compliance with relevant requirements under Chapter 14A of the Listing Rules (where applicable) are set out below.

Property leasing and management

Description of the transaction and pricing policy

We (primarily through our Operating Entity and Neusoft Industry Management) will lease out certain buildings (including land and facilities) and offer property management services to Neusoft Holdings Group (including, among others, Liaoning Neusoft Venture Capital Co., Ltd. (遼寧東軟創業投資有限公司)).

The rental amount will be agreed upon periodically, generally on an annual basis, between the parties with reference to historical rates, market rates of similar premises within the location, and facilities or fittings within the property. The total rental amount may comprise (i) a base rental amount, (ii) certain taxes, (iii) service fees, (iv) utility fees (charged per unit used), (v) seasonal adjustments, (vi) internet and other communication and networking services, and (vii) deposit. The fees may be adjusted based on market conditions and changes in the surface area leased and services provided.

Historical amounts

For FY 2018 and 2019 and the three months ended 31 March 2020, we received approximately RMB221,000, RMB259,000 and RMB62,000, respectively, for this transaction. We did not receive any revenue for FY 2017.

Listing Rules implications

Since the highest applicable percentage ratio calculated under Chapter 14A of the Listing Rules is less than 0.1% and the transaction is on normal commercial terms or better, pursuant to Rule 14A.76(1)(a) of the Listing Rules, this transaction will be a fully-exempt continuing connected transaction, exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Software development and technological services

Description of the transaction and pricing policy

We (primarily through Shanghai Ruixiang and Dalian Yunguan) provide software development and technological services to members of Neusoft Holdings Group (primarily Neusoft Holdings and Shanghai Sirui), including: internet systems, email platforms and support services, helpdesk platform and support, desktop support, video and audio conferencing systems, and network maintenance services.

The transaction fees will be agreed periodically, generally on an annual basis, between the parties with reference to historical amounts for the same transaction, and calculated on the basis of the systems provided and services offered.

Historical amounts and bases of annual caps

For FY 2018 and 2019 and the three months ended 31 March 2020, we received approximately RMB272,000, RMB2.8 million and nil, respectively, for this transaction. We did not receive any revenue in FY 2017 for this transaction. The increase in revenue between FY2018 and 2019 is primarily due to our transaction with Shanghai Sirui, which only took place in FY2019.

For the three years following Listing, the annual cap for this transaction is expected to be RMB6.0 million each year.

The annual caps are set based on the following: (i) historical transaction amounts during the Track Record Period, (ii) our understanding of the business, or the anticipated business, needs of our client companies, and (iii) our future business plan of this business arm. The majority portion of the annual caps has been allocated to transactions with Shanghai Sirui and other entities within the Neusoft Holdings Group for the needs of its clients (see "— Provision of on-site engineers").

Listing Rules implications

Since the highest applicable percentage ratio calculated under Chapter 14A of the Listing Rules is more than 0.1% but less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, this transaction will be a partially-exempt continuing connected transaction, exempt from the circular and independent shareholders' approval (including recommendation from an independent financial adviser) requirements, but will be subject to announcement requirements and annual reporting requirements under Chapter 14A of the Listing Rules.

Provision of on-site engineers

Description of the transaction and pricing policy

We (through Shanghai Ruixiang) provide on-site engineers (and student secondment placees from our universities) to members of Neusoft Holdings Group, which in-turn provide client companies with, among others, on-site software engineering services and technological and innovative solutions for their projects and businesses. This forms part of the services offered under our apprenticeship programme, detailed further in "— Education resources and apprenticeship programme — Apprenticeship programme (數字工場)" and "— Featured education model — School-enterprise cooperation" sub-sections of the "Business" section.

The transaction fees will be agreed periodically, or on a project basis, between the parties with reference to historical rates, number of personnel, estimated hours engaged, seniority and experience of each of the person engaged, nature of the client company's request and the pricing is based on the cost of engineers requested plus a certain level of profit. A transaction amount may be agreed beforehand as an estimated amount, or calculated according to actual work performed or required and invoiced periodically. The transaction fees include a base rate and may include reimbursements for fees and expenses.

Historical amounts and basis of annual caps

For FY 2017, 2018 and 2019 and the three months ended 31 March 2020, we received approximately RMB18.4 million, RMB98.1 million, RMB113.8 million and RMB15.2 million, respectively, for this transaction. The increase between FY 2018 and 2019 is largely based on the increase in the total monthly amount billed to our clients over the same period, reflecting a growth in the demand of our client companies.

For the three years following Listing, the annual cap for this transaction is expected to be RMB90.0 million each year.

The annual caps are set based on the following: (i) historical transaction amounts during the Track Record Period, (ii) our understanding of the, or the anticipated, business needs of our client companies, and (iii) our future business plan of this business arm.

Listing Rules implications

Since the highest applicable percentage ratio calculated under Chapter 14A of the Listing Rules is more than 5% and the total consideration is expected to exceed HK$10.0 million, this transaction will be subject to compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, reporting, annual review, announcement, circular and independent shareholders' approval requirements.

PROPERTY FRAMEWORK AGREEMENT

Description of the transaction and pricing policy

On 11 September 2020, our Company (for itself and on behalf of the other members of our Group) and Dr. J. Liu (on behalf of the entities controlled by him) entered into a framework agreement ("**Property Framework Agreement**"), pursuant to which we (primarily through our Operating Entity and Neusoft Industry Management) and entities controlled by Dr. J. Liu (primarily through Dalian Siwei) would lease certain buildings (including land and facilities) and offer property management services to one another.

The rental amount will be agreed periodically with reference to, and will comprise, the same factors as those for the property leasing and management transaction with Neusoft Holdings Group under the Neusoft Holdings Framework Agreement (see "— Neusoft Holdings Framework Agreement — Property leasing and management — Description of transaction and pricing policy"). The terms of the agreement were entered into on normal commercial terms (or better) after arm's length negotiations and will be from the Listing Date to 31 December 2022 (both dates inclusive).

Historical amounts

For FY 2017, 2018 and 2019 and the three months ended 31 March 2020, the amounts paid for this transaction were approximately RMB1.5 million, RMB1.5 million, RMB1.6 million and RMB360,000, respectively.

Listing Rules implications

Since the highest applicable percentage ratio calculated under Chapter 14A of the Listing Rules is more than 0.1% but less than 5%, the total annual cap is less than HK$3.0 million, and the transaction is on normal commercial terms or better, pursuant to Rule 14A.76(1)(c) of the Listing Rules, this transaction will be a fully-exempt continuing connected transaction, exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

Background

As disclosed in "Contractual Arrangements", due to regulatory restrictions on foreign ownership in the PRC, we conduct our business through our Consolidated Affiliated Entities in China.

We do not hold equity interests in our Consolidated Affiliated Entities. Rather, through Contractual Arrangements, we have effective control over the Consolidated Affiliated Entities.

See "Contractual Arrangements" for details on the agreements underlying the Contractual Arrangements.

Listing Rules implications and reasons for applying for waivers

The transactions contemplated under the Contractual Arrangements are entered into by our Group and, among others, connected persons of our Company (being Neusoft Holdings and Dr. J. Liu), and therefore, constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Our Directors are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business, and (ii) the transactions contemplated under the Contractual Arrangements have been, and will be, entered into in our Group's ordinary and usual course of business, are on normal commercial terms (or better) and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors are also of the view that our structure (whereby the financial results of our Consolidated Affiliated Entities flow to our JV, and where our JV acquires effective control over the financial and operational policies of our Consolidated Affiliated Entities) places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by our Consolidated Affiliated Entities and any member of our Group from time to time (including our Consolidated Affiliated Entities) (the "**New Intergroup Agreement(s)**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome, impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated thereunder to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent shareholders' approval requirements.

Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

(a) the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;

(b) our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests and/or sponsor interests (where applicable) that are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period above are fair and reasonable, or advantageous to our Shareholders, as far as our Group is concerned and in the interests of our Shareholders as a whole;

(c) our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors, with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests and/or sponsor interests (where applicable) that are not otherwise subsequently assigned or transferred to our Group;

(d) for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements or within the scope of the waiver application below, will be subject to requirements under Chapter 14A of the Listing Rules; and

(e) our Consolidated Affiliated Entities will undertake that, for as long as our Shares are listed on the Stock Exchange, our Consolidated Affiliated Entities will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditors' review of the connected transactions.

WAIVER APPLICATION

Partially-exempt and non-exempt connected transactions (excluding the Contractual Arrangements)

For the partially-exempt continuing connected transactions mentioned above, we have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement requirements under the Listing Rules.

For the non-exempt continuing connected transactions mentioned above (excluding the Contractual Arrangements), we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

For the Contractual Arrangements mentioned above, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with: (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements; and (iii) the requirement to limit the term of the Contractual Arrangements (and the transactions contemplated thereunder) to three years or less (collectively, the "**Applicable Requirements**").

The waivers are granted on, and subject to, the following conditions:

(a) No change without independent non-executive Directors' approval. No change to the Contractual Arrangements (including with respect to any fees payable to our JV thereunder) will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval. Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once the independent Shareholders' approval of any change has been obtained, no further announcement or approval by our independent Shareholders, except for those described above, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will continue to be applicable.

(c) Economic benefits and flexibility. The Contractual Arrangements will continue to enable our Group to receive economic benefits derived by our Consolidated Affiliated Entities through: (i) our Group's option (if and when allowed under applicable PRC Laws) to acquire, all or part of, the entire equity interests in our Consolidated Affiliated Entities for nil consideration or for the minimum amount of consideration permitted by applicable PRC Laws; (ii) the business structure under which the profit generated by our Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to our JV by our Consolidated Affiliated Entities under the Exclusive Management Consultancy and Business Cooperation Agreement (as defined in "Contractual Arrangements"); and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our Consolidated Affiliated Entities.

(d) Renewal and reproduction. On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and our Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced without being in strict compliance with the Applicable Requirements (including obtaining the approval of our Shareholders): (i) upon the expiry of the existing arrangements; (ii) in connection with any changes to the registered shareholders of or their respective shareholdings in or directors of the Consolidated Affiliated Entities; or (iii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise (or foreign controlled joint venture) or operating company (including branch company), engaging in the same business as that of our Group. Such renewal and/or reproduction is justified by business expediency. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise (or foreign controlled joint venture) or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, be treated as connected persons of our Group and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC Laws and approvals. Any such renewed or reproduced agreements will be on substantially the same terms and conditions as the existing Contractual Arrangements.

In addition to the above, we have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with: (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated in any New Intergroup Agreements (as defined above); (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from our Consolidated Affiliated Entities in any New Intergroup Agreements; and (iii) the requirement to limit the term of any New Intergroup Agreement to three years or less, for so long as our Shares are listed on the Stock Exchange. The waiver is subject to the condition that the Contractual Arrangements subsist and that our Consolidated Affiliated Entities will continue to be treated as our Company's subsidiaries, but the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entities and their associates will be treated as our Company's connected persons (excluding for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

We will comply with applicable requirements under the Listing Rules and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

DIRECTORS' CONFIRMATION

Our Directors (including our independent non-executive Directors) are of the view that: (i) the continuing connected transactions set out in this section have been entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) the proposed annual caps (where applicable) of the continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and in particular, (iii) the Contractual Arrangements are fundamental to our Group's legal structure and business operations and that the Contractual Arrangements have been entered into in our ordinary and usual course of business, on normal commercial terms or better and are fair and reasonable and in the interests of our Shareholders as a whole; and (iv) the terms of the relevant agreements underlying the Contractual Arrangements are justifiable and entered into under normal business practice, for an indefinite duration, to ensure that the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by our JV, that our JV can obtain the economic benefits derived from the Consolidated Affiliated Entities, and any possible leakages of assets and the value of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

SOLE SPONSOR'S CONFIRMATION

Based on the documentation and data provided by the Company, and having made reasonable enquiries and after due and careful consideration, the Sole Sponsor is of the view that, as of the date of this document: (i) the continuing connected transactions described in this section have been entered into in the ordinary and usual course of the Company's business, on normal commercial terms or better, on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the proposed annual caps (where applicable) of the continuing connected transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and in particular, (iii) the Contractual Arrangements are fundamental to the Group's legal structure and business operations and that the Contractual Arrangements have been entered into in the Group's ordinary and usual course of business, on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole; and (iv) the terms of the relevant agreements underlying the Contractual Arrangements are justifiable and entered into under normal business practice, for an indefinite duration, to ensure that the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by the JV, that the JV can obtain the economic benefits derived from the Consolidated Affiliated Entities, and any possible leakages of assets and the value of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

DIRECTORS

Our Board consists of nine Directors: one executive Director, five non-executive Directors and three independent non-executive Directors, namely:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director
Chairperson					
LIU Jiren (劉積仁) . . .	65	Non-executive Director, Chairperson	Overall strategic planning, overall management and business direction	June 2000	31 August 2018
Executive Director					
WEN Tao (溫濤)	58	Executive Director, Chief executive officer, President	Overseeing operational performance and daily management	June 2000	31 August 2018
Non-executive Directors (aside from our Chairperson)					
RONG Xinjie (榮新節)	57	Non-executive Director	Providing professional advice to the Board	January 2013	31 August 2018
YANG Li (楊利)	58	Non-executive Director	Providing professional advice to the Board	February 2003	31 August 2018
ZHANG Yinghui (張應輝)	47	Non-executive Director	Providing professional advice to the Board	February 2003	31 August 2018
Klaus Michael ZIMMER	64	Non-executive Director	Providing professional advice to the Board	August 2018	31 August 2018
Independent non-executive Directors					
LIU Shulian (劉淑蓮)	65	Independent non-executive Director	Providing independent opinion and judgement to the Board	August 2018	31 August 2018
QU Daokui (曲道奎)	58	Independent non-executive Director	Providing independent opinion and judgement to the Board	August 2018	31 August 2018
WANG Weiping (王衛平)	68	Independent non-executive Director	Providing independent opinion and judgement to the Board	August 2018	31 August 2018

None of our Directors and members of senior management are related to other Directors or members of senior management. Saved as disclosed below (and their respective interests or short positions (if any) as set out in "Statutory and general information — Further information about our Directors" in Appendix V), there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

Chairperson

Dr. LIU Jiren (劉積仁)

Dr. J. Liu, aged 65, is a non-executive Director, chairperson of our Board, chairperson of the Nomination Committee, and member of the Remuneration Committee. He is a core founding member of our Group (and Neusoft Holdings Group) and is currently the director or chairperson of the board of a number of our Group members, including: (i) our Operating Entity, since July 2002; (ii) our universities, since establishment; (iii) our two School Sponsors, Chengdu Development, since July 2002, and Foshan Development, since January 2002; (iv) Neusoft Education HK, since September 2018; (v) Neusoft Education BVI, since September 2018; (vi) our JV, since establishment; and (vii) Tianjin Ruidao, since March 2012. Dr. J. Liu is also the chairperson of Neusoft Holdings, since November 2011.

Dr. J. Liu received his bachelor's, master's and doctorate degrees in computing (計算機) from Northeastern University (東北大學), China, in April 1980, December 1982 and November 1987, respectively, as well as a professorship of Northeastern University (formerly known as Northeastern University of Technology (東北工學院)) (in June 1988), China.

Aside from our Group, Dr. J. Liu has more than 30 years of experience in the education industry. He was formerly a lecturer from May 1987 to June 1988 and a vice-principal from March 1995 to August 2014 and he has been a professor of Northeastern University since June 1988. Dr. J. Liu is the chairperson and chief executive officer of Neusoft Corporation, a company whose shares have been listed on the Shanghai Stock Exchange (security code: 600718), since June 1996.

Save as disclosed in this section, Dr. J. Liu did not hold any directorships in any other listed company during the three years prior to and including the Latest Practicable Date.

Executive Director

Dr. WEN Tao (溫濤)

Dr. Wen, aged 58, is our executive Director, chief executive officer and president of our Company. He holds various directorships within our Group, including: (i) principal and director of Dalian Neusoft Vocational College of Information Technology from June 2000 to May 2012 (merged into Dalian University in 2012); principal and director of Dalian University since April 2004 and vice-chaiperson of Dalian University since April 2020; director of Chengdu University and Foshan University since establishment, and vice-chairperson of Chengdu University and Foshan University since May 2018 and June 2019, respectively; (ii) director of our two School Sponsors, Chengdu Development, since July 2002, and Foshan Development, since January 2002; (iii) director and general manager of our Operating Entity, since July 2002 and January 2012, respectively; (iv) director and general manager of Neusoft Ruixin since May 2019; (v) director and general manager of Dalian

Education since August 2018; and (vi) director of Tianjin Ruidao since March 2012. Dr Wen is currently the director or executive director or chairperson of a number of our Group members including: Neusoft Industry Management, Dalian Yunguan, Shanghai Ruixiang, Neusoft Electronic Press, Dalian Technology and Neusoft Training School.

Dr. Wen received his bachelor's degree in aviation electrical engineering (航空電氣工程) and master's degree in engineering (majoring in signals, circuits and systems) (信號、電路與系統) from Northwestern Polytechnical University (西北工業大學), China, in July 1984 and April 1987, respectively. He also completed a doctorate degree in engineering (工學) at Northeastern University (東北大學) (formerly known as Northeastern University of Technology (東北工學院)), China, in March 1994.

Dr. Wen is a director since November 2011 and vice-president of Neusoft Holdings since January 2013, one of our Controlling Shareholders and the Registered Shareholder of our Operating Entity. He also holds a number of directorships in related companies of Neusoft Holdings, including: Dalian Ruidao Yibo Education Information Technology Co., Ltd. (大連睿道易博教育信息技術有限公司), since August 2018, as well as a supervisory position in Shenyang Kang Ruidao, since December 2014. Shenyang Kang Ruidao holds interests in Neusoft Holdings through Dalian Kang Ruidao and Dalian Siwei.

Dr. Wen was (or is currently) appointed to a number of positions on professional and government bodies, including: representative at the Sixteenth Dalian Municipal People's Congress; chief representative on the Liaoning Provincial Vocational College Educational Steering Committee established under the Educational Department of Liaoning Province, from 2015 to 2019; representative at the Sixth Decision Advisory Committee established under the Committee of the Communist Party of China of Liaoning Province and People's Government of Liaoning Province, from 2017 to 2022. For further details, see "Business — Our competitive strengths — Experienced management team and high-quality teaching staff" in this document.

Dr. Wen did not hold any directorships in any listed companies during the three years prior to and including the Latest Practicable Date.

Non-executive Directors (aside from our Chairperson)

Mr. RONG Xinjie (榮新節)

Mr. Rong, aged 57, is a non-executive Director and a member of the Audit Committee. He holds various directorships within our Group, including: our Operating Entity, since March 2013; our two other School Sponsors, Chengdu Development, since April 2013, and Foshan Development, since June 2013; Chengdu University and Dalian University from January 2013 to September 2018; Foshan University from January 2013 and Dalian Technology, from October 2013 to June 2019.

Mr. Rong received his bachelor's degree in computer science (電子計算機) from the China University of Mining and Technology (中國礦業大學), China, in July 1984. Mr. Rong also received an associate professorship from the Senior Teachers Assessment Committee at Shangdong University of Finance and Economics (山東財政學院教師職務高級評審委員會), China, in October 1995.

Aside from our Group, Mr. Rong is a director and general manager from February 2013 to January 2017 and a deputy-chairperson of the board of directors; general manager and chief executive officer of Neusoft

Holdings, since January 2017. He was a director and senior vice-president of Neusoft Corporation, from September 2004 to May 2008; and currently holds directorship within the related companies of Neusoft Holdings and Neusoft Corporation, including director from June 2008 to March 2018, chairperson of the board of Liaoning Neusoft Venture Capital Co., Ltd. (遼寧東軟創業投資有限公司), since March 2018 and a director of Shanghai Sirui since March 2016.

Mr. Rong did not hold any directorships in any listed companies during the three years prior to and including the Latest Practicable Date.

Dr. YANG Li (楊利)

Dr. Yang, aged 58, is a non-executive Director. He is a director of Neusoft Ruixin since May 2019. He is also a director of Dalian Education, since August 2018; director since December 2016 and principal of Foshan University, since February 2003, and general manager of Foshan Development, since June 2013.

Dr. Yang received his bachelor's degree in software computing (電子計算機軟件), master's degree in software computing (計算機軟件) and doctorate degree in software computing from the National University of Defence Technology (國防科技大學) formerly known as People's Liberation Army National University of Defence Science and Technology (中國人民解放軍國防科學技術大學), China, in July 1983, June 1988 and January 1996, respectively. Dr. Yang also received a professorship from Northeastern University, China, in June 1999. He conducted post-doctoral research in computer science and technology in Northeastern University, China, from June 1997 to June 2000.

Dr. Yang was previously the technical director at Shenyang Neu-Alpine Software Co., Ltd. (瀋陽東大阿爾派軟件股份有限公司), from September 1999 to April 2001; and director of the software research centre at Neusoft Corporation, from May 1998 to August 1999.

Dr. Yang did not hold any directorships in any listed companies during the three years prior to and including the Latest Practicable Date.

Dr. ZHANG Yinghui (張應輝)

Dr. Zhang, aged 47, is a non-executive Director. He is a director of Neusoft Ruixin since May 2019, director of Dalian Education since August 2018, general manager of Chengdu Development since April 2013, the director of Neusoft Education Chengdu since April 2019, the chairperson of Chengdu Neusoft Technology Co., Ltd. (成都東軟軟件有限公司), from June 2010 to July 2018; director since December 2016, and principal since February 2003 of Chengdu University.

Dr. Zhang received his bachelor's degree in software computing (計算機軟件) and doctorate degree in applied computing (計算機應用技術) from Northeastern University, China, in July 1994 and September 1998, respectively. Dr. Zhang also received professorship certification from Sichuan Provincial Vocational Reform Bureau (四川省職改辦), China, in December 2007.

Dr. Zhang did not hold any directorships in other listed companies during the three years prior to and including the Latest Practicable Date.

Mr. Klaus Michael ZIMMER

Mr. Zimmer, aged 64, is a non-executive Director. He is currently the vice-president of Neusoft Holdings since February 2019. He received his diploma in economics from the University of Trier, Germany, in January 1983. Mr. Zimmer has also completed the fourth session of the General Manager Programme from Harvard University Graduate School of Business Administration, a programme run by Harvard University, United States, in May 1999. He was elected as one of the top 10 personages of management software industry of China in 2006 by the Specialty Association of Financial and Management Software of China Software Industry Association (中國軟件行業協會財務與管理軟件分會). Mr. Zimmer was the managing director of Neusoft (HK) Limited from October 2011 to July 2017, the chief executive officer and president of Neusoft Europe AG (Switzerland), from August 2017 to July 2018, and the senior vice-president and member of the board of Neusoft Corporation, from May 2011 to April 2017 and the senior vice-president from May 2017 to July 2018.

Mr. Zimmer was a director of certain companies incorporated in Hong Kong within 12 months of their respective dissolutions. These companies were dissolved by striking off from the Hong Kong Companies Registry, and are: Trans Eurasia Development Limited (August 2005), Nextone Limited (October 2008), and Unyserve Limited (January 2013). Mr. Zimmer confirms that, to the best of his knowledge and belief, he is not aware of any actual or potential claim that has been or will be brought against him as a result of the dissolutions.

Mr. Zimmer did not hold any directorships in any other listed companies during the three years prior to and including the Latest Practicable Date.

Independent Non-executive Directors

Dr. LIU Shulian (劉淑蓮)

Dr. S. Liu, aged 65, is an independent non-executive Director, chairperson of the Audit Committee, and member of the Nomination Committee. Dr. S. Liu is also an independent non-executive director of Neusoft Corporation (security code: 600718), since May 2017. Prior to this, she was an independent non-executive director of Dalian Huarui Heavy Industry Group co., Ltd. (大連華鋭重工集團股份有限公司), formerly known as Dalian Huarui Heavy Industry Steel Casting Co., Ltd. (大連華鋭重工鑄鋼股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 2204), from March 2007 to April 2013; and Dashang Co., Ltd. (大商股份有限公司), formerly known as Dashang Group Co., Ltd. (大商集團股份有限公司), a company listed on the Shanghai Stock Exchange (security code: 600694), from April 2007 to April 2013.

Dr. S. Liu received her bachelor's degree in industrial accounting (工業會計), master's degree (specialising in accounting (會計)), master's degree in economics and doctorate degree in accounting (會計學), from Dongbei University of Finance and Economics (東北財經大學, formerly known as 遼寧財經學院), China, in January 1982, June 1987, December 1989 and March 2001, respectively. She received her professorship from Dongbei

University of Finance and Economics, China and she has been teaching and conducting research at the accounting school of Dongbei University of Finance and Economics, China, since January 1982. Dr. S. Liu also received her qualification certification for college teachers (高校教師資格) from the Liaoning Provincial Human Affairs Department (遼寧省人事廳), China, in July 1998. She is recognised by the Shanghai Stock Exchange to act as an independent director, since September 2007; became a member of the Financial Management Committee (財務管理專業委員會委員) of the Accounting Society of China (中國會計學會), in February 2008; and was admitted as a non-practising member by Liaoning Provincial Institute of Certified Public Accountants in December 2009. Dr. S. Liu has the appropriate professional accounting or related financial management experience for the purpose of Rule 3.10(2) of the Listing Rules.

Save as disclosed in this section, Dr. S. Liu did not hold directorships in any other listed company during the three years prior to and including the Latest Practicable Date.

Dr. QU Daokui (曲道奎)

Dr. Qu, aged 58, is an independent non-executive Director, the chairperson of the Remuneration Committee, and member of the Audit Committee. Dr. Qu is the president and deputy chairman of SIASUN Robot & Automation Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300024), and he has been working at the company since January 2000, respectively. Prior to this, Dr. Qu was a project supervisor from June 1986 to September 1994, and assistant researcher, researcher, deputy department head and department head of research and development of robotics, from October 1994 to April 2000 at the Shenyang Institute of Automation, Chinese Academy of Sciences (中國科學院瀋陽自動化研究所).

Dr. Qu received his master's degree in engineering (specialising in pattern recognition and intelligent control (模式識別與智能控制)) from Shenyang Institute of Automation, Chinese Academy of Sciences, China, in June 1986, and a doctorate degree in engineering (specialising in power electronics and motor drives (電力電子與電力傳動)) from Harbin Institute of Technology (哈爾濱工業大學), China, in January 2008. Dr. Qu became a researcher at the Shenyang Institute of Automation, Chinese Academy of Sciences (中國科學院瀋陽自動化研究所), China, in September 1997. Dr. Qu was hired as a doctoral adviser in January 2003.

Dr. Qu did not hold any other directorships in any other listed companies during the three years prior to and including the Latest Practicable Date.

Dr. WANG Weiping (王衛平)

Dr. Wang, aged 68, is an independent non-executive Director, a member of the Remuneration Committee, and member of the Nomination Committee. Dr. Wang was an independent non-executive director of Rici Healthcare Holdings Limited, a company listed on the Stock Exchange (stock code: 1526), since June 2016 and re-designated as an executive director in June 2017. He ceased to be an executive director of the company in March 2019. Dr. Wang is a professor specialising in paediatrics.

Dr. Wang received his bachelor's degree in medicine and master's degrees in medicine specialising in paediatric respiratory disease from Norman Bethune University of Medicine (白求恩醫科大學, currently known as Norman Bethune Health Science Centre of Jilin University (吉林大學白求恩醫學部)), China, in August 1978 and October 1982, respectively, and a doctorate degree in paediatrics from Shanghai Medical University (上海醫科大學), China, in December 1988. Dr. Wang also received his professorship from Shanghai Medical University, China, in December 1994. Dr. Wang currently serves as an independent non-executive director of Top Education Group Ltd., a company listed on the Stock Exchange (stock code: 1752), since April 2018.

Save as disclosed in this section, Dr. Wang did not hold directorships in any other listed company during the three years prior to and including the Latest Practicable Date.

SENIOR MANAGEMENT

The following table provides information about members of our senior management (aside from our Directors):

Name	Age	Position	Roles and Responsibilities	Date of joining our Group
CHAO Yujun (晁玉軍)	55	Vice-president; Chief financial officer	Overseeing financial operations and management	February 2004
LI Xue (李雪)	64	Vice-president	Overseeing scientific research and product development	January 2019
LI Yingao (李印杲)	48	Vice-president	Overseeing the business operations of education resources and continuing education	March 2020
WANG Weikun (王維坤)	48	Vice-president	Overseeing the operations of branding, administration, and logistics management	June 2002

CHAO Yujun (晁玉軍) ("Mr. Chao")

Mr. Chao, aged 55, is a vice-president and the chief financial officer of our Company, and a vice-president and the chief financial officer of Dalian Education, all since March 2020. Prior to this, Mr. Chao was the financial controller (財務總監) of Dalian University from May 2011 to January 2020. Over the past years, he has held many management positions within our Group, being primarily responsible for supervising auditing and financial matters. Mr. Chao received a bachelor's degree in industrial accounting (工業會計) from Northeastern Institute of Technology (東北工學院), now known as Northeastern University, China, in July 1988. Apart from this, Mr. Chao has received a senior accountant title from the Personnel Department of Liaoning Province (遼寧省人事廳) in September 1998.

Mr. Chao did not hold any directorships in any listed companies during the three years prior to and including the Latest Practicable Date.

LI Xue (李雪) ("Dr. Li")

Dr. Li, aged 64, is a vice-president of our Company. He is also a vice-president of Dalian Education, since January 2019. Prior to this, Dr Li was an associate professor since July 2013 and a professor employed in a full-time capacity in the School of Information Technology and Electrical Engineering at the University of Queensland, Australia, since January 2016. He was appointed as a guest professor of Central South University (中南大學) from January 2015 to January 2020.

Dr. Li received his bachelor's degree in software computing (計算機軟件) from Chongqing University (重慶大學), China, in November 1982, master's degree in computer science (計算機科學) from the University of Queensland, Australia, in May 1989, and doctor of philosophy in school of information systems from the Queensland University of Technology, Australia, in March 1997.

Dr. Li did not hold any directorships in any listed companies during the three years prior to and including the Latest Practicable Date.

LI Yingao (李印杲) ("Mr. Li")

Mr. Li, aged 48, is a vice-president of our Company and a vice-president of Dalian Education, both since March 2020. Since March 2015, he has been a vice-president of Neusoft Holdings, primarily responsible for the operations of Tianjin Ruidao, and has been the president of Tianjin Ruidao since May 2012. Prior to this, Mr. Li was the director of human resources and general manager of the IT talent training department (人力資源總監、IT人才實訓中心總經理) of Neusoft Corporation from March 2009 to May 2012. Mr. Li received his bachelor's degree in safety engineering (安全工程) and a master's degree in engineering (工學碩士學位) from Northeastern University, China, in July 1993 and March 1996, respectively.

Mr. Li did not hold any directorships in any listed companies during the three years prior to and including the Latest Practicable Date.

WANG Weikun (王維坤) ("Dr. W. Wang")

Dr. W. Wang, aged 48, is a vice president of our Company and a vice-president of Dalian Education, both since March 2020. He is also a director of Neusoft Training School and Foshan University, since August 2018 and June 2019, respectively. Dr. W. Wang received his bachelor's degree in engineering (工學學士學位) from Dalian University of Technology (大連理工大學), China, in July 1994, Master of Business Administration from Dongbei University of Finance & Economics (東北財經大學), China, in July 2002, and doctor of philosophy in education management (教育管理) from Dalian University of Technology, China, in March 2018. Dr. W. Wang received his professorship from Dalian University in December 2019. Dr. W. Wang was a member of the Liaoning Provincial Colleges and Universities Charter Approval Committee (遼寧省高等學校章程核准委員會委員), awarded by the Education Department of Liaoning Province, in April 2015, and was appointed a member of the public foundation courses committee (公共基礎課程專門委員會委員) of the Advisory Committee of Education Teaching in Vocational Education established under the Ministry of Education in China (教育部職業院校教育類專業教學指導委員會) in November 2018, and won the First Prize of the Liaoning Provincial Teaching Achievement Award (遼寧省教學成果獎一等獎) in April 2018.

Dr. W. Wang did not hold any directorships in any listed companies during the three years immediately prior to and including the Latest Practicable Date.

COMPANY SECRETARIES

HE Jing (何婧) ("Ms. He")

Ms. He, aged 35, is one of our Company Secretaries and the head of the office of the board of directors (董事會辦公室主任) of Dalian Education since June 2019 and April 2020, respectively. Ms. He was the deputy director of the general management department (綜合管理部副部長) of Dalian Education, from November 2018 to April 2020. Prior to joining our Group, Ms. He was: the securities affairs representative (證券事務代表) and company secretary of INNOBIO Limited (大連醫諾生物股份有限公司), from March 2017 to August 2017, and from August 2017 to April 2018, respectively; and information disclosure officer at the office of the board of directors (董事會辦公室信息披露事務) for New China Life Insurance Company Ltd. (新華人壽保險股份有限公司), a company listed jointly listed on the Stock Exchange (stock code: 1336) and the Shanghai Stock Exchange (security code: 601336), from August 2009 to June 2013.

Ms. He received her bachelor's degree in jurisprudence, and master's degree in civil and commercial law, from China University of Political Science and Law (中國政法大學), China, in July 2006 and June 2009, respectively. She has a legal professional qualification (法律職業資格) from the Ministry of Justice (中華人民共和國司法部), China, since February 2007.

MAK Po Man Cherie (麥寶文) ("Ms. Mak")

Ms. Mak, aged 45, is one of our Company Secretaries. She is also the vice-president of SWCS Corporate Services Group (Hong Kong) Limited, a corporate services provider. Ms. Mak has worked for various professional firms and listed companies in Hong Kong, with over 15 years of experience in auditing, accounting, corporate finance, compliance and corporate secretarial positions. She is an associate member of the Hong Kong Institute of Chartered Secretaries, since December 2017; an associate member of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom, since December 2017; a member of the Hong Kong Institute of Certified Public Accountants, since January 2003; and a fellow member of the Association of Chartered Certified Accountants, since October 2006.

Ms. Mak received her bachelor's degree in arts (majoring in business and finance) from the University of Portsmouth, England, in January 2002, and master's degree in corporate governance from the Hong Kong Polytechnic University, Hong Kong, in September 2017.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit committee

We have established an Audit Committee, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report (as set out in Appendix 14 to the Listing Rules). The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system (including risk management) of our Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee consists of three members: Dr. S. Liu, Dr. Qu and Mr. Rong. Dr. S. Liu has been appointed chairperson of the committee and is our independent non-executive Director with appropriate professional qualifications.

Remuneration committee

We have established a Remuneration Committee, with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report (as set out in Appendix 14 to the Listing Rules). The primary duties of the Remuneration Committee are to review and make recommendations to the Board the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior managers. The Remuneration Committee consists of three members: Dr. Qu (chairperson), Dr. Wang and Dr. J. Liu.

Nomination committee

We have established a Nomination Committee, with written terms of reference, covering, among others, our board diversity policy, and in compliance with the Corporate Governance Code (as set out in Appendix 14 to the Listing Rules). The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee consists of three members: Dr. J. Liu (chairperson), Dr. S. Liu and Dr. Wang.

Diversity

Our Company has adopted a board diversity policy that sets out the approach to achieving diversity of members on our Board. We recognise and embrace the benefits of having a diverse Board and view diversity at the Board level, including gender diversity, as an essential element in maintaining our competitive edge and enhancing our ability to attract, retain and motivate employees. In reviewing and assessing suitable candidates to serve on our Board as Directors, our Nomination Committee will consider a number of aspects, including gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. The Nomination Committee will discuss half-yearly and when necessary, agree on measurable objectives for achieving diversity in our Board, including gender diversity, as recommendations proposed to our Board for adoption. Our Board will review these recommendations on a half-yearly basis (or on a more frequent basis), and make appropriate appointments to the Board to achieve diversity, subject to the availability of suitable candidates and the business needs of the Group at the relevant time.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, after Listing, we will comply with the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

Management presence

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since our core business operations are conducted in China, members of our senior management are, and are expected to continue to be, based in China. Further, as our executive Director plays a vital role in our Group's operations, it is crucial for him to remain in close proximity to our Group's central management, also located in China. Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. We have applied for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules. See "Waivers and exemption from strict compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in respect of management presence in Hong Kong."

COMPLIANCE ADVISER

We have appointed the Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice on compliance with requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise us in, among others, the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to our Company in accordance with Rule 13.10 of the Listing Rules.

The terms of appointment of our Compliance Adviser will commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

REMUNERATION

Our Directors and senior management receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors for FY 2017, 2018 and 2019 and the three months ended 31 March 2020 was approximately RMB3.5 million, RMB4.0 million, RMB6.5 million, and RMB0.7 million, respectively.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for the five highest paid individuals for FY 2017, 2018 and 2019 and the three months ended 31 March 2020 was approximately RMB5.1 million, RMB5.9 million, RMB11.2 million, and RMB1.2 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, by our Company to our Directors or senior management for FY 2017, 2018 and 2019 and the three months ended 31 March 2020.

See "Statutory and general information — Share Incentive Schemes — Pre-IPO Share Incentive Scheme" in Appendix V for details regarding the incentive plan for key employees, senior managers and directors of our Group.

SUBSTANTIAL SHAREHOLDERS

As far as our Directors are aware, immediately following completion of the Global Offering, and presuming the Assumptions, the following persons will have interests or short positions in our Shares or our underlying Shares that would fall to be disclosed to us under Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or another member of our Group:

INTEREST IN THE SHARES OF OUR COMPANY

Name of Shareholder	Capacity / Nature of Interest	Number of Shares(1)	Approximate percentage of interest in our Company(1)
Kang Ruidao(2)	Beneficial interest	150,245,000	22.54%
Kang Ruidao First(2)	Interest in a controlled corporation	150,245,000	22.54%
Dongkong First(3)(4)	Beneficial interest	127,465,000	19.12%
Dongkong Second(3)(4)	Beneficial interest	120,000,000	18.00%
Neusoft International(3)	Interest in a controlled corporation	247,465,000	37.12%
Neusoft Holdings(3)	Interest in a controlled corporation	247,465,000	37.12%
Century Bliss(5)	Beneficial interest	65,010,000	9.75%
SUN Yinhuan(5)	Interest in a controlled corporation	65,010,000	9.75%
Dr. J. Liu(2)	Interest in a controlled corporation	500,000,000	75.00%

Notes:

(1) The number of Shares and approximate percentage of interest held immediately following the Global Offering and presuming the Assumptions.

(2) Dr. J. Liu (our Chairperson, Director and a core founding member of our Group) (a) wholly-owns Kang Ruidao First, which holds all of the voting shares in Kang Ruidao; (b) controls more than one-third of the equity interests in Dalian Zengdao and Shenyang Kang Ruidao (which is also the general partner of, among other entities, Dalian Zengdao and Dalian Kang Ruidao), which in aggregate controls more than one-third of the equity interests in Dalian Kang Ruidao, which directly and through its more than one-third controlled entity, Dalian Siwei, controls an aggregate of more than one-third interest in Neusoft Holdings; and (c) is able to exercise the voting rights of the Proxy Grantors through the Irrevocable Voting Proxies. Under the SFO, Dr. J. Liu is deemed to be interested in the full amount of equity interests held by (a) Kang Ruidao First, being approximately 22.54%; (b) the full aggregate amount of Shares held by Dongkong First and Dongkong Second, being approximately 37.12%; and (c) the full aggregate amount of Shares held by the Proxy Grantors, being 102,290,000 Shares or approximately 15.34%, in our Company.

(3) Dongkong First and Dongkong Second are each wholly-owned subsidiaries of Neusoft International, which is a wholly-owned subsidiary of Neusoft Holdings. Under the SFO, each of Neusoft International and Neusoft Holdings is deemed to be interested in the full aggregate amount of Shares held by Dongkong First and Dongkong Second in our Company.

(4) Under a supplemental trust loan agreement entered into between Neusoft Holdings and China Industrial International Trust Limited ("**CIIT**") dated 20 June 2019, Dongkong First and Dongkong Second granted securities over all of their Shares in favour of CIIT for the performance of Neusoft Holdings' obligations under its facility agreement with CIIT's affiliate, pursuant to which, following 12 months after Listing (being the time the share pledge is to become effective), CIIT may have a right to the Shares held by Dongkong First and Dongkong Second.

(5) Century Bliss is controlled as to more than one-third by SUN Yinhuan. Under the SFO, SUN Yinhuan is deemed to be interested in the full amount of Shares held by Century Bliss in our Company.

INTERESTS IN OUR GROUP (EXCLUDING OUR COMPANY)

Name of Shareholder	Name of Group member	Nature of interest	Approximate percentage held by the substantial shareholder
Neusoft Holdings	Dalian Development	Interest of a Registered Shareholder	100%
The People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司) ("**PICC Group**")(1)	Neusoft Ruixin	Interest in a controlled corporation	13.25%
ZHOU Zhenming	Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd.	Beneficial interest	24%
GAO Yan	Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd.	Beneficial interest	16%
Qinhuangdao Xingdong Technology Co., Ltd.(2)	Qinhuangdao Neusoft Venture School	Beneficial interest	10%
Guangdong Nanhai High-tech Industrial Investment Holding Co., Ltd.(3)	Guangdong Ruidao Gongchuang Technology Co., Ltd.	Beneficial interest	49%
iMobile Inc.	Dalian Waye Information Service Co., Ltd.	Beneficial interest	40%

Notes:

(1) According to publicly available information, each of PICC Life (which holds approximately 8.40% interest in our JV) and PICC Health (which holds approximately 4.85% interest in our JV) is majority-controlled by PICC Group, which is majority-controlled by MOF. As such, each of PICC Group and MOF may exercise more than 10% of the voting rights in our JV.

(2) According to publicly available information, the Qinhuangdao campus of the Northeastern University (東北大學秦皇島分校) wholly-owns Qinhuangdao Xingdong Technology Co., Ltd. (秦皇島興東科技有限公司), and is therefore deemed to control 10% of the voting rights in one of our subsidiaries.

(3) According to publicly available information, Foshan Nanhai District State-owned Asset Supervision and Administration Bureau (佛山市南海區國有資產監督管理局) wholly-owns Guangdong Nanhai High-tech Industrial Investment Holding Co., Ltd. (廣東南海高新技術產業投資控股有限公司), and is therefore deemed to control more than 10% of the voting rights in one of our subsidiaries.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (presuming the Assumptions), have any interest and/or short position in our Shares or underlying shares of our Company that would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement that may at a subsequent date result in a change of control of our Company or any other member of our Group.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company as at the date of this document:

	HK$
Authorised share capital:	
1,900,000,000 Shares of HK$0.0002 each	380,000
Issued share capital:	
500,000,000 Shares of HK$0.0002 each	100,000

Issued and to be issued, fully paid or credited as fully paid, upon completion of the Global Offering

	Number of Shares	HK$	Approximate percentage of issued share capital (%)
Shares in issued as at the date of this document	500,000,000	100,000	75.0
Shares to be issued under the Global Offering	166,667,200	33,333	25.0
Total	666,667,200	133,333	100.0

Assumptions

The above table assumes that (i) the Global Offering becomes unconditional and our Shares are issued pursuant to the Global Offering, and (ii) the Assumptions are true. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to in "— Potential changes to share capital."

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this document, and will qualify and rank equally for all dividends declared, made or paid on our Shares on a record date which falls after the date of this document.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meetings are required

Our Company has only one class of Shares, being ordinary shares, and each Share ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and Articles, our Company may, from time to time, by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Law, reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. See "Summary of the constitution of the Company and the Cayman Companies Law — Articles of Association — Alteration of capital" in Appendix IV for more information.

Pre-IPO Share Incentive Scheme

We adopted the Pre-IPO Share Incentive Scheme by resolution of the Board on 19 June 2019. See "Statutory and general information — Share Incentive Schemes — Pre-IPO Share Incentive Scheme" in Appendix V to this document for more information.

General mandate to issue Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares not more than the sum of:

- 20% of the number of the Shares in issue immediately following completion of the Global Offering (presuming the Assumptions); and

- the aggregate number of Shares repurchased by us under the authority referred to in "— General mandate to repurchase Shares."

This general mandate will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum and Articles or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See "Statutory and general information — Further information about our Company and our subsidiaries — Resolutions of our Shareholders" in Appendix V to this document for more information.

General mandate to repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with a total number of up to 10% of the number of our Shares in issue immediately following the completion of the Global Offering (presuming the Assumptions).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and that are recognised by the SFC and the Stock Exchange for this purpose), in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in "Statutory and general information — Further information about our Company and our subsidiaries — Repurchase of our own Shares — Provision of the Listing Rules" in Appendix V to this document.

This general mandate will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum and Articles or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See "Statutory and general information — Further information about our Company and our subsidiaries — Repurchase of our own Shares" in Appendix V to this document for more information.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with the IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis may contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information in "Risk Factors" in this document.

OVERVIEW

We are a leading private IT higher education service provider in China, focusing on nurturing IT professional talent to cater for the fast-growing demand for talent in China's software and IT service industry. Leveraging our two decades of experience and knowhow accumulated in the IT higher education industry and driven by our vision of becoming a leader in China providing digital education services, we have developed an education service ecosystem with full-time formal higher education services as our fundamental business; continuing education services, and education resources and apprenticeship programme as our two strategic businesses. We are supported by the reputation of Neusoft Corporation, the first software company listed on the Shanghai Stock Exchange (stock code: 600718), and are able to leverage Neusoft Corporation's expertise in software and IT services. We have strategically established three application-oriented universities in Dalian, Chengdu and Foshan and developed a comprehensive portfolio of IT related majors covering a wide range of industry sectors with a high demand for IT talent, such as computer science, electronic information, digital media, information management service, and healthcare technology. According to the Frost & Sullivan Report, we ranked the first in terms of the number of IT majors provided by China's private higher education institutions and the second in terms of the number of students enroled in IT majors among all private higher education institutions in China, for the 2018/2019 school year. After excluding independent colleges from the ranking, we ranked the first in terms of the number of students enroled in IT majors among all private higher education institutions in the 2018/2019 school year, according to the Frost & Sullivan Report. The number of students enroled in our full-time formal higher education programmes reached 36,066 for the 2019/2020 school year, of which approximately 16,053 were enroled in IT majors.

We primarily offer three types of services: (i) full-time formal higher education services, (ii) continuing education services, and (iii) education resources and apprenticeship programme. Our full-time formal higher education services and continuing education services are operated by our three universities and our eight training schools. Our education resources and apprenticeship programme are offered by Dalian Education and a few of its subsidiaries, such as Shanghai Ruixiang and Tianjin Ruidao. Our revenue increased by 16.7% from RMB731.4 million for the year ended 31 December 2017 to RMB853.2 million for the year ended 31 December

2018 and further increased by 12.3% to RMB958.2 million for the year ended 31 December 2019. Our revenue decreased by 7.3% from RMB171.4 million for the three months ended 31 March 2019 to RMB158.9 million for the three months ended 31 March 2020. Our gross profit increased by 16.1% from RMB234.4 million for the year ended 31 December 2017 to RMB272.3 million for the year ended 31 December 2018 and further increased by 18.6% to RMB323.0 million for the year ended 31 December 2019. Our gross profit increased by 6.4% from RMB27.6 million for the three months ended 31 March 2019 to RMB29.4 million for the three months ended 31 March 2020. Our net profit increased by 14.3% from RMB143.2 million for the year ended 31 December 2017 to RMB163.7 million for the year ended 31 December 2018 and further increased by 6.9% to RMB175.0 million for the year ended 31 December 2019. Our net profit increased by 169.0% from RMB4.5 million for the three months ended 31 March 2019 to RMB12.2 million for the three months ended 31 March 2020.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in “History, Reorganisation and corporate structure — Reorganisation” in this document, our Company became the holding company of the companies and educational institutions now comprising our Group on 21 June 2019.

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the business carried out by our Group, our joint venture, the JV, has entered into the Contractual Arrangements with, among others, our Consolidated Affiliated Entities and their respective equity holders. The Contractual Arrangements enable the JV to exercise effective control over our Consolidated Affiliated Entities and obtain substantially all economic benefits from them. Details of the Contractual Arrangements are disclosed in “Contractual Arrangements” in this document.

Our Group comprising our Company and its subsidiaries (including our Consolidated Affiliated Entities) is regarded as a continuing entity. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period, and the consolidated statements of financial position of the Group as at those dates have been prepared as if the current group structure had been in existence throughout and at the end of the Track Record Period, or since the respective dates of incorporation/establishment of the relevant companies now comprising our Group where this is a shorter period.

For the purpose of preparing and presenting the financial statements for the Track Record Period, we have adopted the IFRS which are effective for our financial period beginning on 1 January 2017 consistently throughout the Track Record Period.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Demand for Private Higher Education, Particularly IT Higher Education, in China

During the Track Record Period, we derived our revenue primarily from the provision of private higher education services through our universities in China. Therefore, our results of operations and financial condition are significantly affected by the demand for private higher education in China.

The key factors that drive the growth of private higher education in China primarily include increases in expenditure of urban households on education and demand for higher education, growing demand for technical talent, favourable government policies and regulations on private education, and increasing diversification and improved quality of private higher education. Our business has benefited from the growth of China's economy and the increasing expenditure of urban households on education. According to Frost & Sullivan, the overall economic growth and the increase in per capita GDP in China have increased the level of per capita expenditure on education, which increased from RMB624 in 2014 to RMB854 in 2018, representing a CAGR of 8.2% in the same period. According to the Frost & Sullivan Report, Chinese parents have been increasingly aware of the importance of children's education. This, together with the increasing PRC urban household income and wealth, has played a significant role in the growing demand for private higher education in China.

Despite the increases in expenditure of urban households on education and demand for higher education, the development of public educational resources in China, especially public higher education, is relatively limited and likely to uphold at a relatively stable pace, creating market opportunities for private higher education services. According to Frost & Sullivan, public higher education in China generally provides less training on technical skills and there is a significant lack of skilled and well-trained first-line technicians in China, such as in the software and IT service industries. The growth of China's software and IT service industry has stimulated demands for IT talent, especially talent with higher education background. Meanwhile, attractive salary provided in IT-related industries also attracts more students to choose IT higher education.

In addition, the Chinese government has issued a series of policies and regulations to encourage and promote the development of private education, such as encouraging private capital to flow into the education business and calling for equal treatment of private schools and public schools. We expect that these policies will further drive the development of the PRC private education industry. Additional favourable policies are likely to be introduced to further drive the development of the PRC private education market, according to the Frost & Sullivan Report.

With policy support from the Chinese government, private education groups have been continuously improving the education quality of their private higher education services in terms of expanded course offerings and increased level of specialisation, according to Frost & Sullivan. Such developments are expected to attract more people to choose private higher education services and drive the long-term growth of the market. See "Industry Overview" in this document for further details.

Student Enrolments

Our revenue generally depends on the number of students enroled in our universities. We believe our ability to maintain or increase our student enrolment primarily depends on, among other things, the reputation and capacity of our universities as well as the admission quotas received by our universities. Our three universities offer full-time formal higher education programmes and formal higher continuing education programmes, as well as non-formal higher continuing education programmes. During the Track Record Period, the total number of students enroled in our full-time formal higher education programmes increased from 34,014 in the 2016/2017 school year to 34,606 in the 2017/2018 school year, slightly decreased to 34,144 in the 2018/2019 school year and increased to 36,066 in the 2019/2020 school year. For further details on the student enrolment of programmes offered by our universities for the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years, see "Business — Our services — Full-time formal higher education services" and "Business — Our services — Continuing education services — Formal higher continuing education programmes" in this document.

One of the most important factors that students and parents would consider when choosing schools to attend is the reputation of the schools. Our reputation is built on our ability to create decent employment opportunities for our students and the high employment rate of our students, which are attributable to our tailored and carefully designed practical curriculum and emphasis on career training. If we were not able to maintain and continue to enhance our reputation, we may not be able to maintain or increase our student enrolment level.

If we do not increase our school capacity in line with our student enrolment growth, the capacity of our universities may restrain our student enrolment. We plan to upgrade our existing school facilities and expand the campus of our universities and build more dormitories and other necessary facilities to accommodate additional students and drive the growth of our revenues. For further details on the capacities and utilisation rates of our universities for the 2016/2017, 2017/2018, 2018/2019 and 2019/2020 school years and our expansion plans, see "Business — Our services — Full-time formal higher education services — School capacity and utilisation rate" and "Business — Campus facilities and services — Upgrade and expansion plans" in this document.

Our student enrolment may also be restrained by the admission quota we obtain from the competent PRC education authorities. In the future, we may apply for and obtain larger annual admission quota, taking into account of various factors, including the number of students applying for admission to our universities, our recruitment capability, the capacity of each university and our operating efficiency. For further details on the admission quota of our universities, see "Business — Student admission — Student admission quota" in this document.

Tuition Fees and Boarding Fees

Our revenue is affected by the level of tuition fees and boarding fees that we are able to charge. We usually require students to pay tuition fees and boarding fees, among other fees, prior to the commencement of each school year. The tuition fees we charge are typically based on a number of factors, including the demand for our educational programmes, the cost of our operations, the geographic markets where we operate our universities, the tuition fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the regions where we operate our universities. For details of the fee requirements applicable to each of our universities and our tuition and boarding fee standards during the relevant school years, see "Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees" in this document.

We review our tuition fee rates from time to time and raise tuition fees to reflect our increasing operating costs, the improvements of our facilities and the changes in the market price for higher education services. Our tuition fee increase decisions depend on the market condition and other special circumstances we may encounter in the future. For instance, for the 2019/2020 school year, we increased tuition fees for bachelor degree programmes and junior college diploma programmes offered by Dalian University and Foshan University. The tuition fee and boarding fee rates for Chengdu University were previously subject to approval from relevant local government authorities. In May 2020, Sichuan province amended the approving requirements for tuition fee and boarding fee rates and private higher education institutions may determine the fee level on their own. Following the communication with the relevant government authority, we will also raise our tuition fees for bachelor degree programmes and junior college diploma programmes offered by Chengdu University in the near future. For those admitted students who did not complete their study with us or cannot enrol for the school year with us, we also have refund policies in compliance with PRC regulations and rules. See "Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees — Tuition fee and boarding fee policy" in this document. While we have successfully increased tuition fees at our universities during the Track Record Period and plan to raise the fees in the future, there is no guarantee we will be able to continue to maintain or raise tuition and boarding fee levels in the future. See "Risk Factors — Risks relating to our business and our industry — Our business and results of operations depend on the level of tuition and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fee levels" in this document.

According to the Frost & Sullivan Report, the private higher education industry has fairly high entry barriers. Given our leading position in our existing markets, our outstanding reputation, our quality education quality and the strong demand for our services, we believe we will be able to optimise our pricing without compromising our competitive edges.

Our School Utilisation Rate

The utilisation rate of our universities' facilities is also a key driver of revenue growth and gross margin. Utilisation rate of a given school for a given school year is generally calculated as the total number of students enroled in our full-time formal higher education programmes as of 31 August in each corresponding school year (except for the 2019/2020 school year, the cut-off date for which is 31 March 2020) divided by the school capacity for each corresponding school year. For more details about the utilisation rate of each of our universities, see "Business — Our services — Full-time formal higher education services — School capacity and utilisation rate" in this document.

Independent of the level of student enrolments in any given year, we incur a significant amount of fixed costs relating to the operation of our universities. If we enter new markets, we would expect a lower utilisation rate for schools in newly entered markets because it generally takes some period of time for us to build brand recognition and market our educational programmes in new geographic areas. If we expand our campus facilities at the schools we presently operate, our overall utilisation rate may decrease temporarily until we are able to enrol more students. Accordingly, a key driver of success is identifying the proper time to expand our capacity, either by entering new markets or by constructing additional space at existing facilities, and, following such expansion, quickly increase student enrolments.

Changes in Revenue Mix

We began to generate revenue from apprenticeship programme as part of our education resources and apprenticeship programme in 2017. Principally as a result of introducing apprenticeship programme, our revenue from education resources and apprenticeship programme and associated costs have increased significantly, thereby changing our revenue mix. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, the revenue generated from our education resources and apprenticeship programme amounted to RMB56.4 million, RMB121.5 million, RMB148.3 million and RMB20.8 million, respectively, which represented approximately 7.7%, 14.2%, 15.5% and 13.1% of our total revenue during the same periods, respectively.

Gross profit margins on apprenticeship programme are typically lower. As a result, the introduction of apprenticeship programme and the resultant shift in the mix of revenue sources has affected our overall gross margin. We expect our overall gross margin to increase as we optimise our revenue mix by maintaining or decreasing the portion of revenue from apprenticeship programme, which generally has a lower gross margin.

While we have experienced rapid growth in revenues from 2017 to 2019, there is no guarantee that we will be able to achieve such growth in the future. For more details, please see "Risk Factors — Risks relating to our business and our industry — Our historical financial and results of operations may not be indicative of our future performance and our financial and results of operations may be difficult to forecast" and "Risk Factors — Risks relating to our business and our industry — We may not be able to execute our growth strategies successfully or effectively, which may hinder our ability to capitalise on new business opportunities" in this document.

Ability to Control Our Cost of Revenue and Administrative Expenses

Our profitability also depends, in part, on our ability to control our cost of revenue and administrative expenses. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our cost of revenue represented approximately 67.9%, 68.1%, 66.3% and 81.5% of our total revenue, respectively. During these periods, employee benefit expenses were the largest component of our cost of revenue. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our employee benefit expenses amounted to RMB222.9 million, RMB305.0 million, RMB328.9 million and RMB65.7 million, respectively, representing approximately 30.5%, 35.8%, 34.3% and 41.3% of our total revenue, respectively. The increases were mainly attributable to the increase in the number of our employees. We expect our cost of revenue to increase in the future, primarily driven by expected overall growth of our business.

Our administrative expenses consists primarily of employee benefit expenses paid to our administrative staff. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our administrative expenses represented approximately 9.0%, 10.0%, 11.4% and 11.8% of our total revenue, respectively. Our administrative expenses may increase as we expand our business operations and become a public company.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our Consolidated Financial Statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including industry practises and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our material assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under the current circumstances, we do not expect our assumptions or estimates to change significantly in the future. When reviewing our Consolidated Financial Statements, you should consider (i) our critical accounting policies, (ii) the judgements and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our critical accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2 and Note 4 to the Accountant's Report in Appendix I to this document.

The adoption of IFRS9. (i) Classification and measurement of financial instruments: We assessed our business models and contractual terms of cash flows applying to the financial assets held by us during the Track Record Period under IFRS9. The classification of our financial instruments under IFRS9 and IAS39 are consistent. In addition, our financial assets measured at fair value through profit or loss or amortised cost under IAS39 will continue to be measured on the same basis under IFRS9. (ii) Impairment of financial assets: The new impairment guidance sets out an expected credit loss model applicable to receivables that are financial assets. The impact of applying the expected credit loss model to our trade and other receivables (excluding prepayments and value added tax recoverable that are not financial assets) is not material.

The adoption of IFRS15. IFRS15 requires separate presentation of contract liabilities in the consolidated statement of financial position. As of 31 December 2017, 2018, 2019 and 31 March 2020, contract liabilities of RMB411.8 million, RMB449.9 million, RMB489.4 million and RMB349.3 million, respectively, would have been presented as deferred revenue had IAS18 been applied throughout the Track Record Period. However, there is no impact to the net assets and net profit.

The adoption of IFRS16. The recognition of right of use asset and financial liability to pay rentals under IFRS16 would have been different had IAS17 been applied. See Note 16 and Note 28 to Accountant's Report in Appendix I to this document. However, the impact on the net assets and net profit is not material.

Based on the above analysis on the adoption of IFRS9, IFRS15 and IFRS16, we do not believe that the adoption of IFRS9, IFRS15 and IFRS16 has significant impact on our financial position and performance when compared to that of IAS39, IAS18 and IAS17 during the Track Record Period.

The following table sets out the impact of adopting IFRS16 on key ratios and financial position and performance of our Group. Based on our assessment, the adoption of IFRS16 has no impact on our banking covenants.

	As of/for the year ended 31 December			As of/for the three months ended 31 March
	2017	2018	2019	2020
Before adoption of IFRS 16				
Gross profit margin	31.6%	31.6%	33.6%	18.3%
Net profit margin	19.4%	19.4%	18.2%	7.6%
Return on assets	7.8%	8.9%	8.1%	0.4%
Return on equity	25.1%	28.2%	27.7%	1.6%
Current ratio	48.2%	43.1%	50.7%	48.9%
Gearing ratio(1)	101.6%	97.3%	139.8%	145.0%
Net debt to equity ratio(2)	48.8%	57.7%	61.0%	85.0%
Net assets (RMB'000)	629,063	542,624	714,495	757,874
Profit for the year/period (RMB'000)	142,070	165,427	174,008	12,051
After adoption of IFRS 16				
Gross profit margin	32.1%	31.9%	33.7%	18.5%
Net profit margin	19.6%	19.2%	18.3%	7.7%
Return on assets	7.5%	8.7%	8.0%	0.4%
Return on equity	25.4%	28.0%	27.9%	1.7%
Current ratio	47.5%	42.7%	50.5%	48.5%
Gearing ratio(3)	103.2%	107.0%	146.4%	152.5%
Net debt to equity ratio(4)	50.2%	67.4%	67.5%	92.4%
Net assets (RMB'000)	626,753	542,063	712,927	756,123
Profit for the year/period (RMB'000)	143,215	163,678	175,015	12,233

Notes:

(1) Gearing ratio equals total indebtedness (the sum of interest-bearing bank loans and other borrowings) as of the end of each year/period divided by our total equity as of the same date.

(2) Net debt to equity ratio equals total indebtedness (the sum of interest-bearing bank loans and other borrowings) net of cash and cash equivalents as of the end of each year/period, divided by our total equity as of the same date.

(3) Gearing ratio equals total indebtedness (the sum of interest-bearing bank loans, other borrowings and lease liabilities) as of the end of each year/period divided by total equity as of the same date.

(4) Net debt to equity ratio equals total indebtedness (the sum of interest-bearing bank loans, other borrowings and lease liabilities) net of cash and cash equivalents as of the end of each year/period, divided by total equity as of the same date.

Revenue from contracts with customers: Tianjin Ruidao and its subsidiaries made commitment in part of their contracts with certain cooperating universities or colleges that, if the students were unable to secure employment after completing the programme, Tianjin Ruidao and its subsidiaries would return half or all of the final-year tuition fee to these cooperating universities or colleges (such fees from these cooperating universities or colleges are referred to as the "**Committed Fees**"), which are considered as variable consideration. The terms of refund arrangement in relation to securing employment of the students are separately negotiated and agreed between Tianjin Ruidao group and the cooperating universities or colleges on a case by case basis. When negotiating a contract for provision of education resources with a cooperating university or college, Tianjin Ruidao group would agree with the cooperating university or college on (i) a target employment rate (normally within the range of 90% to 100%), and (ii) the refund amount if any student fail to secure employment after receiving the services provided by Tianjin Ruidao group, which would either be half or full of the final-year tuition fee of the unemployed students. There is no time bar for the refund arrangement. The cooperating universities or colleges would assess the employment rate of their graduates as of the graduation date. If the employment rate does not meet the agreed percentage, Tianjin Ruidao group shall refund the agreed amount to the relevant cooperating universities or colleges in accordance with the contract terms. Upon contract inception date and at the end of 31 March 2020, Tianjin Ruidao and its subsidiaries estimated and reassessed that it was highly probable that they can meet the commitment to provide employment to the students who have completed the programmes and a significant reversal in the amount of cumulative revenue recognised would not occur, therefore Tianjin Ruidao recognised the Committed Fees together with the rest of the tuition fee received from the cooperating universities or colleges as revenue proportionately over the period of service provision. See note 2.20 to the Accountant's Report in the Appendix I to this document for more information.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table presents a summary of our consolidated statements of comprehensive income for the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, which are derived from, and should be read in conjunction with, our Consolidated Financial Statements, including the notes thereto, included in the Accountant's Report of our Group set forth in Appendix I to this document.

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Revenue	731,390	853,167	958,228	171,394	158,867
Cost of revenue	(496,958)	(580,884)	(635,226)	(143,760)	(129,464)
Gross profit	**234,432**	**272,283**	**323,002**	**27,634**	**29,403**
Selling expenses	(9,190)	(10,588)	(11,239)	(1,901)	(3,590)
Administrative expenses	(65,854)	(85,252)	(109,185)	(20,042)	(18,727)
Research and development expenses	(24,019)	(19,819)	(20,445)	(6,131)	(3,980)
Other income	74,405	65,807	71,534	15,390	17,319
Other expense	(19,008)	(19,206)	(18,936)	(4,202)	(4,280)
Other gains	6,084	4,346	944	666	939
Operating profit	**196,850**	**207,571**	**235,675**	**11,414**	**17,084**
Finance income	1,041	1,973	3,387	596	891
Finance expenses	(36,308)	(38,539)	(40,094)	(9,353)	(9,413)
Profit before income tax	**161,583**	**171,005**	**198,968**	**2,657**	**8,562**
Income tax (expense)/credit	(18,368)	(7,327)	(23,953)	1,890	3,671
Profit for the year/period	**143,215**	**163,678**	**175,015**	**4,547**	**12,233**
Attributable to owners of the Company	114,818	131,991	139,213	3,661	9,706
Attributable to non-controlling interests	28,397	31,687	35,802	886	2,527
Non-IFRS measure:					
Adjusted Net Profit(1)	143,215	173,042	195,743	8,082	13,596
Attributable to owners of the Company	114,818	141,355	159,941	7,196	11,069

Note:

(1) Adjusted Net Profit represents profit for the year/period plus the expenses in relation to the Listing. The use of Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year/period. See "— Non-IFRS Measure" in this section.

NON-IFRS MEASURE

To supplement our Consolidated Financial Statements which are presented in accordance with IFRS, we also use Adjusted Net Profit as an additional financial measure. Adjusted Net Profit eliminates the effect of certain non-recurring expense item, namely the expenses relating to the Listing. The term "Adjusted Net Profit" is not defined under IFRS. The use of Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our net profit for the relevant years/periods. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that such non-IFRS measure provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies.

In light of the limitations for Adjusted Net Profit, when assessing our operating and financial performance, you should not view Adjusted Net Profit in isolation or as a substitute for our profit for the year/period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because this non-IFRS measure may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

The following table reconciles our Adjusted Net Profit for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Profit for the year/period	143,215	163,678	175,015	4,547	12,233
Add:					
Listing expenses	—	9,364	20,728	3,535	1,363
Adjusted Net Profit	**143,215**	**173,042**	**195,743**	**8,082**	**13,596**
Attributable to owners of the Company	114,818	141,355	159,941	7,196	11,069

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue represents the value of services rendered during the Track Record Period. We derive revenue mainly from tuition fees and boarding fees that our universities collect from students. We generally require students to pay tuition fees and boarding fees for the entire school year prior to the commencement of each school year. We recognise tuition fees and boarding fees as revenue proportionately over the terms of the applicable programme. For detailed information on the tuition fees and boarding fees, see "Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees" in this document. In the event an admitted student leaves school during a school year or cannot enrol for the school year, we have tuition fees and boarding fees refund policies in place at our universities. The tuition fees and boarding fees refunded each year from 2017 to 2019 accounted for less than 1% of our revenue of the relevant year. The boarding fees to be refunded to our students for the year ending 31 December 2020 may be over 1% of our revenue for the same year as we have decided to refund certain portion of our total boarding fees received for the 2019/2020 school year to our students. For a summary of our refund policies, see "Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees — Tuition fee and boarding fee policy" in this document. For detailed information on the impact of COVID-19, see "Business — Impact of COVID-19 on our business operations" in this document.

For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, we generated a total revenue of RMB731.4 million, RMB853.2 million, RMB958.2 million and RMB158.9 million, respectively. During the Track Record Period, we derived a majority of our revenue through the provision of full-time formal higher education services consisting of tuition fees and boarding fees. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, tuition fees were RMB577.8 million, RMB610.2 million, RMB666.5 million and RMB112.5 million, respectively, representing 79.0%, 71.5%, 69.6% and 70.8% of our total revenue, respectively. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, boarding fees were RMB48.2 million, RMB59.0 million, RMB64.1 million and RMB11.2 million, respectively, representing 6.6%, 6.9%, 6.7% and 7.1% of our total revenue, respectively. Furthermore, we generated revenue from rental of telecommunication device. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, such revenue amounted to RMB5.4 million, RMB3.9 million, RMB2.9 million and RMB0.4 million, respectively.

During the Track Record Period, we also derived revenue through provision of continuing education services. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our continuing education services revenue amounted to RMB43.6 million, RMB58.6 million, RMB76.4 million and RMB13.9 million, respectively, representing 6.0%, 6.9%, 8.0% and 8.8% of our total revenue, respectively.

In addition, we derived revenue through the provision of education resources and apprenticeship programme. A majority of such revenue was generated from apprenticeship programme. For detailed information on our education resources and apprenticeship programme, see "Business — Our services — Education resources and apprenticeship programme" in this document. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, these revenues amounted to RMB56.4 million, RMB121.5 million, RMB148.3 million and RMB20.8 million, respectively, representing 7.7%, 14.2%, 15.5% and 13.1% of our total revenue, respectively.

The following table sets forth the components of our total revenue by revenue source in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB'000)		(RMB'000)		(RMB'000)		(RMB'000) (Unaudited)		(RMB'000)	
Full-time formal higher education services										
Tuition fees	577,831	79.0	610,153	71.5	666,490	69.6	103,836	60.6	112,522	70.8
Boarding fees	48,209	6.6	58,988	6.9	64,054	6.7	15,575	9.1	11,232	7.1
Rental income of telecommunication device	5,370	0.7	3,886	0.5	2,936	0.3	182	0.1	362	0.2
Sub-total	631,410	86.3	673,027	78.9	733,480	76.5	119,593	69.8	124,116	78.1
Continuing education services	43,621	6.0	58,642	6.9	76,435	8.0	10,510	6.1	13,919	8.8
Education resources and apprenticeship programme										
Education resources	26,428	3.6	22,233	2.6	34,506	3.6	2,473	1.4	3,665	2.3
Apprenticeship programme	29,931	4.1	99,265	11.6	113,807	11.9	38,818	22.6	17,167	10.8
Sub-total	56,359	7.7	121,498	14.2	148,313	15.5	41,291	24.1	20,832	13.1
Total	**731,390**	**100.0**	**853,167**	**100.0**	**958,228**	**100.0**	**171,394**	**100.0**	**158,867**	**100.0**

Cost of Revenue

Cost of revenue consists primarily of employee benefit expenses, depreciation and amortisation expenses, course outsourcing service fees, property management, landscaping and maintenance expenses, office and utilities expenses, operating lease expense, cost of publication, subcontract cost and others. The following table sets forth the components of our cost of revenue in absolute amounts and as percentages of our total cost of revenue for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2017		2018		2019		2019		2020	
	Amount (RMB'000)	%	Amount (RMB'000)	%	Amount (RMB'000)	%	Amount (RMB'000) (Unaudited)	%	Amount (RMB'000)	%
Employee benefit expenses(1)	222,934	44.9	305,010	52.5	328,885	51.8	85,241	59.3	65,660	50.7
Depreciation and amortisation expenses(2)	107,128	21.6	95,194	16.4	95,923	15.1	23,340	16.2	27,456	21.2
Course outsourcing service fees(3)	18,738	3.8	—	—	—	—	—	—	—	—
Property management, landscaping and maintenance expenses	52,919	10.6	54,924	9.5	55,581	8.7	9,671	6.7	8,213	6.3
Office and utilities expenses	46,268	9.3	57,608	9.9	76,102	12.0	6,840	4.8	9,191	7.1
Operating lease expense	6,518	1.3	24,782	4.3	36,732	5.8	10,835	7.5	10,834	8.4
Cost of publication(4)	15,533	3.1	6,756	1.2	5,302	0.8	514	0.4	290	0.2
Subcontract cost	13,355	2.7	18,279	3.1	17,931	2.8	4,593	3.2	4,557	3.5
Taxes and fees	—	—	1,046	0.2	—	—	—	—	—	—
Others	13,565	2.7	17,285	3.0	18,770	3.0	2,726	1.9	3,263	2.6
Total	**496,958**	**100.0**	**580,884**	**100.0**	**635,226**	**100.0**	**143,760**	**100.0**	**129,464**	**100.0**

Notes:

(1) Employee benefit expenses consist mainly of salaries, social insurance and other benefits paid to our staff.

(2) Depreciation and amortisation expenses relate to the depreciation and amortisation of land use rights, buildings, equipment, software, books and journals.

(3) Course outsourcing services fees relate to practical training courses.

(4) Cost of publication includes the cost of printing, the remuneration of authors and the cost of purchasing books.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of revenue, and gross profit margin represents gross profit divided by revenue. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our gross profit was RMB234.4 million, RMB272.3 million, RMB323.0 million and RMB29.4 million, respectively, and our gross profit margin was 32.1%, 31.9%, 33.7% and 18.5%, respectively.

Selling Expenses

Selling expenses consisted primarily of salaries and other compensations paid to our selling and marketing staff, marketing expenses relating to our general promotion and marketing activities, and others. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our selling expenses were RMB9.2 million, RMB10.6 million, RMB11.2 million and RMB3.6 million, respectively. The following table sets forth the components of our selling expenses for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Employee benefit expenses	3,823	4,780	6,091	1,225	2,717
Office and utilities expenses	1,089	1,653	2,049	295	295
Depreciation and amortisation expenses	49	44	30	2	73
Property management, landscaping and maintenance expenses	—	—	—	—	2
Operating lease expense	128	169	—	—	83
Others	4,101	3,942	3,069	379	420
Total	**9,190**	**10,588**	**11,239**	**1,901**	**3,590**

Administrative Expenses

Administrative expenses consisted primarily of salaries and other compensations paid to our administrative staff, office and utilities expenses, taxes and fees, depreciation and amortisation expenses of office buildings, equipment and software for general administrative purposes, operating lease expense, Listing expenses and others. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our administrative expenses were RMB65.9 million, RMB85.3 million, RMB109.2 million and RMB18.7 million, respectively. The following table sets forth the components of our administrative expenses for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Employee benefit expenses	43,328	46,571	54,900	11,896	12,304
Office and utilities expenses	10,511	11,892	18,493	1,898	1,201
Taxes and fees	4,962	9,368	6,216	1,327	1,252
Depreciation and amortisation expenses	4,539	4,924	5,495	1,051	2,034
Operating lease expense	548	134	48	39	44
Auditors' remuneration	139	419	646	—	—
Property management, landscaping and maintenance expenses	22	217	320	4	23
Listing expenses	—	9,364	20,728	3,535	1,363
Others	1,805	2,363	2,339	292	506
Total	**65,854**	**85,252**	**109,185**	**20,042**	**18,727**

Research and Development Expenses

Research and development expenses consisted primarily of personnel and related costs of our research and development activities. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our research and development expenses were RMB24.0 million, RMB19.8 million, RMB20.4 million and RMB4.0 million, respectively. The following table sets forth the components of our research and development expenses for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Employee benefit expenses	20,886	16,983	19,338	5,940	3,673
Depreciation and amortisation expenses	1,185	548	132	29	161
Property management, landscaping and maintenance expenses	—	—	—	44	—
Office and utilities expense	440	583	954	118	135
Operating lease expense	189	190	—	—	11
Others	1,319	1,515	21	—	—
Total	**24,019**	**19,819**	**20,445**	**6,131**	**3,980**

Other Income

Other income consisted primarily of rental income and property service and management income we received from leasing office space in the university science park to certain cooperating enterprises, and government grants and subsidies. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our other income was RMB74.4 million, RMB65.8 million, RMB71.5 million and RMB17.3 million, respectively. The following table sets forth the components of our other income for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Rental income from properties	25,457	27,996	28,866	6,984	7,587
Property service and management income	17,947	17,011	18,754	4,624	4,414
Government grants and subsidies	13,245	13,156	16,358	1,534	3,915
Development of software system technology	10,740	6,134	5,551	1,588	1,396
Interest income from loan to related parties and third party	570	70	71	17	—
Matching service income	2,502	—	—	—	—
Others	3,944	1,440	1,934	643	7
Total	**74,405**	**65,807**	**71,534**	**15,390**	**17,319**

Other Expense

Other expense consisted primarily of depreciation of property, plant and equipment, property maintenance and fire protection expenses, and development of software system technology expenses. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our other expense were RMB19.0 million, RMB19.2 million, RMB18.9 million and RMB4.3 million, respectively. The following table sets forth the components of our other expense for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Depreciation of property, plant and equipment	9,416	5,476	6,058	1,496	1,654
Property maintenance and fire protection expenses	5,349	6,246	5,212	803	888
Development of software system technology expenses	2,410	5,302	5,375	1,531	1,328
Employee benefit expenses	356	819	578	108	132
Utility expenses	467	459	508	82	89
Amortisation of land use rights and intangible assets	718	718	718	180	180
Others	292	186	487	2	9
Total	**19,008**	**19,206**	**18,936**	**4,202**	**4,280**

Other Gains and Losses

Other gains and losses consisted primarily of gains on financial assets at fair value through profit or loss, write-off of payables, and net losses on disposal of property, plant and equipment. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, we recorded other gains of RMB6.1 million, RMB4.3 million, RMB0.9 million and RMB0.9 million, respectively. The following table sets forth the components of our other gains and losses for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	**2018**	**2019**	**2019**	**2020**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)** (Unaudited)	**(RMB'000)**
Gains on financial assets at fair value through profit or loss	2,743	6,121	1,079	708	1,022
Write-off of payables	4,014	—	—	—	—
Donation received	586	192	605	46	4
Net (losses)/gains on disposal of property, plant and equipment	(1,155)	(2,594)	(820)	—	1
Losses on termination of leasing contract	(160)	—	—	—	—
Others	56	627	80	(88)	(88)
Total	**6,084**	**4,346**	**944**	**666**	**939**

Operating Profit

For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our operating profit was RMB196.9 million, RMB207.6 million, RMB235.7 million and RMB17.1 million, respectively.

Finance Expenses

Our finance expenses consisted primarily of the interest expenses on our borrowings from banks and related parties, the interest expenses from leasing, other charges in relation to our borrowings and net foreign exchange gains/(losses). For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our finance expenses were RMB36.3 million, RMB38.5 million, RMB40.1 million and RMB9.4 million, respectively. The following table sets forth the components of our finance expenses for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Interest expenses from banks	19,251	25,842	42,023	7,680	12,805
Interest expenses from leasing	4,637	1,106	2,477	651	597
Interest expenses from related parties	13,375	11,672	7,108	2,133	—
Other charges	133	659	427	297	43
Net foreign exchange gains/(losses)	25	(5)	(4)	5	(34)
Less: amount capitalised	(1,113)	(735)	(11,937)	(1,413)	(3,998)
Total	**36,308**	**38,539**	**40,094**	**9,353**	**9,413**

Profit for the Year/Period

For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our profit for the year/period was RMB143.2 million, RMB163.7 million, RMB175.0 million and RMB12.2 million, respectively.

Taxation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and accordingly is not subject to income tax of Cayman Islands. Neusoft Education BVI, our wholly-owned subsidiary, is a company with limited liability incorporated in the BVI and is not subject to income tax of the BVI.

No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

For our operations in the PRC, we are generally subject to the PRC enterprise income tax at a rate of 25% on our taxable income, and certain subsidiaries are entitled to preferential tax rates ranging from 0% to 15%

during certain periods. Dalian Yunguan is recognised as a software enterprise and thus entitled to a 50% reduction in the statutory income tax rate of 25% for the three years from 2017 to 2019. Accordingly, Dalian Yunguan is subject to a PRC enterprise income tax rate of 12.5% for the years ended 31 December 2017, 2018 and 2019. In addition, Dalian Yunguan is recognised as a high-tech enterprise and thus is entitled to a preferential income tax rate of 15% from 2018 through 2020. As a result, Dalian Yunguan is subject to a preferential income tax rate of 15% for the three months ended 31 March 2020. Shanghai Ruixiang is exempt from PRC enterprise income tax for two years since 2017, followed by a 50% reduction in the statutory income tax rate of 25% for the three years from 2019 to 2021. Accordingly, Shanghai Ruixiang is subject to a PRC enterprise income tax rate of 0%, 0%, 12.5% and 12.5% for the years ended 31 December 2017 and 2018, 2019 and the three months ended 31 March 2020, respectively. Dalian Education enjoyed income tax exemption for 2019 and 2020, followed by a 50% reduction in income tax from 2021 through 2023. Accordingly, Dalian Education is subject to a PRC enterprise income tax rate of 0% for the years ended 31 December 2019 and the three months ended 31 March 2020. For the years ended 31 December 2017, 2018 and 2019, our income tax expenses were RMB18.4 million, RMB7.3 million and RMB24.0 million, respectively. We recorded income tax credit of RMB3.7 million in the three months ended 31 March 2020.

In addition, according to Article 1 of Circular of the Ministry of Finance and the State Administration of Taxation on Education Tax Policies (Cai Shui [2004] No. 39), income generated from the provision of academic educational services should be exempted from PRC Business Tax. Furthermore, the PRC Business Tax has been abolished on 1 May 2016. In addition, Circular on Comprehensively Promoting the Pilot Programme of the Collection of VAT in lieu of Business Tax (Cai Shui [2016] No. 36) provides that academic education shall be exempted from VAT. As such, all of our universities are exempted from PRC Business Tax for their income generated from the provision of academic educational services during the Track Record Period and from PRC VAT for their income generated from the provision of academic educational services since 1 May 2016.

As of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

Sensitivity Analysis

We present a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees income during the Track Record Period, and (ii) the effect of the fluctuations of our employee benefit expenses, which includes salaries and other compensation paid to our staff, during the Track Record Period, assuming no change of depreciation and amortisation or any other costs. The sensitivity analysis involving tuition fees income and employee benefit expenses is hypothetical in nature and we assume that all other variables remain constant. The following sensitivity analysis is for illustrative purposes only, which indicates the potential impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the potential impact on our profit for the year/period with a 6% and 9%, and 28% and 10% increase or decrease in tuition fees income and employee benefit expenses, respectively. We believe that the application of hypothetical fluctuations of 6% and 9%, and 28% and 10% in the tuition fees income and employee benefit expenses, respectively, presents a meaningful analysis of the potential impact of changes in the tuition fees income and employee benefit expenses on our revenue and profitability.

The following tables set forth the sensitivity of our profit for the year to the hypothetical reasonable changes in our tuition fees income and employee benefit expenses for the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Sensitivity analysis of tuition fees income					
Tuition fees income (decrease)/ increase	**Impact on our profit for the year/period**				
(6)%	(26,002)	(27,457)	(29,992)	(4,673)	(5,063)
(9)%	(39,004)	(41,185)	(44,988)	(7,009)	(7,595)
6%	26,002	27,457	29,992	4,673	5,063
9%	39,004	41,185	44,988	7,009	7,595
Sensitivity analysis of employee benefit expenses					
Employee benefit expenses (decrease)/ increase	**Impact on our profit for the year/period**				
(28)%	61,179	78,574	86,056	21,926	17,742
(10)%	21,850	28,062	30,734	7,831	6,336
28%	(61,179)	(78,574)	(86,056)	(21,926)	(17,742)
10%	(21,850)	(28,062)	(30,734)	(7,831)	(6,336)

For illustrative purpose of breakeven analysis only, for the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2019 and 2020, if the tuition fee income had decreased by approximately 33%, 36%, 35%, 6% and 14%, respectively, our net profit for the same periods would have been nil, assuming all other variables remain constant.

For illustrative purpose of breakeven analysis only, for the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2019 and 2020, if the employment benefit expenses had increased by approximately 66%, 58%, 57%, 6% and 19%, respectively, our net profit for the same periods would have been nil, assuming all other variables remain constant.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended 31 March 2019 Compared to Three Months Ended 31 March 2020

Revenue

Our revenue decreased by 7.3% from RMB171.4 million for the three months ended 31 March 2019 to RMB158.9 million for the three months ended 31 March 2020, primarily due to a decrease in revenue generated from education resources and apprenticeship programme.

Revenue generated from our education resources and apprenticeship programme decreased by 49.5% from RMB41.3 million for the three months ended 31 March 2019 to RMB20.8 million for the three months ended 31 March 2020 primarily attributable to the decrease of revenue from our apprenticeship programme from RMB38.8 million for the three months ended 31 March 2019 to RMB17.2 million for the same period of 2020 as we optimised our employee structure, in particular, our engineer team, to reduce cost. For the three months ended 31 March 2020, we still primarily relied on our engineering team to generate revenue for our apprenticeship programme and revenue derived from charging enterprises for supplying well-trained students to such enterprises still accounted for a small portion of revenue from our apprenticeship programme. Therefore, such decrease in the number of engineers resulted in the decrease of revenue from our apprenticeship programme. In order to increase our student training capacity with a reduced number of engineers and further improve the quality and effectiveness of our trainings, we applied internet technologies in student training in our apprenticeship programme. As the number of students from other universities and colleges in our apprenticeship programme increases in the future, we will further apply internet technologies to increase our student training capacity and improve the effectiveness of trainings offered by our apprenticeship programmes.

Revenue derived from our full-time formal higher education services increased by 3.8% from RMB119.6 million for the three months ended 31 March 2019 to RMB124.1 million for the three months ended 31 March 2020. This was mainly because for the 2019/2020 school year, we raised tuition fees for bachelor degree programmes offered by Foshan University, which was partially offset by a decrease of RMB4.3 million in revenues from boarding fees for the three months ended 31 March 2020, as we made provisions for boarding fee refund to students of RMB5.6 million for the three months ended 31 March 2020 due to campus closing resulted from COVID-19. For detailed information on the tuition fees and boarding fees, see "Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees" in this document. For detailed information on the impact of COVID-19, see "Business — Impact of COVID-19 on our business operations."

Cost of Revenue

Our cost of revenue decreased by 9.9% from RMB143.8 million for the three months ended 31 March 2019 to RMB129.5 million for the three months ended 31 March 2020, primarily due to a decrease of RMB19.6 million in employee benefit expenses for the three months ended 31 March 2020 as a result of an optimisation of our apprenticeship programme, which resulted in a decrease in the number of engineers in our apprenticeship programme.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased by 6.4% from RMB27.6 million for the three months ended 31 March 2019 to RMB29.4 million for the three months ended 31 March 2020, and our gross profit margin increased from 16.1% for the three months ended 31 March 2019 to 18.5% for the three months ended 31 March 2020. The primary reason for the increase in gross profit was the increase in our tuition fees for our full-time formal higher education programmes. Our total revenue decreased primarily due to the decrease of revenue from our apprenticeship programme. However, our cost of revenue for our apprenticeship programme also decreased significantly. As a result, the decrease in revenue from our apprenticeship programme did not significantly affect our gross profit. The increase in our gross profit margin was mainly due to (i) the increase in our tuition fees for our full-time formal higher education programmes, and (ii) the decrease of our revenue generated from apprenticeship programme, which generally has a lower profit margin.

Selling Expenses

Our selling expenses increased by 88.8% from RMB1.9 million for the three months ended 31 March 2019 to RMB3.6 million for the three months ended 31 March 2020, primarily due to an increase of RMB1.5 million in employee benefit expenses resulting from the increase of the number of sales personnel after we acquired Tianjin Ruidao in March 2020 and integrated its sales network across China to our Group.

Administrative Expenses

Our administrative expenses decreased by 6.6% from RMB20.0 million for the three months ended 31 March 2019 to RMB18.7 million for the three months ended 31 March 2020, primarily due to a decrease of RMB2.2 million in Listing expenses.

Research and Development Expenses

Our research and development expenses decreased by 35.1% from RMB6.1 million for the three months ended 31 March 2019 to RMB4.0 million for the three months ended 31 March 2020, primarily due to a decrease in the number of research and development personnel responsible for developing the practical training platforms of our three universities. Such platforms had been well-developed and we reduced the number of research and development personnel so as to allocate more resources to hire more high-tech talents to develop other products. We started to recruit high-tech talents in 2019 and will further recruit these talents in the future based on the growth of our business.

Other Income

Our other income slightly increased by 12.5% from RMB15.4 million for the three months ended 31 March 2019 to RMB17.3 million for the three months ended 31 March 2020, primarily attributable to the increase of government grants and subsidies from RMB1.5 million to RMB3.9 million as Shanghai Ruixiang received government grants and subsidies for the year ending 31 December 2020 in March 2020, earlier than government grants and subsidies Shanghai Ruixiang received for the year ended 31 December 2019, which took place in April 2019.

Other Expense

Our other expense remained stable at RMB4.2 million and RMB4.3 million for the three months ended 31 March 2019 and 2020, respectively.

Other Gains

We recorded other gains of RMB0.7 million for the three months ended 31 March 2019, compared to other gains of RMB0.9 million for the three months ended 31 March 2020. The increase was primarily attributable to the increase of RMB0.3 million in gains on financial assets at fair value through profit or loss as we brought more wealth management products in the three months ended 31 March 2020.

Operating Profit

As a result of the foregoing, our operating profit increased by 49.7% from RMB11.4 million for the three months ended 31 March 2019 to RMB17.1 million for the three months ended 31 March 2020.

Finance Income

Our finance income increased from RMB0.6 million for the three months ended 31 March 2019 to RMB0.9 million for the three months ended 31 March 2020, primarily due to an increase in balance in our bank accounts.

Finance Expenses

Our finance expenses remained stable around RMB9.4 million for the three months ended 31 March 2019 and for the three months ended 31 March 2020, primarily due to the increase in our interest expenses payable to banks from RMB7.7 million for the three months ended 31 March 2019 to RMB12.8 million for the three months ended 31 March 2020 as our bank borrowings increased in 2020, and partially offset by the increase of amount capitalised from RMB1.4 million to RMB4.0 million for the same period and a decrease of interest expenses payable to related parties due to our repayment of a related-party loan the end of 2019.

Income Tax Credit

We recorded income tax credit of RMB1.9 million for the three months ended 31 March 2019 and income tax credit of RMB3.7 million for the three months ended 31 March 2020. We recorded income tax credit for the three months ended 31 March 2019 and 2020 primarily because we recorded deferred income tax assets for losses incurred by certain of our operating subsidiaries such as our three universities. To a lesser extent, certain of our profit-making subsidiaries recorded less income tax expenses due to certain income tax benefits.

We recorded a higher amount of income tax credit for the three months ended 31 March 2020, primarily because we recorded a higher amount of deferred income tax assets of RMB8.0 million for the three months ended 31 March 2020 as compared to deferred income tax assets of RMB7.3 million for the three months ended 31 March 2019.

Profit for the Period

As a result of the foregoing, our profit for the period increased from RMB4.5 million for the three months ended 31 March 2019 to RMB12.2 million for the three months ended 31 March 2020.

Year Ended 31 December 2019 Compared to Year Ended 31 December 2018

Revenue

Our revenue increased by 12.3% from RMB853.2 million for the year ended 31 December 2018 to RMB958.2 million for the year ended 31 December 2019. This increase was primarily due to the increases in revenue from both our full-time formal higher education services and education resources and apprenticeship programme.

Revenue generated from our full-time formal higher education services increased by 9.0% from RMB673.0 million for the year ended 31 December 2018 to RMB733.5 million for the year ended 31 December 2019 because the number of students enroled increased for the 2019/2020 school year and we raised our tuition fees for bachelor degree programmes and junior college diploma programmes offered by Dalian University and Foshan University for the 2019/2020 school year. For detailed information on the tuition fees and boarding fees, see "Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees" in this document.

Revenue derived from our education resources and apprenticeship programme increased by 22.1% from RMB121.5 million for the year ended 31 December 2018 to RMB148.3 million for the year ended 31 December 2019, primarily because (i) we expanded the client base for our education resources, in particular, clients purchasing our software products, and (ii) Shanghai Ruixiang had a higher number of engineers in the first half of 2019 and thus were able to generate more revenue for our apprenticeship programme by undertaking more IT development projects.

Revenue derived from our continuing education services increased by 30.3% from RMB58.6 million for the year ended 31 December 2018 to RMB76.4 million for the year ended 31 December 2019, primarily due to (i) the growth of our short-term training services after we established Neusoft Training School in August 2018, and (ii) the growth of our adult higher education programmes from Foshan University for the year ended 31 December 2019.

Cost of Revenue

Our cost of revenue increased by 9.3% from RMB580.9 million for the year ended 31 December 2018 to RMB635.2 million for the year ended 31 December 2019, primarily due to increases in our (i) employee benefit expenses, (ii) office and utilities expenses, and (iii) operating lease expense.

Our employee benefit expenses increased from RMB305.0 million for the year ended 31 December 2018 to RMB328.9 million for the year ended 31 December 2019 mainly because in 2019 (i) Chengdu University hired an additional number of employees, especially teachers, (ii) Foshan University increased the overall level of employee compensation, and (iii) Shanghai Ruixiang had a higher number of employees in the first half of 2019.

Our office and utilities expenses also increased from RMB57.6 million for the year ended 31 December 2018 to RMB76.1 million for the year ended 31 December 2019 mainly because (i) Shanghai Ruixiang had a higher number of employees in the first half of 2019, and (ii) Neusoft Training School and Dalian Education leased additional office space and incurred additional expenses in connection therewith.

Our operating lease expense increased from RMB24.8 million for the year ended 31 December 2018 to RMB36.7 million for the year ended 31 December 2019, primarily due to (i) an increase of RMB4.4 million in operating lease expense for a student dormitory building of Dalian University, and (ii) Foshan University rented additional student dormitory buildings in August 2018 and 2019.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased by 18.6% from RMB272.3 million for the year ended 31 December 2018 to RMB323.0 million for the year ended 31 December 2019, and our gross profit margin slightly increased from 31.9% for the year ended 31 December 2018 to 33.7% for the year ended 31 December 2019.

Selling Expenses

Our selling expenses slightly increased by 6.1% from RMB10.6 million for the year ended 31 December 2018 to RMB11.2 million for the year ended 31 December 2019, primarily due to an increase in employee benefit expenses as a result of the growth of our business, in particular, the growth of our education resources business.

Administrative Expenses

Our administrative expenses increased by 28.1% from RMB85.3 million for the year ended 31 December 2018 to RMB109.2 million for the year ended 31 December 2019, primarily due to (i) an increase of RMB11.4 million in expenses associated with the Listing, (ii) an increase of RMB8.3 million in employee benefit expenses as a result of a higher number of employees in Shanghai Ruixiang in the first half of 2019 and the establishment of Neusoft Training School and Dalian Education in August 2018, and (iii) an increase of RMB6.6 million in office and utilities expenses as a result of Dalian Education's office relocation, holding investor meetings and traveling abroad for roadshows. The increases were partially offset by a decrease in taxes and fees because we incurred taxes and fees of RMB3.5 million in the first half of 2018 due to the transfer of the legal title of certain real estate properties that Chengdu University had been using from Chengdu Development to Chengdu University so that Chengdu University is able to manage its school properties and operations more efficiently.

Research and Development Expenses

Our research and development expenses increased by 3.2% from RMB19.8 million for the year ended 31 December 2018 to RMB20.4 million for the year ended 31 December 2019, primarily due to an increase of

RMB2.4 million in the employee benefit expenses as we have a higher number of research personnel engaged in the research and development and maintenance of our education resources products and the research and development activities in connection with our online training courses. Such increase was offset by a decrease of RMB1.5 million in other expenses resulted from a software development outsourcing programme started in 2018 and ended in early 2019 and, as a result, expenses related to such programme decreased in 2019 as compared to 2018.

Other Income

Our other income increased by 8.7% from RMB65.8 million for the year ended 31 December 2018 to RMB71.5 million for the year ended 31 December 2019, primarily due to a higher amount of government subsidy Shanghai Ruixiang received in 2019 as Shanghai Ruixiang paid a higher amount of tax in 2018 than in 2017.

Other Expense

Our other expense remained stable at RMB19.2 million and RMB18.9 million for the years ended 31 December 2018 and 2019, respectively.

Other Gains

Our other gains decreased from RMB4.3 million for the year ended 31 December 2018 to RMB0.9 million for the year ended 31 December 2019, primarily because we recorded a decrease of RMB5.0 million in gains in profit or loss on financial instruments as we decreased the amount of wealth management products we held in 2019 to meet our demand for cash for our schools' land acquisition and school building construction. Such decrease was partially offset by a decrease of RMB1.8 million in losses on disposal of property, plant and equipment as Dalian Development and Foshan University retired a large amount of assets in 2018.

Operating Profit

As a result of the foregoing, our operating profit increased by 13.5% from RMB207.6 million for the year ended 31 December 2018 to RMB235.7 million for the year ended 31 December 2019.

Finance Income

Our finance income increased by 71.7% from RMB2.0 million for the year ended 31 December 2018 to RMB3.4 million for the year ended 31 December 2019, primarily due to an increase in balance in our bank accounts.

Finance Expenses

Our finance expenses increased by 4.0% from RMB38.5 million for the year ended 31 December 2018 to RMB40.1 million for the year ended 31 December 2019, primarily due to the increase in our interest expenses payable to banks as our bank borrowings increased in 2019 for purposes such as establishing a practical training base in Dalian University and supplementing our working capital.

Income Tax Expense

Our income tax expense increased by 226.9% from RMB7.3 million for the year ended 31 December 2018 to RMB24.0 million for the year ended 31 December 2019, primarily because (i) Shanghai Ruixiang started to be subject to a "three-year 50% reduction" preferential enterprise income tax rate of 12.5% from 2019 through 2021 according to a "two-year exemption, three-year 50% reduction" preferential enterprise income tax treatment, and (ii) we had a higher amount of operating profit in 2019.

Profit for the Year

As a result of the foregoing, our profit increased by 6.9% from RMB163.7 million for the year ended 31 December 2018 to RMB175.0 million for the year ended 31 December 2019.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Revenue

Our revenue increased by 16.7% from RMB731.4 million for the year ended 31 December 2017 to RMB853.2 million for the year ended 31 December 2018. This increase was due to the increases in revenue from our education resources and apprenticeship programme, our full-time formal higher education services and our continuing education services.

Revenue generated from our education resources and apprenticeship programme increased by 115.6% from RMB56.4 million for the year ended 31 December 2017 to RMB121.5 million for the year ended 31 December 2018, primarily attributable to the increase in revenue from apprenticeship programme from RMB29.9 million to RMB99.3 million during the same period as a result of our expansion of apprenticeship programme.

Revenue generated from our full-time formal higher education services increased by 6.6% from RMB631.4 million for the year ended 31 December 2017 to RMB673.0 million for the year ended 31 December 2018 mainly because (i) for the 2017/2018 school year, we raised our tuition fees for bachelor degree programmes, junior college diploma programmes and junior college to bachelor degree transfer programmes offered by Dalian University, and raised tuition fees for junior college diploma programmes offered by Foshan University, and (ii) for the 2018/2019 school year, we raised tuition fees for bachelor degree programmes offered by Foshan University. For detailed information on the tuition fees and boarding fees, see "Business — Our services — Full-time formal higher education services — Tuition fees and boarding fees" in this document.

Revenue derived from our continuing education services increased by 34.4% from RMB43.6 million for the year ended 31 December 2017 to RMB58.6 million for the year ended 31 December 2018, which was primarily attributable to (i) the increase in the number of students enroled in our formal higher continuing education programmes from 3,658 in the 2017/2018 school year to 3,773 in the 2018/2019 school year, and (ii) the increase in revenue from our short-term training services.

Cost of Revenue

Our cost of revenue increased by 16.9% from RMB497.0 million for the year ended 31 December 2017 to RMB580.9 million for the year ended 31 December 2018. This increase was primarily due to the increase in our employee benefit expenses from RMB222.9 million for the year ended 31 December 2017 to RMB305.0 million for the year ended 31 December 2018 and the increase in our operating lease expense from RMB6.5 million for the year ended 31 December 2017 to RMB24.8 million for the year ended 31 December 2018. The increase in our employee benefit expenses was mainly attributable to (i) the increased employee benefit expenses for our education resources and apprenticeship programme as we continued to expand our apprenticeship programme and accordingly hired more engineers in 2018 to provide guidance and supervise our students in IT development projects, and (ii) the increase in the number of our teachers. Our operating lease expense increased during the period because we early adopted IFRS 16 and in September 2017, we changed the lease terms from five years to one year with respect to certain of our student dormitories in order to manage our leases with more flexibility. Under IFRS 16, only payments associated with leases of a term of 12 months or less are recognised as operating lease expenses. Accordingly, our operating lease expense for the year ended 31 December 2018 increased primarily due to the change of lease terms.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 16.1% from RMB234.4 million for the year ended 31 December 2017 to RMB272.3 million for the year ended 31 December 2018, and our gross profit margin slightly decreased from 32.1% for the year ended 31 December 2017 to 31.9% for the year ended 31 December 2018. The primary underlying reason for the increase in gross profit was the increase of our revenue outpaced the increase of our cost of revenue for the same period. Our overall gross profit margin remained stable because the growth of our low-margin apprenticeship programme offset the increased gross profit margin of our full-time formal higher education services resulting from the raise of tuition fees and boarding fees.

Selling Expenses

Our selling expenses increased by 15.2% from RMB9.2 million for the year ended 31 December 2017 to RMB10.6 million for the year ended 31 December 2018, primarily due to (i) an increase in employee benefit expenses from RMB3.8 million for the year ended 31 December 2017 to RMB4.8 million for the year ended 31 December 2018, and (ii) an increase in office and utilities expenses from RMB1.1 million for the year ended 31 December 2017 to RMB1.7 million for the year ended 31 December 2018, partially offset by a decrease in other expenses from RMB4.1 million for the year ended 31 December 2017 to RMB3.9 million for the year ended 31 December 2018. The increases in our employee benefit expenses were primarily driven by the increase in our employee headcount due to promotion of our education resources during the same period.

Administrative Expenses

Our administrative expenses increased by 29.5% from RMB65.9 million for the year ended 31 December 2017 to RMB85.3 million for the year ended 31 December 2018, primarily due to (i) an increase in Listing expenses from nil for the year ended 31 December 2017 to RMB9.4 million for the year ended 31 December 2018, (ii) an increase in taxes and fees from RMB5.0 million for the year ended 31 December 2017 to RMB9.4 million for the year ended 31 December 2018, and (iii) an increase in employee benefit expenses for our administrative staff from RMB43.3 million for the year ended 31 December 2017 to RMB46.6 million for the year ended 31 December 2018. The increase in taxes and fees was primarily due to taxes and fees arising from the transfer of the legal title of certain real estate properties that Chengdu University had been using from Chengdu Development to Chengdu University so that Chengdu University operates its business in a more compliant manner. The increase in employee benefit expenses was primarily the result of the increase in headcount of our administrative staff during the same period.

Research and Development Expenses

Our research and development expenses decreased by 17.5% from RMB24.0 million for the year ended 31 December 2017 to RMB19.8 million for the year ended 31 December 2018, primarily due to (i) a decrease in employee benefit expenses for our research and development staff from RMB20.9 million for the year ended 31 December 2017 to RMB17.0 million for the year ended 31 December 2018, and (ii) a decrease in depreciation and amortisation expenses from RMB1.2 million for the year ended 31 December 2017 to RMB0.5 million for the year ended 31 December 2018. The decrease in employee benefit expenses was primarily attributable to our reduced research and development activities in the year ended 31 December 2018 as we had finished major research and development activities in 2017. Our depreciation and amortisation expenses decreased in the year ended 31 December 2018 because a large amount of equipment used for research and development activities had been fully depreciated in the year ended 31 December 2018.

Other Income

Our other income decreased by 11.5% from RMB74.4 million for the year ended 31 December 2017 to RMB65.8 million for the year ended 31 December 2018, primarily attributable to (i) a decrease in our income derived from development of software system technology from RMB10.7 million for the year ended 31 December 2017 to RMB6.1 million for the year ended 31 December 2018, and (ii) a one-off matching service income amounted to RMB2.5 million for the year ended 31 December 2017. The decrease in other income from development of software system technology reflected the reduced contract value of software development projects that our teachers undertook in the year ended 31 December 2018 compared to the year ended 31 December 2017. We recorded a one-off matching service income in 2017 because Shanghai Ruixiang outsourced certain software development projects it undertook in 2017 to other companies and earned the difference between the fees received from its clients and the payments to other companies. Such outsourcing arrangement was a temporary arrangement due to a lack of sufficient engineers at the beginning of its business operations. Shanghai Ruixiang hired additional engineers thereafter and started to assign its own engineers to the software development projects it undertook since then.

Other Expense

Our other expense remained stable at RMB19.0 million and RMB19.2 million for the years ended 31 December 2017 and 2018, respectively.

Other Gains and Losses

We recorded other gains of RMB6.1 million for the year ended 31 December 2017, compared to other gains of RMB4.3 million for the year ended 31 December 2018. The decrease was primarily attributable to the following factors:

- *Write-off of payables*. We recorded a RMB4.0 million in write-off of payables for the year ended 31 December 2017, compared to nil for the year ended 31 December 2018. The write-off of trade payables with long ageing in 2017 comprised (i) the write-off of RMB2.0 million to a discontinued cafeteria service provider following its dissolution, and (ii) the write-off of security deposit related to refurbishment works in the amount of RMB2.0 million after the creditor waived its rights to such deposit on its own.

- *Gains on financial assets at fair value through profit or loss*. Our gains on financial assets at fair value through profit or loss increased by 123.1% from RMB2.7 million for the year ended 31 December 2017 to RMB6.1 million for the year ended 31 December 2018, primarily because we increased the purchase of wealth management products in 2018.

- *Net losses on disposal of property, plant and equipment*. Our net losses on disposal of property, plant and equipment increased by 124.6% from RMB1.2 million for the year ended 31 December 2017 to RMB2.6 million for the year ended 31 December 2018, primarily due to the scrapping of certain property, plant and equipment.

Operating Profit

As a result of the foregoing, our operating profit increased by 5.4% from RMB196.9 million for the year ended 31 December 2017 to RMB207.6 million for the year ended 31 December 2018.

Finance Income

Our finance income increased by 89.5% from RMB1.0 million for the year ended 31 December 2017 to RMB2.0 million for the year ended 31 December 2018, primarily due to an increase in balance in our bank accounts.

Finance Expenses

Our finance expenses increased by 5.0% from RMB36.7 million for the year ended 31 December 2017 to RMB38.5 million for the year ended 31 December 2018, primarily due to the increase in our interest expenses payable to banks as our bank borrowings increased in 2018.

Income Tax Expense

Our income tax expense decreased by 60.1% from RMB18.4 million for the year ended 31 December 2017 to RMB7.3 million for the year ended 31 December 2018, primarily due to the decrease in our effective tax rate for the year ended 31 December 2018.

Profit for the Year

As a result of the foregoing, our profit increased by 14.3% from RMB143.2 million for the year ended 31 December 2017 to RMB163.7 million for the year ended 31 December 2018.

CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of 31 December			As of 31 March	As of 31 July
	2017	2018	2019	2020	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)
Current Assets					
Inventories	1,160	2,781	3,063	4,462	3,973
Trade and notes receivables	24,103	14,592	6,148	17,108	13,625
Prepayments, deposits and other receivables	160,598	45,935	45,909	48,291	40,817
Financial assets at fair value through profit or loss	2,082	87,794	50	192,660	27,410
Restricted cash	16	13,682	10,215	11,694	4,992
Cash and cash equivalents	332,558	214,834	562,882	455,013	274,340
Total current assets	**520,517**	**379,618**	**628,267**	**729,228**	**365,157**
Current Liabilities					
Trade and other payables	402,920	163,827	226,531	618,549	530,629
Current income tax liabilities	5,430	7,214	9,210	6,586	59
Contract liabilities	411,766	449,944	489,436	349,334	117,282
Borrowings	238,500	222,040	473,164	475,164	567,620
Lease liabilities	3,026	7,699	5,601	9,983	9,675
Deferred income	34,577	37,851	40,382	42,747	50,603
Total current liabilities	**1,096,219**	**888,575**	**1,244,324**	**1,502,363**	**1,275,868**
Net current liabilities	**575,702**	**508,957**	**616,057**	**773,135**	**910,711**

As of 31 December 2017, 2018, 2019, 31 March 2020 and 31 July 2020, we had net current liabilities of RMB575.7 million, RMB509.0 million, RMB616.1 million, RMB773.1 million and RMB910.7 million, respectively. We had net current liabilities as of each of these dates primarily because we had a large amount of contract liabilities and borrowings as of the end of each year/period during the Track Record Period. We generally had a large amount of contract liabilities because we received tuition fees and boarding fees before or at the beginning of each of the corresponding school year and recorded them initially as contract liabilities under current liabilities. We recognise tuition fees and boarding fees as revenue proportionately over the terms of the applicable programmes. As a result, as of the end of each year during the Track Record Period, we generally had a large amount contract liabilities unrecognised as revenue. We had a large amount of borrowings to finance, among other things, the expansion of our school campus and upgrade of our school facilities.

Our net current liabilities decreased from RMB575.7 million as of 31 December 2017 to RMB509.0 million as of 31 December 2018, primarily due to a decrease in trade and other payables mainly as a result of a decrease of RMB212.8 million in borrowings from related parties while we increased borrowings from banks. Our net current liabilities increased from RMB509.0 million as of 31 December 2018 to RMB616.1 million as of 31 December 2019 due to the increase in current liabilities resulting primarily from an increase in current borrowings to supplement our working capital and an increase in trade and other payables associated with our construction of a practical training base in Dalian University. Our net current liabilities increased from RMB616.1 million as of 31 December 2019 to RMB773.1 million as of 31 March 2020 primarily because our trade and other payables increased from RMB226.5 million to RMB618.5 million mainly due to the consideration payable to Neusoft Holdings of RMB362.8 million for the acquisition of Tianjin Ruidao in March 2020. Our net current liabilities increased from RMB773.1 million as of 31 March 2020 to RMB910.7 million as of 31 July 2020, primarily because (i) our financial assets at fair value through profit or loss decreased from RMB192.7 million to RMB27.4 million mainly as a result of our redemption of wealth management products to supplement our working capital, (ii) our cash and cash equivalents decreased from RMB455.0 million to RMB274.3 million mainly due to the cash outflow in operating activities, capital expenditure and payment of consideration for acquisition of Tianjin Ruidao, and (iii) our current borrowings increased from RMB475.2 million to RMB567.6 million as we increased borrowings to supplement our working capital.

In view of these circumstances, our Directors have considered our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Our Directors confirm that we will have sufficient financial resources to meet our financial obligations as they fall due in the next twelve months by taking into account our cash flow projection and our planned capital expenditures and capital commitments. We may have a net current liabilities position in the future and be exposed to liquidity risks, and our business, financial condition and results of operations may be materially and adversely affected as a result. See “Risk Factors — Risks relating to our business and our industry — We had net current liabilities as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively” in this document.

Discussion of Key Balance Sheet Items

Assets

Property, Plant and Equipment

Our property, plant and equipment amounted to RMB1,109.0 million, RMB1,076.2 million, RMB1,202.4 million and RMB1,240.8 million as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively. Our property, plant and equipment comprised mainly of buildings, electronic equipment, and furniture and fixtures. The net book value of our property, plant and equipment remained relatively stable because our capital expenditures were relatively close to our depreciation expenses in the years ended 31 December 2017 and 2018 and the three months ended 31 March 2020.

Trade and Notes Receivables

Our trade receivables consisted primarily of trade receivables due from related parties, receivables from continuing education services, receivables from the sales of our education resources, receivables from development of software system technology. During the Track Record Period, our receivables from continuing education services represented receivables from our short-term training services. We recorded notes receivables as of 31 March 2020 because we acquired Tianjin Ruidao which received bank acceptance bills from its clients in its business operations. The table below sets forth the breakdown of our trade receivables as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Due from related parties	19,064	9,022	442	917
Receivables from continuing education services	3,593	1,812	1,293	2,764
Receivables from education resources	1,033	1,924	4,145	10,368
Receivables from development of software system technology	106	248	131	2
Receivables from apprenticeship programme	—	—	—	496
Others	307	1,586	137	340
Trade receivables	**24,103**	**14,592**	**6,148**	**14,887**
Notes receivables	—	—	—	2,221
Trade and notes receivables	**24,103**	**14,592**	**6,148**	**17,108**

Trade receivables from related parties comprise (i) receivables from apprenticeship programme operated by Shanghai Ruixiang, and (ii) receivables from education resources services and other services. Receivables from apprenticeship programme operated by Shanghai Ruixiang accounted for a vast majority of our receivables from related parties. As of 31 December 2017, 2018, 2019 and 31 March 2020, receivables from apprenticeship programme operated by Shanghai Ruixiang were approximately RMB19.0 million, RMB8.9 million, RMB188,000 and RMB907,000. Receivables from apprenticeship programme operated by Shanghai Ruixiang arose from the transactions with Shanghai Sirui, a company controlled by Neusoft Holdings, in connection with the operations of our apprenticeship programme. Receivables from education resources services and other services that were due from related parties arose mainly from transactions with four companies then controlled by Neusoft Holdings (i.e. Guangzhou Neusoft Ruidao Educational Information Technologies Co., Ltd., Guangdong Ruidao Gongchuang Technology Co., Ltd., Shanghai Sirui and Tianjin Ruidao) in connection with our education resources services and other services. As of 31 December 2017, 2018, 2019 and 31 March 2020, receivables from education resources services and other services that were due from related parties were approximately RMB75,000, RMB165,000, RMB253,000 and RMB10,000.

Our trade receivables amounted to RMB24.1 million, RMB14.6 million, RMB6.1 million and RMB17.1 million as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively. The decrease from RMB24.1 million as of 31 December 2017 to RMB14.6 million as of 31 December 2018 was primarily due to a decrease in trade receivables of approximately RMB10.0 million due from a related party. The decrease from RMB14.6 million as of 31 December 2018 to RMB6.1 million as of 31 December 2019 was primarily due to a decrease in trade receivables due from Shanghai Sirui. The increase from RMB6.1 million as of 31 December 2019 to RMB14.9 million as of 31 March 2020 was primarily due to an increase of RMB6.2 million in receivables from education recourses due from certain higher education institutions that purchased our education resources. Such increase was primarily because our education resources business was expanded after our acquisition of Tianjin Ruidao. As of 31 July 2020, trade and notes receivables of RMB9.4 million, representing 55.0% of our trade and notes receivables of RMB17.1 million as of 31 March 2020, had been settled.

The table below sets forth an ageing analysis of our trade receivables:

	As of 31 December			As of 31 March
	2017	**2018**	**2019**	**2020**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
Less than 6 months	19,610	14,459	5,803	13,226
6 months to 1 year	3,962	—	—	118
1 to 2 years	459	133	345	824
More than 2 years	72	—	—	719
Total	**24,103**	**14,592**	**6,148**	**14,887**

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables consisted primarily of (i) prepayments for operating lease expenses and property maintenance expenses, (ii) receivables from related parties due to Reorganisation, and (iii) other receivables due from related parties. The following table sets forth the breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Other receivables and deposits				
Due from related parties	20,605	—	—	1,207
Receivables from related parties due to Reorganisation	109,532	—	—	—
Loan receivable from third parties	1,600	1,600	1,500	1,500
Advance to staff	3,970	3,093	2,733	3,765
Advance to third parties	1,516	2,425	2,508	2,740
Deposits	413	868	13,549	17,862
Deductible VAT input and prepaid income tax fees	1,134	9,205	6,010	8,080
Others	193	322	45	39
Less: non-current portion				
— Deposits	—	—	(11,500)	(11,500)
— Loan receivable from third parties	(1,600)	(1,200)	(1,500)	(1,500)
Other receivables and deposits — current portion	**137,363**	**16,313**	**13,345**	**22,193**
Prepayment				
Prepayment for utilities	1,654	2,250	3,812	3,437
Prepayment for leases	12,915	18,051	23,737	15,016
Prepayment for property maintenance expenses	4,099	6,040	—	2,339
Prepayment to related parties	69	48	55	—
Prepayment in relation to the Listing	—	2,820	4,126	4,297
Prepayment to others	4,642	413	224,991	225,097
Less: non-current portion				
— Prepayments for property, plant and equipment	(144)	—	(541)	(472)
— Prepayments for land use right	—	—	(223,616)	(223,616)
Prepayments — current portion	**23,235**	**29,622**	**32,564**	**26,098**
Total prepayments, deposits and other receivables	**160,598**	**45,935**	**45,909**	**48,291**

As of 31 December 2017, 2018, 2019 and 31 March 2020, our prepayments, deposits and other receivables in our current assets were RMB160.6 million, RMB45.9 million, RMB45.9 million and RMB48.3 million, respectively. The decrease from RMB160.6 million as of 31 December 2017 to RMB45.9 million as of

31 December 2018 was primarily due to (i) a decrease of RMB109.5 million in receivables from related parties due to Reorganisation, (ii) a decrease of RMB20.6 million in receivables due from related parties, and (iii) a decrease of RMB4.2 million in prepayment to others as in 2018 Foshan University started to pay service fees to a supplier after the acceptance of services instead of making prepayments in advance. The prepayments, deposits and other receivables as of 31 March 2020 and 31 December 2019 remained stable as compared to that as of 31 December 2018.

We recorded advances to staff during the Track Record Period as we made cash advances to employees for purposes of covering the expenses incurred in performing their duties and recorded the amounts that had not been recognised as expenses as of a balance sheet date as advances to staff. When our employees apply for advances, we require them to provide a budget and relevant supporting documents for our review and approval. Expenses are recognised on accrual basis when they are actually incurred. We had a higher amount of advances to staff as of 31 March 2020 primarily because we had a higher number of employees after the acquisition of Tianjin Ruidao and the amount of advances to staff increased accordingly.

We recorded advances to third parties during the Track Record Period primarily because we made utility prepayments on behalf of vendors in our campus such as canteens, grocery stores and bathhouses and recorded the difference between the actual amounts incurred by them as of a balance sheet date and the amount we prepaid on behalf of them as advances to third parties. We had higher amount of advances to third parties as of 31 March 2020 compared to the amount as of 31 December 2019, primarily because the PRC government issued relief policies in relation to social insurance due to COVID-19, which allow employers to make social insurance contributions at lower levels than statutory requirements. We had already made contributions to social insurance at the statutory levels when the relief policies were issued, as a result of which we recorded the extra amount we have prepaid over the statutory amount as advances to third parties. Advances to third parties were relatively stable between 31 December 2019 and 31 December 2018. We had higher amount of advances to third parties as of 31 December 2018 compared to the amount as of 31 December 2017, primarily because we made a higher amount of utility prepayments on behalf of our students.

We recorded higher amount of prepayment to others as of 31 December 2019 and 31 March 2020, primarily because Dalian University entered into agreements with Dalian Land Resource and Housing Bureau in December 2018 to acquire two parcels of land at the price of RMB223.6 million to construct a new campus. Such amount was recorded as prepayment to others until we obtained the land use right certificates of the two parcels of land in July 2020. See “Business — Properties — Owned properties — Land” for more information.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss consisted primarily of financial products designed by financial institutions. The following table sets forth the breakdown of our financial assets at fair value through profit or loss as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Financial products sponsored and managed by banks	2,082	87,794	50	192,660

The financial products that we purchased mainly comprise bank wealth managements product, the underlying financial assets of which might include notes, bond funds, assets-backed securities and interbank deposits. The wealth management products we invested in were offered by commercial banks. These wealth management products may or may not be principal-protected and are of different risk levels, depending on the types and percentages of the underlying assets in a particular investment product portfolio. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, we purchased wealth management products with principal amount of approximately RMB642.2 million, RMB939.8 million, RMB312.6 million and RMB229.3 million, respectively. Financial assets at fair value through profit or loss increased significantly as of 31 December 2018 because we purchased an additional amount of wealth management products from commercial banks in 2018. Such amount decreased significantly as of 31 December 2019 because we redeemed almost all of our wealth management products to finance our campus expansion and supplement our working capital. The financial assets at fair value through profit or loss increased to RMB192.7 million as of 31 March 2020 because Tianjin Ruidao had idle cash on its account and we therefore bought wealth management products using such cash.

The following table sets forth a summary of the wealth management products we invested in as of 31 March 2020:

Issuing Bank	Amount subscribed (RMB'000)	Expected annualised interest rate	Term	Principal protected
China Merchants Bank	50	2.35%	No fixed term	Yes
Industrial Bank	7,000	3.44%	No fixed term	No
Industrial Bank	17,800	3.54%	No fixed term	No
Shanghai Pudong Development Bank	6,000	2.17%	No fixed term	No
Industrial Bank	13,000	3.54%	No fixed term	No
Industrial Bank	15,000	3.54%	No fixed term	No
China Merchants Bank	12,000	2.10%	No fixed term	Yes
China Merchants Bank	5,500	2.10%	No fixed term	Yes
Industrial Bank	5,000	3.54%	No fixed term	No
Guangdong Nanhai Rural Commercial Bank	10,000	3.20%	No fixed term	Yes
Industrial Bank	10,000	3.59%-3.63%	31 days	Yes
Industrial Bank	90,000	3.55%-3.63%	91 days	Yes

Fair value estimation

During the Track Record Period, we purchased wealth management products with floating rates, which were recorded as financial assets at fair value through profit or loss on our balance sheet. As of 31 December 2017, 2018, 2019 and 31 March 2020, we had financial assets at fair value through profit or loss of RMB2.1 million, RMB87.8 million, RMB50,000 and RMB192.7 million, respectively. To provide an indication of the reliability of the inputs used in determining fair value, we have classified our financial instruments into three levels as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level one).

(ii) Inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level two).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level three).

As of 31 December 2017, 2018, 2019 and 31 March 2020, all of our financial assets at fair value through profit or loss were classified as level three financial instruments. Our finance department performs a valuation of level three financial instruments for financial reporting purposes. It manages the valuation exercise of the investments on a case-by-case basis. At least once a year, our finance department uses valuation techniques to determine the fair value of our level three instruments and reports to senior management and our Directors. For details, see Note 3.3 of the Accountant's Report set out in Appendix I of this document. Our Directors have reviewed the fair value measurement of level three financial instruments, taking into account the significant unobservable inputs and the applicable valuation techniques, and determined that the fair value measurement of level three financial instruments is in accordance with the applicable IFRSs.

Our Directors are satisfied with the valuation exercise for financial assets categorised as level three financial instruments in its historical financial information for the purpose of preparing the consolidated financial statements for the Track Record Period as contained in the Accountant's Report set out in Appendix I to this document, and the Sole Sponsor concurs with our Directors' view, having (i) considered the unqualified opinion included in the Accountant's Report as set out in Appendix I to this document; (ii) reviewed the confirmation letters obtained from the commercial banks, being the issuers of the wealth management products purchased by us, regarding the balances of our wealth management products as at the end of each reporting period; (iii) reviewed the terms of the subscription contracts of the wealth management products purchased by us; (iv) discussed with our management in relation to the valuation work performed by us during the Track Record Period for financial assets categorised as level three financial instruments; and (v) considered the significant unobservable inputs, being the expected rates of return, adopted by us as compared to the expected rates of return of similar wealth management products published by the commercial banks around the time when we performed the valuation exercise, and the cash received by us as a result of our subsequent redemption of the wealth management products.

Cash management policy

We receive most of our tuition fees and boarding fees before or at the beginning of each school year, and we believe we can make better use of such cash by making appropriate investments in short-term investment products, which generate income without interfering with our business operation or capital expenditures. Our investment decisions with respect to wealth management products are made on a case by case basis and after due and careful consideration of a number of factors, including, but not limited to, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment. We have established a set of internal control measures which allow us to achieve reasonable returns on our investment while mitigating our exposure to high investment risks. These policies and measures were formulated by our senior management.

According to our internal policies, a proposal to invest in wealth management products must be reviewed and approved by the principal executive and financial officers of the relevant Group entity. In assessing a proposal to invest in wealth management products, a number of criteria must be met, including but not limited to:

- we should generally only invest in short-term wealth management products;
- investments in high-risk wealth management products being prohibited;
- the proposed investment must not interfere with our business operation or capital expenditures; and
- the wealth management products should be issued by a reputable bank with which we have a long-term relationship.

We believe that our internal policies regarding wealth management products and the related risk management mechanism are adequate. We may continue to purchase wealth management products that meet the above criteria as part of our treasury management where we believe it is prudent to do so after the Listing.

In addition, in order to maximise the efficiency of and returns from treasury management, before our Group was formulated through the Reorganisation, certain subsidiaries comprising our Group extended short-term loans at the market rates to other parties, as opposed to depositing idle cash as current deposits in its bank accounts. Before we extended loans to other parties, we looked into our working capital sufficiency to make sure that we had a sufficient amount of funds for our business operations and were able to meet our loan repayment obligations. We generally had a sufficient amount of cash for our business operations at the beginning of a school year after we received tuition fees and boarding fees from students. The loans extended to related parties prior to the formulation of our Group had been fully repaid as of 31 December 2017. After the formulation of our Group, we ceased extending new loans to other parties and put in place policies and procedures for extending loans to other parties. For example, before we extend a loan to other parties, depending on the size of the loan, it has to be approved by our Chairman or our Board.

Impairment test for goodwill and brand deriving from the acquisition of Tianjin Ruidao

We acquired Tianjin Ruidao in March 2020 and recorded a goodwill of RMB134.9 million and brand of RMB89.5 million. See "Business — Acquisition of Tianjin Ruidao", "History, Reorganisation and corporate structure — Corporate structure — Corporate developments following the Reorganisation" and note 18 of the Accountant's Report set out in Appendix I to this document for more information.

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and brand that arose from the acquisition of Tianjin Ruidao are monitored by the management at the level of cash-generating unit, Tianjin Ruidao. The recoverable amounts of cash-generating unit was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management covering a five-year period. The following tables set out the key assumptions for the cash-generating unit and the recoverable amounts exceed the carrying amount (including goodwill and brand) of the cash-generating unit by RMB88,083,000.

	As at 31 March
	2020
Revenue growth rate (%)	20.0
Costs and operating expenses (% of revenue) (%)	84.5
Long-term growth rate (%)	3.0
Pre-tax discount rate (%)	12.37

The management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Revenue growth rate	Average revenue growth rate over the five-year forecast period is based on past performance and management's expectations of market development.
Costs and operating expenses	The percentage of costs and operating expenses of revenue is the average percentages over the five-year forecast period. It is based on current margin levels, with adjustments made to reflect the expected future price rises in labour, rental and relevant electronic equipment, in which management does not expect to be able to pass on to customers through price increases.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows rate beyond the forecast period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	The discount rate used reflects specific risks relating to the cash-generating units.

See "Risk Factors — Risks relating to our business and our industry — If we determine our goodwill and other intangible assets arising from the acquisition of Tianjin Ruidao are to be impaired, our results of operations and financial condition may be adversely affected" for risk relating to impairment of goodwill.

Liabilities

Trade and other payables

Our trade and other payables consisted primarily of miscellaneous expenses received from students, borrowings from related parties, salary and welfare payables, deposits, government subsidies payable to students, payables for purchases of property, plant and equipment, and payables for administrative cost. The table below sets forth the breakdown of our other payables as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade payables				
Amount due to related parties	12,087	—	—	—
Amount due to third parties	810	1,033	972	842
Trade payables	12,897	1,033	972	842
Other payables				
Miscellaneous expenses received from students	42,934	51,192	52,008	50,561
Amount due to related parties	21,092	3,381	3,016	366,232
Payables in relation to the Listing	—	2,121	8,419	9,202
Borrowings from related parties	212,793	40	—	—
Salary and welfare payables	33,847	44,501	49,374	45,202
Deposits	14,574	16,422	19,433	22,349
Government subsidies payable to students	6,742	2,010	2,214	8,926
Payables for purchases of property, plant and equipment	31,493	18,431	58,777	44,442
Payables for administrative cost	12,125	11,327	14,880	26,869
Refund liability	—	—	—	27,465
Tax payables	6,850	4,427	8,449	5,558
Interest payables to bank	39	459	3,438	5,909
Others	7,614	8,483	5,551	5,667
Less: non-current portion				
- Deposits	(80)	—	—	—
- Amount due to related parties	—	—	—	(675)
Other payables — current portion	**390,023**	**162,794**	**225,559**	**617,707**
Total trade and other payables	**402,920**	**163,827**	**226,531**	**618,549**

Our trade and other payables amounted to RMB402.9 million, RMB163.8 million, RMB226.5 million and RMB618.5 million as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively. The decrease from RMB402.9 million as of 31 December 2017 to RMB163.8 million as of 31 December 2018 was primarily due to a decrease of RMB212.8 million in borrowings from related parties while we increased borrowings from banks. The increase from RMB163.8 million as of 31 December 2018 to RMB226.5 million as of 31 December 2019 was primarily due to an increase of RMB40.3 million in payables for purchases of property, plant and equipment which primarily represented the construction contract price payable by Dalian University for the construction of a practical training base. The increase from RMB226.5 million as of 31 December 2019 to RMB618.5 million as of 31 March 2020 was primarily attributable to an increase in amount due to related parties, which represents the consideration of RMB362.8 million payable to Neusoft Holdings for the acquisition of Tianjin Ruidao. As of 31 July 2020, trade and other payables of RMB194.3 million, representing 31.4% of our trade and other payables of RMB618.5 million as of 31 March 2020, had been paid.

Contract Liabilities

We record tuition fees and boarding fees initially as a liability under contract liabilities and recognise such amounts received as revenue proportionately over the relevant period of the applicable programme. Therefore, our contract liabilities are generally higher at the beginning of each school year. As a school year typically commences in September each year, and amounts of contract liabilities as of a balance sheet date generally represented the amount of tuition fees and boarding fees received but not yet recognised as revenue for the applicable year. In addition, we record revenue from full-time formal higher education services and continuing education services initially as a liability under contract liabilities and recognise the revenue over the contract period with customers. The table below sets forth our contract liabilities as of the dates indicated:

	As of 31 December			As of 31 March
	2017	**2018**	**2019**	**2020**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
Tuition fees	346,560	367,584	400,600	288,845
Boarding fees	35,669	40,904	44,930	7,970
Continuing education services	27,361	39,446	41,795	39,769
Education resources and apprenticeship programme	1,571	620	233	9,350
Development of software system technology	605	1,390	1,878	3,400
Total	**411,766**	**449,944**	**489,436**	**349,334**

Our contract liabilities amounted to RMB411.8 million, RMB449.9 million, RMB489.4 million and RMB349.3 million as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively. The increase from RMB411.8 million as of 31 December 2017 to RMB449.9 million as of 31 December 2018 was mainly due to an increase in our revenue derived from tuition and boarding fees and an increase in revenue from continuing education services for the year ended 31 December 2018. The increase from RMB449.9 million as of 31 December 2018 to RMB489.4 million as of 31 December 2019 was mainly due to an increase in our revenue derived from tuition and boarding fees. The decrease from RMB489.4 million as of 31 December 2019 to RMB349.3 million as of 31 March 2020 was primarily because (i) towards the end of a school year, most of the tuition fees and boarding fees received before or at the beginning of the school year had been recognised as revenue and were no longer recorded as contract liabilities, and (ii) we reclassified certain portion of contract liabilities to refund liability as a result of boarding fee refund to our students due to campus closing caused by COVID-19, which were partially offset by the increase in contract liabilities from education resources and apprenticeship programme as a result of our acquisition of Tianjin Ruidao.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operation and external borrowings. We had cash and cash equivalents of RMB332.6 million, RMB214.8 million, RMB562.9 million and RMB455.0 million as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively. We generally use our excess cash to invest in wealth management products.

During the Track Record Period, our principal uses of cash have been for the funding of required working capital and other recurring expenses to support the expansion of our operations. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, proceeds from the Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in student enrolment, or our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Operating cash flows before movements in working capital	317,755	310,173	343,272	38,637	47,651
Movements in working capital	28,025	38,673	59,935	(114,367)	(121,562)
Income tax paid	(2,056)	(5,643)	(22,235)	(4,934)	(7,481)
Net cash generated from/(used in) operating activities	343,724	343,203	380,972	(80,664)	(81,392)
Net cash used in investing activities	(67,299)	(159,805)	(455,430)	(247,804)	(116,611)
Net cash (used in)/ generated from financing activities	(4,072)	(301,127)	422,502	272,302	90,100
Net (decrease)/ increase in cash and cash equivalents	272,353	(117,729)	348,044	(56,166)	(107,903)
Cash and cash equivalents at beginning of the year/ period	60,230	332,558	214,834	214,834	562,882
Cash and cash equivalents at the end of the year/ period	332,558	214,834	562,882	158,663	455,013

Cash Flows from/(used in) Operating Activities

We generate cash from operating activities primarily from tuition fees and boarding fees, all of which are typically paid before the relevant services are rendered. Tuition fees and boarding fees are initially recorded under contract liabilities. We recognise such amounts received as revenue proportionately over the relevant period of the applicable programme.

For the three months ended 31 March 2020, we had net cash used in operating activities of RMB81.4 million, primarily due to our profit before income tax of RMB8.6 million, as adjusted by (i) an income tax paid of RMB7.5 million, (ii) changes in working capital, which primarily comprised of (a) a decrease in contract liabilities of RMB140.1 million, reflecting an increase in tuition fee income from our full-time formal higher education services, and (b) an increase of trade receivables of RMB11.0 million mainly due to the expansion of our business after our acquisition of Tianjin Ruidao, and (iii) the add-back of non-cash items primarily comprising depreciation of property, plant and equipment of RMB25.2 million.

For the year ended 31 December 2019, we had net cash from operating activities of RMB381.0 million, primarily due to our profit before income tax of RMB199.0 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation of property, plant and equipment of RMB88.8 million, finance expenses of RMB39.7 million, and (ii) changes in working capital, which primarily comprised an increase in contract liabilities of RMB39.5 million, reflecting an increase in tuition fee income from our full-time formal higher education services, an increase in trade and other payables of RMB19.4 million as a result of increases in payables in connection with Listing, employee compensations and taxes, and an increase in prepayments, deposits and other receivables of RMB10.6 million due to our payment of a security deposit for Chengdu University's acquisition of a parcel of land, which was recorded as other receivables.

For the year ended 31 December 2018, we had net cash from operating activities of RMB343.2 million, primarily due to our profit before income tax of RMB171.0 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation of property, plant and equipment of RMB88.1 million and finance expenses of RMB37.9 million, and (ii) changes in working capital, which primarily comprised an increase in contract liabilities of RMB38.2 million, reflecting an increase in tuition fee income from our full-time formal higher education services, and a decrease in prepayments, deposits and other receivables of RMB32.5 million.

For the year ended 31 December 2017, we had net cash from operating activities of RMB343.7 million, primarily due to our profit before income tax of RMB161.6 million, as adjusted by (i) the add-back of non-cash items primarily comprising depreciation of property, plant and equipment of RMB85.7 million, finance expenses of RMB36.2 million and depreciation of right-of-use assets of RMB28.3 million; and (ii) changes in working capital, which primarily comprised an increase in contract liabilities of RMB33.5 million, reflecting an increase in tuition fee income from our full-time formal higher education services, and an increase in trade and other payables of RMB21.3 million.

Cash Flows Used in Investing Activities

Our expenditures for investing activities were primarily for the purchases of financial assets measured at fair value through profit or loss, purchases of property, buildings and equipment, loans granted to related parties, and payment for land use right.

For the three months ended 31 March 2020, we had net cash used in investing activities of RMB116.6 million, which was primarily attributable to (i) purchases of financial assets measured at fair value through profit or loss of RMB229.3 million; (ii) purchases of property, plant and equipment of RMB56.8 million, which were partially offset by acquisition of a subsidiary (net of cash acquired) of RMB42.0 million.

For the year ended 31 December 2019, we had net cash used in investing activities of RMB455.4 million, which was primarily attributable to (i) payment for land use right of RMB371.1 million; (ii) purchases of financial assets measured at fair value through profit or loss of RMB312.6 million; and (iii) purchases of property, plant and equipment of RMB177.6 million, which were partially offset by settlements of financial assets measured at fair value through profit or loss of RMB401.4 million.

For the year ended 31 December 2018, we had net cash used in investing activities of RMB159.8 million, which was primarily attributable to (i) purchases of financial assets measured at fair value through profit or loss of RMB939.8 million; and (ii) purchases of property, plant and equipment of RMB70.9 million, which were partially offset by settlements of financial assets measured at fair value through profit or loss of RMB860.2 million.

For the year ended 31 December 2017, we had net cash used in investing activities of RMB67.3 million, which was primarily attributable to (i) purchases of financial assets measured at fair value through profit or loss of RMB642.2 million; (ii) purchases of property, plant and equipment of RMB98.0 million; (iii) loans granted to related parties of RMB40.0 million; and (iv) payment for land use right of RMB26.9 million, which were partially offset by (i) settlements of financial assets measured at fair value through profit or loss of RMB645.4 million; and (ii) repayment of loan from related parties of RMB94.1 million. In addition, we extended a loan of RMB200,000 to a third party, Dalian Software Engineering Magazine, at the market interest rate.

Our PRC Legal Adviser has advised us that extension of loans by us to related parties and third parties during the Track Record Period may not fully comply with the General Lending Provisions (《貸款通則》) issued by the PBOC on 28 June 1996. However, as advised by our PRC Legal Adviser, the Provisions on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Judicial Interpretation on Private Lending**"), which was effective from 1 September 2015 and amended on 18 August 2020, provides that a loan agreement between enterprises for purposes of facilitating the production or business operation is valid and enforceable, except for the circumstances as set forth in Article 52 of the PRC Contract Law (《中華人民共和國合同法》) or Article 14 of the Judicial Interpretation on Private Lending including where a loan agreement is in violation of a mandatory and effectiveness-related provision under a PRC law or administrative regulation. The Judicial Interpretation on Private Lending also provides that the mutually-agreed interest shall be enforced unless the interest rate agreed upon by both parties is four times higher than the market interest rate quoted for one-year loan at the time when the contract is executed. Our PRC Legal Adviser is of the view that the loans we extended to related parties and third parties during the Track Record Period are valid and enforceable, because (i) as prescribed in the PRC Legislation Law (《中華人民共和國立法法》), the General Lending Provisions is not a law or administrative regulation, but department rules; (ii) we confirm that no circumstances as set forth in Article 52 of the PRC Contract Law or Article 14 of the Judicial Interpretation on Private Lending exists in relation to the loans we extended; and (iii) the interest rates under the loans at issue do not exceed the aforementioned threshold.

Given that (i) such loan agreements are valid and enforceable as discussed above; and (ii) the General Lending Provisions was promulgated over 20 years ago and the administration of lending between non-financial institutions has been evolving towards deregulation as reflected by the issuance of the Judicial Interpretation on

Private Lending, our PRC Legal Adviser is of the view that the extension of loans by us to related parties and third parties will not result in any material adverse legal consequences notwithstanding that it may not fully comply with the General Lending Provisions.

Cash Flows (Used in)/Generated from Financing Activities

Our expenditures for financing activities were primarily for payment of dividends, the repayments of borrowings and payment of interest expense.

For the three months ended 31 March 2020, we had net cash generated from financing activities of RMB90.1 million, which was primarily attributable to (i) proceeds from borrowings of RMB240.0 million, and (ii) interest paid of RMB6.9 million, which were partially offset by repayments of borrowings of RMB140.0 million.

For the year ended 31 December 2019, we had net cash generated from financing activities of RMB422.5 million, which was primarily attributable to (i) proceeds from borrowings of RMB763.1 million, and (ii) borrowings from related parties of RMB200.0 million, which were partially offset by (iii) repayment of borrowings to related parties of RMB200.0 million, and (iv) repayments of borrowings of RMB291.0 million.

For the year ended 31 December 2018, we had net cash used in financing activities of RMB301.1 million, which was primarily attributable to (i) repayment of borrowings of RMB247.5 million; (ii) repayment of borrowings to related parties of RMB216.5 million; and (iii) payment of deemed distribution of RMB84.0 million, which were partially offset by proceeds from borrowings of RMB349.0 million.

For the year ended 31 December 2017, we had net cash generated from financing activities of RMB4.1 million, which was primarily attributable to (i) borrowings from related parties of RMB348.3 million; and (ii) proceeds from borrowings of RMB280.0 million, which were partially offset by (i) repayment of borrowings of RMB346.2 million; and (ii) repayment of borrowings from related parties of RMB212.7 million.

Working Capital

We intend to continue to finance our working capital with cash generated from our operations, external borrowings, the net proceeds from the Global Offering and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital, particularly in view of our strategy to continue expanding our school network and further increase the capacity of our existing universities.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the size of our school network, acquisition of suitable schools or other educational institutions, the cost of constructing new school premises, maintaining and upgrading existing school premises, purchasing additional educational facilities and equipment for our universities and hiring additional teachers and other educational staff.

Based on our available cash balance, the anticipated cash flow from operations, available banking facilities and the net proceeds from the Global Offering, our Directors are of the opinion that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditure for at least the next 12 months from the date of this document.

Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Sole Sponsor concurs with the Directors' view.

SELECTED UNAUDITED FINANCIAL INFORMATION OF TIANJIN RUIDAO

The following discussions and analysis is related to Tianjin Ruidao, which we acquired in March 2020. See "Business — Acquisition of Tianjin Ruidao" and "History, Reorganisation and corporate structure — Corporate structure — Corporate developments following the Reorganisation" for further information.

The following table sets out certain selected unaudited financial information of Tianjin Ruidao during the Track Record Period:

	For the year ended / As of 31 December			For the three months ended / As of 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	247,632	159,771	170,971	24,984	21,795
Gross profit / (loss)	109,757	69,275	64,267	673	(5,097)
Net profit / (loss)	59,397	20,655	20,238	(8,623)	(19,567)
Net assets	185,648	185,226	172,634	176,603	139,067

We present certain selected unaudited financial information of Tianjin Ruidao so as to provide additional information to investors in understanding and evaluating the performance of Tianjin Ruidao during the Track Record Period. Please note that the accounting standards used for preparing the financial statements of Tianjin Ruidao before the acquisition are different from, and not comparable to, the accounting standards used to prepare our audited financial statements as included in this document, and the selected financial information of Tianjin Ruidao we present here was neither audited nor reviewed by our reporting accountant.

The financial statements of Tianjin Ruidao were only consolidated into our financial statements since 1 March 2020. As a result, Tianjin Ruidao's financial information for the three months ended and as of 31 March 2020 was prepared based on (i) the consolidated financial statements of Tianjin Ruidao for the period from 1 March 2020 to 31 March 2020 that were prepared under IFRS and audited by our reporting accountant; and (ii) the consolidated financial statements of Tianjin Ruidao for the period from 1 January 2020 to 29 February 2020 that were prepared using accounting standards different from IFRS and were not audited by our reporting accountant.

The presentation of certain selected unaudited financial information of Tianjin Ruidao is for illustrative purposes only. If such financial information was prepared under IFRS and audited by our reporting accountant, such financial information could be different substantially from the financial information we present here. Investors should not place undue reliance on such selected unaudited financial information of Tianjin Ruidao.

Revenue

Tianjin Ruidao's revenue decreased from RMB247.6 million in 2017 to RMB159.8 million in 2018, primarily because Tianjin Ruidao (i) transferred its education software services business to us as part of the reorganisation process, see item (d) under "History, Reorganisation and corporate structure — Reorganisation — Onshore reorganisation — Transfers of equity interests by the former Neusoft Holdings Group"; (ii) discontinued its supply of practical training services to our three universities as our three universities further improved their practical training capabilities and were able to provide relevant services without procuring services from Tianjin Ruidao; and (iii) terminated its software development business as it was considered by Tianjin Ruidao to be not aligned with its primary business of providing short-term training services to individual customers and practical training services to students of higher education institutions.

Tianjin Ruidao's revenue increased from RMB159.8 million in 2018 to RMB171.0 million in 2019, primarily due to the growth of revenue from providing short-term training services to individual customers and practical training services to students of higher education institutions.

Tianjin Ruidao's revenue decreased from RMB25.0 million for the three months ended 31 March 2019 to RMB21.8 million for the three months ended 31 March 2020, primarily due to a decline in the number of students enroled in Tianjin Ruidao's short-term training programmes from 852 in the first quarter of 2019 to 536 in the first quarter of 2020 as a result of COVID-19 pandemic, which led to our inability to conduct in-campus marketing and promotional activities as a result of temporary campus closures and our inability to offer face-to-face course instruction which negatively affected individual customers' willingness to take our training courses.

Gross profit / (loss)

Tianjin Ruidao's gross profit decreased from RMB109.8 million in 2017 to RMB69.3 million in 2018, primarily due to the decrease in Tianjin Ruidao's revenue from 2017 to 2018. See "— Selected unaudited financial information of Tianjin Ruidao — Revenue" above for information on the decrease in revenue.

Tianjin Ruidao's gross profit decreased from RMB69.3 million in 2018 to RMB64.3 million in 2019, primarily because Tianjin Ruidao ceased to operate its education software services business in September 2018, which has a higher margin than other businesses of Tianjin Ruidao.

Tianjin Ruidao's had a gross loss of RMB5.1 million for the three months ended 31 March 2020, compared to a gross profit of RMB0.7 million for the three months ended 31 March 2019. Tianjin Ruidao had a gross loss for the three months ended 31 March 2020, primarily due to (i) a decrease of revenue of RMB3.2 million, and (ii) an increase in labour cost as Tianjin Ruidao increased its overall employee compensation level since July 2019.

Net profit / (loss)

Tianjin Ruidao's net profit decreased from RMB59.4 million in 2017 to RMB20.7 million in 2018, primarily due to the decrease in Tianjin Ruidao's revenue from 2017 to 2018. See "— Selected unaudited financial information of Tianjin Ruidao — Revenue" above for information on the decrease in revenue.

Tianjin Ruidao's net profit decreased slightly from RMB20.7 million in 2018 to RMB20.2 million in 2019.

Tianjin Ruidao's business is subject to seasonal fluctuations and generally has a net loss in the first quarter of a calendar year. This is primarily because (i) Tianjin Ruidao typically generates less revenue from short-term training services in the first quarter due to Chinese New Year holiday season, (ii) revenue from providing practical training services provided to students of higher education institutions is not recognised during winter vacation (which falls in the first quarter and generally lasts for one month) based on Tianjin Ruidao's revenue recognition policies, and (iii) Tianjin Ruidao generates revenue from providing innovation and entrepreneurial education service to higher education institutions usually in the second half of a calendar year.

Tianjin Ruidao's net loss increased from RMB8.6 million for the three months ended 31 March 2019 to RMB19.6 million for the three months ended 31 March 2020, primarily due to (i) a decrease in gross profit of RMB5.8 million, (ii) an increase in administrative expenses mainly as a result of increases in employee compensation level since July 2019, equipment leasing costs and depreciation costs, and (iii) an increase in spending on research and development to further develop its curriculum resources.

Net assets

Tianjin Ruidao's net assets slightly decreased from RMB185.6 million as of 31 December 2017 to RMB185.2 million as of 31 December 2018.

Tianjin Ruidao's net assets decreased from RMB185.2 million as of 31 December 2018 to RMB172.6 million as of 31 December 2019, primarily because Tianjin Ruidao declared a dividend distribution.

Tianjin Ruidao's net assets decreased from RMB172.6 million as of 31 December 2019 to RMB139.1 million as of 31 March 2020, primarily due to a net loss incurred in the three months ended 31 March 2020 and downward accounting adjustments of RMB16.4 million made to the opening balance of retained earnings on 1 March 2020 during the course of auditing Tianjin Ruidao's financial statements for the period from 1 March 2020 to 31 March 2020, which was prepared pursuant to IFRS, while similar adjustments were not made to the unaudited financial statements of Tianjin Ruidao before the acquisition.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to maintaining and upgrading the existing school premises, purchasing land use rights, additional educational facilities and equipment for our universities. For the years ended 31 December 2017, 2018, 2019 and the three months ended 31 March 2020, our capital expenditures were RMB127.5 million, RMB72.0 million, RMB551.6 million and RMB57.0 million, respectively. The following table sets forth the breakdown of our capital expenditures for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)	(RMB'000)
Purchase of property, plant and equipment	98,037	70,863	177,592	41,971	56,795
Payment for land use right	26,864	—	371,088	254,740	—
Purchase of intangible assets	2,580	1,109	2,967	94	224
Total	**127,481**	**71,972**	**551,647**	**296,805**	**57,019**

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to the acquisition of land use rights, property, plant and equipment. The following table sets forth the breakdown of our capital commitments as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (Unaudited)
Commitment for acquisition of property, plant and equipment and land use right	2,872	288,623	186,016	161,221

Our commitment for acquisition of long-term assets amounted to RMB2.9 million, RMB288.6 million, RMB186.0 million and RMB161.2 million as of 31 December 2017, 2018, 2019 and 31 March 2020, respectively. Our commitment for acquisition of property, plant and equipment and land use right as of 31 December 2018 and 2019 and 31 March 2020, respectively, was higher than that as of 31 December 2017, primarily because we have been upgrading our existing school facilities and expanding our campus. See "Business — Campus facilities and services — Upgrade and expansion plans" in this document for more details.

Operating Lease Income

We lease out certain buildings to related parties and third parties under operating lease agreements. The table below sets forth our future aggregate minimum lease income in respect of buildings under operating leases as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
No later than one year	27,047	28,334	19,067	11,934
Later than 1 year and no later than 5 years	30,900	14,097	17,872	17,385
Later than 5 years	162	—	—	3,272
Total	**58,109**	**42,431**	**36,939**	**32,591**

INDEBTEDNESS

Bank Loans and Other Borrowings and lease liabilities

Our bank loans and other borrowings consisted primarily of short-term working capital loans and long-term borrowings for the construction of the school premises. Our bank loans and other borrowings and lease liabilities as of 31 December 2017, 2018, 2019, 31 March 2020 and 31 July 2020, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of 31 December			As of 31 March	As of 31 July
	2017	2018	2019	2020	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Bank loans and other borrowings and lease liabilities					
Current					
Bank loans					
— unsecured	30,000	182,040	221,164	223,164	545,120
— secured	208,500	40,000	252,000	252,000	22,500
Other borrowings					
— unsecured	212,793	40	—	—	20,000
Lease liabilities					
— unsecured	3,026	7,699	5,601	9,983	9,675
Total	454,319	229,779	478,765	485,147	597,295

	As of 31 December			As of 31 March	As of 31 July
	2017	2018	2019	2020	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Non-current					
Bank loans					
— unsecured	60,000	153,940	226,900	289,900	156,000
— secured	128,000	152,000	298,734	333,770	331,298
Lease liabilities					
— unsecured	4,621	44,456	39,647	44,551	45,835
Total	192,621	350,396	565,281	668,221	533,133
Total indebtedness	646,940	580,175	1,044,046	1,153,368	1,130,428
Carrying amount repayable					
Bank loans					
Within one year	238,500	222,040	473,164	475,164	567,620
Between one and two years	60,000	79,040	200,634	223,670	102,298
Between two and five years	128,000	206,900	241,000	313,000	317,000
Above five years	—	20,000	84,000	87,000	68,000
Total	426,500	527,980	998,798	1,098,834	1,054,918
Other borrowings					
Within one year or on demand	212,793	40	—	—	20,000
Total	212,793	40	—	—	20,000
Lease liabilities					
Current	3,026	7,699	5,601	9,983	9,675
Non-current	4,621	44,456	39,647	44,551	45,835
Total	7,647	52,155	45,248	54,534	55,510
Total indebtedness	646,940	580,175	1,044,046	1,153,368	1,130,428

We primarily borrow loans from commercial banks to supplement our working capital and finance our expenditure. The bank loans and other borrowings as of 31 December 2017, 2018, 2019 and 31 March 2020 were all denominated in Renminbi. As of 31 July 2020, our unutilised banking facilities amounted to RMB1,596.6 million.

The table below sets forth the weighted average effective interest rates (per annum) of our bank borrowings as of the dates indicated:

	As of 31 December			As at 31 March	As at 31 July
	2017	2018	2019	2020	2020
Bank borrowings	4.69%	4.96%	4.91%	4.90%	4.88%

During the Track Record Period and up to 31 July 2020, certain of our bank loans were secured by (i) our Group's right over tuition and boarding fees, (ii) property owned by our Group, and (iii) guarantees provided by our related parties. As of the Latest Practicable Date, all guarantees and pledges provided by our Group's related parties had been released. For details of the loans to be repaid by the net proceeds from the Global Offering, please refer to "Future Plans and Use of Proceeds — Use of Proceeds."

Except as aforesaid and apart from intra-group liabilities, as of 31 July 2020, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirm that during the Track Record Period and up to the date of this document, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the date of this document. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the date of this document.

CONTINGENT LIABILITIES

As of 31 July 2020, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since 31 July 2020.

LISTING EXPENSES

We expect to incur a total of approximately RMB113.6 million (equivalent to approximately HK$128.8 million) of Listing expenses in relation to the Global Offering (assuming an Offer Price of HK$5.70 per Offer Share, being the mid-point of our Offer Price Range of HK$5.18 to HK$6.22 per Offer Share, and assuming the Over-allotment Option is not exercised), of which approximately RMB9.4 million and RMB20.7 million have been charged to our consolidated statement of comprehensive income for the year ended 31 December 2018 and 2019, respectively, and approximately RMB46.1 million is expected to be charged to our consolidated statement of comprehensive income for the year ending 31 December 2020, and approximately RMB37.4 million is directly attributable to the issue of the Shares to the public and to be capitalised. The listing expenses mainly represent professional fees paid and payable to the professional parties in relation to the Global Offering, including underwriting commissions, but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations in 2020.

FINANCIAL RATIOS

	As of/for the year ended 31 December			As of/for the three months ended 31 March	
	2017	2018	2019	2019	2020
Gross profit margin(1)	32.1%	31.9%	33.7%	16.1%	18.5%
Net profit margin(2)	19.6%	19.2%	18.3%	2.7%	7.7%
Return on assets(3)	7.5%	8.7%	8.0%	0.2%	0.4%
Return on equity(4)	25.4%	28.0%	27.9%	0.8%	1.7%
Current ratio(5)	47.5%	42.7%	50.5%	25.9%	48.5%
Gearing ratio(6)	103.2%	107.0%	146.4%	113.0%	152.5%
Net debt to equity ratio(7)	50.2%	67.4%	67.5%	84.0%	92.4%

Notes:

(1) Gross profit margin equals our gross profit divided by revenue for the year/period.

(2) Net profit margin equals our profit for the year/period divided by revenue for the year/period.

(3) Return on assets equals profit for the year/period divided by average assets as of the beginning and the end of the year/period.

(4) Return on equity equals profit for the year/period divided by average equity as of the beginning and the end of the year/period.

(5) Current ratio equals our current assets divided by current liabilities as of the end of the year/period.

(6) Gearing ratio equals total indebtedness (the sum of interest-bearing bank loans, other borrowings and lease liabilities) divided by total equity as of the end of the year/period.

(7) Net debt to equity ratio equals total indebtedness (the sum of interest-bearing bank loans, other borrowings and lease liabilities) net of cash and cash equivalents, and divided by total equity as of the end of the year/period.

Analysis of Key Financial Ratios

Gross Profit Margin

Our gross profit margin decreased from 32.1% for the year ended 31 December 2017 to 31.9% for the year ended 31 December 2018, and then increased to 33.7% for the year ended 31 December 2019. Our overall gross profit margin remained stable between 2017 and 2018 because the growth of our low-margin apprenticeship programme offset the increased gross profit margin of our full-time formal higher education services resulting from the raise of tuition fees and boarding fees. Our gross profit margin increased from 31.9% in 2018 to 33.7% in 2019, primarily because (i) we raised tuition fee rates for our full-time formal higher education programmes, and (ii) revenue from education resources business, which generally has a higher gross profit margin, accounted for a larger portion of our total revenues in 2019.

Our gross profit margin increased from 16.1% for the three months ended 31 March 2019 to 18.5% for the three months ended 31 March 2020, primarily due to (i) the increase in our tuition fees for our full-time formal higher education programmes, and (ii) the decrease of our revenue generated from apprenticeship programme, which generally has a lower profit margin.

Our gross profit margin for the first quarter of the year is usually lower than that for the whole year, primarily because we recognise tuition fees for our full-time formal higher education as revenue over the school year based on the school calendar, while the cost of revenue is recognised throughout the year on a 12-month period. Since no tuition fees are recognised as revenue during the winter vacation which typically lasts for over one month in the first quarter of the year, cost of revenue for the corresponding period usually accounts for a larger portion of revenue for the first quarter of the year as compared to that for the whole year.

Net Profit Margin

Our net profit margin decreased from 19.6% for the year ended 31 December 2017 to 19.2% for the year ended 31 December 2018, and then decreased to 18.3% for the year ended 31 December 2019. Our net profit margin remained stable between 2017 and 2018 mainly because (i) our gross profit margin remained stable during the same period, and (ii) the increase in our administrative expenses was offset by a decrease in our income tax expense during the same period, whereas our other expense and income remained relatively constant. Our net profit margin decreased from 19.2% in 2018 to 18.3% in 2019, primarily because we incurred a higher amount of administrative expenses mainly due to Listing expenses, and income tax paid.

Our net profit margin increased from 2.7% for the three months ended 31 March 2019 to 7.7% for the three months ended 31 March 2020, primarily due to (i) the growth of our gross profit margin, (ii) a decrease in Listing expenses, (iii) an increase in government grants and subsidies, as the government grants and subsidies Shanghai Ruixiang received for 2020 took place in March 2020, earlier than that for 2019, which took place in April 2019, and (iv) an increase in tax credit due to a higher amount of deferred income tax assets we recorded for the three months ended 31 March 2020.

Return on Assets

Our return on assets ratio increased from 7.5% for the year ended 31 December 2017 to 8.7% for the year ended 31 December 2018, primarily due to the increases in our net profit during these periods. Our return on assets decreased from 8.7% in 2018 to 8.0% in 2019, because the growth of our assets outpaced the growth of our net profit. Despite the fast growth of our revenue, the slower growth of our net profit was primarily due to a higher amount of (i) administrative expenses mainly as a result of an increase in Listing expenses we incurred in 2019, and (ii) income tax paid by Shanghai Ruixiang in 2019 as it started to pay the enterprise income tax at a preferential rate of 12.5% in 2019 after the expiration of the two-year enterprise income tax exemption according to a "two-year exemption, three-year 50% reduction" preferential enterprise income tax treatment. The faster growth of our assets was primarily due to the growth of our non-current assets along with our investments in fixed assets in connection with our campus expansion.

We had return on assets ratio of 0.4% for the three months ended 31 March 2020 as compared to return on assets ratio of 0.2% for the three months ended 31 March 2019, primarily because the increase of net profit outpaced the growth of our assets. The faster growth of our net profit was primarily due to (i) the growth of our gross profit margin, (ii) a decrease in Listing expenses and (iii) an increase in government grants and subsidies, as the government grants and subsidies Shanghai Ruixiang received for the year of 2020 took place in March 2020, earlier than that for the year of 2019, which took place in April 2019.

Return on Equity

Our return on equity ratio increased from 25.4% for the year ended 31 December 2017 to 28.0% for the year ended 31 December 2018, primarily because our net profits increased during the same periods. Our return on equity for the year ended 31 December 2019 maintained stable at 27.9% primarily because our total equity also increased while there was an increase in our net profit in 2019.

We had return on equity ratio of 1.7% for the three months ended 31 March 2020 as compared to return on equity ratio of 0.8% for the three months ended 31 March 2019, primarily because the increase of net profit outpaced the growth of our total equity. The faster growth of our net profit was primarily due to (i) the growth of our gross profit margin, (ii) a decrease in Listing expenses and (iii) an increase in government grants and subsidies, as the government grants and subsidies Shanghai Ruixiang received for the year of 2020 took place in March 2020, earlier than that for the year of 2019, which took place in April 2019.

Current Ratio

Our current ratio decreased from 47.5% as of 31 December 2017 to 42.7% as of 31 December 2018 due to decreases in our cash and cash equivalents and prepayments as of 31 December 2018. Our current ratio increased from 42.7% as of 31 December 2018 to 50.5% for the year ended 31 December 2019 due to the growth of our current assets mainly as a result of an increase in cash generated from our operating activities in 2019.

Our current ratio decreased to 48.5% for the three months ended 31 March 2020, primarily because an increase in our current liabilities mainly attributable to the consideration of RMB362.8 million payable to Neusoft Holdings for the acquisition of Tianjin Ruidao.

Gearing Ratio

Our gearing ratio increased from 103.2% as of 31 December 2017 to 107.0% as of 31 December 2018, and then increased to 146.4% for the year ended 31 December 2019, due to (i) an increase in bank loans to supplement our working capital, and (ii) a decrease in our total equity. See "Summary — Summary of historical financial information — Summary of consolidated statements of financial position" for more information regarding the decrease in our total equity in 2018. Our gearing ratio increased from 107.0% as of 31 December 2018 to 146.4% as of 31 December 2019, primarily due to increase in bank borrowings to supplement our working capital and to execute our upgrade and expansion plans in 2019.

Our gearing ratio increased from 146.4% for the year ended 31 December 2019 to 152.5% for the three months ended 31 March 2020, primarily due to an increase in bank borrowings to finance our capital expenditure.

Net Debt to Equity Ratio

Our net debt to equity ratio increased from 50.2% as of 31 December 2017 to 67.4% as of 31 December 2018 primarily due to the decrease in our cash and cash equivalents as of 31 December 2018. Our net debt to equity ratio stayed stable as 67.5% for the year ended 31 December 2019.

Our net debt to equity ratio increased to 92.4% for the three months ended 31 March 2020, primarily due to an increase in bank borrowings to finance our capital expenditure and decrease in our cash and cash equivalents to maintain our business operations.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into various transactions with related parties. The following table sets forth information relating to our transactions with our related parties during the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2017	2018	2019	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB' 000) (Unaudited)	(RMB' 000)
Borrowings from related parties[1]	348,295	4,003	200,000	200,000	—
Repayments of borrowings to related parties	212,745	216,503	200,000	—	—
Interest payable to related parties	13,375	11,935	7,108	2,311	—
Repayments of interest to related parties	13,189	12,188	7,148	40	—
Loan to related parties[2]	40,000	—	—	—	—
Repayments of loan from related parties	94,055	—	—	—	—
Interest income from related parties	494	—	—	—	—
Interest receivable from related parties	1,148	—	—	—	—
Purchasing goods and receiving services from related parties[3]	30,774	5,257	3,512	11	33
Selling goods and providing services to related parties[4]	44,293	104,677	122,208	62,650	15,872
Dividends declared or paid	25,324	56,766	—	—	—

Notes:

(1) During the Track Record Period, our Group received loans from Neusoft Holdings with a floating or fixed interest rate raised by 15% on the base of PBOC interest rate. The loans are unsecured and repayable on demand. Our Group also received loans Tianjin Ruidao, a majority-owned subsidiary of Neusoft Holdings, with a floating interest rate based on PBOC interest rate during the Track Record Period. The loans are unsecured and repayable on demand. As of 31 December 2019, all of borrowings from related parties had been settled.

(2) In 2017, our Group granted loans to Neusoft Holdings and charged interest with a floating interest rate based on PBOC interest rate. The loans to Neusoft Holdings was settled in December 2017.

In November 2017, our Group granted loans to Neusoft Venture Capital Co., Ltd., which experienced a short-term insufficiency of working capital, and charged interest with a floating interest rate based on PBOC interest rate. The loans to Neusoft Venture Capital Co., Ltd. was settled in December 2017 after it received cash from redemption of wealth management products.

These loans to related parties were short-term loans extended to Neusoft Holdings and certain of its subsidiaries by our current subsidiaries prior to the Reorganisation formulating our Group. These loans were extended at that time under the overall management of Neusoft Holdings based on the working capital sufficiency of Neusoft Holdings and its subsidiaries and had been fully repaid as of 31 December 2017. After the formulation of our Group, we ceased extending new loans to related parties and started to conduct our own treasury management independently. See "— Current assets and current liabilities — Discussion of key balance sheet items — Financial assets at fair value through profit or loss" for further details.

(3) Purchasing goods and receiving services were made at prices mutually agreed between our Group and related parties and conducted in the normal course of business.

(4) Selling goods and providing services were made at prices mutually agreed between our Group and related parties and conducted in the normal course of business.

The table below sets forth outstanding balances with our related parties as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Amounts due from related parties	39,669	9,022	442	2,124
Amounts due to related parties	33,179	3,381	3,016	366,232
Amounts prepaid by related parties	226	270	290	290
Amounts prepaid to related parties	69	48	55	—

As of 31 December 2017, 2018, 2019 and 31 March 2020, all of the above outstanding balances with our related parties are non-interest bearing, unsecured and repayable on demand.

The amounts due to related parties increased significantly to RMB366.2 million as of 31 March 2020, mainly due to the consideration payable to Neusoft Holdings of RMB362.8 million for the acquisition of Tianjin Ruidao in March 2020. In June 2020, approximately 31.9% of the consideration payable was paid to the seller and the rest is expected to be fully paid before the Listing.

As of 31 March 2020, we had non-trade balances with related parties of RMB367.1 million, among which consideration payable due to our acquisition of Tianjin Ruidao accounted for 98.8% of such balances. We will settle all non-trade balances with related parties before the Listing.

The table below sets forth guarantees for our borrowings from related parties as of the dates indicated:

	As of 31 December			As of 31 March
	2017	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Guarantees for borrowings by related parties	336,500	—	—	—

Our Directors believe that each of the related party transactions set out in Note 36 to the Accountant's Report in Appendix I to this document was conducted in the ordinary course of business on arm's length basis. Our Directors are of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance. As of the Latest Practicable Date, all the guarantees for our borrowings from related parties had been released.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of financial risks, including interest rate risk, credit risk and liquidity risk, as set out below. We regularly monitor our exposure to these risks. As of the Latest Practicable Date, we did not hedge or consider it was necessary to hedge any of these risks.

Interest Rate Risk

We are exposed to cash flow interest rate risk in relation to bank balances and borrowings due to the fluctuation of the prevailing market interest rates. We are also exposed to fair value interest rate risk in relation to the short-term bank deposits and fixed-rate borrowings. We currently do not have any interest rate hedging policy in relation to interest rate risks. Our Directors will continuously monitor interest rate fluctuation and will consider hedging interest rate risk should the need arise. Our Directors consider our Group's exposure to the interest rate risk of bank balances is not significant. See Note 3 to the Accountant's Report in Appendix I for further details.

Credit Risk

Our principal financial assets are trade and other receivables, amounts due from related parties, and bank balances and cash. In order to minimise the credit risk on trade and other receivables and amounts due from related parties, our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balances of other receivables. In addition, the credit risk on amounts due from related parties are reduced as we closely monitor the repayment of the related parties. There is no concentration of credit risk on bank balances and the credit risk on liquid funds is limited because the majority of the counterparties are banks in the PRC with good reputation.

Liquidity risk

As of 31 December 2017, 2018, 2019 and 31 March 2020, we had net current liabilities of RMB575.7 million, RMB509.0 million, RMB616.1 million and RMB773.1 million, respectively. In view of these circumstances, our Directors have considered our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Our Directors confirm that we will have sufficient financial resources to meet our financial obligations as they fall due in the next twelve months by taking into account our cash flow projection, our planned capital expenditures and capital commitments. In managing our liquidity risk, we monitor and maintain levels of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. We rely on bank loans as a significant source of liquidity.

DISTRIBUTABLE RESERVES

As of 31 March 2020, our Company had distributable reserves of RMB217.0 million.

DIVIDEND

We do not have any specific dividend policy such as pre-determined dividend payout ratio. As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our Consolidated Affiliated Entities, which are incorporated in the PRC. Our Consolidated Affiliated Entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, PRC's domestic investment companies and private schools, our Company's subsidiaries and our Consolidated Affiliated Entities must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors or shareholders meeting of each relevant entity prior to payment of dividends. For our JV and the other PRC subsidiaries and Consolidated Affiliated Entities in the form of companies, the statutory reserve requires annual appropriations of 10% of after-tax profits at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC Laws require private schools where the school sponsors require reasonable returns to make annual appropriations of no less than 25% of after-tax income to its development fund prior to payments of dividend. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the school sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC. Whether our universities shall continue to make allocations to the development fund as required above post the Amendment will be subject to future regulations that are yet to be introduced.

Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. No matter whether we choose to register our schools as for-profit private schools or non-profit private schools, it will not affect our dividend declaration decision. No dividend had been paid or proposed by our Company during the Track Record Period and up to the Latest Practicable Date. There is no assurance that dividends of any amount will be declared to distributed in any year.

During the Track Record Period, Tianjin Ruidao (relating to the provision of education software development business transfer to our Group), Dalian Yunguan and Dalian Education declared and paid dividends to their respective shareholders. See Note 14 to the Accountant's Report in Appendix I for further details. When the dividends were declared and paid, these entities had sufficient retained earnings available for dividend distribution, which was in compliance with the PRC Company Law.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENTS

For the six months ended 30 June 2020, we generated revenue of RMB439.6 million, representing a decrease of 3.4% compared with the revenue we generated for the six months ended 30 June 2019. Such decrease was due to (i) a decrease in revenue from boarding fees for the six months ended 30 June 2020 as we made provisions for boarding fee refund to students of RMB23.9 million for the six months ended 30 June 2020, and (ii) a decrease in revenue from our apprenticeship programme as we optimised our employee structure, in particular, our engineer team, to reduce cost. For the six months ended 30 June 2020, we still primarily relied on our engineering team to generate revenue for our apprenticeship programme. Revenue derived from charging enterprises for supplying well-trained students to such enterprises still accounted for a small portion of revenue from our apprenticeship programme during the six months ended 30 June 2020. Therefore, such decrease in the number of engineers resulted in the decrease of revenue from our apprenticeship programme. In order to increase our student training capacity with a reduced number of engineers and further improve the quality and effectiveness of our trainings, we applied internet technologies in student training in our apprenticeship programme. As the number of students from other universities and colleges in our apprenticeship programme increases in the future, we will further apply internet technologies to increase our student training capacity and improve the effectiveness of trainings offered by our apprenticeship programmes. Such decrease was partially offset by an increase in tuition fees we received for the 2019/2020 school year due to increased tuition fee rates and the consolidation of Tianjin Ruidao's revenue into our Group's revenue, which mainly contributed to the increases in revenues from continuing education services and provision of education resources. For the six months ended 30 June 2020, we had gross profit of RMB157.0 million, representing a decrease of 3.0% compared with the gross profit we had for the six months ended 30 June 2019. Such decrease was primarily caused by a decrease in revenue we generated for the six months ended 30 June 2020. Our revenue and gross profit for the six months ended 30 June 2020 as set out above have been extracted from our unaudited interim condensed consolidated financial information as of and for the six months ended 30 June 2020, which has been reviewed by our reporting accountant in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

We expect our administrative expenses to increase in 2020 due to the expenses incurred in relation to the Listing. We also expect to incur in 2020 share-based compensation for the options we plan to grant in 2020. As a result, our net profit in 2020 might be materially and negatively affected by such increased Listing expenses and the share-based compensation.

Our Directors confirm that, as of the Latest Practicable Date, other than disclosed above, there had been no material adverse change in the financial condition or prospects of our Group since 31 March 2020 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there had been no event since 31 March 2020 and up to the date of this document that could materially affect the information shown in our Consolidated Financial Statements included in the Accountant's Report included in Appendix I to this document.

PROPERTIES AND VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests as of 31 July 2020. Particulars of our property interests are set out in "Appendix III — Property Valuation Report" in this document.

The table below sets out the reconciliation between the net book value of our property as of 31 March 2020 as extracted from the Accountant's Report set out in Appendix I to this document and the market value of our property as of 31 July 2020 as extracted from the Property Valuation Report set out in Appendix III to this document:

	(RMB'000)
Net book value of our properties as of 31 March 2020 as set out in Appendix I to this document	1,495,334
Adjustment due to the inconsistences between property evaluations scope and accounting report classification	14,417
Additional capital expenditure	71,371
Depreciation and amortisation	(23,408)
Valuation surplus	1,346,969
Market value of the property as of 31 July 2020 as set out in Appendix III to this document	3,128,300

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following our unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of 31 March 2020 as if it had taken place on that date.

Our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our

Group had the Global Offering been completed as of 31 March 2020 or any future date. It is prepared based on our consolidated net tangible assets attributable to the owners of the Company as of 31 March 2020 as set out in the Accountant's Report in Appendix I to this document, and adjusted as described below:

	Audited consolidated net tangible assets attributable to owners of our Company as of 31 March 2020(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share(3)	
	(RMB'000)	(RMB'000)	(RMB'000)	RMB	HK$(4)
Based on the Offer Price of HK$5.18 per Share	339,456	682,487	1,021,943	1.53	1.73
Based on the Offer Price of HK$6.22 per Share	339,456	829,257	1,168,713	1.75	1.98

Notes:

(1) The audited consolidated net tangible assets attributable to owners of our Company as of 31 March 2020 is extracted from the Accountant's Report in Appendix I to this document, which is based on the audited consolidated net assets attributable to owners of our Company as of 31 March 2020 of RMB584,628,000 with an adjustment for the intangible assets of our Group as of 31 March 2020 of RMB245,172,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$5.18 per Share and HK$6.22 per Share, after deduction of the underwriting fees and other related expenses payable by our Company, and assuming the Over-allotment Option is not exercised and no Shares are issued upon the exercise of options that may be granted under the Pre-IPO Share Incentive Scheme or allotted and issued or repurchased by the Company pursuant to the general mandates. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1 to RMB0.8821 prevailing on 8 September 2020.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 666,667,200 Shares in issue immediately following the completion of the Global Offering (presuming the Assumptions).

(4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.8821. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

FUTURE PLANS

See "Business — Our business strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive gross proceeds from the Global Offering of approximately HK$950.0 million and net proceeds from the Global Offering of approximately HK$821.2 million after deducting underwriting commission and other estimated expenses paid and payable by us in the Global Offering (without deducting any additional discretionary incentive fee), assuming an Offer Price of HK$5.70 per Share, being the mid-point of the indicative Offer Price Range of HK$5.18 to HK$6.22 per Share (assuming the Over-allotment Option is not exercised). We expect to incur a total of RMB113.6 million (equivalent to approximately HK$128.8 million) of Listing Expenses, accounting for approximately 13.6% of our gross proceeds from the Global Offering. We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- approximately 50% (approximately HK$410.6 million) to be applied towards upgrading our existing school facilities and expanding our campus. Below is a summary of our upgrade and expansion plans by the end of 2021.

	Upgrade and expansion plan	Expected completion date	Total construction cost* /capital expenditure	Estimated total cost as of the end of 2021	Amount spent as of 30 April 2020	Additional number of students expected to be accommodated by the end of 2021	Additional number of students expected to be accommodated upon completion	Estimated depreciation charges from 2020 to 2024
Dalian University	Practical training base[(1)]	October 2021	RMB396.5 million	RMB378.2 million	RMB90.0 million	—	—	RMB37.7 million
	New campus construction on land recently acquired[(2)]	December 2022	RMB871.4 million	RMB610.0 million	—	5,046	8,014	RMB41.2 million
Chengdu University	Library and playground	July 2021	RMB83.1 million	RMB83.1 million	RMB48.7 million	—	—	RMB8.5 million
	New campus construction on land recently acquired	August 2023	RMB600.4 million	RMB220.8 million	RMB11.6 million	2,500	5,000	RMB22.1 million
Foshan University	Student dormitory building	September 2020	RMB59.3 million	RMB59.3 million	RMB25.7 million	1,572 (by September 2020)	1,572	RMB7.7 million
	Campus expansion project (one teaching and research building and two student dormitory buildings)	August 2022	RMB316.7 million	RMB193.5 million	—	1,500	3,800	RMB25.3 million

Notes:

* For Dalian University, the estimated total amount of construction costs for the expansion plans is RMB1,267.8 million. We plan to finance the constructions by obtaining bank loans of RMB1,235.0 million and using our own funds for the remaining construction costs.

For Chengdu University, the estimated total amount of construction costs for the expansion plans is RMB683.5 million. We plan to finance the constructions by applying a proceed of RMB225.0 million from the Global Offering, obtaining bank loans of RMB440.0 million and using our own funds for the remaining construction costs.

For Foshan University, the estimated total amount of construction costs for the expansion plans is RMB376.0 million. We plan to finance the constructions by applying a proceed of RMB137.2 million from the Global Offering, obtaining bank loans of RMB145.0 million and using our own funds for the remaining construction costs.

(1) The new practical training base will be used to offer practical training courses to students of our newly established healthcare related programmes. Such courses will be offered by cooperating with enterprises. For example, cooperating enterprises may provide equipment and facilities for the practical training and may also dispatch their employees to Dalian University to provide support and guidance for the practical trainings.

(2) For more information on the land recently acquired, please see "Business — Properties — Owned properties — Land".

Upon the completion of the above expansion plan, Dalian University is expected to accommodate an additional 8,014 students, Chengdu University is expected to accommodate an additional 5,000 students, and Foshan University is expected to accommodate an additional 5,372 students, representing an increase in school capacity of 47.6% for Dalian University, 46.0% for Chengdu University, and 51.5% for Foshan University, compared to the school capacity in each corresponding school for the 2019/2020 school year. Such increases in school capacity have not taken into account a new student dormitory building that Chengdu University established in August 2020. Such student dormitory building is able to accommodate 2,000 students. In addition to the above expansion plan, depending on the actual situation of our future development, we may have additional expansion plans in the future or may adjust our existing expansion plans in the future that are not yet completed by then. Our Directors are of the view that we will be able to obtain approval from the relevant authorities for admitting additional students in each of our three universities upon completion of the expansion plan, because (i) the relevant authorities of the provinces where our three universities are located at support the development of private higher education and our three universities are recognised by relevant government authorities and the society, which are conducive to our expansion in student admission in the future, (ii) government authorities are supporting higher education's expansions in student admission, for example, according to the *2020 Report on the Work of the Government*, student enrolments in higher vocational colleges in China will increase by two million persons in 2020 and 2021, and (iii) our three universities focus on IT related majors and healthcare technology related majors, which fall within the category that the government authorities of the provinces where our universities are located at support student admission expansions.

We treat each construction or upgrade projects as a part of our overall expansion plan and assess the soundness and effectiveness of the construction or upgrade projects holistically on our overall school operations level. When we formulate expansion plans, we primarily consider the impacts of such investments in expansions on our overall business operations and financial performance. In terms of business operations, we do a necessity analysis before making investments in expansions. We primarily consider whether such investments are commensurate with the offering of new majors, conducive to our student enrolment, improvement of our education quality and talent cultivation system, and our compliance with relevant regulatory requirements. With respect to our financial performance, we consider the impact of the investments in expansions on our cash flows, our funding costs of financing for such expansion and the impact on depreciation and amortisation after completion of the construction or upgrade projects so that we will continue to be profitable as a whole in the future.

For the construction of new campus in Dalian University, we expect to take 2.5 years to complete the construction. The expected breakeven period, which refers to the period of time required for a school to generate revenue equal to its cost of sales and operating expenses for the first time, for such expansion is one to two years. The expected investment payback period is approximately nine to ten years. For the construction of new campus in Chengdu University, we expect to take three years to complete the construction. The expected breakeven period for such expansion is one to two years. The expected investment payback period is approximately eight to nine years. For the campus expansion in Foshan University, we expect to take two years to complete the construction. The expected breakeven period for such expansion is one year. The expected investment payback period is approximately four to five years. The principal assumptions we made when calculating the expected breakeven period for a school include the tuition fees and boarding fees the school currently expects to charge for each student in each school year, the number of new students the school expects to enrol in each school year, subject to the relevant student admissions quota approved by the relevant education authorities, the cost of sales and other operating expenses the school expects to incur when providing education services to students and the estimated tax liabilities the school anticipates to be exposed to. In addition, we assume all other factors remain constant, the actual investment and construction costs of these schools will not materially deviate from the expected amounts, and we take into account the financial resources available to us.

According to the Frost & Sullivan Report, it is estimated that the total number of student enrolments in IT majors in private higher education in China will increase at a CAGR of 11.0% from 2018 to 2023, which we believe, together with the following factors, will create sufficient demand for our expansion plan.

Market potential. The IT industries in China are expected to continue to grow, driven primarily by innovations in technology, industry demand and favourable government policies. According to the Frost & Sullivan Report, the market size of the software and IT service industry in China in terms of revenue is expected to reach RMB13.0 trillion in 2024, representing a CAGR of 12.5% from 2019. As the development of higher IT education in China lags behind the rapid growth of the software and IT service industry in China, there is a significant supply-demand gap for IT talents with practical skillsets. According to "The Guidelines for the Planning of Talent Development in Manufacturing" ("製造業人才發展規劃指南") jointly promulgated by the MOE, the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) and MIIT, it is estimated that total demand for the new-generation of IT talents would reach 20.0 million persons by 2025, with an expected shortage in supply of 9.5 million persons. Thus, we believe that the IT higher education industry has growth potentials. Leveraging our leading position in the IT higher education industry in China, we will formulate reasonable student enrolment expansion plans to seize the opportunities.

Student enrolment strategies. In terms of student enrolment strategies, we have been closely keeping track of the changes in the size of the population at the appropriate age for higher education in major provinces where we enrol students and making adjustments to student enrolment strategies accordingly to ensure our student enrolment covers the provinces with a high demand for higher education services. Taking Dalian University as an example, there has been no substantial growth in the size of the population at the appropriate age for higher education in Liaoning province in recent years. In response to such trend, Dalian University adjusted its student enrolment strategies a few years ago by shifting its student admission focus from Liaoning province to other provinces. In the 2019/2020 school year in Dalian University, there has been 66% of the students enroled from provinces other than Liaoning province. The student enrolment focus of Foshan University and Chengdu University is still in their respective local provinces as the populations in Guangdong province and Sichuan province have been increasing in recent years.

When we adjust our geographical student enrolment strategies, we primarily consider (i) the number of populations and demand for higher education in each province, (ii) student enrolments in previous years in each province, and (iii) the development of IT industries in each province.

As indicated by the latest *2018 National Statistical Report on Education Development,* the gross student enrolment rate for higher education in China as of 2018 was 48.1%. Pursuant to the *Thirteenth Five-Year Plan on National Education Development,* the gross student enrolment rate for higher education is targeted to reach 50% by 2020. To achieve such target, government authorities have been encouraging expansions in student enrolments these years. For example, according to the *2020 Report on the Work of the Government,* student enrolments in higher vocational colleges in China will increase by two million persons in 2020 and 2021. On the provincial level, the gross student enrolment rate for higher education in Liaoning province has been higher than 50% in recent years, but the same rate was only 42.43% in Guangdong province and 40.93% in Sichuan province by the end of 2018. Therefore, Dalian University's student enrolments have been focused on other provinces while the student enrolments for Foshan University and Chengdu University are still focused on their local provinces.

In addition, we consider our student enrolment statistics in each province in the previous years and allocate student enrolment quota to each province accordingly. For example, if we were unable to enrol sufficient numbers of qualified students in certain provinces in previous years, we will allocate lower quotas to those provinces when we formulate student enrolment plans each year. We also take into account the quality of prospective students in each province, such as their scores in college entrance exams, when we allocate quota in each province.

We also take into account the development of IT industries in each province. For example, the governments of the provinces where our three universities are located support the development of IT industries, which is conducive to IT education and graduate employment in those provinces. We also assess the development of IT industries in other provinces, such as the market demand for IT professionals, and allocate more quota for provinces with developed IT industries or development potentials in IT industries.

Competitive advantages. We have a leading position in the private IT higher education industry in China and are able to provide featured high-quality education services. We believe that high-quality education services with unique features are the key to realise expansion in student enrolments. After two decades of school operations, we have become a leading IT higher education services provider and are able to provide high-quality education services with unique features through, among others, (i) focusing on the IT industry, (ii) creating TOPCARES integrated education approach, (iii) establishing unique SOVO innovation and entrepreneur education system, (iv) carrying out in-depth cooperation with enterprises, and (v) offering international programmes. Our leading position and competitive advantages in providing high-quality IT education services have been proven by high admission scores of our universities. For example, in the 2019/2020 school year, Dalian University ranked the first among all private universities (exclusive of independent colleges) in Liaoning province in terms of the admission scores of both science stream and liberal arts stream, Chengdu University ranked the fourth in terms of the admission scores of both science stream and liberal arts stream among all private universities (exclusive of independent colleges) in Sichuan province, and Foshan University ranked the first in terms of the admission scores of science stream and the third in terms of the admission scores of liberal arts stream among all private universities (exclusive of independent colleges) in Guangdong province.

Future efforts. Sticking to the student-centric approach, we will further improve the quality and the unique features of our education services and our brand recognition. In addition, we will further promote our universities to prospective students in major provinces in China where we enrol students and designate student admission personnel to coordinate and cooperate directly with our targeted high schools in such provinces striving to enrol well-qualified students for our universities. In the meanwhile, we will continue to closely monitor the changes in the market trend and government policies in major provinces where we enrol students and timely adjust our business strategies to ensure our expansion plan can be realised.

- approximately 20% (approximately HK$164.2 million) to be applied towards the acquisition of other universities/colleges in China to expand our school network. As of the Latest Practicable Date, we had yet to identify any definitive acquisition target or confirmed the number of schools to be acquired or the timeframe involved. We had yet to enter into any legally binding agreement with respect to the acquisition of, or cooperation with, other universities. We are in the preliminary stage of prospecting potential opportunities and have yet to complete any concrete feasibility studies. Our Directors intend to continue to assess potential acquisition targets and identify the targets in accordance with the following criteria: (i) located in the Second-tier Cities and Third-tier Cities primarily in East China, Central China and Northeastern China where there is a good general economic condition, well-developed industries, significant labour market demand, and the government of which supports the development of the IT industry; (ii) with high education quality and efficient management; (iii) with a total number of students enroled not less than 9,000; and (iv) matching our development strategies, especially the schools that fit our current and future development of major and curriculum offerings, such as universities/colleges offering undergraduate programmes or junior college programmes with comprehensive course offerings or focusing on science and technology, or with particular strength in IT education and/or healthcare education so that we can further improve their education quality by utilising our education resources. According to the Frost & Sullivan Report, 590 out of 756 private higher education institutions were located in the Second-tier Cities and Third-tier Cities as of 30 June 2019, more than 80 of which had a total number of students enroled of not less than 9,000, and the private higher education markets in the Second-tier Cities and Third-tier Cities are fragmented with no dominant players. According to the Frost & Sullivan Report, considering the economic development conditions and talents demand and as evidenced by the number of private higher education institutions, the Second-tier Cities and Third-tier Cities have a strong demand for higher education, especially for IT education;

- approximately 20% (approximately HK$164.2 million) to repay the following loans we borrowed previously from commercial banks:

Bank	Outstanding amount as of 31 July 2020	Interest rate	Maturity date	Usage
Industrial Bank	RMB14.97 million	4.9875%	25 June 2021	Working capital loan
Industrial Bank	RMB14.97 million	4.9875%	26 June 2021	Working capital loan
Bank of Chengdu	RMB50 million	4.75%	28 May 2021	Working capital loan
Bank of Chengdu	RMB50 million	4.75%	17 June 2021	Working capital loan
Shanghai Pudong Development Bank	RMB80 million	4.5675%	13 January 2021	Working capital loan

- approximately 10% (approximately HK$82.2 million) to supplement our working capital and be used for general business operations.

In the event that the Offer Price is set at the high point or the low point of the indicative Offer Price Range, the net proceeds of the Global Offering will increase or decrease by approximately HK$83.2 million, respectively. Under such circumstances, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis (other than the repayment of the bank loans).

If the Over-allotment Option is exercised in full, the additional net proceeds that we will receive will be approximately HK$136.8 million, assuming an Offer Price of HK$5.70 per Share, being the mid-point of the proposed Offer Price Range. If the Over-allotment Option is exercised in full, we intend to apply such additional net proceeds for the above uses on a pro-rata basis (other than the repayment of the bank loans).

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of our Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries or through loans to our Consolidated Affiliated Entities such that the net proceeds of the Global Offering can be used in the manner described above. However, such capital contributions and loans are subject to applicable government registration and approval processes under PRC Laws. We cannot assure you that we will be able to obtain these registrations or approvals on a timely basis, if at all. See "Risk Factors — Risks relating to doing business in China" for more information.

CORNERSTONE PLACING

We have entered into cornerstone investment agreements ("**Cornerstone Investment Agreement(s)**") with the cornerstone investors set out below ("**Cornerstone Investor(s)**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for such number of Offer Shares which may be purchased with an aggregate amount of approximately HK$410.8 million (US$53 million) at the Offer Price ("**Cornerstone Placing**").

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules. Immediately following completion of the Global Offering, the Cornerstone Investors will not have any Board representation in our Company, nor will they become substantial shareholders of the Company. To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party, is independent of other Cornerstone Investors, is not an existing Shareholder, is not financed by us, our Directors, chief executive, existing Shareholders, substantial Shareholders, Controlling Shareholders or any of its subsidiaries or their respective close associates. To the best knowledge of our Company, none of the Cornerstone Investors is accustomed to taking instructions from our Company, the Directors, the chief executive of our Company, the Controlling Shareholders, the substantial shareholders, the existing Shareholders or any of its subsidiaries or their respective close associates, in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in their name or otherwise held by them.

To the extent that the Offer Shares will be subscribed for by a qualified domestic institutional investor (the "**QDII**") as the nominee of the relevant Cornerstone Investors, the Cornerstone Investors will procure the QDII to comply with the terms of the QDII agreement entered into with the Cornerstone Investors in order to ensure the Cornerstone Investors' compliance with their undertakings under the relevant Cornerstone Investment Agreements. There are no side agreements or arrangements made between our Group and each of the Cornerstone Investors for the purpose of the Cornerstone Placing. We became acquainted with each of the Cornerstone Investors through introduction by the relevant Underwriters. As confirmed by each Cornerstone Investor, their subscription under the Cornerstone Placing would be financed by their own internal financial resources and/or the financial resources of its shareholders.

If there is over-allocation in the International Offering, there may be delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing. If there is delayed delivery, the Cornerstone Investors have agreed that they shall nevertheless pay for the relevant Offer Shares on the Listing Date, therefore there will be no deferred settlement. If there is no over-allocation in the International Offering, delayed delivery will not take place and there will also be no deferred settlement. The Shares to be subscribed by the Cornerstone Investors may be affected by reallocation in the event of over-subscription under the Hong Kong Public Offering, as described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation." Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around Monday, 28 September 2020.

The table below sets forth details of the Cornerstone Placing:

Cornerstone Investor	Subscription amount	Number of Offer Shares(1)	Assuming a final Offer Price of HK$5.18 per Share (being the low-end of the indicative Offer Price Range) — Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
	(US$ in millions)		Approximate % of the Offer Shares	Approximate % of the issued share capital(2)	Approximate % of the Offer Shares	Approximate % of the issued share capital(2)
Greenwoods	15.0	22,441,600	13.5%	3.4%	11.7%	3.2%
Jihe Lineng	8.22	12,298,400	7.4%	1.8%	6.4%	1.8%
Zhongjiao Jihe	2.78	4,159,200	2.5%	0.6%	2.2%	0.6%
GSC Fund 1 and Vision Fund 1	9.0	13,464,800	8.1%	2.0%	7.0%	1.9%
Longrising	9.0	13,464,800	8.1%	2.0%	7.0%	1.9%
Qianhe Capital	9.0	13,464,800	8.1%	2.0%	7.0%	1.9%
Total	53.0	**79,293,600**	47.6%	11.9%	41.4%	11.5%

Cornerstone Investor	Subscription amount	Number of Offer Shares(1)	Assuming a final Offer Price of HK$5.70 per Share (being the mid-point of the indicative Offer Price Range) — Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
	(US$ in millions)		Approximate % of the Offer Shares	Approximate % of the issued share capital(2)	Approximate % of the Offer Shares	Approximate % of the issued share capital(2)
Greenwoods	15.0	20,394,400	12.2%	3.1%	10.6%	2.9%
Jihe Lineng	8.22	11,176,000	6.7%	1.7%	5.8%	1.6%
Zhongjiao Jihe	2.78	3,779,200	2.3%	0.6%	2.0%	0.5%
GSC Fund 1 and Vision Fund 1	9.0	12,236,800	7.3%	1.8%	6.4%	1.8%
Longrising	9.0	12,236,800	7.3%	1.8%	6.4%	1.8%
Qianhe Capital	9.0	12,236,800	7.3%	1.8%	6.4%	1.8%
Total	53.0	**72,060,000**	43.2%	10.8%	37.6%	10.4%

Cornerstone Investor	Subscription amount	Number of Offer Shares(1)	Assuming a final Offer Price of HK$6.22 per Share (being the high-end of the indicative Offer Price Range): Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
	(US$ in millions)		Approximate % of the Offer Shares	Approximate % of the issued share capital(2)	Approximate % of the Offer Shares	Approximate % of the issued share capital(2)
Greenwoods	15.0	18,689,600	11.2%	2.8%	9.8%	2.7%
Jihe Lineng	8.22	10,241,600	6.1%	1.5%	5.3%	1.5%
Zhongjiao Jihe	2.78	3,463,200	2.1%	0.5%	1.8%	0.5%
GSC Fund 1 and Vision Fund 1	9.0	11,213,600	6.7%	1.7%	5.9%	1.6%
Longrising	9.0	11,213,600	6.7%	1.7%	5.9%	1.6%
Qianhe Capital	9.0	11,213,600	6.7%	1.7%	5.9%	1.6%
Total	53.0	**66,035,200**	39.6%	9.9%	34.5%	9.5%

Notes:

(1) Subject to rounding down to the nearest whole board lot of 800 Shares. Calculated based on the exchange rate of US$1.00 to HK$7.7501.

(2) Immediately following the completion of the Global Offering, assuming no Shares are issued under the Pre-IPO Share Incentive Scheme and no options are granted under the Post-IPO Share Incentive Scheme.

CORNERSTONE INVESTORS

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Greenwoods Asset Management Hong Kong Limited ("Greenwoods")

Greenwoods has agreed to acquire such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with approximately HK$116.3 million (US$15 million) at the Offer Price.

Greenwoods is a private fund management company incorporated in Hong Kong with limited liability. Established in 2005, Greenwoods is one of the largest and earliest China-focused asset managers mainly specialising in investing into companies in the Greater China region. Greenwoods is the advisor of funds such as Golden China Fund. Greenwoods focuses on fundamental research, value investments, and local due diligence. Investors of funds and accounts managed by Greenwoods mainly consist of global institutional investors such as sovereign wealth funds, endowments, banks, insurers, and family offices.

Pingyang Jihe Lineng Equity Investment Management Centre (Limited Partnership) (平陽幾何礪能股權投資管理中心(有限合夥)) ("Jihe Lineng") and Pingyang Zhongjiao Jihe Equity Investment Fund Management Centre (Limited Partnership) (平陽中教吉何股權投資基金管理中心(有限合夥)) ("Zhongjiao Jihe")

Jihe Lineng and Zhongjiao Jihe have agreed to acquire such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with approximately HK$85.3 million (US$11 million) at the Offer Price.

Jihe Lineng and Zhongjiao Jihe are China-based equity investment limited partnerships established in the PRC and managed by Beijing Jihe Investment Management Co., Ltd. (北京幾何投資管理有限公司) ("**Jihe Investment**"), all three of which are registered with the Asset Management Association of China. Jihe Investment is the general partner of each of Jihe Lineng and Zhongjiao Jihe. Jihe Investment is owned as to 7% by Mr. Jia Jinliang (賈金亮), 7% by Mr. Qian Pengfei (錢鵬飛), 30% by Mr. Ji Weijie (紀偉傑), 6% by Ms. Zhang Xu (張旭), 3% by Mr. Qi Honglei (齊紅雷), 20% by Pingyang Kaiyuan Investment Management Partnership (General Partnership) (平陽開源投資管理合夥企業(普通合夥)), 17% by Pingyang Zhongjiao Tuoxin Investment Management Center (Limited Partnership) (平陽中教拓新投資管理中心(有限合夥)), and 10% by Ningbo Fotile Kitchen Ware Co., Ltd. (寧波方太廚具有限公司). Among these, Pingyang Kaiyuan Investment Management Partnership (General Partnership) is owned as to 50% by Mr. Jia Jinliang, and 50% by Mr. Qian Pengfei; Pingyang Zhongjiao Tuoxin Investment Management Center (Limited Partnership) is 99% owned by Mr. Zhai Liyang (翟黎陽); and Ningbo Fotile Kitchen Ware Co., Ltd. is 80.84% owned by Ningbo Feixiang Group Corp. (寧波飛翔集團有限公司), which is 79.62% owned by Mr. Mao Zhongqun (茅忠群). One of the limited partners of Jihe Lineng is Guangzhou Beststudy Enterprise Co., Ltd., which holds approximately 21.74% of Jihe Lineng, and is an indirect wholly-owned subsidiary of China Beststudy Education Group, a company listed on the Stock Exchange (Stock Code: 3978).

Jihe Investment is primarily engaged in private equity mezzanine investments and asset securitisation in the education industry and has extensive and rich resources in the education industry. Historical investment projects of Jihe Investment cover many sub-sectors of the education industry, including but not limited to, extra-curricular education for primary and secondary students, higher degree education, vocational education, international education and education informationalisation.

For this cornerstone investment, each of Jihe Lineng and Zhongjiao Jihe will make an equity investment in our Company as part of the International Offering through a single asset management plan, which is managed by Shanghai Haitong Securities Asset Management Co., Ltd (上海海通證券資產管理有限公司) ("**Haitong Asset Management**"), the QDII engaged by Jihe Lineng and Zhongjiao Jihe, which will subscribe for and hold the Offer Shares on a discretionary basis on behalf of Jihe Lineng and Zhongjiao Jihe.

Haitong Asset Management is a connected client of Haitong International Securities Company Limited ("**Haitong International Securities**"), one of the Joint Global Coordinators. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit Haitong Asset Management, Jihe Lineng and Zhongjiao Jihe to participant in the Global Offering as the asset manager or the cornerstone investors of the Offer Shares to be allocated to Jihe Lineng and

Zhongjiao Jihe. See "Waivers and exemption from strict compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Consent in respect of allocation of Shares to a connected client of an Underwriter" for details of the relationship between Haitong Asset Management and Haitong International Securities and the consent granted.

GSC Fund 1 and Vision Fund 1

GSC Fund 1 and Vision Fund 1 have agreed to acquire such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with approximately HK$69.8 million (US$9 million) at the Offer Price.

Foresight Orient Global Superior Choice SPC — Global Superior Choice Fund 1 SP ("**GSC Fund 1**") and Foresight Orient Global Superior Choice SPC — Vision Fund 1 SP ("**Vision Fund 1**"), together with GSC Fund 1, the "**Funds**") are both sub-funds of Foresight Orient Global Superior Choice SPC, which was incorporated in the Cayman Islands. The Funds are managed in full discretion by Orient Asset Management (Hong Kong) Limited, a subsidiary of Orient Finance Holdings (Hong Kong) Limited, and a corporation licensed to carry out Type 9 (asset management) regulated activities under the SFO. Orient Finance Holdings (Hong Kong) Limited is a wholly-owned subsidiary of 東方證券股份有限公司 ("**DFZQ**"), which is listed on the Stock Exchange (Stock Code: 3958) and Shanghai Stock Exchange (Stock Code: 600958). DFZQ's shareholders' approval is not required for the subscription by the Funds for the Offer Shares. Foresight Fund Management Co., Ltd. ("**Foresight**") is the investment advisor of the Funds. Foresight is a Shanghai-based asset management company and was founded by Mr. Chen Guangming (陳光明).

Tibet Longrising Asset Management Co., Ltd. (西藏源樂晟資產管理有限公司) ("Longrising")

Longrising has agreed to acquire such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with approximately HK$69.8 million (US$9 million) at the Offer Price.

Longrising was established in August 2013 and is owned by Zeng Xiaojie (曾曉潔) (65%), Lv Xiaojiu (呂小九) (20%), Yang Jianhai (楊建海) (10%) and Hu Caiyang (胡彩陽) (5%). Longrising is principally engaged in asset management, private equity fund management and investment management. Longrising's core team members were previously from asset management institutions or securities research institutions, leading to the formation of complete investment research and risk management teams with rich experience in investment and research.

Qianhe Capital Management Co., Ltd. (千合資本管理有限公司) ("Qianhe Capital")

Qianhe Capital has agreed to acquire such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with approximately HK$69.8 million (US$9 million) at the Offer Price.

Qianhe Capital was incorporated in Sanya, Hainan, China in September 2012 with a registered capital of RMB50 million, which is owned by Mr. Wang Yawei (王亞偉) and Ms. Tao Qin (陶勤) as to 90% and 10%, respectively. Qianhe Capital is principally engaged in the management of entrusted asset management and investment management. Mr. Wang Yawei, the founder of Qianhe Capital, has approximately 26 years of experience in investment. Qianhe Capital upholds the principle of value investment, provides absolute returns for institutional and individual clients, and by leveraging its diversified values, Qianhe Capital aims to discover investment targets with core competitiveness and underestimated growth potential. With the application of investment instruments and technologies, Qianhe Capital has achieved sustainable and steady growth of the net assets under its management.

For this cornerstone investment, Qianhe Capital will make an equity investment in our Company as part of the International Offering through a single asset management plan, which is managed by Changsheng Fund Management Co. Ltd. (長盛基金管理有限公司), the QDII engaged by Qianhe Capital, which will subscribe for and hold the Offer Shares on behalf of Qianhe Capital.

CLOSING CONDITIONS

The subscriptions by the Cornerstone Investors to subscribe for the Offer Shares under the Cornerstone Investment Agreements are subject to, among others, the following closing conditions:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither of the underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between the Company and CLSA Limited (on behalf of the Underwriters);

(c) the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the respective Cornerstone Investment Agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the representations, warranties, undertakings and confirmations of the Cornerstone Investors under their respective Cornerstone Investment Agreements are accurate and true in all material respects and not misleading and that there is no material breach of the respective Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, among other things, without the prior written consent of each of our Company, CLSA Limited and the Sole Sponsor, it will not, at any time during the period of six months from the Listing Date ("**Lock-up Period**"), whether directly or indirectly, (i) dispose of any of the Offer Shares they have purchased pursuant to the Cornerstone Investment Agreements, save for certain limited circumstances such as transfer to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, or (ii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction, save for certain limited circumstances such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations as the Cornerstone Investor, including the Lock-up Period restriction.

HONG KONG UNDERWRITERS

CLSA Limited

China International Capital Corporation Hong Kong Securities Limited

Haitong International Securities Company Limited

Essence International Securities (Hong Kong) Limited

GF Securities (Hong Kong) Brokerage Limited

First Shanghai Securities Limited

China Galaxy International Securities (Hong Kong) Co., Limited

SPDB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 16,667,200 Hong Kong Public Offer Shares (subject to adjustment) for subscription by the public in Hong Kong on the terms and subject to the conditions in this document, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of any options that have been or may be granted under our Share Incentive Schemes) and such approval not having been withdrawn, and to certain other conditions set out in the Hong Kong Underwriting Agreement (including CLSA Limited (for itself and on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Hong Kong Underwriters have agreed severally but not jointly or jointly and severally to subscribe, or procure subscribers to subscribe for their respective applicable proportions of the Hong Kong Public Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions as set out in this document, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Sole Sponsor shall be entitled by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(i) there shall develop, occur, exist or come into effect:

a) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, BVI, Hong Kong, the PRC, the United States, the United Kingdom, any member of the European Union, Japan, Singapore or any other jurisdiction relevant to any member of our Group or the Global Offering (collectively, the "**Relevant Jurisdictions**" and any one of them, a "**Relevant Jurisdiction**"); or

b) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

d) any general moratorium on commercial banking activities in or affecting any Relevant Jurisdiction imposed by the relevant authorities or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

e) any new Law, or any change or any development involving a prospective change or any change or development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing Laws, in each case, in or affecting any of the Relevant Jurisdictions; or

f) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions relevant to the business operations of any member of our Group; or

g) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

h) any proceedings of any third party being instigated against any member of our Group not specifically disclosed in this document; or

i) a demand by any tax authority for payment for any tax liability for any member of our Group; or

j) any adverse change or development involving a prospective adverse change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects (financial or otherwise), earnings, profits, losses or financial or trading position of our Group taken as a whole and/or any member of our Group which has a substantial business operation; or

k) a Director being convicted with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

l) the chairperson or chief executive officer of our Company vacating his or her office; or

m) an authority or a political body or organisation in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

n) a contravention by any member of our Group of the Listing Rules or applicable Laws; or

o) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares pursuant to the terms of the Global Offering; or

p) non-compliance of this document (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

q) the issue or requirement to issue by our Company of any supplement or amendment to this document (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

r) any change or prospective change in, or a materialisation of, any of the risks set out in "Risk factors" in this document; or

s) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

t) a demand by any creditor for repayment or payment of any of our Group's indebtedness prior to its stated maturity,

which, individually or in the aggregate, in the sole and reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Sole Sponsor: (1) has or will have or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Offer Shares in the secondary market; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to be performed or implemented or proceed or to market the Global Offering, or to deliver the Offer Shares on the terms and in the manner contemplated by this document; or (4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable or impracticable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(ii) there has come to the notice of the Joint Global Coordinators or the Sole Sponsor:

a) that any statement contained in this document, the Application Forms, and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect in any material respect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this document, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this document, constitute a material misstatement in, or an omission of a material fact from, any of this document, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

c) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

d) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties under the Hong Kong Underwriting Agreement; or

e) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole, whether or not arising in the ordinary course of business, as determined by the Joint Global Coordinators in their absolute discretion; or

f) any material breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties under the Hong Kong Underwriting Agreement; or

g) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares to be allotted and issued (including any additional Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of any options that have been or may be granted under our Share Incentive Schemes) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

h) our Company withdraws this document (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

i) any person (other than the Sole Sponsor) has withdrawn or is subject to withdraw its consent to being named in any of this document or the Application Forms or to the issue of any of this document or the Application Forms with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be); or

j) a material portion of the orders in the bookbuilding process or the investment commitments by any Cornerstone Investor under the Cornerstone Investment Agreements have been withdrawn, terminated or cancelled, and CLSA Limited, in its absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except: (a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; (b) pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option); or (c) pursuant to the exercise of the options granted or may be granted under the Share Incentive Schemes.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and our Company that, except pursuant to the Global Offering, as already disclosed in this document, or as permitted under Listing Rules, he/it shall not, and shall procure that the relevant registered holder(s) controlled by him/it shall not:

(a) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this document and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Shares directly or indirectly beneficially owned by him/it; and

(b) in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Shares directly or indirectly beneficially owned by him/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to each of the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of his/its shareholding is made in this document and ending on the date which is 12 months from the Listing Date:

(a) if he/it pledges or charges of any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), he/it will immediately inform our Company of such pledge or charge together with the number of such Shares so pledged or charged; and

(b) if he/it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares will be disposed of, he/it will immediately inform our Company of such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of an announcement published in accordance with Rule 2.07 of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or the issue of options or shares under the Share Incentive Schemes or otherwise in compliance with the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company has, pursuant to the Hong Kong Underwriting Agreement, undertaken to, inter alia, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (provided such consent is not unreasonably withheld or delayed):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company, or any interest in any of the foregoing), or deposit any Shares or other securities of our Company, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or other securities of our Company or any shares, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, or any interest in any of the foregoing); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

During the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company shall not enter into any of the transactions specified in paragraph (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company.

In the event that our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure our Company to comply with the undertakings in this paragraph.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to us and the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save for the Share pledge arrangement in relation to Dongkong First and Dongkong Second and CIIT, details of which are set out in note (4) in "Substantial shareholders — Interest in the shares of our Company" in this document or unless otherwise in compliance with the Listing Rules, without the prior written consent of the Sole Sponsor and Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (provided such consent is not unreasonably withheld or delayed):

(1) he/it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable, or any interest in any of the foregoing); or (iii) enter into any transaction with the same economic effect as any transaction specified in (1)(i) or (1)(ii) of this paragraph; or (iv) offer to or agree to or announce any intention to effect any transaction specified in (1)(i), (1)(ii) or (1)(iii) of this paragraph, and in each case, whether any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) of this paragraph is to

be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(2) he/it will not, during the Second Six-Month Period, enter into any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company; and

(3) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company,

provided that nothing of the above shall prevent our Controlling Shareholders from (i) purchasing additional Shares or other securities of our Company and disposing of such additional Shares or securities of our Company, (ii) using the Shares or other securities of our Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, or (iii) facilitating the share lending arrangement as described in this document and undertaking any action in connection with the Over-allotment Option.

Each of our Controlling Shareholders hereby further undertakes to our Company, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters that he/it will, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

(i) when he/it pledges or charges any Shares or other securities of our Company or any interests in or any of the rights attaching to any Shares or other securities of our Company, including but not limited to rights as to voting, dividend or distribution in the Shares, immediately inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such pledge or charge together with the number and class of the Shares or securities and nature of interest so pledged or charged; and

(ii) upon any indication received by him/it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in or rights attaching to the Shares or securities of our Company will be disposed of, immediately inform our Company, the Sole Sponsor and the Joint Global Coordinators in writing of such indications.

Our Company agrees and undertakes to the Sole Sponsor, the Joint Global Coordinators and each of the Hong Kong Underwriters, that, upon receiving such information in writing from our Controlling Shareholders, it shall, as soon as practicable, notify the Stock Exchange and make an announcement in accordance with the Listing Rules.

Indemnity

Each of our Company and our Controlling Shareholders has agreed to, jointly and severally, indemnify, among others, each of the Joint Global Coordinators, the Sole Sponsor and the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and any of our Controlling Shareholders of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in our Company

Save for their obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested, legally or beneficially, directly or indirectly, in any Shares or other securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or other securities in our Company or any other member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliates may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with, amongst others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters would severally but not jointly or jointly and severally, agree to procure purchasers for, or to purchase, the International Offer Shares.

Our Company will grant to the International Underwriters the Over-allotment Option, exercisable by CLSA Limited (for itself and on behalf of the International Underwriters), at any time from the Listing Date up to (and including) 22 October 2020, being the date which is the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 25,000,000 additional Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price to cover over-allocations, if any, in the International Offering.

Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option and Stabilisation

Details of the arrangements relating to the Over-allotment Option and stabilisation are set forth in "Structure of the Global Offering" in this document.

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering. The International Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the International Offer Shares offered under the International Offering. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, if any, we will pay an underwriting commission at the rate applicable to the International Offering as set out in the International Underwriting Agreement, and such commission will be paid to the International Underwriters, and not the Hong Kong Underwriters. Our Company may also at its sole discretion pay the International Underwriters an additional incentive fee of up to 1.0% of the aggregate Offer Price in respect of all the Offer Shares offered under the Global Offering (including pursuant to the exercise of the Over-allotment Option).

The aggregate commissions and fees (including the discretionary incentive fee), together with the sponsor fee, Stock Exchange listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering paid and payable by us, are estimated to amount to approximately HK$128.8 million in total (based on an offer price of HK$5.70, being the mid-point of our indicative Offer Price Range for the Global Offering, and assuming the Over-allotment Option is not exercised).

Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Activities by Syndicate Members

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in "Structure of the Global Offering" in this document. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 16,667,200 Offer Shares (subject to reallocation) in Hong Kong as described in "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of initially 150,000,000 Shares (subject to reallocation and the Over-allotment Option), (a) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (b) outside the United States in reliance on Regulation S (including to professional and institutional investors in Hong Kong).

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S or in the United States to QIBs in reliance on Rule 144A or another available exemption. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in "— The Hong Kong Public Offering — Reallocation" in this section, and in the case of the International Offering only, the Over-allotment Option as described in the paragraph headed "— The International Offering — Over-allotment Option" in this section.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 16,667,200 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Offering; and (ii) the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "— Hong Kong Underwriting Agreement — Conditions of the Hong Kong Public Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less.

- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that the allocation ratios for applications in pool A and applications in pool B may be different. If the Offer Shares in one (but not both) of the pools are undersubscribed, the unsubscribed Offer Shares will be transferred to the other pool to satisfy demand in the other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 8,333,600 Offer Shares, being 50% of the 16,667,200 Offer Shares initially available under the Hong Kong Public Offering, are liable to be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange (as amended or supplemented from time to time by the Stock Exchange) require a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the

Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and certain prescribed total demand levels are reached as further described below:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 50,001,600 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering.

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 66,667,200 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering.

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 83,334,400 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as CLSA Limited (for itself and on behalf of the Underwriters) deems appropriate. In addition, CLSA Limited (for itself and on behalf of the Underwriters) may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done in the circumstance that (i) the International Offering is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (ii) when the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times, the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall not be more than 33,334,400 Offer Shares (representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and approximately 20% of the total number of Offer Shares initially available under the Global Offering) and the final Offer Price shall be fixed at the bottom end of the Offer Price Range.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of CLSA Limited. If the Hong

Kong Public Offering is not fully subscribed, CLSA Limited has the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as CLSA Limited deems appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he/she has been or will be placed or allocated Offer Shares under the International Offering.

Our Company, our Directors, the Sole Sponsor and CLSA Limited will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Shares in the International Offering and to identify and reject indications of interest in the International Offering from investors who have received Shares in the Hong Kong Public Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$6.22 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "— Pricing of the Global Offering" in this section, is less than the maximum price of HK$6.22 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. See "How to apply for Hong Kong Public Offer Shares" in this document for details.

References in this document to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of 150,000,000 Offer Shares, assuming the Over-allotment Option is not exercised, representing approximately 90% of the total number of Shares initially available under the Global Offering. The International Offering is subject to the Hong Kong Public Offering becoming unconditional. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "— Pricing of the Global Offering" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

CLSA Limited (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to it so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "— The Hong Kong Public Offering — Reallocation" in this section, the exercise of the Over-allotment Option in whole or in part described in the paragraph headed "— The International Offering — Over-allotment Option" in this section, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of CLSA Limited (for itself and on behalf of the Underwriters).

Over-allotment Option

It is expected that the Company will grant the Over-allotment Option to the International Underwriters, exercisable by CLSA Limited on behalf of the International Underwriters at any time from the Listing Date up to (and including) Thursday, 22 October 2020, being the date which is the 30th day after the last day for lodging applications under the Hong Kong Public Offering. Under the Over-allotment Option, CLSA Limited will have the right to require our Company to allot and issue up to an aggregate of 25,000,000 additional Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged issued share capital following the completion of the Global Offering (assuming that the options granted under the Share Incentive Schemes are not exercised). These Offer Shares will be issued at the Offer Price. An announcement will be made if the Over-allotment Option is exercised.

Stock Borrowing Arrangement

To facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates, up to 25,000,000 Offer Shares, representing approximately 15% of the Offer Shares (being the maximum number of Offer Shares which may be offered upon exercise of the Over-allotment Option), from our Company to cover over-allocations through the stock borrowing arrangement under the Stock Borrowing Agreement, or acquire Shares from other sources, including by exercising the Over-allotment Option.

If the Stock Borrowing Agreement is entered into, it will only be effected by the Stabilising Manager or its agent for settlement of over-allocations in the International Offering. The same number of Offer Shares so borrowed must be returned to our Company or its nominees on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, (b) the day on which the Over-allotment Option is exercised in full and the relevant Offer Shares subject to the Over-allotment Option have been sold, (c) the termination of the Stock Borrowing Agreement in accordance with its terms, and (d) such earlier time as may be agreed between the parties to the Stock Borrowing Agreement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules, and regulatory requirements. No payment will be made to our Company by the Stabilising Manager or its agent in relation to such stock borrowing arrangement.

PRICING OF THE GLOBAL OFFERING

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, 22 September 2020 and in any event no later than Wednesday, 23 September 2020, by agreement between CLSA Limited (for itself and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price will not be more than HK$6.22 per Offer Share and is expected to be not less than HK$5.18 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price Range stated in this document.**

Reduction in indicative Offer Price Range and/or number of Offer Shares

CLSA Limited (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price Range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.neuedu.com**) notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price Range.

As soon as practicable following the decision to make such reduction, we will issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price Range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require them to positively confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. Such announcement and supplemental prospectus shall also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in "Summary" in this document and any other financial information which may change as a result of such reduction.

Upon issue of such announcement and supplemental prospectus, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price Range will be final and conclusive and the Offer Price, if agreed upon by CLSA Limited (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price Range.

Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this document, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and CLSA Limited (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price Range as stated in this document.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, CLSA Limited may, at its discretion, reallocate the number of Offer Shares to be offered under the Hong Kong Public

Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of CLSA Limited. The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions including discretionary incentive fee, brokerage, SFC transaction levy, Stock Exchange trading fees and other expenses paid and payable by our Company in relation to the Global Offering) are estimated to be approximately HK$738.0 million, assuming an Offer Price per Share of HK$5.18, or approximately HK$904.4 million, assuming an Offer Price per Share of HK$6.22.

Announcement of Offer Price and basis of allocations

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Monday, 28 September 2020 on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.neuedu.com**).

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of CLSA Limited. Allocation of the International Offer Shares under the International Offering will be determined by CLSA Limited and will be based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector, and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional or corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Offer Shares validly applied for by applicants. The allocation of the Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Offer Shares, and those applicants who are not successful in the ballot may not receive any Offer Shares.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in "Underwriting".

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares will be conditional on:

(i) the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of any options that have been or may be granted under our Share Incentive Schemes);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times and in any event not later than Saturday, 17 October 2020, being the 30th day after the date of this document).

If, for any reason, the Offer Price is not agreed between our Company and CLSA Limited (for itself and on behalf of the Underwriters), on or before Wednesday, 23 September 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.neuedu.com** on the next day following such lapse. In such case, all application monies will be returned, without interest, on the terms set out in "How to apply for Hong Kong Public Offer Shares - 14. Dispatch/Collection of Share certificates and refund monies". In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licenced bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Monday, 28 September 2020 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 29 September 2020 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, CLSA Limited, as Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate Shares or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilising Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilising Manager may close out any covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilising Manager will consider, among other things, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of our Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising activity, which, if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. The number of our Shares that may be over-allocated will not exceed the number of our Shares that may be sold under the Over-allotment Option, namely, 25,000,000 Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

The Stabilising Manager, its affiliates or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilising period:

(i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(ii) in connection with any action described in paragraph (i) above:

(A) (1) over-allocate the Shares; or

(2) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(B) purchase or subscribe for or agree to purchase or subscribe for the Shares in order to close out any position established under paragraph (A) above;

(C) sell or agree to sell any of the Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or

(D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B), or (ii)(C) above.

The Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager, its affiliates or any person acting for them, which may include a decline in the market price of the Shares.

Stabilisation cannot be used to support the price of the Shares for longer than the stabilising period, which begins on the Listing Date and ends on Thursday, 22 October 2020, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The stabilising period is expected to end on Thursday, 22 October 2020, after which an announcement will be made pursuant to the Securities and Futures (Price Stabilising) Rules (Cap. 571W of the Laws of Hong Kong) made under the SFO. After this date, no further stabilising action may be taken, and demand for the Shares, and therefore the market price, could fall.

Any stabilising action taken by the Stabilising Manager, its affiliates or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period. Stabilising bids for or market purchases of our Shares by the Stabilising Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by purchasers.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the

Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, CLSA Limited, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the U.S. and not a U.S. person (within the meaning of Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor and CLSA Limited may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Our Company, the Sole Sponsor, CLSA Limited and the **HK eIPO White Form** Service Provider (where applicable) or their respective agents have full discretion to reject or accept any application, in full or in part, without giving any reason.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **IPO App** or the designated website at **www.hkeipo.hk**.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Thursday, 17 September 2020 until 12:00 noon, Tuesday, 22 September 2020 from:

(i) the following office of the Hong Kong Underwriters:

Hong Kong Underwriters	Address
CLSA Limited	Level 18, One Pacific Place 88 Queensway Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
Haitong International Securities Company Limited	22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Essence International Securities (Hong Kong) Limited	39/F., One Exchange Square Central Hong Kong
GF Securities (Hong Kong) Brokerage Limited	29-30/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
First Shanghai Securities Limited	19/F, Wing On House 71 Des Voeux Road Central Hong Kong
China Galaxy International Securities (Hong Kong) Co., Limited	20/F Wing On Centre 111 Connaught Road Central Hong Kong
SPDB International Capital Limited	33/F, SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong

(ii) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Connaught Road Central Branch	13-14 Connaught Road Central Hong Kong
Kowloon	Telford Plaza Branch	Shop Unit P2-P7, Telford Plaza No. 33 Wai Yip Street Kowloon Bay, Kowloon
	194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road Sham Shui Po, Kowloon
New Territories	East Point City Branch	Shop Nos. 217 D-E, Level 2 East Point City, 8 Chung Wa Road Tseung Kwan O, New Territories
	Tuen Mun San Hui Branch	G13–G14 Eldo Court Heung Sze Wui Road Tuen Mun, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m., Thursday, 17 September 2020 until 12:00 noon, Tuesday, 22 September 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – NEUSOFT EDUCATION PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

Thursday, 17 September 2020 – 9:00 a.m. to 4:00 p.m.

Friday, 18 September 2020 – 9:00 a.m. to 4:00 p.m.

Saturday, 19 September 2020 – 9:00 a.m. to 12:00 noon

Monday, 21 September 2020 – 9:00 a.m. to 4:00 p.m.

Tuesday, 22 September 2020 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 22 September 2020, the last application day or such later time as described in the paragraph headed "— 10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service, and agree to be bound by them;

(iv) confirm that you have received and read this document and have only relied on the information and representations contained in this document in making your application and will not rely on any other information or representations except those in any supplement to this document;

(v) confirm that you are aware of the restrictions on the Global Offering in this document;

(vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this document (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank(s), the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this document, in the Application Form, in the **IPO App** and on the designated website under the **HK eIPO White Form** service;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the U.S. (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed "— 14. Dispatch/Collection of Share certificates and refund monies — Personal Collection" in this section to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person(s) for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed "— 2. Who Can Apply" in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this document, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** Service Provider through the **IPO App** or **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m., Thursday, 17 September 2020 until 11:30 a.m., Tuesday, 22 September 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Tuesday, 22 September 2020 or such later time under the paragraph headed "— 10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists" in this section.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this document acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, CLSA Limited and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this document;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant stock account;
- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the term and conditions and application procedures set out in this document and agree to be bound by them;

- confirm that you have received and/or read a copy of this document and have relied only on the information and representations in this document in causing the application to be made, save as set out in any supplement to this document;

- agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this document (and any supplement to it);

- agree to disclose your personal data to our Company, the Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this document. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this document under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this document;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this document.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 800 Hong Kong Public Offer Shares. Instructions for more than 800 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 17 September 2020 – 9:00 a.m. to 8:30 p.m.

Friday, 18 September 2020 – 8:00 a.m. to 8:30 p.m.

Saturday, 19 September 2020 – 8:00 a.m. to 1:00 p.m.

Monday, 21 September 2020 – 8:00 a.m. to 8:30 p.m.

Tuesday, 22 September 2020 – 8:00 a.m. to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 17 September 2020 until 12:00 noon on Tuesday, 22 September 2020 (24 hours daily, except on Tuesday, 22 September 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 22 September 2020, the last application day or such later time as described in the paragraph headed "— 10. Effect of bad weather and/or Extreme Conditions on the opening of the application lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this document acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 22 September 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

(i) an account number; or

(ii) some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

(i) the principal business of that company is dealing in securities; and

(ii) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

(i) control the composition of the board of directors of the company;

(ii) control more than half of the voting power of the company; or

(iii) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 800 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 800 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

See "Structure of the Global Offering — Pricing of the Global Offering" in this document for further details regarding the Offer Price.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

(i) a tropical cyclone warning signal number 8 or above;

(ii) a "black" rainstorm warning; and/or

(iii) Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 22 September 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 22 September 2020 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "Expected timetable" in this document, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Monday, 28 September 2020 on our Company's website at **www.neuedu.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

(i) in the announcement to be posted on our Company's website at **www.neuedu.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Monday, 28 September 2020;

(ii) from the "Allotment Result" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID/Business Registration" function on a 24-hour basis from 8:00 a.m. on Monday, 28 September 2020 to 12:00 midnight on Sunday, 4 October 2020;

(iii) by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 28 September 2020 to Monday, 5 October 2020 (excluding Saturday, Sunday and public holiday in Hong Kong); or

(iv) in the special allocation results booklets which will be available for inspection during opening hours from Monday, 28 September 2020 to Wednesday, 30 September 2020 at all the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering" in this document.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this document under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this document.

If any supplement to this document is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, CLSA Limited, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications as described in "8. How many applications can you make" above;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at **www.hkeipo.hk**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Sole Sponsor or CLSA Limited believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$6.22 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Hong Kong Underwriting Agreement — Conditions of the Hong Kong Public Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, 28 September 2020.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Monday, 28 September 2020.

The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 29 September 2020 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" in this document has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 28 September 2020, or any other place or date notified by our Company on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.neuedu.com**.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, 28 September 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above for the collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, 28 September 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 28 September 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

For Hong Kong Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "— 11. Publication of results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 28 September 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 28 September 2020, or any other place or date notified by our Company on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.neuedu.com** as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, 28 September 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 28 September 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "— 11. Publication of results" in this section on Monday, 28 September 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 28 September 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 28 September 2020. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 28 September 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NEUSOFT EDUCATION TECHNOLOGY CO. LIMITED AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of Neusoft Education Technology Co. Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-100, which comprises the consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 31 March 2020, the Company's statements of financial position as at 31 December 2018 and 2019 and 31 March 2020 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-100 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 17 September 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by

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the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2018 and 2019 and 31 March 2020 and the consolidated financial position of the Group as at 31 December 2017, 2018 and 2019 and 31 March 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. A review 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 International 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends paid by the companies now comprising the Group in respect of the Track Record Period and states that no dividend has been paid by Neusoft Education Technology Co. Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 17 September 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report. The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all amounts are rounded to the nearest thousand yuan (RMB'000), unless otherwise stated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Three months ended 31 March	
	Note	2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	731,390	853,167	958,228	171,394	158,867
Cost of revenue	10	(496,958)	(580,884)	(635,226)	(143,760)	(129,464)
Gross profit		234,432	272,283	323,002	27,634	29,403
Selling expenses	10	(9,190)	(10,588)	(11,239)	(1,901)	(3,590)
Administrative expenses	10	(65,854)	(85,252)	(109,185)	(20,042)	(18,727)
Research and development expenses	10	(24,019)	(19,819)	(20,445)	(6,131)	(3,980)
Other income	7	74,405	65,807	71,534	15,390	17,319
Other expense	8	(19,008)	(19,206)	(18,936)	(4,202)	(4,280)
Other gains	9	6,084	4,346	944	666	939
Operating profit		196,850	207,571	235,675	11,414	17,084
Finance income	12	1,041	1,973	3,387	596	891
Finance expenses	12	(36,308)	(38,539)	(40,094)	(9,353)	(9,413)
Finance expenses-net	12	(35,267)	(36,566)	(36,707)	(8,757)	(8,522)
Profit before income tax		161,583	171,005	198,968	2,657	8,562
Income tax (expense)/credit	13	(18,368)	(7,327)	(23,953)	1,890	3,671
Profit for the year/period		143,215	163,678	175,015	4,547	12,233
Profit attributable to:						
Owners of the Company		114,818	131,991	139,213	3,661	9,706
Non-controlling interests		28,397	31,687	35,802	886	2,527
		143,215	163,678	175,015	4,547	12,233
Other comprehensive income/(loss)						
Items that will not be reclassified to profit or loss						
Exchange differences on translation		—	1	(15)	5	(33)
Total comprehensive income		143,215	163,679	175,000	4,552	12,200
Total comprehensive income attributable to:						
Owners of the Company		114,818	131,992	139,198	3,666	9,673
Non-controlling interests		28,397	31,687	35,802	886	2,527
		143,215	163,679	175,000	4,552	12,200
Earnings per share attributable to owners of the Company (RMB) — Basic and diluted	15	0.23	0.26	0.28	0.01	0.02

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			As at 31 March
		2017	2018	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Right-of-use assets	16	279,011	311,971	442,840	448,198
Property, plant and equipment	17	1,108,960	1,076,197	1,202,367	1,240,805
Investment in associate		—	—	—	711
Intangible assets	18	11,546	10,224	10,736	303,356
Deferred income tax assets	19	34,333	36,458	34,809	42,823
Prepayments, deposits and other receivables	22	1,744	1,200	237,157	237,088
Total non-current assets		1,435,594	1,436,050	1,927,909	2,272,981
Current assets					
Inventories		1,160	2,781	3,063	4,462
Trade and notes receivables	21	24,103	14,592	6,148	17,108
Prepayments, deposits and other receivables	22	160,598	45,935	45,909	48,291
Financial assets at fair value through profit or loss	23	2,082	87,794	50	192,660
Restricted cash	24	16	13,682	10,215	11,694
Cash and cash equivalents	24	332,558	214,834	562,882	455,013
Total current assets		520,517	379,618	628,267	729,228
Total assets		1,956,111	1,815,668	2,556,176	3,002,209
EQUITY					
Equity attributable to owners of the Company					
Share capital	25	—	—	88	88
Share premium	26	—	—	2,046,481	2,046,481
Reserves	26	490,076	355,219	(1,678,930)	(1,678,963)
Retained earnings		11,312	80,876	207,316	217,022
Subtotal		501,388	436,095	574,955	584,628
Non-controlling interest		125,365	105,968	137,972	171,495
Total equity		626,753	542,063	712,927	756,123
LIABILITIES					
Non-current liabilities					
Trade and other payables	29	80	—	—	675
Borrowings	30	188,000	305,940	525,634	623,670
Deferred tax liabilities	19	9,869	8,706	6,779	45,805
Lease liabilities	28	4,621	44,456	39,647	44,551
Deferred income	31	30,569	25,928	26,865	29,022
Total non-current liabilities		233,139	385,030	598,925	743,723
Current liabilities					
Trade and other payables	29	402,920	163,827	226,531	618,549
Current income tax liabilities		5,430	7,214	9,210	6,586
Contract liabilities	6	411,766	449,944	489,436	349,334
Borrowings	30	238,500	222,040	473,164	475,164
Lease liabilities	28	3,026	7,699	5,601	9,983
Deferred income	31	34,577	37,851	40,382	42,747
Total current liabilities		1,096,219	888,575	1,244,324	1,502,363
Total liabilities		1,329,358	1,273,605	1,843,249	2,246,086
Total equity and liabilities		1,956,111	1,815,668	2,556,176	3,002,209

COMPANY'S STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2018	As at 31 December 2019	As at 31 March 2020
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investments in subsidiaries		—	2,083,984	2,125,674
Total non-current assets		—	2,083,984	2,125,674
Current assets				
Cash and cash equivalents		—	10	60
Prepayments, deposits and other receivables		2,908	4,138	4,309
Total current assets		2,908	4,148	4,369
Total assets		2,908	2,088,132	2,130,043
EQUITY				
Equity attributable to owners of the Company				
Share capital	25	88	88	88
Share premium	26	—	2,046,481	2,046,481
Reserves		1	37,217	78,620
Accumulated losses		(9,445)	(14,119)	(14,426)
Total equity		(9,356)	2,069,667	2,110,763
LIABILITIES				
Current liabilities				
Trade and other payables		12,264	18,465	19,280
Total current liabilities		12,264	18,465	19,280
Total liabilities		12,264	18,465	19,280
Total equity and liabilities		2,908	2,088,132	2,130,043

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company										
		Share capital	Share premium	Combined share capital	Merge reserve	Capital reserve	Statutory reserve	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017		—	—	306,308	—	61,780	106,737	—	(77,533)	397,292	103,069	500,361
Comprehensive income												
Profit for the year		—	—	—	—	—	—	—	114,818	114,818	28,397	143,215
Transactions with owners												
Dividends declared or paid		—	—	—	—	—	—	—	(20,467)	(20,467)	(7,389)	(27,856)
Profit appropriation to statutory reserves	26(a)	—	—	—	—	—	5,506	—	(5,506)	—	—	—
Transactions with non-controlling interests	26(b)	—	—	—	—	119	—	—	—	119	(1,503)	(1,384)
Deemed contribution from owners	26(c)	—	—	—	—	9,626	—	—	—	9,626	2,791	12,417
		—	—	—	—	9,745	5,506	—	(25,973)	(10,722)	(6,101)	(16,823)
Balance at 31 December 2017		—	—	306,308	—	71,525	112,243	—	11,312	501,388	125,365	626,753

	Note	Attributable to owners of the Company										
		Share capital	Share premium	Combined share capital	Merge reserve	Capital reserve	Statutory reserve	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018		—	—	306,308	—	71,525	112,243	—	11,312	501,388	125,365	626,753
Comprehensive income												
Profit for the year		—	—	—	—	—	—	—	131,991	131,991	31,687	163,678
Other comprehensive income		—	—	—	—	—	—	1	—	1	—	1
Total comprehensive income		—	—	—	—	—	—	1	131,991	131,992	31,687	163,679
Transactions with owners												
Dividends declared or paid		—	—	—	—	—	—	—	(45,877)	(45,877)	(13,065)	(58,942)
Profit appropriation to statutory reserves	26(a)	—	—	—	—	—	16,550	—	(16,550)	—	—	—
Deemed distribution to owners	26(c)	—	—	—	—	(84,150)	—	—	—	(84,150)	(23,865)	(108,015)
Deemed distribution — cash consideration	26(d)	—	—	(16,164)	—	(51,182)	—	—	—	(67,346)	(16,654)	(84,000)
Capital injection from owners and non-controlling interests		—	—	88	—	—	—	—	—	88	2,500	2,588
		—	—	(16,076)	—	(135,332)	16,550	—	(62,427)	(197,285)	(51,084)	(248,369)
Balance at 31 December 2018		—	—	290,232	—	(63,807)	128,793	1	80,876	436,095	105,968	542,063

	Note	Share capital	Share premium	Combined share capital	Merge reserve	Capital reserve	Statutory reserve	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total
		Attributable to owners of the Company										
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019		—	—	290,232	—	(63,807)	128,793	1	80,876	436,095	105,968	542,063
Comprehensive income/(loss)												
Profit for the year		—	—	—	—	—	—	—	139,213	139,213	35,802	175,015
Other comprehensive loss		—	—	—	—	—	—	(15)	—	(15)	—	(15)
Total comprehensive income		—	—	—	—	—	—	(15)	139,213	139,198	35,802	175,000
Transactions with owners												
Completion of reorganisation		88	2,046,481	(290,232)	(1,756,337)	—	—	—	—	—	—	—
Profit appropriation to statutory reserves	26(a)	—	—	—	—	—	12,773	—	(12,773)	—	—	—
Dividends declared or paid	14	—	—	—	—	—	—	—	—	—	(3,536)	(3,536)
Transactions with non-controlling interests	26(b)	—	—	—	—	(338)	—	—	—	(338)	(262)	(600)
		88	2,046,481	(290,232)	(1,756,337)	(338)	12,773	—	(12,773)	(338)	(3,798)	(4,136)
Balance at 31 December 2019		88	2,046,481	—	(1,756,337)	(64,145)	141,566	(14)	207,316	574,955	137,972	712,927

		Attributable to owners of the Company										
	Note	Share capital	Share premium	Combined share capital	Merge reserve	Capital reserve	Statutory reserve	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020		88	2,046,481	—	(1,756,337)	(64,145)	141,566	(14)	207,316	574,955	137,972	712,927
Comprehensive income/(loss)												
Profit for the period		—	—	—	—	—	—	—	9,706	9,706	2,527	12,233
Other comprehensive loss		—	—	—	—	—	—	(33)	—	(33)	—	(33)
Total comprehensive income		—	—	—	—	—	—	(33)	9,706	9,673	2,527	12,200
Transactions with owners												
Acquisition of a subsidiary	34	—	—	—	—	—	—	—	—	—	30,996	30,996
Balance at 31 March 2020		88	2,046,481	—	(1,756,337)	(64,145)	141,566	(47)	217,022	584,628	171,495	756,123
(Unaudited) Balance at 1 January 2019		—	—	290,232	—	(63,807)	128,793	1	80,876	436,095	105,968	542,063
Comprehensive income												
Profit for the period		—	—	—	—	—	—	—	3,661	3,661	886	4,547
Other comprehensive income		—	—	—	—	—	—	5	—	5	—	5
Total comprehensive income		—	—	—	—	—	—	5	3,661	3,666	886	4,552
Balance at 31 March 2019		—	—	290,232	—	(63,807)	128,793	6	84,537	439,761	106,854	546,615

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	Three months ended 31 March 2019 RMB'000 (Unaudited)	2020 RMB'000
Cash flows from operating activities						
Cash generated from/(used in) operations		345,780	348,846	403,207	(75,730)	(73,911)
Income taxes paid		(2,056)	(5,643)	(22,235)	(4,934)	(7,481)
Net cash generated from/(used in) operating activities	32(a)	343,724	343,203	380,972	(80,664)	(81,392)
Cash flows from investing activities						
Acquisition of a subsidiary, net of cash acquired	34	—	—	—	—	42,043
Proceeds from sale of subsidiary		—	3,455	—	—	—
Purchases of property, plant and equipment		(98,037)	(70,863)	(177,592)	(41,971)	(56,795)
Payment for land use right	16,22	(26,864)	—	(371,088)	(254,740)	—
Proceeds from sale of property, plant and equipment	32(b)	453	50	346	—	1
Purchases of intangible assets	18	(2,580)	(1,109)	(2,967)	(94)	(224)
Purchases of financial assets measured at fair value through profit and loss	3.3	(642,200)	(939,800)	(312,600)	(176,200)	(229,311)
Settlement of financial assets measured at fair value through profit and loss	3.3	645,393	860,209	401,423	229,286	128,263
Loans granted to related parties	36(a)	(40,000)	—	—	—	—
Repayments received from related parties	36(a)	94,055	—	—	—	—
Loans granted to a third party		(200)	—	—	—	—
Decrease/(increase) in restricted bank deposits		(16)	(13,667)	3,467	(4,734)	(1,479)
Interest received		2,697	1,920	3,581	649	891
Net cash used in investing activities		(67,299)	(159,805)	(455,430)	(247,804)	(116,611)
Cash flows from financing activities						
Proceeds from capital injection		—	2,500	—	—	—
Transaction with non-controlling interests		—	—	(600)	—	—
Professional expense paid in connection with the issuance of new shares during the listing process		—	(2,820)	(1,306)	(1,126)	(171)
Deemed distribution		—	(84,000)	—	—	—
Proceeds from borrowings	32(c)	280,000	349,000	763,124	200,000	240,000
Repayments of borrowings	32(c)	(346,160)	(247,520)	(291,040)	(118,000)	(140,000)
Borrowings from related parties	32(c), 36(a)	348,295	—	200,000	200,000	—
Repayments of borrowings to related parties	32(c), 36(a)	(212,745)	(216,503)	(200,000)	—	—
Dividends paid	32(c)	(27,856)	(58,942)	(3,536)	—	—
Interest paid	32(c)	(36,130)	(37,981)	(36,732)	(7,099)	(6,933)
Principal elements of lease payments	32(c)	(9,476)	(4,861)	(7,408)	(1,473)	(2,796)
Net cash (used in)/generated from financing activities		(4,072)	(301,127)	422,502	272,302	90,100
Net (decrease)/increase in cash and cash equivalents		272,353	(117,729)	348,044	(56,166)	(107,903)
Cash and cash equivalents at the beginning of the year/period	24	60,230	332,558	214,834	214,834	562,882
Exchange loss/(gains) on cash and cash equivalent	12	(25)	5	4	(5)	34
Cash and cash equivalents at end of year/period	24	332,558	214,834	562,882	158,663	455,013

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 General information

Neusoft Education Technology Co. Limited ("the Company" or "Neusoft Education Technology") was incorporated in the Cayman Islands on 20 August 2018 as an exempted company with limited liability under the Companies Law, (Cap.22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively referred to as the "Group") are principally engaged in providing full-time formal higher education services, continuing education services, and education resources and apprenticeship programme in the People's Republic of China (the "PRC")(collectively referred to as the "Listing Business").

The Company has no ultimate holding company or ultimate controlling party.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (not including the acquisition of Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. ("Tianjin Ruidao") and its subsidiaries in March 2020) as described below (the "Reorganisation"), the Listing Business was carried out by companies now comprising the Group, including Dalian Neusoft Software Park Industry Development Co., Ltd. ("Dalian Development"), Dalian Neusoft University of Information ("Dalian University"), Dalian Neusoft Electronic Press Co., Ltd. ("Neusoft Electronic Press"), Chengdu Neusoft Information Technology Development Co., Ltd. ("Chengdu Development"), Chengdu Neusoft University ("Chengdu University"), Foshan Nanhai Neusoft Information Technology Development Co., Ltd. ("Foshan Development"), Neusoft Institute, Guangdong ("Foshan University") (collectively the "Consolidated Affiliated Entities"), Chengdu Neusoft Software Co., Ltd. ("Chengdu Software"), Shanghai Ruixiang Information Technology Co., Ltd. ("Shanghai Ruixiang"), Dalian Neusoft Technology Development Co., Ltd. ("Dalian Technology"), Dalian Yunguan Information Technology Co., Ltd. ("Dalian Yunguan") and Foshan Yunguan Information Technology Co., Ltd. ("Foshan Yunguan").

The Consolidated Affiliated Entities are directly or indirectly wholly owned by Dalian Neusoft Holdings Co., Ltd. ("Neusoft Holdings") of which the owners are Dalian Kang Ruidao Management Consulting Centre (Limited Partnership) ("Dalian Kang Ruidao"), Dalian Neusoft Siwei Technology Development Co., Ltd. ("Dalian Siwei"), Liu Ming, Alpine Electronics (China) Co., Ltd. ("Alpine China"), Northeastern University Science & Technology Industry Group ("Northeastern University"), Yida Holdings Co., Ltd. ("Yida Holdings"), PICC Life Insurance Company Limited ("PICC Life"), and PICC Health Insurance Company Limited ("PICC Health").

Pursuant to the Reorganisation in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"), the Consolidated Affiliated Entities engaged in the Listing Business were transferred to the Company. The Reorganisation involves the following main steps:

(1) On 26 July 2018, Chengdu University transferred all of its equity interests held in Chengdu Software to a subsidiary of Neusoft Holdings for a consideration of approximately RMB12,000,000.

(2) On 3 August 2018, Dalian Neusoft Education Technology Group Co. Limited ("Dalian Education") was incorporated as a limited liability company in the PRC with the registered capital of RMB10,000,000 by Liu Mengyue and Dalian Development.

(3) On 14 August 2018, Dalian Neusoft Industry Management Services Co., Ltd. ("Neusoft Industry Management") was established as a wholly-owned subsidiary of Dalian Education, with a registered capital of RMB3,000,000.

(4) On 15 August 2018, Dalian Education acquired Shanghai Ruixiang from Dalian Development for a consideration of RMB15,000,000.

(5) On 29 August 2018, Dalian Education acquired Dalian Yunguan from Neusoft Holdings for a consideration of RMB55,000,000.

(6) On 29 August 2018, Dalian High-tech Zone Neusoft Training School Co., Ltd. ("Neusoft Training School") was established as a wholly-owned subsidiary of Dalian Technology, with a registered capital of RMB3,000,000.

(7) On 20 August 2018, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK$380,000 divided into 3,800,000,000 shares with par value of HK$0.0001 each. On the same day, one ordinary share was allotted and issued at par value to the initial subscriber, and was subsequently transferred to Kang Ruidao International Investment Inc. ("Kang Ruidao"), a company incorporated in the British Virgin Islands ("BVI"). On 31 August 2018, the Company then issued and allotted an additional 300,489,999 shares at par value to Kang Ruidao, 254,930,000 shares at par value to Dongkong Education First Investment Inc ("Dongkong First"), 240,000,000 shares at par value to Dongkong Education Second Investment Inc ("Dongkong Second"), 130,020,000 shares at par value to Century Bliss International Limited ("Century Bliss"), 56,210,000 shares at par value to Alpine Electronics, Inc ("Alpine Electronics") and 18,350,000 shares at par value to Apex Venture Holding, Inc ("Apex Venture").

(8) Since 2015, Neusoft Holdings has been providing the services of "Cloud services business" to Dalian University, Chengdu University and Foshan University in order to effectively realize the resource sharing and cost saving among all the schools. This business was transferred to Dalian Yunguan on 2 September 2018 from Neusoft Holdings for a consideration of RMB14,000,000.

(9) Since 2012, Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. ("Tianjin Ruidao") which was held as 90.01% by Neusoft Holdings has been providing education software development business to the students of Dalian University, Chengdu University and Foshan University. This business was transferred to Dalian Yunguan on 2 September 2018 from Tianjin Ruidao for the consideration of RMB15,000,000.

(10) On 6 September 2018, the Company established Neusoft Education Technology (BVI) Co., Limited ("Neusoft Education BVI") as a limited liability company under the laws of the British Virgin Islands (BVI) with an authorised share capital of US$100 divided into 100 shares with par value of US$1 each, 100 shares were issued and allotted to the Company at par value.

(11) On 22 September 2018, Dalian Neusoft Kangrui Jiuhe Medical Management Co., Ltd. ("Kangrui Jiuhe") was established as a non-wholly owned subsidiary of Dalian Education as to 60%, with an aggregate registered capital of RMB5,000,000.

(12) On 26 September 2018, Neusoft Education BVI established Neusoft Education Technology (HK) Co. Limited ("Neusoft Education HK") as a limited liability company under the laws of Hong Kong with a share capital of HK$100 divided into 100 shares with par value of HK$1 each, 100 shares of which were issued and allotted to Neusoft Education BVI at par value.

(13) On 26 April 2019, Chengdu Neusoft Education Technology Group Co., Limited ("Neusoft Education Chengdu") was established as a wholly-owned subsidiary of Dalian Education, with a registered capital of RMB1,000,000.

(14) On 17 May 2019, Dalian Neusoft Ruixin Technology Development Co., Limited ("JV" or "Neusoft Ruixin") was incorporated as a limited liability company in the PRC with the registered capital of RMB10,000, and was held as 80.82% by Neusoft Education HK, 5.93% by Northeastern University, 8.40% by PICC Life, and 4.85% by PICC Health.

(15) On 30 May 2019, Dalian University agreed to transfer 100% equity interest in Dalian Technology to Dalian Education for the consideration of RMB10,750,000.

(16) On 17 June 2019, Dalian Development agreed to transfer 95% equity interest, and Liu Mengyue agreed to transfer the remaining equity interest, in Dalian Education to Neusoft Ruixin for the aggregate consideration of RMB12,000,000.

(17) Due to the regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Consolidated Affiliated Entities in the PRC. Neusoft Ruixin has entered into the Contractual Arrangements with certain main Consolidated Affiliated Entities and their respective equity holders, which is effective from 21 June 2019. The Company is effectively control and receive all the economic benefits of the business and operation of all Consolidated Affiliated Entities.

Upon completion of the above Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

On 1 March 2020, Dalian Education acquired 90.91% equity interest in Tianjin Ruidao from Neusoft Holdings at a consideration of approximately RMB362.8 million. Following the acquisition, Tianjin Ruidao became a subsidiary of the Group and its financial results were consolidated into the Company's financial statements.

1.3 Subsidiaries

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

			Attributable equity interests of the Group							
			At 31 December			At 31 March				
Name of subsidiaries	Country/Place and date of incorporation/ establishment	Paid-in capital	2017	2018	2019	2020	As of the date of this report	Principal activities	Places of operation	Statutory auditors
Directly held:										
Neusoft Education BVI	BVI/ 20 August 2018	HK$380,000	—	100%	100%	100%	100%	Investment holding	BVI	Note(1)
Indirectly held:										
Dalian Development	PRC/ 10 July 2002	RMB359,000,000	80.82%	80.82%	80.82%	80.82%	80.82%	Investment Holding & Estate management	PRC	Note(2)
Dalian University	PRC/ 29 April 2004	RMB350,190,000	80.82%	80.82%	80.82%	80.82%	80.82%	Higher education	PRC	Note(2)
Neusoft Electronic Press	PRC/ 21 April 2005	RMB5,000,000	80.82%	80.82%	80.82%	80.82%	80.82%	Publishing	PRC	Note(2)
Dalian Technology	PRC/ 10 October 2013	RMB10,000,000	80.82%	80.82%	80.82%	80.82%	80.82%	Investment holding	PRC	Note(2)
Chengdu Development	PRC/ 8 July 2002	RMB102,800,000	80.82%	80.82%	80.82%	80.82%	80.82%	Investment holding	PRC	Note(2)
Chengdu University	PRC/ 10 June 2003	RMB230,663,174	80.82%	80.82%	80.82%	80.82%	80.82%	Higher education	PRC	Note(2)
Foshan Development	PRC/ 8 January 2002	RMB150,700,000	80.82%	80.82%	80.82%	80.82%	80.82%	Investment holding	PRC	Note(2)
Foshan University	PRC/ 24 February 2003	RMB 158,400,000	80.82%	80.82%	80.82%	80.82%	80.82%	Higher education	PRC	Note(2)
Shanghai Ruixiang	PRC/ 14 April 2017	RMB5,000,000	80.82%	80.82%	80.82%	80.82%	80.82%	Software development	PRC	Note(2)
Dalian Yunguan	PRC/ 17 February 2013	RMB20,000,000	80.82%	80.82%	80.82%	80.82%	80.82%	Software development	PRC	Note(2)
Foshan Yunguan	PRC/ 24 June 2016	RMB5,000,000	80.82%	80.82%	80.82%	80.82%	80.82%	Software development	PRC	Note(1)
Neusoft Education HK	Hong Kong/ 26 September 2018	HK$100	—	100%	100%	100%	100%	Investment holding	Hong Kong	Note(1)
Neusoft Training School	PRC/ 29 August 2018	RMB1,000,000	—	80.82%	80.82%	80.82%	80.82%	Training service	PRC	Note(2)
Neusoft Industry Management	PRC/ 14 August 2018	RMB3,000,000	—	80.82%	80.82%	80.82%	80.82%	Property management	PRC	Note(2)

			Attributable equity interests of the Group							
			At 31 December			At 31 March				
Name of subsidiaries	Country/Place and date of incorporation/ establishment	Paid-in capital	2017	2018	2019	2020	As of the date of this report	Principal activities	Places of operation	Statutory auditors
Indirectly held:										
Dalian Education	PRC/ 3 August 2018	RMB10,000,000	—	76.78%	80.82%	80.82%	80.82%	Investment holding	PRC	Note[(2)]
Kangrui Jiuhe	PRC/ 22 September 2018	RMB5,000,000	—	48.49%	48.49%	48.49%	—	Medical related consultation	PRC	Note[(1)(3)(4)]
Neusoft Ruixin	PRC/ 17 May 2019	RMB10,000	—	—	80.82%	80.82%	80.82%	Investment holding	PRC	Note[(2)]
Neusoft Education Chengdu	PRC/ 26 April 2019	RMB1,000,000	—	—	80.82%	80.82%	80.82%	Investment holding	PRC	Note[(1)]
Suzhou Neusoft	PRC/ 23 January 2020	—	—	—	—	80.82%	80.82%	Investment holding	PRC	Note[(1)]
Tianjin Ruidao	PRC/ 22 March 2012	RMB110,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note[(1)]
Shenyang Neusoft Software Talent Training School	PRC/ 9 September 2008	RMB300,000	—	—	—	73.47%	73.47%	Training service	PRC	Note[(1)]
Dalian Neusoft Software Talent Training Centre	PRC/ 8 May 2009	RMB1,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note[(1)]
Tianjin Binhai Newtown Neusoft Ruidao Software Talent Vocational Training School	PRC/ 13 August 2015	RMB1,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note[(1)]
Nanjing Neusoft Ruidao Information Technology Co., Ltd.	PRC/ 5 March 2014	—	—	—	—	73.47%	73.47%	Training service	PRC	Note[(1)]
Nanjing Neusoft Talent Training Centre	PRC/ 28 July 2009	RMB300,000	—	—	—	73.47%	73.47%	Training service	PRC	Note[(1)]
Shenyang Neusoft Ruidao Education Services Co., Ltd.	PRC/ 9 July 2012	RMB5,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note[(1)]
Dalian Neusoft Ruidao Education Information Services Co., Ltd.	PRC/ 23 July 2012	RMB2,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note[(1)]
Qingdao Neusoft Ruidao Education Information Technology Co., Ltd.	PRC/ 6 December 2012	RMB2,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note[(1)]
Qingdao West Coast New District Neusoft Ruidao Software Talent Training School	PRC/ 12 November 2013	RMB1,200,000	—	—	—	73.47%	73.47%	Training service	PRC	Note[(1)]
Beijing Neusoft Ruidao Education Technology Co., Ltd.	PRC/ 21 September 2012	RMB1,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note[(1)]

Name of subsidiaries	Country/Place and date of incorporation/ establishment	Paid-in capital	Attributable equity interests of the Group At 31 December 2017	2018	2019	At 31 March 2020	As of the date of this report	Principal activities	Places of operation	Statutory auditors
Guangzhou Neusoft Ruidao Education Information Technology Co., Ltd.	PRC/ 31 December 2013	RMB1,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note(1)
Guangzhou Neusoft Software Talent Vocational Training School	PRC/ 13 July 2015	RMB1,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note(1)
Chongqing Neusoft Ruidao Information Technology Co., Ltd.	PRC/ 11 July 2017	RMB2,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note(1)
Dalian Neusoft Ruichuang Technology Development Co., Ltd.	PRC/ 22 August 2014	RMB10,000,000	—	—	—	73.47%	73.47%	Software development	PRC	Note(1)
Chengdu Neusoft Software Co., Ltd.	PRC/ 17 June 2010	RMB10,000,000	—	—	—	73.47%	73.47%	Software development	PRC	Note(1)
Neusoft Ruidao (Weihai) Education Information Consulting Co., Ltd.	PRC/ 29 October 2019	RMB1,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note(1)
Qinhuangdao Neusoft Venture School	PRC/ 15 March 2016	RMB500,000	—	—	—	66.13%	66.13%	Training service	PRC	Note(1)
Guangzhou Ruiyuan Information Technology Co., Ltd.	PRC/ 20 August 2019	RMB1,000,000	—	—	—	66.13%	—	Training service	PRC	Note(1)(3)
Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd.	PRC/ 18 April 2016	RMB1,000,000	—	—	—	44.08%	44.08%	Software development	PRC	Note(1)(4)
Dalian Waye Information Service Co., Ltd.	PRC/ 15 March 2016	RMB10,739,000	—	—	—	44.08%	44.08%	Software development	PRC	Note(1)(4)
Guangdong Ruidao Gongchuang Technology CO., Ltd.	PRC/ 29 April 2016	RMB10,000,000	—	—	—	37.47%	37.47%	Software development	PRC	Note(1)(4)

Notes:

(1) No audited financial statements have been prepared for these companies since they are either newly incorporated or acquired or not required to issue audited financial statements under statutory requirements of their respective places of incorporation.

(2) The subsidiaries had statutory accounting year end dates of 31 December 2017, 2018 and 2019 and have prepared financial information as at 31 December 2017, 2018 and 2019 for the purpose of the Group's consolidation. The statutory financial statements of the subsidiaries established in the PRC were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises for each of the years ended 31 December 2017, 2018 and 2019. The statutory auditors of the Company and its subsidiaries throughout the Track Record Period are set out below:

Company name	Statutory auditors		
	2017	2018	2019
Dalian Education	N/A; Note (1)	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.
Dalian Development	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.
Dalian University	Grant Thornton LLP Liaoning Branch	Grant Thornton LLP Liaoning Branch	Grant Thornton LLP Liaoning Branch
Neusoft Electronic Press	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.
Dalian Technology	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.
Chengdu Development	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.	Pan-China Certified Public Accountants LLP Sichuan Branch
Chengdu University	Pan-China Certified Public Accountants LLP Sichuan Branch	Pan-China Certified Public Accountants LLP Sichuan Branch	Pan-China Certified Public Accountants LLP Sichuan Branch
Foshan Development	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.
Foshan University	Guangdong Huijian accounting firm Co., Ltd.	Zhonglei Certified Public Accountants Co.,Ltd. Guangdong branch	Zhonglei Certified Public Accountants Co., Ltd. Guangdong branch
Shanghai Ruixiang	Liaoning Yixinde accounting firm Co., Ltd.	Shanghai Ruitong Certified Public Accountants LLP	Shanghai Ruitong Certified Public Accountants LLP
Dalian Yunguan	Dalian Jixing accounting firm Co., Ltd.	Dalian Jixing accounting firm Co., Ltd.	Dalian Jixing accounting firm Co., Ltd.
Neusoft Industry Management	N/A; Note (1)	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.
Neusoft Training School	N/A; Note (1)	Grant Thornton LLP Liaoning Branch	Grant Thornton LLP Liaoning Branch

(3) Kangrui Jiuhe has been deregistrated on 2 June 2020. Guangzhou Ruiyuan Information Technology Co., Ltd. has been sold to a third party on 4 June 2020.

(4) Kangrui Jiuhe was directly controlled and 60% held by Dalian Education (before it was deregistered on 2 June 2020). Dalian Waye Information Service Co., Ltd. is directly controlled and 60% held by Tianjin Ruidao. Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd. and Guangdong Ruidao Gongchuang Technology Co., Ltd. are directly controlled and held as to 60% and 51% by Dalian Neusoft Ruichuang Technology Development Co., Ltd., respectively.

Since Dalian Education, Tianjin Ruidao and Dalian Neusoft Ruichuang Technology Development Co., Ltd. are controlled and held as to 80.82%, 73.47% and 73.47% respectively by the Company, the Company was/is able to control Kangrui Jiuhe, Dalian Waye Information Service Co., Ltd., Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd. and Guangdong Ruidao Gongchuang Technology Co., Ltd.

1.4 Basis of presentation

Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and owners of the Listing Business, and for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis. The consolidated statements of comprehensive income, the consolidated statements of cash flows and the consolidated statements of changes in equity of the Group for each of the years ended 31 December 2017, 2018 and 2019 and three months ended 31 March 2020, and the consolidated statements of financial position of the Group as at those dates have been prepared using the financial information of the companies engaged in the Listing Business which are under the same ownership and now comprising the Group as if the current group structure had been in existence throughout and at the end of each of the Track Record Period with the exception of companies established within the Track Record Period which are included from their respective dates of establishment.

Intra-group transactions, balances and unrealised gains/losses on transactions between the companies within the Group are eliminated on consolidation.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standard Board ("IASB").

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of the Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

IFRS 9, "Financial instruments" and IFRS 15, "Revenue from contracts with customers" are effective for annual periods beginning on or after 1 January 2018. IFRS 16 "Leases" is effective for annual periods beginning on or after 1 January 2019. The Group has applied IFRS 9, IFRS 15 and IFRS 16 consistently throughout the Track Record Period.

The Group recorded net current liabilities of RMB575,702,000, RMB508,957,000 and RMB616,057,000 and RMB773,135,000 at 31 December 2017, 2018, 2019 and 31 March 2020, respectively. Included therein, the Group recorded contract liabilities of RMB411,766,000, RMB449,944,000, RMB489,436,000 and RMB349,334,000 at 31 December 2017, 2018, 2019 and 31 March 2020, respectively, which represents the performance obligation the Group promise to deliver in the foreseeable future with insignificant future cash outflow being expected. In view of the net current liabilities position, the management of the Group have considered the cash inflow from operations by means of increasing revenue while controlling operating expense, renewing the existing bank borrowings and using available bank facilities. Taking into account aforementioned financial resources of the Group, the Directors are of the opinion that the Group will have sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due during next twelve months from the balance sheet. As such, the Historical Financial Information has been prepared on a going concern basis.

The following new standards and amendments to existing standards have been issued but are not yet effective for the annual period beginning from or after 1 June 2020 and which the Group has not early adopted during the Track Record Period.

		Effective from annual period beginning on or after
IFRS 16	Covid-19 Related Rent Concessions	1 June 2020
Amendments to IAS 37	Onerous contract — cost of fulfilling a contract	1 January 2022
Amendments to IAS 16	Property, plant and equipment: Proceeds before intended use	1 January 2022
Annual improvements to IFRS standards 2018-2020		1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Directors of the Company have already commenced an assessment of the impact of these new or revised standard, certain of which is relevant to the Group's operation. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Subsidiaries controlled through Contractual Arrangements

As part of the Reorganization, a subsidiary of the Company, Neusoft Ruixin, has entered into a series of Contractual Agreement with Dalian Development, the Schools and the equity shareholders including Dalian Kang Ruidao, Dalian Siwei, Liu Ming, Alpine China, North-eastern University, Yida Holdings, PICC Life, and PICC Health. The Contractual Agreements enable Neusoft Ruixin and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;

- exercise equity voting rights of the Consolidated Affiliated Entities;

- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the corporate management and educational management consultancy services, as well as technical and business support services provided by Neusoft Ruixin. Such services include development, design, upgrade and ordinary maintenance on educational software and website; design on college course and major compilation and selection and/or recommendation on college course materials; recruitment and training supporting on teachers and other employees; admission and enrolment supporting services; public relation services; market research and development services; management and marketing consulting and related services; and other additional services as the parties may mutually agree from time to time;

- obtain an irrevocable and exclusive right to purchase all of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Neusoft Ruixin may exercise such options at any time until it has acquired all equity interests in and/or all assets of the Consolidated Affiliated Entities permitted under the PRC laws and regulations. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Neusoft Ruixin; and

- obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity holders to secure performance of the obligations of the Consolidated Affiliated Entities under the Contractual Agreements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Agreements, the Group has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to control the Consolidated Affiliated Entities. Accordingly, the Company regards the Consolidated Affiliated Entities as subsidiaries under IFRSs.

Nevertheless, the Contractual Agreements may not be as effective as direct legal ownership in providing the Group direct control over the Consolidated Affiliated Entities, due to the uncertainties presented by the PRC legal system to impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of its legal counsel, consider that the Contractual Agreements with the Consolidated Affiliate Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Business combination not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in consolidated statements of comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities or transferred to another category of equity as specified / permitted by applicable IFRS.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management team, including the Directors that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is HKD. The Company's primary subsidiaries were incorporated in mainland China and these subsidiaries considered RMB as their functional currency. Since the majority of the assets and operations of the Group are within mainland China, the Group determined to present its Historical Financial Information in RMB(unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within finance expenses. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within other gains/(losses).

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified and measured at fair value through other comprehensive income, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment comprise mainly buildings, motor vehicles, electronic equipment, furniture and fixtures are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings	20-30 years
— Renovation	3-8 years
— Motor vehicles	5 years
— Electronic equipment	3-10 years
— Furniture and fixtures	5 years
— Others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Other gains/(losses) in the consolidated statements of comprehensive income.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses (if any). Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred over the fair value of the identified net assets acquired.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment (note 2.7).

(b) Customer relationship and brand

Customer relationship and brand are initially recognized and measured at fair value in business combinations not under common control. Customer relationship is amortized over its estimated useful lives over 10 years using the straight-line method which reflects the pattern in which the customer relationship's future economic benefits is expected to be consumed.

Brand arising from the acquisitions of Tianjin Ruidao have indefinite useful life and there is no foreseeable limit to the period over which it is expected to generate cash flows for the Group as it is expected that its value will not be reduced through usage and there are no legal or similar limits on the period for its use.

(c) Software

Software are initially recognised and measured at cost incurred to acquire and bring them to use. They are amortised on a straight-line basis over their estimated useful lives from 4 to 10 years, and recorded in amortisation within operation expense in the consolidated statements of comprehensive income.

(d) Research and development expenditures

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled. There criteria include:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;

- there is an ability to use or sell the software products;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available ; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

During the Track Record Period, all the research and development expenditures do not meet the above criteria and expensed as incurred.

2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment , or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Investments and other financial assets

2.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.8.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through overall comprehensive income(FVOCI) are measured at fair value through profit or loss(FVPL). A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other losses/gains, net in the period in which it arises.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.10 Impairment of financial assets

The Group has types of financial assets subject to IFRS 9's new expected credit loss model:

- Trade receivables
- Deposits and other receivables, including loan receivables from related parties and third parties

While cash and cash equivalents and restricted cash are also subject to the impairment requirement of IFRS9, the identified impairment loss was immaterial.

The Group's financial assets measured at amortised cost are subject to IFRS 9's new expected credit loss model. The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1 (b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on deposits and other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Trade receivables and other receivables

Trade receivables are amounts due from students of university for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash at bank and on hand and short-term bank deposits with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Accruals and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accruals and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accruals and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Inventory

Inventory are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprised raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

The PRC employees of the Group are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to those funds based on a certain percentage of the employee's salaries. The Group's liabilities in respect of these funds is limited to the contributions payable in each period. The non-PRC employees are not covered by the housing funds.

(b) Post-employment obligations

Pension obligations

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The entities within the Group registered in the PRC make employee benefit contributions based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and medical benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2.20 Revenue from contracts with customers

Revenue are recognised when control of the goods has transferred or services are rendered to the customer. Depending on terms of the contract and the laws that apply to the contract, revenue may be recognised over time or at point in time.

The Group does not expect to have any contract where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transactions for the time value of money.

(A) Full-time formal higher education services

(a) Tuition fees and boarding fees

Tuition and boarding fees are generally received prior to the commencement of each school year (which is typically around 9 months starting from September to June or July with winter and summer holiday exclusive), and are initially recorded as contract liabilities. Tuition fees are recognised as revenue proportionately over the school year based on the school calendar, while the boarding fees are recognised as revenue over a 12-months period.

The balance of contract liabilities represent the portion of tuition and boarding fees received from students to which the Group will deliver the services within one year.

(B) Continuing education services

Continuing education services are provided to adult students who are not registered as full time students under full-time formal higher education program, government agencies, enterprises, targeting universities/colleges, and individual customers.

The tuition fees that are received from the adult students prior to the commencement of the academic programs are recorded as contract liabilities, and are recognised as revenue proportionately over the school calendar.

The continuing education services that are provided to government agencies, enterprises, targeting universities/colleges and individual customers are recognised as revenue over the contracted period. The service fees are either received from these types of customers prior to the commencement of the contact, or after the services have been delivered by the Group. The advanced payment of the service fees are recorded as contract liabilities, and are recognised as revenue over the contract period. The Group recorded the outstanding services fees as trade receivables in line with the transferring the services to the customers. The Group normally provides the credit term of 180 days after the end of the contract period to its customers.

(C) Education resources and apprenticeship programme

(a) Education resources

The revenue from offering a customised, fully-integrated major design solution or college establishment solution to customers is recognised when control of the education resources has been transferred, being when the education resources are accepted by the customers. Customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. The consideration of the education resources is either received from customers prior to the products delivered or after the control of the products transferred to the customers. The Group recorded the prepayment from customers as contract liabilities, while recorded the outstanding considerations as trade receivables with credit term of 180 days after the invoice date.

Tianjin Ruidao and its subsidiaries made commitment in part of its contracts with certain cooperative universities or colleges that, if the students were unable to secure employment after completing the programme, Tianjin Ruidao and its subsidiaries would return half or all of the last-year tuition fee to these cooperative universities or colleges (such fees from these cooperative universities or colleges referred to as the "Committed Fees"), which is considered as variable consideration. The terms of refund arrangement in relation to securing employment of the students are separately negotiated and agreed between Tianjin Ruidao and its subsidiaries and certain cooperating universities or colleges on a case by case basis. Tianjin Ruidao and its subsidiaries, when negotiating a contract for provision of education resources with a cooperating university or college, would agree with the cooperating university or college on (i) a target employment rate (normally within the range of 90% to 100%) and (ii) the refund amount should any student fail to secure employment after receiving the services provided by Tianjin Ruidao and its subsidiaries, which would either be half or full of the final-year tuition fee of the unemployed students. There is no time bar for the refund arrangement. The cooperating universities or colleges would assess the employment rate of their graduates as of the graduation date. If the employment rate does not meet the agreed percentage, Tianjin Ruidao and its subsidiaries shall refund the agreed amount to the relevant cooperating universities or colleges in accordance with the contractual terms. Upon contract inception date and at the end of 31 March 2020, Tianjin Ruidao and its subsidiaries estimated and reassessed that it was highly probable that they can meet the commitment to provide employment to the students who completed the programme and a significant reversal in the amount of cumulative revenue recognized would not occur, therefore Tianjin Ruidao and its subsidiaries recognised the Committed Fees together with the rest of the tuition fee received from the cooperative universities or colleges as revenue proportionately over the service provided period.

(b) Apprenticeship programme

Shanghai Ruixiang provided apprenticeship programme in form of providing the opportunity to students to obtain actual work experience under the guidance of its engineers. Revenue of this type of services during the Track

Record Periods are earned from the customers in term of the manpower outsourcing services delivered by the engineers. The consideration of the service is based on the output method, which is to recognise the revenue on the basis of the direct measurements of the value of the services delivered to the customers. The outstanding service fees will be recorded as trade receivables once the revenue recognised over the contracted period, and the credit term is 180 days after the service delivered.

(D) Development of software system technology

Development of software system technology is recognised as other income in the consolidated statements of comprehensive income. The service is provided to customers for scientific research, technical consultation, and system development. The revenue is recognised at a point in time when the customers accept the achievements and obtain the controls of the products. The sales will be recorded as trade receivables once the revenue recognised, and the credit term is 180 days after the control of the products transferred to the customers.

(E) Matching service

Matching service is a one-time service offered by Shanghai Ruixiang, which help its customers to match the talents needs, and earned the commission fee. The service is recognised as other income in the consolidated statements of comprehensive income. The consideration of the service fee is received from customers after the settlements of the number of the engineers between both parties. The Group recorded the outstanding considerations as trade receivables with credit term of 180 days.

2.21 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are exempted from applying IFRS 16, and recognised on a straight-line basis as an expense in consolidated statements of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. The Group adopted the exemption for all short-term leases.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

The group leases teaching buildings, various offices, warehouse and apartments. Rental contracts are typically made for fixed periods of 15 months to 10 years. Amortization of land is calculated using the straight-line method to allocate their cost to their residual values over 36-47 years.

2.22 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective rate is applied to the net carrying amount of the financial asset.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated statements of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.24 Dividends distribution

Dividend distribution to the owners is recognised as a liability in the Group's consolidated statements of financial position in the period in which the dividends are approved by the owners, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rate and the Group has no significant interest-bearing assets except for cash and cash equivalents and restricted cash, detail of which has been disclosed in Note 24.

The Group's interest-rate risk arises from borrowings, details of which have been disclosed in Note 30. Borrowings borrowed at variable rates expose the Group to cash flow interest rate risk. Borrowings borrowed at fixed rates expose the Group to fair value interest rate risk. During the Track Record Period, the Group's borrowings bore interest at variable rates.

The Group currently considers not necessary to use any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2017, 2018, 2019 and 31 March 2019 and 2020, if the interest rates on bank borrowings, restricted cash and cash and cash equivalents had been 50 basis points higher/lower, with all other variables held constant, the Group's post-tax profit for the year would have been RMB416,000 lower/higher, RMB1,499,000 lower/higher, RMB2,004,000 lower/higher, RMB3,704,000 lower/higher and RMB4,516,000 lower/higher respectively.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade receivables, deposits and other receivables. The carrying amount of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk arising from cash and cash equivalents and restricted cash placed with banks, the Group only transacts with state-owned financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. The expected credit loss is minimal.

To manage the risk arising from trade receivables from third parties and related parties ("counterparties"), the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. During the Track Record Period, the expected losses for customers of sales of service and goods is minimal and the expected credit loss rate is zero, given there is no history of significant defaults from customers and no adverse change is anticipated in the future business environment. No provision for impairment of trade receivables has been made throughout the Track Record Period.

For deposits and other receivables, management applies 3-stage model to assess the expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. In view of the history of cooperation with debtors, the sound collection history of receivables due from them and forward looking estimates, the expected credit loss is minimal.

For loan receivables from related parties, management has assessed that the related parties have a strong capacity to meet their contractual cash flow obligations in the near term. Therefore, a 12-month expected credit loss is applied to these balances. Considering the strong financial capacity and forward looking estimates, management assessed that the expected credit loss is minimal.

For loan receivables from third parties, the directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. The following indictors are incorporated: (1) actual or expected significant adverse change in business, financial economic conditions that are expected to cause a significant change to the third party borrower's ability to meet its obligations; (2) actual or expected significant changes in the operating results of the third party borrower; (3) significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrower. Since the loans to third parties were all repayable on demand and based on historical experience and forward-looking estimates, the counterparties have a strong financial ability to pay cash, the directors of the Company believe that there was no material credit risk inherent in the Group's outstanding balance of loan receivables from third parties.

Notes receivables mainly represents bank acceptance notes. These notes receivables are generally with maturity period of 3 months. These notes are mainly issued by banks in the PRC and the expected credit loss is close to minimal.

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and bank borrowings.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 30. Generally there is no specific credit period granted by the suppliers but the related payables are normally expected to be settled within three months after receipt of goods or services.

At 31 December 2017, 2018, 2019 and 31 March 2020, the Group has cash and cash equivalents and restricted cash of approximately RMB332,574,000, RMB228,516,000, RMB573,097,000 and RMB466,707,000 respectively (Note 24) and trade and other receivables excluding non-financial assets of approximately RMB161,932,000, RMB22,900,000, RMB26,483,000 and RMB44,221,000 respectively (Note 21 and 22) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest elements computed using contracted rate based on rates at the end dates during the Track Record Period.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017						
Borrowings (principal plus interests)	244,910	64,783	152,202	—	461,895	426,500
Trade and other payables (excluding non-financial liabilities)	362,303	—	—	—	362,303	362,303
Lease liabilities	3,263	3,225	1,555	—	8,043	7,647
	610,476	68,008	153,757	—	832,241	796,450
At 31 December 2018						
Borrowings (principal plus interests)	233,659	90,864	233,823	22,860	581,206	527,980
Trade and other payables (excluding non-financial liabilities)	114,899	—	—	—	114,899	114,899
Lease liabilities	9,955	8,015	24,365	22,334	64,669	52,155
	358,513	98,879	258,188	45,194	760,774	695,034
At 31 December 2019						
Borrowings (principal plus interests)	510,588	223,745	272,106	88,799	1,095,238	998,798
Trade and other payables (excluding non-financial liabilities)	168,708	—	—	—	168,708	168,708
Lease liabilities	8,157	6,377	24,560	16,243	55,337	45,248
	687,453	230,122	296,666	105,042	1,319,283	1,212,754
At 31 March 2020						
Borrowings (principal plus interests)	518,460	248,700	347,779	91,254	1,206,193	1,098,834
Trade and other payables (excluding non-financial liabilities)	568,464	—	—	—	568,464	568,464
Lease liabilities	10,656	8,860	26,859	17,948	64,323	54,534
	1,097,580	257,560	374,638	109,202	1,838,980	1,721,832

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy remains constant throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes borrowings, cash and cash equivalents, and equity attributable to owners of the Company, comprising capital, reserves and retained earnings.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through raising new debts as well as redemption of the existing debt.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2017, 2018, 2019 and 31 March 2020 was as follows:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
The liability-to-asset-ratio	67.96%	70.15%	72.11%	74.81%

3.3 Fair value estimation

Financial assets

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2017, 2018, 2019 and 31 March 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group's financial assets include cash and cash equivalents, trade and other receivables and financial liabilities including trade and other payables, approximate their fair values due to their short maturities. The carrying amount of the Group's non-current borrowing and lease liabilities approximate their fair values as they are carried at floating interest rates.

The following table presents the Group's financial assets that are required to be measured at fair value as at 31 December 2017, 2018, 2019 and 31 March 2020.

	Level 3
	RMB'000
At 31 December 2017	
Financial assets at fair value through profit or loss	2,082
At 31 December 2018	
Financial assets at fair value through profit or loss	87,794
At 31 December 2019	
Financial assets at fair value through profit or loss	50
At 31 March 2020	
Financial assets at fair value through profit or loss	192,660

Level 3 instruments of the Group's assets include financial investments measured at fair value through profit or loss.

During the Track Record Period, there was no transfer between level 1 and 2 for recurring fair value measurements. The following table presents the movement in level 3 instruments for the years ended at 31 December 2017, 2018, 2019 and three months ended at 31 March, 2019 and 2020.

	Financial products sponsored and managed by a banks (Level 3)
	RMB'000
Balance at 1 January 2017	2,532
Additions	642,200
Settlements	(645,393)
Gain and loss recognised in profit or loss (Note 9)	2,743
Balance at 31 December 2017	2,082
Total gains or losses for the year included in profit or loss, under "Other gains and losses" (Note 9)	2,743
Balance at 1 January 2018	2,082
Additions	939,800
Settlements	(860,209)
Gain and loss recognised in profit or loss (Note 9)	6,121
Balance at 31 December 2018	87,794

	Financial products sponsored and managed by a banks (Level 3)
	RMB'000
Total gains or losses for the year included in profit or loss, under "Other gains and losses" (Note 9)	6,121
Balance at 1 January 2019	87,794
Additions	312,600
Settlements	(401,423)
Gain and loss recognised in profit or loss (Note 9)	1,079
Balance at 31 December 2019	50
Total gains or losses for the year included in profit or loss, under "Other gains and losses" (Note 9)	1,079
Balance at 1 January 2020	50
Acquisition of a subsidiary	90,540
Additions	229,311
Settlements	(128,263)
Gain and loss recognised in profit or loss (Note 9)	1,022
Balance at 31 March 2020	192,660
Total gains or losses for the period included in profit or loss, under "Other gains and losses" (Note 9)	1,022
Balance at 1 January 2019 (Unaudited)	87,794
Additions	176,200
Settlements	(229,286)
Gain and loss recognised in profit or loss (Note 9)	708
Balance at 31 March 2019	35,416
Total gains or losses for the period included in profit or loss, under "Other gains and losses" (Note 9)	708

The level 3 instruments represent bank wealth management products, measured at fair value through profit or loss (Note 23). These instruments are not traded in an active market and do not have observable market data. The main level 3 input used by the Group is derived and evaluated as contingent consideration, by which the finance department of the Group estimates the expected cash flows based on the terms of the contract and how the current economic environment is likely to impact it.

The finance department of the Group performs the valuation of level 3 financial instruments for financial reporting purposes. It manages the valuation exercise of the investments on a case by case basis. At least once a year, the finance department uses valuation techniques to determine the fair value of the Group's level 3 instruments and reports to senior management and the directors of the Company.

The valuation of the level 3 instruments mainly include financial assets at fair value through profit or loss (Note 23). The following table summarizes the quantitative information about the significant unobservable inputs used in the recurring level 3 fair value measurements.

Description	As at 31 December			As at 31 March	Unobservable inputs	As at 31 December			As at 31 March	Relationship of unobservable input to fair value
	2017	2018	2019	2020		2017	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	RMB'000						
Financial assets at fair value through profit or loss	2,082	87,794	50	192,660	Expected rate of return	2.35%-2.9%	2.35%-3.35%	2%	2%-3.6%	The higher the expected rate of return, the higher the fair value

At 31 December 2017, 2018, 2019 and 31 March 2019 and 2020, if the discounted rates on bank wealth management products had been 50 basis points higher/lower, with all other variables held constant, the Group's post-tax profit for the year would have been RMB9,000 lower/higher, RMB416,000 lower/higher, RMB220 lower/higher, RMB296,000 lower/higher and RMB1,371,000 lower/higher respectively.

4 Critical estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on the foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The Directors assessed whether or not the Group has control over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Operating Entities. After assessment, the Directors concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Agreements and accordingly the financial position and their operating results of the Consolidated Affiliated Entities are included in the Group's consolidated financial statements throughout the Track Record Period or since the respective dates of incorporation/establishment, whichever is the shorter period.

Nevertheless, the Contractual Agreements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of its other legal counsel, consider that the Contractual Agreements among the Consolidated Affiliated Entities and their equity owners are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Purchase price allocation in business combination

The business combination was related to the Group's acquisition of 90.91% equity interests in Tianjin Ruidao from Neusoft Holdings with a cash consideration of RMB362,779,000.

The application of business combination accounting requires the use of significant estimates and assumptions. The purchase method of accounting for business combinations requires the Group to estimate the fair value of identifiable assets acquired and liabilities. This exercise requires the use of management's assumptions and judgements, including a presumption of contractual relationship renewal at minimum cost, which would not reflect unanticipated events and circumstances that may occur.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

(c) Estimation of goodwill impairment and brand impairment

Goodwill and brand with an indefinite useful life arose from the acquisition of a subsidiary of Tianjin Ruidao. The Group tests annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units (CGUs), Tianjin Ruidao, was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management covering a five-year period.

There was no impairment of goodwill and brand during three months ended 31 March 2020.

(d) Estimation of useful life of customer relationship identified in business combinations

Customer relationship is primarily related to the existing customers of acquiree on the acquisition date. Based on the past experience of customers' retention and general situation and competition in software training industry, the Group determines the useful life with reference to the estimated periods that the Group intends to derive future economic benefits from the use of the asset and determines the amortisation period of the customer relationship to be 10 years. Actual economic life may differ from estimated useful life. Periodic review could result in a change in depreciable life and therefore amortisation expense in future periods.

(e) Income taxes

As at 31 December 2017, 2018, 2019 and 31 March 2019 and 2020, the Group did not recognize deferred tax assets RMB5,316,000, RMB3,192,000, RMB2,039,000, RMB1,720,000 and RMB764,000 in respect of tax losses, that could be carried forward against future taxable income as the realisation of the related tax benefits through future taxable profit is not probable. Estimating the amount of deferred tax asset arising from prior years' tax losses requires a process that involves determining appropriate provisions for income tax expense, forecasting future year's taxable income and assessing our ability to utilise tax benefits through future earnings. In cases where the actual future profits generated are different from original estimates than expected, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such circumstances are changed.

(f) Estimation of the useful lives of property, plant and equipment

The net book values of the buildings that owned by Foshan University are RMB343,817,000, RMB316,192,000, RMB289,918,000, RMB305,394,000 and RMB284,556,000 as at 31 December 2017, 2018, 2019, and 31 March 2019 and 2020 respectively. The Group estimates the useful lives of the buildings is 20 years. However, the actual useful lives may be longer than 20 years depending on future repair and maintenance investments.

5 Segment information

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group. During the Track Record Period, the Group is principally engaged in providing higher education services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

Geographical information

During the Track Record Period, the Group operated within one geographical location because all of its revenue was generated in PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information of the major customers

A customer contributed more than 10% of the total sales of the Group during the year ended 31 December 2018, 2019 and three months ended 31 March 2020. The amount of sales to these customers are disclosed as follows:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Shanghai Sirui Information Technology Company Limited (Shanghai Sirui)	Note(a)	98,082	116,585	38,789	Note(a)

(a) The revenue of the particular customer was less than 10% of the Group's revenue for the year ended 31 December 2017 and three months ended 31 March 2020.

6 Revenue

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Full-time formal higher education services	631,410	673,027	733,480	119,593	124,116
— Tuition fees	577,831	610,153	666,490	103,836	112,522
— Boarding fees(i)	48,209	58,988	64,054	15,575	11,232
— Rental income of telecommunication device	5,370	3,886	2,936	182	362
Continuing education services(i)(ii)	43,621	58,642	76,435	10,510	13,919
Education resources and apprenticeship programme	56,359	121,498	148,313	41,291	20,832
— Education resources	26,428	22,233	34,506	2,473	3,665
— Apprenticeship programme	29,931	99,265	113,807	38,818	17,167
	731,390	853,167	958,228	171,394	158,867

(i) Due to the outbreak of Coronavirus Disease 2019 in early 2020 ("COVID-19 outbreak"), the students of three universities and Neusoft Training School could not stay in the dormitories since the starting date of the second semester of the 2019/2020 school year. In March 2020, the management decided certain boarding fee received in advance for the second semester of the 2019/2020 school year would be refunded to the students ("Refunded boarding fee"). The management estimated the amount to be refunded mainly based on the period and the number of students estimated to be affected. Accordingly, the related contract liabilities were reclassified to refund liabilities (Note 29) as at 31 March 2020. Also, no revenue would be recognised from the Refunded Boarding fee since then. Subsequently, the Group announced the details of the refund to the students taking into account of the local government policy.

(ii) During the Track Record Period, Tianjin Ruidao and its subsidiaries did not experience on the unfulfillment of the agreed employment rate and didn't return any Committed Fees. As at 31 March 2020, the maximum exposure amount of Committed Fees was RMB498,000.

(a) Revenue from contracts with customers

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from the transfer of goods and services over time					
Full-time formal higher education services	626,040	669,141	730,544	119,411	123,754
— Tuition fees	577,831	610,153	666,490	103,836	112,522
— Boarding fees	48,209	58,988	64,054	15,575	11,232
Continuing education services	43,621	58,642	76,435	10,510	13,919
Education resources and apprenticeship programme	29,931	99,265	113,807	38,818	17,167
— Apprenticeship programme	29,931	99,265	113,807	38,818	17,167
Revenue from the transfer of goods and services at a point in time					
Education resources and apprenticeship programme	26,428	22,233	34,506	2,473	3,665
— Education resources	26,428	22,233	34,506	2,473	3,665
	726,020	849,281	955,292	171,212	158,505

(b) Revenue from other sources

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Full-time formal higher education services					
— Rental income of telecommunication device	5,370	3,886	2,936	182	362

(c) Contract liabilities

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2017, 2018, 2019 and 31 March 2020 and will be expected to be recognized within one year:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Full-time formal higher education services	382,229	408,488	445,530	296,815
— Tuition fees	346,560	367,584	400,600	288,845
— Boarding fees	35,669	40,904	44,930	7,970
Continuing education services	27,361	39,446	41,795	39,769
Education resources and apprenticeship programme	1,571	620	233	9,350
— Education resources	1,571	620	233	9,350
Development of software system technology	605	1,390	1,878	3,400
	411,766	449,944	489,436	349,334

The Group receives tuition fees, boarding fees, continuing education services fees, education resources and apprenticeship programme fee, and development of software system technology fees from customers in advance prior to the beginning of each school year or contract period. They are recognised over the relevant period of the applicable programme.

There were no contract assets at the end of each reporting period recognised in the Consolidated Statement of Financial Positon.

(1) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognized during the Track Record Period related to brought-forward contract liabilities:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year/period					
Full-time formal higher education services	354,677	382,229	408,488	119,411	123,754
— Tuition fees	326,060	346,560	367,584	103,836	112,522
— Boarding fees	28,617	35,669	40,904	15,575	11,232
Continuing education services	22,057	27,361	39,446	9,115	13,551
Education resources and apprenticeship programme	1,008	1,571	620	751	373
— Education resources	1,008	1,571	620	751	373
Development of software system technology	526	605	1,390	1,317	865
	378,268	411,766	449,944	130,594	138,543

(2) Unsatisfied contracts

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Expected to be recognized within one year				
Full-time formal higher education services	382,229	408,488	445,530	296,815
— Tuition fees	346,560	367,584	400,600	288,845
— Boarding fees	35,669	40,904	44,930	7,970
Continuing education services	27,361	39,446	41,975	39,769
Education resources and apprenticeship programme	4,696	5,990	1,885	21,395
— Education resources	4,696	5,990	1,885	21,395
Development of software system technology	837	2,191	2,165	3,424
	415,123	456,115	491,555	361,403

7 Other income

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Rental income from properties	25,457	27,996	28,866	6,984	7,587
Property service and management income	17,947	17,011	18,754	4,624	4,414
Government grants and subsidies[(a)]	13,245	13,156	16,358	1,534	3,915
Development of software system technology	10,740	6,134	5,551	1,588	1,396
Interest income from loan to related parties and third party	570	70	71	17	—
Matching service income	2,502	—	—	—	—
Others	3,944	1,440	1,934	643	7
	74,405	65,807	71,534	15,390	17,319

(a) Government grants and subsidies are related to the subsidies received from the government in connection with purchasing of teaching equipment, construction of certain buildings and for the purpose of compensation for expenses arising from research activities and software developments.

8 Other expense

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation of property, plant and equipment	9,416	5,476	6,058	1,496	1,654
Property maintenance and fire protection expenses	5,349	6,246	5,212	803	888
Development of software system technology expenses	2,410	5,302	5,375	1,531	1,328
Employee benefit expenses	356	819	578	108	132
Utilities expenses	467	459	508	82	89
Amortization of land use rights and intangible assets	718	718	718	180	180
Others	292	186	487	2	9
	19,008	19,206	18,936	4,202	4,280

9 Other gains and losses

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Gains on financial assets at fair value through profit or loss	2,743	6,121	1,079	708	1,022
Write-off of payables	4,014	—	—	—	—
Donation received	586	192	605	46	4
Net (losses)/gains on disposal of property, plant and equipment	(1,155)	(2,594)	(820)	—	1
Losses on termination of leasing contract	(160)	—	—	—	—
Others	56	627	80	(88)	(88)
	6,084	4,346	944	666	939

10 Expenses by nature

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefit expenses	290,971	373,344	409,213	104,302	84,354
Depreciation and amortization expenses	112,902	100,710	101,578	26,569	29,724
Property management, landscaping and maintenance expenses	52,941	55,141	55,901	9,719	8,238
Course outsourcing service fees	18,738	—	—	—	—
Office and utilities expenses	58,308	71,736	97,598	9,152	10,822
Rental expense	7,383	25,275	36,780	8,727	10,972
Cost of publication[(a)]	15,533	6,756	5,302	514	290
Subcontract cost[(b)]	13,355	18,279	17,931	4,593	4,557
Taxes and fees	4,962	10,414	6,216	1,327	1,252
Auditors' remuneration — audit services	139	419	646	—	—
Listing expenses	—	9,364	20,728	3,535	1,363
Others	20,789	25,105	24,202	3,396	4,189
	596,021	696,543	776,095	171,834	155,761

(a) Cost of publication includes the cost of printing, the fees of using copyright and the cost of purchasing books.

(b) Subcontract cost mainly includes the service fee paid by Foshan University to Foshan Wentong Education Consulting Services Co., Ltd. ("Wentong Education") for the administration and training service provided for adult students under continuing education services in Foshan University.

11 Employee benefit expense

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages and salaries	218,063	288,302	324,895	77,150	67,304
Contributions to pension plan[(a)]	27,173	34,277	36,864	11,063	5,788
Welfare and other expenses	46,091	51,584	48,032	16,197	11,394
	291,327	374,163	409,791	104,410	84,486

(a) Contributions to pension plan

The employees of the Group in the PRC are members of a state-managed pension obligations operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

(b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for the years ended 31 December 2017, 2018, 2019 and three months ended 31 March 2019 and 2020 include 3, 3, 2, 3 and 3 Directors, whose remuneration are included in the analysis presented in Note 37. Details of the remunerations of the remaining highest paid non-director individuals during the Track Record Period are set out as below:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages and salaries	1,328	1,663	4,364	296	410
Contributions to pension plan[(i)]	110	117	152	9	—
Welfare and other expenses[(i)]	115	108	142	9	—
Total employee benefit expense	1,553	1,888	4,658	314	410

(i) According to the regulations of PRC Government, employees who have retired but are still working for the Group are not entitled to contributions to pension plan and, welfare and other expenses.

The number of highest paid non-director individuals whose remunerations for each of the years/periods fell within the following band is as follows:

	No. of individuals			No. of individuals	
	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
				(Unaudited)	
Emolument band					
HK$ 1,500,001 to HK$ 2,000,000	—	—	2	—	—
HK$ 1,000,001 to HK$ 1,500,000	—	—	1	—	—
HK$ 500,001 to HK$ 1,000,000	1	2	—	—	—
Nil to HK$ 500,000	1	—	—	2	2

During the Track Record Period, none of the five highest paid individuals waived or has agreed to waive any emoluments, and none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

12 Finance income and costs

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income					
Interest income from deposits	1,041	1,973	3,387	596	891

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance costs					
Interest expenses from bank	(19,251)	(25,842)	(42,023)	(7,680)	(12,805)
Interest expenses from leasing	(4,637)	(1,106)	(2,477)	(651)	(597)
Interest expenses from related party	(13,375)	(11,672)	(7,108)	(2,133)	—
Other charges	(133)	(659)	(427)	(297)	(43)
Net foreign exchange (gains)/losses	(25)	5	4	(5)	34
Amount capitalized[(a)]	1,113	735	11,937	1,413	3,998
	(36,308)	(38,539)	(40,094)	(9,353)	(9,413)
Net finance costs	(35,267)	(36,566)	(36,707)	(8,757)	(8,522)

(a) Finance costs have been capitalized on qualifying assets at an average interest rate of 4.46%, 4.73%, 4.80%, 4.82% and 4.88% per annum for the year ended 31 December 2017, 2018, 2019 and three months ended 31 March 2019 and 2020, respectively.

13 Income tax expense/(credit)

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax on profits for the year/period	14,861	10,615	24,231	5,964	5,359
Deferred income tax (Note 19)	3,507	(3,288)	(278)	(7,854)	(9,030)
	18,368	7,327	23,953	(1,890)	(3,671)

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of PRC, the principal place of the Group's operations, as follows:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	161,583	171,005	198,968	2,657	8,562
Tax calculated at a taxation rate of 25%	40,396	42,751	49,742	664	2,141
The impact of preferential tax rate	(21,249)	(40,972)	(25,547)	(4,276)	(6,608)
Expenses and losses not deductible for tax purposes	2,417	2,138	1,102	407	261
Tax losses for which no deferred tax assets was recognised	5,316	3,192	2,039	1,720	764
Non-taxable income	(1,609)	(1,121)	(981)	(230)	(229)
Utilisation of previously unrecognised tax losses	(6,903)	(1,982)	(3,065)	(175)	—
Others[(a)]	—	3,321	663	—	—
Tax charge	18,368	7,327	23,953	(1,890)	(3,671)

(a) Others

During the year ended 31 December 2018, pursuant to the Reorganisation, the tax charged were due to the investment gain of RMB13,284,000 arising on selling the equity investment of Shanghai Ruixiang (Note 1.2(4)) and Chengdu Software(Note 1.2(1)).

During the year ended 31 December 2019, pursuant to the Reorganisation, the tax charged were due to the investment gain of RMB2,650,000 arising on selling the equity investment of Dalian Technology (Note 1.2(15)) and Dalian Education(Note 1.2(16)).

(i) Cayman Islands profits tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(ii) British Virgin Islands profit tax

The Company's direct subsidiary in the British Virgin Islands was incorporated under the BVI Companies Act, 2004 and accordingly, is exempted from British Virgin Islands income tax.

(iii) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the Track Record Period.

(iv) PRC corporate income tax ("CIT")

CIT is provided on assessable profits of entities incorporated in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from 1 January 2008, the CIT was 25% during the Track Record Period.

(v) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the Track Record Period, the Group had distributed certain portion of its PRC subsidiaries' retained earnings to owners. However, in the foreseeable future, the Group does not have any plan to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period.

(vi) Preferential EIT rate

Certain subsidiaries are entitled to preferential tax rates ranging from 0% to 15%, which are:

- Dalian Yunguan is exempt from EIT for two years since 2015, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2017 to 2019. It is subject to an EIT rate 12.5%, 12.5%, 12.5% and 12.5% for the years ended 31 December 2017, 2018, 2019 and three months ended 31 March 2019.

  For the period ended of 31 March 2020, Dalian Yunguan is qualified as a high-tech enterprise and entitled to a preferential tax rate of 15%.

- Shanghai Ruixiang is exempt from EIT for two years since 2017, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2019 to 2021. It is subject to an EIT rate of 0%, 0%, 12.5%, 12.5% and 12.5% for the years ended 31 December 2017, 2018, 2019 and three months ended 31 March 2019 and 2020.

- Dalian Education is exempt from EIT for two years since 2019, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2021 to 2023. It is subject to an EIT rate of 0%, 0% and 0% for the year ended 31 December 2019 and three months ended 31 March 2019 and 2020.

- The subsidiaries of Tianjin Ruidao are small low-profit enterprises, followed by a reduced tax rate of 20%.

(vii) Deferred tax assets not recognised

As at 31 December 2017, 2018, 2019 and 31 March 2019 and 2020, the Group has unused tax losses of RMB19,038,000, RMB25,975,000, RMB10,003,000, RMB7,010,000 and RMB13,804,000, respectively, which will expire in one to five years for offsetting against future profits. Deferred tax assets have been not recognised in respect of these tax losses as they have arisen in subsidiaries that have been loss-making for recent years and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

14 Dividends

No dividend has been paid or declared by the Company since its incorporation.

Dividends during each of the years ended 31 December 2017, 2018 and 2019 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for each of the years ended 31 December 2017, 2018 and 2019, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

Each of the subsidiaries of the Company who had declared and paid dividends to its shareholders during the Track Record Period had sufficient retained earnings available for distribution when it declared and paid such dividends, which was in compliance with the PRC Company Law.

Chengdu Development and Foshan Development accrued dividends to their non-controlling interests, Yida Group, amounting to approximately RMB467,000. This amount has not been paid as at 31 March 2020, and expected to be paid prior to the Listing.

Tianjin Ruidao (relating to the provision of education software development business transfer to the Group in Note 1.2(9)) declared dividends to Neusoft Holdings and its non-controlling interests in 2017, amounting to approximately RMB25,324,000 and RMB2,532,000 respectively. The amount has been paid.

Tianjin Ruidao (relating to the provision of education software development business transfer to the Group in Note 1.2(9)) declared dividends to Neusoft Holdings and its non-controlling interests in 2018, amounting to approximately RMB21,766,000 and RMB2,176,000 respectively. The amount has been paid.

Dalian Yunguan declared dividends to Neusoft Holdings in 2018, amounting to approximately RMB35,000,000. The amount has been paid.

Dalian Education declared dividends to its non-controlling interests in 2019, amounting to approximately RMB3,536,000. The amount has been paid.

15 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
				(Unaudited)	
Profit attributable to owners of the Company(RMB'000)	114,818	131,991	139,213	3,661	9,706
Weighted average number of ordinary share in issue(in thousands)	500,000	500,000	500,000	500,000	500,000
Basic earnings per share[i] (in RMB)	0.23	0.26	0.28	0.01	0.02

(i) The earnings per share presented above is calculated by using the weighted average number of ordinary shares in issue during the Track Record Period. In determining the weighted average number of ordinary shares in issue, the 1,000,000,000 shares issued on 31 August 2018, which are treated as if have been in issue since 1 January 2017. The earnings per share calculations reflected the share consolidation on 22 October 2019 (Note 25).

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the Track Record Period. Accordingly, diluted earnings per share are the same as the basic earnings per share.

16 Right-of-use assets

	Land use right	Leased Properties	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2017			
Opening net book amount	247,574	163,445	411,019
Additions	26,864	9,060	35,924
Depreciation	(6,897)	(28,331)	(35,228)
Remeasurement upon modification[d]	—	(132,704)	(132,704)
Closing net book amount	267,541	11,470	279,011
Year ended 31 December 2018			
Opening net book amount	267,541	11,470	279,011
Additions	—	49,369	49,369
Depreciation	(7,536)	(8,873)	(16,409)
Closing net book amount	260,005	51,966	311,971

	Land use right	Leased Properties	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2019			
Opening net book amount	260,005	51,966	311,971
Additions	147,472	501	147,973
Depreciation	(8,518)	(8,586)	(17,104)
Closing net book amount	398,959	43,881	442,840
Three months ended 31 March 2020			
Opening net book amount	398,959	43,881	442,840
Acquisition of a subsidiary (Note 34)	—	10,441	10,441
Depreciation	(2,798)	(2,285)	(5,083)
Closing net book amount	396,161	52,037	448,198
Three months ended 31 March 2019 (Unaudited)			
Opening net book amount	260,005	51,966	311,971
Additions	31,919	428	32,347
Depreciation	(2,077)	(2,147)	(4,224)
Closing net book amount	289,847	50,247	340,094

(a) The Group's land use rights are purchased from the government and other enterprises. All the land use rights have proper title deeds.

(b) As at 31 December 2017 and 2018, land use right with a net book value of RMB22,767,000 and RMB22,106,000 had been pledged as collateral for the Group's borrowings. As at 31 December 2019, the collateral has been released (Note 30).

(c) As at 31 December 2017, 2018, 2019 and 31 March 2019 and 2020, five parcels of land owned by Foshan University with a net book value of RMB14,134,000, RMB13,730,000, RMB13,326,000, RMB13,629,000 and RMB13,225,000 respectively have not had substantial construction on them. A parcel of land may be regarded as idle land by relevant government authorities if the land use right owner of the land fails to commence land development within one year. The idle land fee to be charged equals to 20% of the price paid by the first purchaser acquiring land from government. If the idle land remains undeveloped for two years, local land and resources authorities may confiscate the land use right without compensating the land use right owner. In September 2019, the competent local government authority issued a letter to Foshan University certifying that the four parcels of land which Foshan University currently have no plan to develop are not ready for development. The rest parcel of land is in condition of planning for construction. Our Directors are of the view that the risk that the five parcels of land are regarded as idle land is remote, no provision has been made in the Historical Financial Information.

(d) Dalian University leased the properties from Dalian Software Park Co., Ltd. for 5 years as a dormitory since 2016. The leased properties were recognized as a right-of-use asset. The leases were modified through shortening the contractual lease term and changing the consideration in 2017. As the result, the corresponding right-of-use asset was adjusted.

17 Property, plant and equipment

	Buildings	Renovation	Motor vehicles	Electronic equipment	Furniture and fixtures	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017								
Cost	1,313,387	20,009	4,709	198,348	130,264	10,807	1,510	1,679,034
Accumulated depreciation	(313,890)	(10,049)	(3,681)	(153,227)	(93,745)	(8,414)	—	(583,006)
Net book amount	999,497	9,960	1,028	45,121	36,519	2,393	1,510	1,096,028
Year ended 31 December 2017								
Opening net book amount	999,497	9,960	1,028	45,121	36,519	2,393	1,510	1,096,028
Additions	—	4,631	—	26,175	21,250	4,239	43,911	100,206
Transfer upon completion	44,622	—	—	—	325	—	(44,947)	—
Disposals	—	(85)	—	(901)	(622)	—	—	(1,608)
Depreciation charge	(50,462)	(7,582)	(296)	(17,708)	(8,788)	(830)	—	(85,666)
Closing net book amount	993,657	6,924	732	52,687	48,684	5,802	474	1,108,960
At 31 December 2017								
Cost	1,358,009	24,117	4,709	206,597	138,619	15,046	474	1,747,571
Accumulated depreciation	(364,352)	(17,193)	(3,977)	(153,910)	(89,935)	(9,244)	—	(638,611)
Net book amount	993,657	6,924	732	52,687	48,684	5,802	474	1,108,960
Year ended 31 December 2018								
Opening net book amount	993,657	6,924	732	52,687	48,684	5,802	474	1,108,960
Additions	—	7,692	—	13,114	3,447	1,766	31,926	57,945
Disposals	—	—	—	(1,961)	(682)	(1)	—	(2,644)
Depreciation charge	(51,518)	(3,360)	(210)	(20,797)	(10,686)	(1,493)	—	(88,064)
Closing net book amount	942,139	11,256	522	43,043	40,763	6,074	32,400	1,076,197
At 31 December 2018								
Cost	1,358,009	31,497	4,709	178,414	135,452	16,781	32,400	1,757,262
Accumulated depreciation	(415,870)	(20,241)	(4,187)	(135,371)	(94,689)	(10,707)	—	(681,065)
Net book amount	942,139	11,256	522	43,043	40,763	6,074	32,400	1,076,197
Year ended 31 December 2019								
Opening net book amount	942,139	11,256	522	43,043	40,763	6,074	32,400	1,076,197
Additions	—	7,427	445	23,762	7,314	1,476	175,707	216,131
Transfer upon completion	45,211	24,364	—	—	—	—	(69,575)	—
Disposals	(516)	—	(18)	(483)	(149)	—	—	(1,166)
Depreciation charge	(51,835)	(4,471)	(165)	(20,359)	(10,430)	(1,535)	—	(88,795)
Closing net book amount	934,999	38,576	784	45,963	37,498	6,015	138,532	1,202,367

	Buildings	Renovation	Motor vehicles	Electronic equipment	Furniture and fixtures	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019								
Cost	1,402,704	55,156	4,795	191,482	140,304	18,257	138,532	1,951,230
Accumulated depreciation	(467,705)	(16,580)	(4,011)	(145,519)	(102,806)	(12,242)	—	(748,863)
Net book amount	934,999	38,576	784	45,963	37,498	6,015	138,532	1,202,367
Three months ended 31 March 2020								
Opening net book amount	934,999	38,576	784	45,963	37,498	6,015	138,532	1,202,367
Acquisition of a subsidiary (Note 34)	—	4,983	—	14,447	1,081	608	—	21,119
Additions	—	130	—	3,658	47	—	38,730	42,565
Transfer upon completion	1,067	—	—	—	—	—	(1,067)	—
Depreciation charge	(13,088)	(1,955)	(45)	(6,443)	(2,782)	(933)	—	(25,246)
Closing net book amount	922,978	41,734	739	57,625	35,844	5,690	176,195	1,240,805
At 31 March 2020								
Cost	1,403,771	64,005	4,795	231,482	144,950	19,245	176,195	2,044,443
Accumulated depreciation	(480,793)	(22,271)	(4,056)	(173,857)	(109,106)	(13,555)	—	(803,638)
Net book amount	922,978	41,734	739	57,625	35,844	5,690	176,195	1,240,805
Three months ended 31 March 2019 (Unaudited)								
Opening net book amount	942,139	11,256	522	43,043	40,763	6,074	32,400	1,076,197
Additions	—	1,380	—	1,043	51	106	31,639	34,219
Depreciation charge	(13,030)	(948)	(50)	(5,729)	(2,076)	(1,531)	—	(23,364)
Closing net book amount	929,109	11,688	472	38,357	38,738	4,649	64,039	1,087,052
At 31 March 2019								
Cost	1,358,009	32,877	4,709	179,457	135,503	16,887	64,039	1,791,481
Accumulated depreciation	(428,900)	(21,189)	(4,237)	(141,100)	(96,765)	(12,238)	—	(704,429)
Net book amount	929,109	11,688	472	38,357	38,738	4,649	64,039	1,087,052

(a) Construction in progress as at 31 December 2017, 2018, 2019 and 31 March 2019 and 2020 comprises buildings being constructed.

(b) As at 31 December 2017 and 2018, buildings with a net book value of RMB78,491,000 and RMB73,099,000 had been pledged as collateral for the Group's borrowings. As at 31 December 2019, the collateral has been released (Note 30).

(c) As at 31 December 2017 and 2018, the net book value of buildings without property certificates were RMB90,405,000 and RMB34,475,000. As at 31 December 2019 and 31 March 2020, the Group has obtained the property certificates for all the buildings.

(d) As at 31 December 2017, 2018, 2019 and 31 March 2019 and 2020, buildings with a net book value of RMB96,838,000, RMB91,698,000, RMB86,558,000, RMB90,413,000 and RMB85,273,000 had been leases out.

18 Intangible assets

	Goodwill	Brand	Customer relationship	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017					
Cost	—	—	—	17,454	17,454
Accumulated amortisation	—	—	—	(6,346)	(6,346)
Net book amount	—	—	—	11,108	11,108
Year ended 31 December 2017					
Opening net book amount	—	—	—	11,108	11,108
Additions	—	—	—	2,580	2,580
Amortisation	—	—	—	(2,142)	(2,142)
Closing net book amount	—	—	—	11,546	11,546
At 31 December 2017					
Cost	—	—	—	20,034	20,034
Accumulated amortisation	—	—	—	(8,488)	(8,488)
Net book amount	—	—	—	11,546	11,546
Year ended 31 December 2018					
Opening net book amount	—	—	—	11,546	11,546
Additions	—	—	—	1,109	1,109
Amortisation	—	—	—	(2,431)	(2,431)
Closing net book amount	—	—	—	10,224	10,224
At 31 December 2018					
Cost	—	—	—	21,143	21,143
Accumulated amortisation	—	—	—	(10,919)	(10,919)
Net book amount	—	—	—	10,224	10,224
Year ended 31 December 2019					
Opening net book amount	—	—	—	10,224	10,224
Additions	—	—	—	2,967	2,967
Amortisation	—	—	—	(2,455)	(2,455)
Closing net book amount	—	—	—	10,736	10,736

	Goodwill	Brand	Customer relationship	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019					
Cost	—	—	—	24,110	24,110
Accumulated amortisation	—	—	—	(13,374)	(13,374)
Net book amount	—	—	—	10,736	10,736
Three months ended 31 March 2020					
Opening net book amount	—	—	—	10,736	10,736
Acquisition of a subsidiary (Note 34)	134,937	89,499	66,907	2,357	293,700
Additions	—	—	—	224	224
Amortisation	—	—	(558)	(746)	(1,304)
Closing net book amount	134,937	89,499	66,349	12,571	303,356
At 31 March 2020					
Cost	134,937	89,499	66,907	27,817	319,160
Accumulated amortisation	—	—	(558)	(15,246)	(15,804)
Net book amount	134,937	89,499	66,349	12,571	303,356
Three months ended 31 March 2019 (Unaudited)					
Opening net book amount	—	—	—	10,224	10,224
Additions	—	—	—	94	94
Amortisation	—	—	—	(657)	(657)
Closing net book amount	—	—	—	9,661	9,661
At 31 March 2019					
Cost	—	—	—	21,237	21,237
Accumulated amortisation	—	—	—	(11,576)	(11,576)
Net book amount	—	—	—	9,661	9,661

(a) Impairment tests for goodwill and brand

Goodwill of RMB134,937,000 and brand of RMB89,499,000 are resulted from the acquisition of Tianjin Ruidao (Note 34) on 1 March 2020. Tianjin Ruidao is principally engaged in the provision of IT value-added education service in the PRC.

Goodwill and brand that arose from the acquisition of Tianjin Ruidao are monitored by the management at the level of CGU, Tianjin Ruidao. The following tables set out the key assumptions for the CGU and the recoverable amounts exceed the carrying amount (including goodwill and brand) of the CGU by RMB88,083,000.

	As at 31 March
	2020
Revenue growth rate (%)	20.0
Costs and operating expenses (% of revenue) (%)	84.5
Long-term growth rate (%)	3.0
Pre-tax discount rate (%)	12.37

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Revenue growth rate	Average revenue growth rate over the five-year forecast period is based on past performance and management's expectations of market development.
Costs and operating expenses	The percentage of costs and operating expenses of revenue is the average percentages over the five-year forecast period. It is based on current margin levels, with adjustments made to reflect the expected future price rises in labor, rental and relevant electronic equipment, in which management does not expect to be able to pass on to customers through price increases.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows rate beyond the forecast period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	The discount rate used reflects specific risks relating to the cash-generating units.

(b) Impact of possible changes in key assumptions

The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

	From	To
Revenue growth rate (%)	20.0	17.3
Costs and operating expenses (% of revenue) (%)	84.5	86.1
Long-term growth rate (%)	3.0	0.2
Pre-tax discount rate (%)	12.37	13.25

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the Tianjin Ruidao CGU to exceed its recoverable amount.

19 Deferred income tax assets and liabilities

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets				
Deferred income tax assets to be recovered within 12 months	1,543	1,649	1,649	10,074
Deferred income tax assets to be recovered after more than 12 months	32,790	34,809	33,160	32,749
	34,333	36,458	34,809	42,823
Deferred income tax liabilities				
Deferred income tax liabilities to be settled within 12 months	(2,819)	(2,981)	(2,571)	(3,106)
Deferred income tax liabilities to be settled after more than 12 months	(7,050)	(5,725)	(4,208)	(42,699)
	(9,869)	(8,706)	(6,779)	(45,805)

The gross movement of the Group's deferred income tax assets is as follows:

	Year ended 31 December			As at 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Beginning of the year/period	35,876	34,333	36,458	36,458	34,809
(Debited)/Credited to the consolidated statements of comprehensive income	(1,543)	2,125	(1,649)	7,321	8,014
End of the year/period	34,333	36,458	34,809	43,779	42,823

The gross movement of the Group's deferred income tax liabilities is as follows:

	Year ended 31 December			As at 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Beginning of the year/period	(7,905)	(9,869)	(8,706)	(8,706)	(6,779)
(Debited)/Credited to the consolidated statements of comprehensive income	(1,964)	1,163	1,927	533	1,016
Acquisition of a subsidiary (Note 34)	—	—	—	—	(40,042)
End of the year/period	(9,869)	(8,706)	(6,779)	(8,173)	(45,805)

The movements in deferred income tax assets and liabilities of the Group during the year ended 31 December 2017, 2018, 2019 and three months ended 31 March 2019 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(a) Deferred tax assets

	Unrealised gain on intra-group transactions	Tax losses	Total
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017	35,876	—	35,876
Debited to the consolidated statements of comprehensive income	(1,543)	—	(1,543)
Balance at 31 December 2017	34,333	—	34,333
Balance at 1 January 2018	34,333	—	34,333
Credited to the consolidated statements of comprehensive income	2,125	—	2,125
Balance at 31 December 2018	36,458	—	36,458
Balance at 1 January 2019	36,458	—	36,458
Debited to the consolidated statements of comprehensive income	(1,649)	—	(1,649)
Balance at 31 December 2019	34,809	—	34,809
Balance at 1 January 2020	34,809	—	34,809
(Debited)/Credited to the consolidated statements of comprehensive income	(413)	8,427	8,014
Balance at 31 March 2020	34,396	8,427	42,823
Balance at 1 January 2019 (Unaudited)	36,458	—	36,458
(Debited)/Credited to the consolidated statements of comprehensive income	(413)	7,734	7,321
Balance at 31 March 2019	36,045	7,734	43,779

(b) Deferred tax liabilities

	Customer relationship	Brand	Property, plant and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017	—	—	(7,905)	(7,905)
Debited to the consolidated statements of comprehensive income	—	—	(1,964)	(1,964)
Balance at 31 December 2017	—	—	(9,869)	(9,869)
Balance at 1 January 2018	—	—	(9,869)	(9,869)
Credited to the consolidated statements of comprehensive income	—	—	1,163	1,163
Balance at 31 December 2018	—	—	(8,706)	(8,706)
Balance at 1 January 2019	—	—	(8,706)	(8,706)
Credited to the consolidated statements of comprehensive income	—	—	1,927	1,927
Balance at 31 December 2019	—	—	(6,779)	(6,779)
Balance at 1 January 2020	—	—	(6,779)	(6,779)
Credited to the consolidated statements of comprehensive income	—	—	1,016	1,016
Acquisition of a subsidiary (Note 34)	(16,727)	(22,374)	(941)	(40,042)
Balance at 31 March 2020	(16,727)	(22,374)	(6,704)	(45,805)
Balance at 1 January 2019 (Unaudited)	—	—	(8,706)	(8,706)
Credited to the consolidated statements of comprehensive income	—	—	533	533
Balance at 31 March 2019	—	—	(8,173)	(8,173)

20 Financial instruments

	Financial assets measured at amortised cost	Fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2017			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding non-financial assets	161,932	—	161,932
Financial products as designed by a financial institution (Note 23)	—	2,082	2,082
Cash and cash equivalents (Note 24)	332,558	—	332,558
Restricted cash (Note 24)	16	—	16
	494,506	2,082	496,588

	Amortised cost
	RMB'000
At 31 December 2017	
Liabilities as per consolidated statement of financial position	
Borrowings (Note 30)	426,500
Trade and other payables excluding non-financial liabilities (Note 29)	362,303
	788,803

	Financial assets measured at amortised cost	Fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2018			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding non-financial assets	22,900	—	22,900
Financial products as designed by a financial institution (Note 23)	—	87,794	87,794
Cash and cash equivalents (Note 24)	214,834	—	214,834
Restricted cash (Note 24)	13,682	—	13,682
	251,416	87,794	339,210

	Amortised cost
	RMB'000
At 31 December 2018	
Liabilities as per consolidated statement of financial position	
Borrowings (Note 30)	527,980
Trade and other payables excluding non-financial liabilities (Note 29)	114,899
	642,879

	Financial assets measured at amortised cost	Fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2019			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding non-financial assets	26,483	—	26,483
Financial products as designed by a financial institution (Note 23)	—	50	50
Cash and cash equivalents (Note 24)	562,882	—	562,882
Restricted cash (Note 24)	10,215	—	10,215
	599,580	50	599,630

	Amortised cost
	RMB'000
At 31 December 2019	
Liabilities as per consolidated statement of financial position	
Borrowings (Note 30)	998,798
Trade and other payables excluding non-financial liabilities (Note 29)	168,708
	1,167,506

	Financial assets measured at amortized cost	Fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
At 31 March 2020			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding non-financial assets	44,221	—	44,221
Financial products as designed by a financial institution (Note 23)	—	192,660	192,660
Cash and cash equivalents (Note 24)	455,013	—	455,013
Restricted cash (Note 24)	11,694	—	11,694
	510,928	192,660	703,588

	Amortised cost
	RMB'000
At 31 March 2020	
Liabilities as per consolidated statement of financial position	
Borrowings (Note 30)	1,098,834
Trade and other payables excluding non-financial liabilities (Note 29)	568,464
	1,667,298

21 Trade and notes receivables

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Due from related parties (Note 36(d))	19,064	9,022	442	917
Receivables from continuing education services	3,593	1,812	1,293	2,764
Receivables from education resources services	1,033	1,924	4,145	10,368
Receivables from development of software system technology	106	248	131	2
Receivables from apprenticeship programme	—	—	—	496
Others	307	1,586	137	340
Trade receivables	24,103	14,592	6,148	14,887
Notes receivables	—	—	—	2,221
Trade and notes receivables	24,103	14,592	6,148	17,108

The Group's trade receivables were denominated in RMB and the carrying amounts approximated their fair values.

(a) The credit terms of trade receivables granted by the Group are generally no more than 180 days after the invoice date. As at 31 December 2017, 2018, 2019 and 31 March 2020, the ageing analysis of the trade receivable was as follows:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 6 months	19,610	14,459	5,803	13,226
6 months to 1 year	3,962	—	—	118
1 to 2 years	459	133	345	824
More than 2 years	72	—	—	719
	24,103	14,592	6,148	14,887

22 Prepayments, deposits and other receivables

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables and deposits				
Due from related parties (Note 36(d))	20,605	—	—	1,207
Receivables from related parties due to reorganisation[(a)]	109,532	—	—	—
Loan receivable from third parties	1,600	1,600	1,500	1,500
Advance to staff	3,970	3,093	2,733	3,765
Advance to third parities	1,516	2,425	2,508	2,740
Deposits	413	868	13,549	17,862
Deductible VAT input and prepaid income tax fees	1,134	9,205	6,010	8,080
Others	193	322	45	39
Less: non-current portion				
— Deposits			(11,500)	(11,500)
— Loan receivable from third parties	(1,600)	(1,200)	(1,500)	(1,500)
Other receivables and deposits — current portion	137,363	16,313	13,345	22,193
Prepayment				
Prepayment for utilities	1,654	2,250	3,812	3,437
Prepayment for leases	12,915	18,051	23,737	15,016
Prepayment for property maintenance expenses	4,099	6,040	—	2,339
Prepayment to related parties (Note 36(d))	69	48	55	—
Prepayment in relation to the Listing[(b)]	—	2,820	4,126	4,297
Prepayment to others	4,642	413	224,991	225,097
Less: non-current portion				
— Prepayments for property, plant and equipment	(144)	—	(541)	(472)
— Prepayments for land use right	—	—	(223,616)	(223,616)
Prepayments — current portion	23,235	29,622	32,564	26,098
Total prepayments, deposits and other receivables	160,598	45,935	45,909	48,291

The Group's prepayments, deposits and other receivables were denominated in RMB and the carrying amounts approximated their fair values.

(a) As described in Note 26(d), the receivables are due from Neusoft Holding and Tianjin Ruidao for the reorganisation of the business of "Cloud services business" and education software development business. On 30 September 2018, the businesses were acquired by Dalian Yunguan and the receivables have been waived by Dalian Yunguan thereof.

(b) The listing expenses that are attributable to the issuance to new shares are accrued during the listing process and will be deducted from equity when issuing new shares.

23 Financial assets at fair value through profit or loss

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial products sponsored and managed by banks (Note 3.3)	2,082	87,794	50	192,660

24 Cash and cash equivalents and restricted cash

(a) Cash and cash equivalents

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	70	126	109	162
Cash at banks	272,488	214,708	532,773	454,851
Short-term deposit with initial terms within three months	60,000	—	30,000	—
Cash and cash equivalents	332,558	214,834	562,882	455,013

(b) Restricted cash

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
For securing deposits	16	13,682	10,215	11,694

25 Share capital

Share capital

On 31 August 2018, the Company issued 1,000,000,000 shares with par value of HK$0.0001 each. As at 31 December 2018, the authorised shares and issued shares are 3,800,000,000 and 1,000,000,000 respectively. On 22 October 2019, the Company consolidated its shares on a two-to-one basis, so that as at 31 December 2019 and 31 March 2020, its authorised share capital becomes HK$380,000 divided into 1,900,000,000 ordinary shares of HK$0.0002 par value each, of which 500,000,000 ordinary shares are in issue.

26 Share premium and Reserves

	Combined share capital	Share premium	Merge reserve	Capital reserve	Statutory surplus reserves[(a)]	Other reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	306,308	—	—	61,780	106,737	—	474,825
Profit appropriation to statutory surplus reserves[(a)]	—	—	—	—	5,506	—	5,506
Deemed contribution from owners[(c)]	—	—	—	9,626	—	—	9,626
Transactions with non-controlling interests[(b)]	—	—	—	119	—	—	119
At 31 December 2017	306,308	—	—	71,525	112,243	—	490,076
At 1 January 2018	306,308	—	—	71,525	112,243	—	490,076
Profit appropriation to statutory surplus reserves[(a)]	—	—	—	—	16,550	—	16,550
Deemed distribution to owners[(c)]	—	—	—	(84,150)	—	—	(84,150)
Deemed distribution — cash consideration[(d)]	(16,164)	—	—	(51,182)	—	—	(67,346)
Capital injection	88	—	—	—	—	—	88
Other comprehensive income	—	—	—	—	—	1	1
At 31 December 2018	290,232	—	—	(63,807)	128,793	1	355,219
At 1 January 2019	290,232	—	—	(63,807)	128,793	1	355,219
Transfer upon the completion of reorganisation	(290,232)	2,046,481	(1,756,337)	—	—	—	(88)
Profit appropriation to statutory surplus reserves[(a)]	—	—	—	—	12,773	—	12,773
Transactions with non-controlling interests[(b)]	—	—	—	(338)	—	—	(338)
Other comprehensive income	—	—	—	—	—	(15)	(15)
At 31 December 2019	—	2,046,481	(1,756,337)	(64,145)	141,566	(14)	367,551
At 1 January 2020	—	2,046,481	(1,756,337)	(64,145)	141,566	(14)	367,551
Other comprehensive income	—	—	—	—	—	(33)	(33)
At 31 March 2020	—	2,046,481	(1,756,337)	(64,145)	141,566	(47)	367,518
At 1 January 2019 (Unaudited)	290,232	—	—	(63,807)	128,793	1	355,219
Other comprehensive income	—	—	—	—	—	5	5
At 31 March 2019	290,232	—	—	(63,807)	128,793	6	355,224

(a) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (1) statutory reserve fund of the limited liability companies, (2) general reserve fund of foreign invested enterprise and (3) the development fund of schools.

(i) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserves fund before distributing the net profit. When the balance of the statutory reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of owners. The statutory reserves fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to owners in proportion to their existing shareholding, provided that the remaining balance of the statutory reserves fund after such issue is not less than 25% of registered capital.

Pursuant to the laws applicable to Sino-foreign joint venture, the operating subsidiary that is a Sino-foreign joint venture in China has to make appropriations from its after-tax profit (as determined under PRC GAAP) to reserve funds including (1) general reserve fund, (2) enterprise expansion fund and (3) staff bonus and welfare fund. Appropriations to the three reserve funds are at the respective companies' discretion.

(ii) According to the relevant PRC laws and regulations, for a private school that does not require reasonable return, it is required to appropriate to development fund of not less than 25% of the annual increase of net profits of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

(b) Transactions with non-controlling interests

On 1 January 2017, the Group purchase the non-controlling interests of Chengdu Development and Foshan Development from Yida Group. The movement during the year 2017 represented the difference between the fair value of the consideration paid and the carrying amount of net assets attributable to the additional interest in subsidiaries acquired from non-controlling interests.

On 17 June 2019, the Group purchase the interests of Dalian Education from non-controlling interests. The movement during the year 2019 represented the difference between the fair value of the consideration paid and the carrying amount of net assets attributable to the additional interest in subsidiaries acquired from non-controlling interests.

(c) Deemed contribution/(distribution) from owners

Dalian University, Chengdu University and Foshan University have received the services of "Cloud services business" and education software development business from Neusoft Holding and Tianjin Ruidao respectively. These services are considered as a part of the Listing Business, accordingly the financial results were included in the consolidated financial statements of the Group, as if the current group structure had been in existence throughout and at the end of each of the Track Record Period with the exception of companies established within the Track Record Period which are included from their respective dates of establishment.

For the year ended 31 December 2017, deemed contribution from owners represents the waived liabilities by Neusoft Holding and Tianjin Ruidao which were the income taxes subject to the profit generated from the aforementioned services. For the year ended 31 December 2018, deemed distribution to the owners mainly represents the waived receivables from Neusoft Holding and Tianjin Ruidao which were the cash generated from the aforementioned services.

(d) Deemed distribution — cash consideration

Dalian Yunguan was acquired by Dalian Education from Neusoft Holdings on 29 August 2018 for a consideration of RMB55,000,000. The business of "Cloud services business" from Neusoft Holdings and education software development business from Tianjin Ruidao were acquired by Dalian Yunguan on 2 September 2018 for a total consideration of RMB29,000,000.

Pursuant to the Reorganization of the above mentioned business, assets and liabilities of those acquired companies were included in the consolidated financial statements of the Group for all years presented. The consideration of RMB84,000,000 was treated as distribution to owners upon the Reorganisation.

27 Share option

The Company adopted a Pre-IPO share incentive scheme approved by the Board of Directors on 19 June 2019. The Pre-IPO share incentive scheme was subsequently amended, the amendment of which was approved by the authorised director on 10 June 2020 (the "Pre-IPO Share Incentive Scheme"). Under the Pre-IPO Share Incentive Scheme, each grant of options to individual participants will take effect upon receipt by the Company of that participant's option grant acceptance notice and remittance of RMB1.00 within ten business days from the date on which the grant notice is delivered. Under the Pre-IPO Share Incentive Scheme, options are exercisable once certain vesting conditions are met in accordance with the vesting schedule and grant documents (including the Pre-IPO Share Incentive Scheme). Pursuant to the Pre-IPO Share Incentive Scheme, the Company will grant Pre-IPO options to certain participants, including directors, employees or executives of our Group, to subscribe for an aggregate of 50,000,000 Shares, representing 10% of the total number of Shares in issue immediately before the initial public offering. Any grant of options under the Pre-IPO Share Incentive Scheme shall be subsequently made and approved by the Board of Directors (or any one director duly authorised by the Board of Directors), and effective from the listing date to ten years following the last vesting date for that grantee.

28 Leases

(i) Amounts recognised in the consolidated statements of financial position

The consolidated statements of financial position shows the following amounts relating to leases:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities				
Current	3,026	7,699	5,601	9,983
Non-current	4,621	44,456	39,647	44,551
	7,647	52,155	45,248	54,534

(ii) Amounts recognised in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest expense (Note 12)	4,637	1,106	2,477	651	597
Expense relating to short-term leases (Note 10)	925	12,360	36,780	8,727	10,972
Expense relating to variable payment not based on an index or rate (Note 10)	6,458	12,915	—	—	—
Losses on termination of long-term leases (Note 9)	(160)	—	—	—	—

(iii) The total cash outflow for leases for the year ended 31 December 2017, 2018, 2019 and three months ended 31 March 2020 are RMB34,570,000, RMB36,378,000, RMB49,094,000 and RMB1,979,000, respectively.

The group leases various properties. Rental contracts are typically made for fixed periods of 2 to 10 years with no extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The variable lease payments that do not depend on an index or a rate recognised as expense in the period on which the event or condition that triggers the payment occurs.

29 Trade and other payables

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
Amount due to related parties (Note 36 (d))	12,087	—	—	—
Amount due to third parties	810	1,033	972	842
Trade payables	12,897	1,033	972	842
Other payables				
Miscellaneous expenses received from students	42,934	51,192	52,008	50,561
Amount due to related parties (Note 36 (d))	21,092	3,381	3,016	366,232
Payables in relation to the Listing	—	2,121	8,419	9,202
Borrowings from related parties (Note 36 (a))	212,793	40	—	—
Salary and welfare payables	33,847	44,501	49,374	45,202
Deposits	14,574	16,422	19,433	22,349
Government subsidies payable to students	6,742	2,010	2,214	8,926
Payables for purchases of property, plant and equipment	31,493	18,431	58,777	44,442
Payables for administrative cost	12,125	11,327	14,880	26,869
Refund liability (Note 6)	—	—	—	27,465
Tax payables	6,850	4,427	8,449	5,558
Interest payables to bank	39	459	3,438	5,909
Others	7,614	8,483	5,551	5,667
Less: non-current portion				
- Deposits	(80)	—	—	—
- Amount due to related parties (Note 36 (d))	—	—	—	(675)
Other payables — current portion	390,023	162,794	225,559	617,707
Total trade and other payables	402,920	163,827	226,531	618,549

The Group's trade payables were denominated in RMB and the carrying amounts approximated their fair values.

(a) The credit terms of trade payables granted to the Group are generally no more than 180 days. As at 31 December 2017, 2018, 2019 and 31 March 2020, the aging analysis of the trade payable based on invoice dates was as follows:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 6 months	12,808	983	933	791
6 months to 1 year	—	—	—	12
1 to 2 years	50	11	—	—
2 to 3 years	—	—	—	—
More than 3 years	39	39	39	39
	12,897	1,033	972	842

30 Borrowings

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term borrowings				
Bank borrowings				
— secured	166,500	192,000	350,734	385,770
— unsecured	90,000	185,980	253,940	318,940
Current portion of				
— long term borrowings — secured	(38,500)	(40,000)	(52,000)	(52,000)
— long term borrowings — unsecured	(30,000)	(32,040)	(27,040)	(29,040)
	188,000	305,940	525,634	623,670
Short-term borrowings				
Bank borrowings				
— secured	170,000	—	200,000	200,000
— unsecured	—	150,000	194,124	194,124
Current portion of				
— long term borrowings — secured	38,500	40,000	52,000	52,000
— long term borrowings — unsecured	30,000	32,040	27,040	29,040
	238,500	222,040	473,164	475,164
Total borrowings	426,500	527,980	998,798	1,098,834

(a) Bank borrowings of the Group which are guaranteed by related parties are shown below:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Neusoft Holdings (Note 36 (e))	336,500	—	—	—

(b) The weighted average effective interest rate (per annum) at the balance sheet dates are set out as follows:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
Bank borrowings	4.69%	4.96%	4.91%	4.90%

(c) The Group has the following undrawn bank borrowing facilities:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowing facilities	—	—	492,500	492,500

(d) The maturity date of the borrowing was analysed as follows:

	As at 31 December		As at 31 March	
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	238,500	222,040	473,164	475,164
Between 1 and 2 years	60,000	79,040	200,634	223,670
Between 2 and 5 years	128,000	206,900	241,000	313,000
More than 5 years	—	20,000	84,000	87,000
	426,500	527,980	998,798	1,098,834

(e) As at 31 December 2017, 2018, 2019 and 31 March 2020, the Group's borrowings were denominated in RMB.

(f) On 21 May 2010, Foshan University entered into a loan agreement with a bank. As at 31 December 2017, 2018, 2019 and 31 March 2020, the loan balances are RMB97,000,000, RMB72,000,000, RMB42,000,000 and RMB42,000,000 respectively. The loan bears a floating interest rate of PBOC interest rate. The loan was secured by the pledge of Foshan University's buildings with a net book value of RMB78,491,000 and RMB73,099,000 (the cost is RMB119,834,000) (Note 17), and land use rights with a net book value of RMB22,767,000 and RMB22,106,000 (the cost is RMB27,894,000) (Note 16) as at 31 December 2017 and 2018 respectively. In addition, Foshan University has pledged the tuition and accommodation fees collection rights from 4 March 2015 to 16 January 2020 to the bank. Foshan University further pledged the collection rights of the tuition fee from 17 January 2020 to 3 March 2020 to the bank. As at 31 December 2017, RMB97,000,000 was guaranteed by Neusoft Holdings. The guarantee of Neusoft Holdings has been released at 9 December 2018. The pledge of buildings and land use rights has been released at 21 May 2019.

(g) On 12 October 2017, Foshan University entered into a loan agreement with a bank. On 5 January 2018, an additional RMB60,000,000 was borrowed under the contract. On 17 January 2020, Foshan University entered into another a loan agreement with the bank. As at 31 December 2017, 2018, 2019 and 31 March 2020, the loan balances are RMB60,000,000, RMB120,000,000, RMB110,000,000 and RMB145,000,000 respectively. The loan bears a floating interest rate of PBOC interest rate. Foshan University has pledged the collection rights of the tuition, accommodation and other service fees from 27 September 2017 to 16 January 2020 to the bank. Further, this loan is pledged by the collection rights of the tuition fee from 17 January 2020 to 31 December 2025.

(h) On 28 March 2019, Dalian University entered into a loan agreement with a bank. As at 31 December 2019 and 31 March 2020, the loan balance is RMB198,734,000 and RMB198,770,000 respectively. The loan bears a floating interest rate of PBOC interest rate. Dalian University has pledged the collection rights of the boarding fees from 26 April 2019 to 26 April 2034 to the bank.

(i) As at 31 December 2017, 2018, 2019 and 31 March 2020, in addition to the above loans, the other loan balances were RMB269,500,000, RMB335,980,000, RMB648,064,000 and RMB713,064,000 respectively. The loan with amount of RMB239,500,000 was guaranteed by Neusoft Holdings as at 31 December 2017.

31 Deferred income

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current:				
Deferred government grants[(a)]	30,569	25,928	26,865	29,022
Current:				
Deferred government grants[(a)]	31,542	34,083	34,045	37,299
Rental	3,035	3,768	6,337	5,448
	34,577	37,851	40,382	42,747
	65,146	63,779	67,247	71,769

(a) Deferred income includes grants related to income and grants related to assets. The grants related to income are the subsidies received from the government for the purpose of compensation for expenses arising from research activities and software developments. The grants related to assets are received for subsidies in connection with the purchasing of teaching equipment. These grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

32 Notes to consolidated statement of cash flows

(a) Cash generated from/(used in) operations:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	161,583	171,005	198,968	2,657	8,562
Adjustments for:					
— Amortisation of land use right (Note 16)	6,897	7,536	8,518	2,077	2,798
— Depreciation of property, plant and equipment (Note 17)	85,666	88,064	88,795	23,364	25,246
— Amortisation of intangible assets (Note 18)	2,142	2,431	2,455	657	1,304
— Depreciation of leased properties (Note 16)	28,331	8,873	8,586	2,147	2,285
— Losses on termination of leasing contract (Note 9)	160	—	—	—	—
— Net losses/(gain) on disposal of property, plant and equipment (Note 9)	1,155	2,548	820	—	(1)
— Gains in profit or loss on financial instrument (Note 9)	(2,743)	(6,121)	(1,079)	(708)	(1,022)
— Interest income (Note 7, Note 12)	(1,611)	(2,043)	(3,458)	(613)	(891)
— Finance expenses (Note 12)	36,175	37,880	39,667	9,056	9,370
Operating cash flows before movements in working capital	317,755	310,173	343,272	38,637	47,651
Changes in working capital:					
— Trade and notes receivable (Note 21)	(20,235)	9,511	8,444	12,227	(10,960)
— Prepayments, deposits and other receivables	(1,850)	32,503	(10,591)	5,773	(2,211)
— Increase in inventories	(20)	(1,621)	(282)	(718)	(1,399)
— Working capital changes arising from reorganization	1,524	(26,165)	—	—	—
— Deferred income (Note 31)	(6,212)	(1,367)	3,468	(2,014)	4,522
— Contract liabilities (Note 6)	33,498	38,178	39,492	(121,574)	(140,102)
— Trade and other payables	21,320	(12,366)	19,404	(8,061)	28,588
Cash generated from/(used in) operations	345,780	348,846	403,207	(75,730)	(73,911)
Income taxes paid	(2,056)	(5,643)	(22,235)	(4,934)	(7,481)
Net cash generated from/(used in) operations	343,724	343,203	380,972	(80,664)	(81,392)

(b) In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net book amount (Note 17)	1,608	2,644	1,166	—	—
(Loss)/gain on disposal of property, plant and equipment (Note 9)	(1,155)	(2,594)	(820)	—	1
Proceeds from disposal of property, plant and equipment	453	50	346	—	1

(c) The reconciliation of assets and liabilities arising from financing activities is as follows:

	Borrowing from financial institution	Borrowing from related parties	Dividends	Lease liabilities	Total
As at 1 January 2017	492,705	77,057	467	140,767	710,996
Cash flows					
— Proceeds from borrowings	280,000	—	—	—	280,000
— Repayments of borrowings	(346,160)	—	—	—	(346,160)
— Borrowings from related parties	—	348,295	—	—	348,295
— Repayments of borrowings to related parties	—	(212,745)	—	—	(212,745)
— Lease principal elements paid	—	—	—	(9,476)	(9,476)
— Dividends paid to owners	—	—	(27,856)	—	(27,856)
— Interest paid	(18,144)	(13,189)	—	(4,797)	(36,130)
Non-cash movements					
— Addition of lease liabilities	—	—	—	9,060	9,060
— Remeasurement upon modification	—	—	—	(132,544)	(132,544)
— Interest accrued	18,138	13,375	—	4,637	36,150
— Dividends declared	—	—	27,856	—	27,856
As at 31 December 2017	426,539	212,793	467	7,647	647,446

	Borrowing from financial institution	Borrowing from related parties	Dividends	Lease liabilities	Total
As at 1 January 2018	426,539	212,793	467	7,647	647,446
Cash flows					
— Proceeds from borrowings	349,000	—	—	—	349,000
— Repayments of borrowings	(247,520)	—	—	—	(247,520)
— Repayments of borrowings to related parties	—	(216,503)	—	—	(216,503)
— Lease principal elements paid	—	—	—	(4,861)	(4,861)
— Interest paid	(24,687)	(12,188)	—	(1,106)	(37,981)
— Dividends paid to owners	—	—	(58,942)	—	(58,942)
Non-cash movements					
— Addition of lease liabilities	—	—	—	49,369	49,369
— Interest accrued	25,107	11,672	—	1,106	37,885
— Offset from disposal of subsidiary	—	4,266	—	—	4,266
— Dividends declared	—	—	58,942	—	58,942
As at 31 December 2018	528,439	40	467	52,155	581,101

	Borrowing from financial institution	Borrowing from related parties	Dividends	Lease liabilities	Total
As at 1 January 2019	528,439	40	467	52,155	581,101
Cash flows					
— Proceeds from borrowings	763,124	—	—	—	763,124
— Repayments of borrowings	(291,040)	—	—	—	(291,040)
— Borrowings from related parties	—	200,000	—	—	200,000
— Repayments of borrowings to related parties		(200,000)			(200,000)
— Lease principal elements paid	—	—	—	(7,408)	(7,408)
— Interest paid	(27,107)	(7,148)	—	(2,477)	(36,732)
— Dividends paid	—	—	(3,536)		(3,536)
Non-cash movements					
— Addition of lease liabilities	—	—	—	501	501
— Interest accrued	30,086	7,108	—	2,477	39,671
— Dividends declared	—	—	3,536	—	3,536
As at 31 December 2019	1,003,502	—	467	45,248	1,049,217

	Borrowing from financial institution	Borrowing from related parties	Dividends	Lease liabilities	Total
As at 1 January 2020	1,002,236	—	467	45,248	1,047,951
Cash flows					
— Proceeds from borrowings	240,000	—	—	—	240,000
— Repayments of borrowings	(140,000)	—	—	—	(140,000)
— Lease principal elements paid	—	—	—	(2,796)	(2,796)
— Interest paid	(6,336)	—	—	(597)	(6,933)
Non-cash movements					
— Addition of lease liabilities	—	—	—	12,082	12,082
— Interest accrued	8,807	—	—	597	9,404
As at 31 March 2020	1,104,707	—	467	54,534	1,159,708

	Borrowing from financial institution	Borrowing from related parties	Dividends	Lease liabilities	Total
As at 1 January 2019 (unaudited)	528,439	40	467	52,155	581,101
Cash flows					
— Proceeds from borrowings	200,000	—	—	—	200,000
— Repayments of borrowings	(118,000)	—	—	—	(118,000)
— Borrowings from related parties	—	200,000	—	—	200,000
— Lease principal elements paid	—	—	—	(1,473)	(1,473)
— Interest paid	(6,408)	(40)	—	(651)	(7,099)
Non-cash movements					
— Addition of lease liabilities	—	—	—	428	428
— Interest accrued	6,267	2,133	—	651	9,051
As at 31 March 2019	610,298	202,133	467	51,110	864,008

33 Contingencies

As at 31 December 2017, 2018, 2019 and 31 March 2020 there were no significant contingencies items for the Group and the Company.

34 Business combinations

On 1 March 2020, the Group acquired 90.91% of the issued shares of Tianjin Ruidao for a cash consideration of RMB 362,779,000 from Neusoft Holdings. The goodwill of RMB134,937,000 arising from the acquisition is attributable to acquired human resources and potential customer relationship from combining the operations of the Group and Tianjin Ruidao. None of the goodwill recognized is expected to be deductible for income tax purposes.

(a) Acquisition of a subsidiary

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	RMB'000
Cash and cash equivalents	42,043
Financial assets at fair value through profit or loss (Note 3.3)	90,540
Trade and notes receivables	6,825
Prepayments and other receivables	15,552
Inventory	251
Right of use assets (Note 16)	10,441
Property, plant and equipment (Note 17)	21,119
Investment in associate	711
Intangible asset — brand (Note 18)	89,499
Intangible asset — customer relationship (Note 18)	66,907
Intangible asset — software (Note 18)	2,357
Trade and other payables	(16,141)
Current income tax liabilities	(9)
Contract liabilities	(19,477)
Lease liability	(10,441)
Deferred income	(1,297)
Deferred tax liabilities (Note 19)	(40,042)
Net identifiable assets acquired	258,838
Less: non-controlling interests	(30,996)
Add: goodwill	134,937
Net assets acquired	362,779

The acquired business contributed revenue of RMB 8,575,000 and net loss of RMB 702,000 to the Group for the period from 1 March 2020 to 31 March 2020.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and loss of the Group for the period ended 31 March 2020 would have been RMB185,049,000 and RMB6,612,000 respectively.

Non-controlling interests are recognized at its proportionate shares of the acquired net identifiable assets.

(b) Purchase consideration — cash inflow

	As at 31 March 2020
	RMB'000
Inflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	—
Less: Balances acquired	
Cash	42,043
Net inflow of cash — investing activities	(42,043)

Note: The cash consideration was yet to be settled as at 31 March 2020.

35 Commitments

(a) Capital commitments

The following is the details of capital expenditure contracted but not provided for in the Historical Financial Information.

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Commitment for acquisition of property, plant and equipment and land use right	2,872	288,623	186,016	161,221

(b) Operating lease income

The Group leases certain buildings to related parties and third parties under operating lease agreements. The Group had future aggregate minimum lease income in respect of buildings under operating leases are as follows:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	27,047	28,334	19,067	11,934
Later than 1 year and no later than 5 years	30,900	14,097	17,872	17,385
Later than 5 years	162	—	—	3,272
	58,109	42,431	36,939	32,591

36 Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Name and relationship with related parties:

Name of the related parties	Nature of relationship
Neusoft Holdings	Owner who has significant influence over the Company
Neusoft Holdings International Inc. ("Neusoft International")	Owner who has significant influence over the Company
Dalian Siwei	A company controlled by Liu Jiren
Liaoning Neusoft Venture Capital Co., Ltd.	A company controlled by Neusoft Holdings
Tianjin Ruidao[(a)]	A company controlled by Neusoft Holdings
Beijing Neusoft Huiju Information Technology Co., Ltd.	A company controlled by Neusoft Holdings
Dalian Neusoft Ruichuang Technology Development Co., Ltd.[(a)]	A company controlled by Neusoft Holdings
Dalian SiRui Information Technology Co., Ltd.	A company controlled by Neusoft Holdings
Guangzhou Neusoft Software Talent Vocational Training School[(a)]	A company controlled by Neusoft Holdings
Nanjing Neusoft Talent Training Center[(a)]	A company controlled by Neusoft Holdings
Shenyang Neusoft Ruidao Education Service Co., Ltd.[(a)]	A company controlled by Neusoft Holdings
Guangzhou Neusoft Ruidao Educational Information Technologies Co., Ltd.[(a)]	A company controlled by Neusoft Holdings
Chongqing Neusoft Ruidao Information Technology Co., Ltd.[(a)]	A company controlled by Neusoft Holdings
Dalian Neusoft Software Talent Training Center[(a)]	A company controlled by Neusoft Holdings
Dalian Neusoft Ruidao Education Information Service Co., Ltd.[(a)]	A company controlled by Neusoft Holdings
Neusoft YueTong Software Technology (Dalian) Co., Ltd	A company controlled by Neusoft Holdings
Shanghai Sirui	A company controlled by Neusoft Holdings
Guangzhou SiRui Information Technology Co., Ltd.	A company controlled by Neusoft Holdings
Guangdong Ruidao Gongchuang Technology Co., Ltd.[(a)]	A company controlled by Neusoft Holdings
Dongkong International Third Investment Inc.	A company controlled by Neusoft Holdings
Yida Group	Owner who has significant influence over the Group
Ningbo Neusoft Xinqiao Entrepreneurship Education Technology Co., Ltd	Associate of the Group

(a) These related parties became subsidiaries of the Group after the acquisition of Tianjin Ruidao on 1 March 2020.

(a) Transactions with related parties

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Borrowings from related parties					
Owner who has significant influence over the Company (Note (i))					
Balance at 1 January	77,057	212,793	—	—	—
Borrowings from related parties	278,295	—	200,000	200,000	—
Repayments of borrowings to related parties	(142,745)	(212,500)	(200,000)	—	—
Interest payable to related parties	11,937	11,632	7,108	2,311	—
Repayments of interest to related parties	(11,751)	(11,925)	(7,108)	—	—
Balance at 31 December	212,793	—	—	202,311	—
A company controlled by Neusoft Holdings (Note (ii))					
Balance at 1 January	—	—	40	40	—
Borrowings from related parties	70,000	4,003	—	—	—
Repayments of borrowings to related parties	(70,000)	(4,003)	—	—	—
Interest payable to related parties	1,438	303	—	—	—
Repayments of interest payables to related parties	(1,438)	(263)	(40)	(40)	—
Balance at 31 December	—	40	—	—	—

(i) During the Track Record Period, The Group received loans from Neusoft Holdings with a floating or fixed interest rate raised by 15% on the base of PBOC interest rate. The loans are unsecured and repayable on demand.

(ii) During the Track Record Period, the Group received loans from Tianjin Ruidao with a floating interest rate based on PBOC interest rate. The loans are unsecured and repayable on demand.

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loan to related parties					
Owner who has significant influence over the Company (Note (iii))					
Balance at 1 January	54,709	—	—	—	—
Loan to related parties	8,000	—	—	—	—
Repayments of loan from related parties	(62,055)	—	—	—	—
Interest income from related parties	474	—	—	—	—
Interest receivable from related parties	(1,128)	—	—	—	—
Balance at 31 December	—	—	—	—	—
A company controlled by Neusoft Holdings (Note (iv))					
Balance at 1 January	—	—	—	—	—
Loan to related parties	32,000	—	—	—	—
Repayments of loan from related parties	(32,000)	—	—	—	—
Interest income from related parties	20	—	—	—	—
Interest receivable from related parties	(20)	—	—	—	—
Balance at 31 December	—	—	—	—	—

(iii) During the year 2017, The Group have granted loans to Neusoft Holdings and charged interest with a floating interest rate based on PBOC interest rate.

(iv) On 29 November 2017, the Group granted loans to Neusoft Venture Capital and charged interest with a floating interest rate based on PBOC interest rate. As at 31 December 2017, the loan has been settled.

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchasing goods and receiving services					
Owner who has significant influence over the Company	496	784	385	—	33
Companies controlled by Neusoft Holdings	30,278	4,473	3,127	11	—
	30,774	5,257	3,512	11	33

Purchasing goods and receiving services were made at prices mutually agreed between the Group and its related parties and conducted in the normal course of business.

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Selling goods and providing services					
Owner who has significant influence over the Company	514	273	359	29	—
Companies controlled by LIU Jiren	23,234	1,459	1,554	477	360
Companies controlled by Neusoft Holdings	20,545	102,945	120,295	62,144	15,512
	44,293	104,677	122,208	62,650	15,872

Selling goods and providing services were made at prices mutually agreed between the Group and its related parties and conducted in the normal course of business.

(b) Dividends declared or paid

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Owner who has significant influence over the Company	25,324	56,766	—	—	—
Owner who has significant influence over the Group	—	—	—	—	—
	25,324	56,766	—	—	—

(c) Disposal of a subsidiary

On 26 July 2018, Chengdu University transferred all of its equity interests of Chengdu software to the related party Tianjin Ruidao at a consideration of RMB12,007,000 with no disposal gain or loss. The net cash acquired amounted to RMB3,455,000.

(d) Balance with related parties

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables due from related parties				
Owner who has significant influence over the Company	—	32	—	—
Companies controlled by Neusoft Holdings	19,064	8,990	442	917
	19,064	9,022	442	917
Other receivables due from related parties				
Non-trade				
Owner who has significant influence over the Company	20,605	—	—	1,207
Trade payables due to related parties				
Companies controlled by Neusoft Holdings	12,087	—	—	—
Other payables due to related parties				
Trade				
Owner who has significant influence over the Company	20	21	51	21
A company controlled by Liu Jiren	13,298	238	238	238
Companies controlled by Neusoft Holdings	5,923	1,145	379	70
	19,241	1,404	668	329
Non-trade				
Owner who has significant influence over the Company	—	126	170	363,044
Owner who has significant influence over the Group	1,851	1,851	1,851	1,851
Companies controlled by Neusoft Holdings	—	—	327	333
Associate of the Group	—	—	—	675
	1,851	1,977	2,348	365,903

The non-trade balances are interest free and repayable on demand. The company expects to settle all such payables prior to the Listing.

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts prepaid by related parties				
A company controlled by Liu Jiren	226	—	226	226
A company controlled by Neusoft Holdings	—	270	64	64
	226	270	290	290
Amounts prepaid to related parties				
Owner who has significant influence over the Company	69	48	55	—

As at 31 December 2017, 2018, 2019 and 31 March 2020, all balances with the owners and related companies are non—interest bearing. All balances due from and due to the owners and related parties are unsecured and repayable on demand.

(e) Borrowings guaranteed by related parties

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Owner who has significant influence over the Company	336,500	—	—	—	—

(f) Key management compensation

Key management includes executive directors and certain executives who have important role in making operational and financial decisions.

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	5,085	6,330	8,366	954	1,102
Contributions to pension plans	279	313	195	49	40
Welfare and other expenses	280	307	229	53	51
	5,644	6,950	8,790	1,056	1,193

37 Benefits and interests of Directors

Directors' emoluments

The Company appointed nine directors on the board, who are LIU Jiren (Chairperson of the Board), WEN Tao (Executive Director), RONG Xinjie (Non-executive Director), YANG Li (Non-executive Director), ZHANG Yinghui (Non-executive Director), Klaus Michael ZIMMER (Non-executive Director), LIU Shulian (Independent non-executive director), QU Daokui (Independent non-executive director), and WANG Weiping (Independent non-executive director). Among the directors, LIU Jiren, RONG Xinjie, Klaus Michael ZIMMER, LIU Shulian, QU Daokui and WANG Weiping received no pay from the Company. The remuneration of other directors for the year ended 31 December 2017, 2018, 2019 and three months ended 31 March 2020 are set out below:

For the year ended 31 December 2017	Wages, salaries and bonuses	Contributions to pension plans	Welfare and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors				
WEN Tao	1,337	73	70	1,480
YANG Li	938	49	54	1,041
ZHANG Yinghui	938	26	35	999
	3,213	148	159	3,520

For the year ended 31 December 2018	Wages, salaries and bonuses	Contributions to pension plans	Welfare and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors				
WEN Tao	1,560	79	73	1,712
YANG Li	1,000	25	36	1,061
ZHANG Yinghui	1,150	52	56	1,258
	3,710	156	165	4,031

For the year ended 31 December 2019	Wages, salaries and bonuses	Contributions to pension plans	Welfare and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors				
WEN Tao	3,450	72	70	3,592
YANY Li	1,524	55	58	1,637
ZHANG Yinghui	1,215	25	51	1,291
	6,189	152	179	6,520

For the three months ended 31 March 2020	Wages, salaries and bonuses	Contributions to pension plans	Welfare and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors				
WEN Tao	300	14	16	330
YANY Li	181	11	7	199
ZHANG Yinghui	180	6	12	198
	661	31	35	727

For the three months ended 31 March 2019 (Unaudited)	Wages, salaries and bonuses	Contributions to pension plans	Welfare and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors				
WEN Tao	300	20	17	337
YANY Li	178	14	14	206
ZHANG Yinghui	180	6	13	199
	658	40	44	742

38 Subsequent events

The outbreak of Coronavirus Disease 2019

After COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will continuously pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of consolidated financial statements were authorised for issue, the

Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak except for the impact on the revenue and contract liabilities from Refunded boarding fee as disclosed in Note 6. If the spread of COVID-19 cannot be fully controlled or continues for longer, however, operating results of the Group may be materially and adversely affected.

Granted share options

The Company adopted the Pre-IPO Share Incentive Scheme approved by the Board of Directors on 19 June 2019. The Pre-IPO Share Incentive Scheme was subsequently amended, the amendment of which was approved by the authorised director on 10 June 2020. Under the Pre-IPO Share Incentive Scheme, options are exercisable subject to the grantee's continuous service and completion of the Company's IPO and other terms. Pursuant to the Pre-IPO Share Incentive Scheme, the Company had granted pre-IPO options to 246 grantees on 31 August 2020, including Directors, senior managers, connected persons who are not Directors or senior managers, employees and supervisors of the Group, to subscribe for an aggregate of 50,000,000 shares. The subscription price of each share option granted under the Pre-IPO Share Incentive Scheme is 50% of the Offer Price.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2020 and up to the date of this report.

No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2020.

The information set forth in this appendix II does not form part of the "Accountant's Report" received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set forth in Appendix I and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with "Financial information" and the "Accountant's Report" set forth in Appendix I.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 March 2020 and based on the consolidated net tangible assets attributable to the owners of the Company as at 31 March 2020 as shown in the Accountant's Report, the text of which is set out in Appendix I and adjusted as described below.

This unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 March 2020 or at any future date.

	Audited consolidated net tangible assets attributable to the owners of the Company as at 31 March 2020	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per share	
	Note 1	Note 2		Note 3	Note 4
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on the Offer Price of HK$5.18 per share	339,456	682,487	1,021,943	1.53	1.73
Based on the Offer Price of HK$6.22 per share	339,456	829,257	1,168,713	1.75	1.98

Notes:

(1) The audited consolidated net tangible assets attributable to the owners of the Company as at 31 March 2020 is extracted from the Accountant's Report set forth in Appendix I to this document, which is based on the audited consolidated net assets attributable to the owners of the Company as at 31 March 2020 of RMB584,628,000 with an adjustment for the intangible assets attributable to the owners of the Company as at 31 March 2020 of RMB245,172,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$5.18 and HK$6.22 per share after deduction of the estimated underwriting fees and other related expenses payable by the Company, and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per share are determined after the adjustments as described in note 2 above and on the basis that 666,667,200 shares are in issue, assuming the Global Offering had been completed on 31 March 2020 but takes no account of any shares which may fall to be issued upon the exercise of the Over-Allotment Option.

(4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.8821. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2020.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Neusoft Education Technology Co. Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Neusoft Education Technology Co. Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 March 2020, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 17 September 2020, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 March 2020 as if the proposed initial public offering had taken place at 31 March 2020. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 31 March 2020, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 March 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 17 September 2020

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 July 2020 of the property interests held by the Group.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place
979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

17 September 2020

The Board of Directors
Neusoft Education Technology Co. Limited
89 Nexus Way
Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the property interests held by Neusoft Education Technology Co. Limited (the "**Company**") and its subsidiaries including the Consolidated Affiliated Entities controlled by the Company through the Contractual Arrangements (hereinafter together referred to as the "Group"), in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 July 2020 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued Property Nos. 3, 4, 6, 7 and 8 by comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Due to the nature of the buildings and structures of the remaining properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the relevant property interests have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company’s PRC legal advisers — Tian Yuan Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in December 2018 and September 2020 by Mr. Le Yu who is a China Public Valuer, Mr. Ross Tan who is a China Real Estate Appraiser, and three other technical staff who has academic background in real estate subjects or has 1 to 4 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on the 11th March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in these particular market sectors remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of the properties under frequent review.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 26 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Property interests held by the Group in the PRC

No.	Property	Market value in existing state as at 31 July 2020
		RMB
1.	Dalian University located at No. 8 Software Park Road, Ganjingzi District, Dalian City, Liaoning Province, The PRC	1,051,900,000
2.	Chengdu University located at No. 1 East Soft Avenue, Qingchengshan Town, Dujiangyan City, Chengdu City, Sichuan Province, The PRC	728,150,000
3.	Rooms 102, 104 of Building No. 1, Rooms 102, 104, 106, 108, 110 of Building No. 8, Rooms 102, 104, 106, 108, 110, 112 of Building No. 9, Room 107 of Building No. 4, Room 105 of Building No. 7, Room 101 of Building No. 15, Room 103 of Building No. 24, Room 103 of Building No. 25, Room 104 of Building No. 27, Room 104 of Building No. 29, Neusoft Living Park, Taohua Village, Qingchengshan Town, Dujiangyan City, Chengdu City, Sichuan Province, The PRC	20,680,000

No.	Property	Market value in existing state as at 31 July 2020
		RMB
4.	A parcel of land located at the southern side of Qingshan Road and the western side of Weijiang Road, Taohua Village, Qingchengshan Town, Dujiangyan City, Chengdu City, Sichuan Province, The PRC	116,510,000
5.	Foshan University located at Nanhai University City, Nanhai District, Foshan City, Guangdong Province, The PRC	916,060,000
6.	Room 302 of Building No. 9, Junya Garden, 54th Street, No.1 Haiwu Road, Guicheng, Nanhai District, Foshan City, Guangdong Province, The PRC	1,200,000
7.	Rooms 501, 502, 601, 602 of Block D and Room 502 of Block E, Anju Building, No. 75 Nanhai Avenue, Guicheng, Nanhai District, Foshan City, Guangdong Province, The PRC	8,500,000

No.	Property	Market value in existing state as at 31 July 2020
		RMB
8.	2 parcels of land located at the southern side of South LvShun Road, Huangnichuan, Longwangtang Street, Dalian City, Liaoning Province, The PRC	285,300,000
	Total:	**3,128,300,000**

VALUATION CERTIFICATE

Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2020
				RMB
1.	Dalian University located at No. 8 Software Park Road, Ganjingzi District, Dalian City, Liaoning Province, The PRC	Dalian University is located at No. 8 Software Park Road, Ganjingzi District, Dalian City, Liaoning Province. The locality is well served by public transportation. There are residential buildings, shops and educational facilities in the surrounding area. The property comprises 6 parcels of land with a total site area of approximately 390,096.2 sq.m., and 14 buildings and various structures erected thereon which were completed in various stages between 2001 and 2019. The completed buildings have a total gross floor area of approximately 174,961.90 sq.m., mainly including academic buildings, office buildings, dormitories, canteens, a gym and ancillary buildings. The structures mainly include sports grounds, tennis court, boundary walls and roads. The property also comprises a training base under construction (the "CIP"). The CIP has a planned gross floor area of	As at the valuation date, except for portions of the property with a total lettable area of approximately 24,421.59 sq.m. and portions of the property (153 office units) which were rented to various independent third parties and connected parties for commercial and office uses, the remaining portions of the property were occupied by the Group for educational and ancillary purposes.	1,051,900,000

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2020
				RMB
		approximately 67,464.09 sq.m. and will be completed in March 2021. As advised by the Group, the total construction cost of the CIP is estimated to be approximately RMB600,000,000, of which approximately RMB121,898,000 had been paid up to the valuation date. The land use rights of the property have been granted for various terms with the expiry dates between 27 May 2051 and 19 July 2052 for educational use.		

Notes:

1. Pursuant to 6 State-owned Land Use Rights Certificates — Gao Xin Yuan Qu Guo Yong (2009) Di No. 05092, Gao Xin Yuan Qu Guo Yong (2012) Di Nos. 05078 to 05080 and Gao Xin Yuan Qu Guo Yong (2015) Di Nos. 05012 and 05013, the land use rights of 6 parcels of the land of the property with a total site area of approximately 390,096.2 sq.m. have been granted to Dalian Neusoft University of Information ("Dalian University"), one of the higher education schools operated by the Group, for various terms with the expiry dates between 27 May 2051 and 19 July 2052 for educational use.

2. Pursuant to 12 Building Ownership Certificates and 2 Real Estate Title Certificates — Da Fang Quan Zheng Gao Dan Zi Di Nos. 2012007216 to 2012007221 and Da Fang Quan Zheng Gao Si Zi Di Nos. 2012007452 to 2012007457, and Liao (2016) Da Lian Gao Xin Yuan Qu Bu Dong Chan Quan Di No. 05000238 and Liao (2019) Da Lian Gao Xin Yuan Qu Bu Dong Chan Quan Di No. 05042802, 14 buildings of the property with a total gross floor area of approximately 174,961.90 sq.m. are owned by Dalian University for educational and ancillary uses.

3. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 210211201820023 in favour of Dalian University, the CIP with a planned gross floor area of approximately 67,464.09 sq.m. has been approved for construction.

4. Pursuant to a Construction Work Commencement Permit — No. 210216201904190101 in favour of Dalian University, permissions by the relevant local authority were given to commence the construction of the CIP with a gross floor area of approximately 67,464.09 sq.m.

5. As at the valuation date, pursuant to 34 Tenancy Agreements entered into between Dalian University and various independent third parties, portions of the property with a total lettable area of approximately 22,831.59 sq.m. are leased out for commercial and office purposes with the expiry dates between 31 August 2020 and 31 August 2022. The total annual rental as at the valuation date is RMB7,538,807, exclusive of water and electricity charges.

6. As at the valuation date, pursuant to 2 Tenancy Agreements entered into between Dalian University and an independent third party, portions of the property (153 office units) were leased out for office purpose with the expiry date on 31 August 2020. The total annual rental as at the valuation date was RMB1,787,040, exclusive of water and electricity charges.

7. Pursuant to 2 Tenancy Agreements entered into between Dalian Neusoft Industry Management Services Co., Ltd. (a wholly-owned subsidiary of Dalian Neusoft Ruixin Technology Development Co. Limited ("Neusoft Ruixin") and 2 connected parties, portions of the property with a total lettable area of approximately 1,590 sq.m. are leased out for office purpose with the expiry date on 31 December 2020. The total annual rental as at the valuation date is RMB781,105.92, exclusive of water and electricity charges. Neusoft Ruixin is a joint venture owned by the Company and the Minority JV Shareholders.

8. We have been provided with the legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Dalian University has obtained the land use rights of the property and the Building Ownership Certificates/Real Estate Title Certificates of the buildings as mentioned in note 2 and is entitled to occupy, use, transfer and lease the property; and
   b. Dalian University has obtained all requisite construction work approvals in respect of the actual development progress.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2020
				RMB
2.	Chengdu University located at No. 1 East Soft Avenue, Qingchengshan Town, Dujiangyan City, Chengdu City, Sichuan Province, The PRC	Chengdu University is located at No. 1 East Soft Avenue, Qingchengshan Town, Dujiangyan City, Chengdu City, Sichuan Province. The locality is well served by public transportation. There are residential buildings, shops and educational facilities in the surrounding area. The property comprises a parcel of land with a site area of approximately 395,056.50 sq.m., 28 buildings and various structures erected thereon which were completed in various stages between 2003 and 2020. The completed buildings have a total gross floor area of approximately 218,123.25 sq.m., mainly including academic buildings, office building, experiment building, dormitories, canteens and ancillary buildings. The structures mainly include ancillary facilities, sports grounds, swimming pool, boundary walls, landscaped facilities and roads. The property also comprises a dormitory building under construction (the "CIP"). The CIP has a planned gross floor area of approximately 18,160.03 sq.m.	As at the valuation date, except for portions of the property with a total lettable area of approximately 14,652.82 sq.m. which were rented to 3 independent third parties for commercial use, the remaining portions of the property were occupied by the Group for educational and ancillary purposes.	728,150,000

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2020
				RMB
		and will be completed in September 2020. As advised by the Group, the total construction cost of the CIP is estimated to be approximately RMB75,600,000, of which approximately RMB29,886,000 had been paid up to the valuation date. The land use rights of the property have been granted for a term with the expiry date on 1 January 2053 for educational use.		

Notes:

1. Pursuant to 28 Real Estate Title Certificates — Chuan (2018) Du Jiang Yan Shi Bu Dong Chan Quan Di Nos. 0028943, 0028947, 0028949, 0028955, 0028962, 0028965, 0029336, 0029340, 0029342, 0029346, 0029350, 0029352, 0029355, 0029357, 0029358, 0029359, 0029362, 0029363, 0029364, 0029365, 0029366, 0029439, 0029441, 0030783, 0030812, 0043772 and Chuan (2019) Du Jiang Yan Shi Bu Dong Chan Quan Di No. 0017792 and Chuan (2020) Du Jiang Yan Shi Bu Dong Chan Quan Di No. 0010574, the land use rights of a parcel of the land of the property with a site area of approximately 395,056.50 sq.m. have been granted to Chengdu Neusoft University ("Chengdu University"), one of the higher education schools operated by our Group, for a term with the expiry date on 1 January 2053 for educational use, and 28 buildings of the property with a total gross floor area of approximately 218,123.25 sq.m. are owned by Chengdu University for educational, canteen, and ancillary uses.

2. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 510127201930802 in favour of Chengdu University, the CIP with a planned gross floor area of approximately 18,160.03 sq.m. has been approved for construction.

3. Pursuant to a Construction Work Commencement Permit — No. 510181201911180501 in favour of Chengdu University, permissions by the relevant local authority were given to commence the construction of the CIP with a gross floor area of approximately 18,160.03 sq.m.

4. As at the valuation date, pursuant to 3 Tenancy Agreements entered into between Chengdu University and 3 independent third parties, portions of the property with a total lettable area of approximately 14,652.82 sq.m. were leased out for commercial purpose with the expiry dates between 23 August 2020 and 30 June 2023. The total annual rental as at the valuation date was RMB1,320,000, exclusive of management fees, water and electricity charges.

5. We have been provided with the legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Chengdu University has obtained the land use rights of the property and the Real Estate Title Certificates of the buildings as mentioned in note 1 and is entitled to occupy, use, transfer and lease the property; and
   b. Chengdu University has obtained all requisite construction work approvals in respect of the actual development progress.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2020
				RMB
3.	Rooms 102, 104 of Building No. 1, Rooms 102, 104, 106, 108, 110 of Building No. 8 Rooms 102, 104, 106, 108, 110, 112 of Building No. 9, Room 107 of Building No. 4, Room 105 of Building No. 7, Room 101 of Building No. 15, Room 103 of Building No. 24, Room 103 of Building No. 25, Room 104 of Building No. 27, Room 104 of Building No. 29, Neusoft Living Park, Taohua Village, Qingchengshan Town, Dujiangyan City, Chengdu City, Sichuan Province, The PRC	The property is located at Neusoft Living Park, Taohua Village, Qingchengshan Town, Dujiangyan City, Chengdu City, Sichuan Province. The locality is well served by public transportation. There are residential buildings, shops and educational facilities in the surrounding area. The property comprises 20 residential units on Level 1-Level 3 of ten 3-storey residential buildings with a total gross floor area of approximately 2,272.05 sq.m. which were completed in 2007. The land use rights of the property have been granted for a term with the expiry date on 1 August 2075 for residential use.	As at the valuation date, the property was occupied by the Group for residential use.	20,680,000

Notes:

1. Pursuant to 20 State-owned Land Use Rights Certificates – Du Guo Yong (2013) Di Nos. 7557, 7564, 7565, 7567, 7570, 7571, 7574, 7575, 7577, 7578, 7579, 7580, 7581, 7582, 7583, 7584, 7585, 7586 and 7587 and Du Guo Yong (2015) Di No. 4186, the land use rights of the property with a total apportioned site area of approximately 1,278.4 sq.m. have been granted to Chengdu Neusoft University ("Chengdu University"), one of the higher education schools operated by the Group, for a term with the expiry date on 1 August 2075 for residential use.

2. Pursuant to 20 Building Ownership Certificates — Du Fang Quan Zheng Jian Zheng Zi Di Nos. 0434691, 0434693, 0434697, 0434698, 0434923, 0434925 to 0434932, 0434934, 0434937 to 0434941 and 0485556, the property with a total gross floor area of 2,272.05 sq.m is owned by Chengdu University for residential use.

3. Our valuation has been made on the following basis and analysis:

   In undertaking our valuation of the property, we have identified and analysed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB8,600 to RMB9,400 per sq.m. Appropriate adjustments and analysis are considered to the differences in location, size, and other characters between the comparable properties and the property to arrive at an assumed unit rate of the property.

4. We have been provided with the legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Chengdu University has obtained the land use rights of the property and the Building Ownership Certificates of the property as mentioned in note 2 and is entitled to occupy, use, transfer and lease the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2020
				RMB
4.	A parcel of land located at the southern side of Qingshan Road and the western side of Weijiang Road, Taohua Village, Qingchengshan Town, Dujiangyan City, Chengdu City, Sichuan Province, The PRC	The property is located at the southern side of Qingshan Road and the western side of Weijiang Road, Taohua Village, Qingchengshan Town, Dujiangyan City, Chengdu City, Sichuan Province. There are residential buildings in the surrounding area. The property comprises a parcel of land with a site area of approximately 132,158.33 sq.m., which will be developed into a health and technology training base with a planned gross floor area of approximately 125,039.80 sq.m. The land use rights of the property have been granted for a term with the expiry date on 4 December 2059 for commercial use.	As at the valuation date, the property was bare land.	116,510,000

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Grant Contract — 510181-2019-C-018 and a supplementary agreement dated 28 October 2019, the land use rights of a parcel of land with a site area of approximately 132,158.33 sq.m. were contracted to be granted to Chengdu Neusoft University ("Chengdu University"), one of the higher education schools operated by the Group, for a term of 40 years for commercial use commencing from the land delivery date. The total land premium was RMB114,977,750. The plot ratio of this land parcel is 0.8.

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 510127202020236, permission towards the planning of the aforesaid parcel of land with a site area of approximately 132,158.33 sq.m. has been granted to Chengdu University.

3. Pursuant to a Real Estate Title Certificate — Chuan (2019) Du Jiang Yan Shi Bu Dong Chan Quan Di No. 0054605, the land use rights of the property with a site area of approximately 132,158.33 sq.m. have been granted to Chengdu University for a term with the expiry date on 4 December 2059 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 510127202030665 in favour of Chengdu University, the property with a planned gross floor area of approximately 125,039.80 sq.m. has been approved for construction.

5. In our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristic as the subject property. The accommodation value of these comparable land sites ranges from RMB1,000 to RMB1,400 per sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at the assumed accommodation value for the property.

6. We have been provided with the legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Chengdu University has obtained the Real Estate Title Certificate of the property as mentioned in note 3 and is entitled to occupy, use, transfer and lease the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2020
				RMB
5.	Foshan University located at Nanhai University City, Nanhai District, Foshan City, Guangdong Province, The PRC	Foshan University is located at Nanhai University City, Nanhai District, Foshan City, Guangdong Province. The locality is well served by public transportation. There are residential buildings, shops and educational facilities in the surrounding area. The property comprises 11 parcels of land with a total site area of approximately 336,664.40 sq.m., 37 buildings and various structures erected thereon which were completed in various stages between 2000 and 2016. The completed buildings have a total gross floor area of approximately 199,796.06 sq.m., mainly including academic buildings, office building, library building, stadium, dormitories, canteens and ancillary buildings. The structures mainly include ancillary facilities, sports grounds, boundary walls, landscaped facilities and roads. The property also comprises 2 academic buildings under construction (the "CIP"). The CIP has a total planned gross floor area of approximately 15,639.71 sq.m. and will be completed in October 2020.	As at the valuation date, except for portions of the buildings of the property with a total lettable area of approximately 6,554 sq.m. and portions of the land of the property with a site area of approximately 320 sq.m which were rented to various independent third parties for commercial and office uses, the remaining portions of the property were occupied by the Group for educational and ancillary purposes.	916,060,000

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2020
				RMB
		As advised by the Group, the total construction cost of the CIP is estimated to be RMB60,000,000, of which approximately RMB36,777,000 had been paid up to the valuation date. The land use rights of the property have been granted for various terms with the expiry dates between 19 July 2050 and 2 December 2063 for educational use.		

Notes:

1. Pursuant to 10 State-owned Land Use Rights Certificates — Nan Fu Guo Yong (2014) Di Nos. 0605381 to 0605384, Nan Fu Guo Yong（2015）Di Nos. 0600016 to 0600018, 0600059, 0604186, 0604187 and 12 Real Estate Title Certificates — Yue (2017) Fo Nan Bu Dong Chan Quan Di Nos. 0342181, 0342188, 0342195, 0342203, 0342208, 0342212, 0342221, 0342224, 0342231, 0342235, 0342240 and 0342243, the land use rights of 11 parcels of land of the property with a total site area of approximately 336,664.40 sq.m. have been granted to Neusoft Institute, Guangdong ("Foshan University"), one of the higher education schools operated by the Group, for various terms with the expiry dates between 19 July 2050 and 2 December 2063 for educational use.

2. Pursuant to 25 Building Ownership Certificates and 12 Real Estate Title Certificates — Yue Fang Di Quan Zheng Fo Zi Di Nos. 0200542378, 0200542381, 0200542383, 0200542386, 0200542391, 0200583694 to 0200583701, 0200584411, 0200584413 to 0200584422 and 0200602016 and Yue (2017) Fo Nan Bu Dong Chan Quan Di Nos. 0342181, 0342188, 0342195, 0342203, 0342208, 0342212, 0342221, 0342224, 0342231, 0342235, 0342240 and 0342243, 37 buildings of the property with a total gross floor area of approximately 199,796.06 sq.m. are owned by Foshan University for educational, canteen and ancillary uses.

3. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 440605201900339 and 440605201900347 in favour of Foshan University, the CIP with a total planned gross floor area of approximately 15,639.71 sq.m. has been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits — Nos. 440605201907300101-06 and 440605201907300201-06 in favour of Foshan University, permissions by the relevant local authority were given to commence the construction of the CIP with a total gross floor area of approximately 15,639.71 sq.m.

5. As at the valuation date, pursuant to 6 Tenancy Agreements entered into between Foshan University and various independent third parties, portions of the buildings of the property with a total lettable area of approximately 6,554 sq.m. were leased out for commercial and office purposes with the expiry dates between 1 July 2021 and 28 February 2032. The total annual rental as at the valuation date was RMB883,500, exclusive of water and electricity charges.

6. As at the valuation date, pursuant to a Tenancy Agreement entered into between Foshan University and an independent third party, portions of the land of the property with a site area of approximately 320 sq.m. (under State-owned Land Use Rights Certificate — Nan Fu Guo Yong（2015）Di No. 0600059) mentioned in note 1 were leased out for commercial purpose with the expiry date on 1 July 2022. The total annual rental as at the valuation date was RMB51,000.

7. We have been provided with the legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Foshan University has obtained the land use rights of the property and the Building Ownership Certificates/Real Estate Title Certificates of the buildings as mentioned in notes 1 and 2 and is entitled to occupy, use, transfer and lease the property; and

   b. Foshan University has obtained all requisite construction work approvals in respect of the actual development progress.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2020
				RMB
6.	Room 302 of Building No. 9, Junya Garden, 54th Street, No.1 Haiwu Road, Guicheng, Nanhai District, Foshan City, Guangdong Province, The PRC	The property is located at Junya Garden, 54th Street, No. 1 Haiwu Road, Guicheng, Nanhai District, Foshan City, Guangdong Province. The locality is well served by public transportation. There are residential buildings, shops and educational facilities in the surrounding area. The property comprises a residential unit on Level 3 of a 7-storey residential building with a gross floor area of approximately 85.69 sq.m. which was completed in 2001. The land use rights of the property have been granted for a term with the expiry date on 27 December 2071 for residential use.	As at the valuation date, the property was vacant.	1,200,000

Notes:

1. Pursuant to a Real Estate Title Certificate — Yue (2018) Fo Nan Bu Dong Chan Quan Di No. 0152487, the property with a gross floor area of approximately 85.69 sq.m. is owned by Neusoft Institute, Guangdong ("Foshan University"), one of the higher education schools operated by the Group, and the relevant land use rights of the property have been granted to Foshan University for a term with the expiry date on 27 December 2071 for residential use.

2. Our valuation has been made on the following basis and analysis:

   In undertaking our valuation of the property, we have identified and analysed various relevant sales evidences in the locality with have similar characteristics as the property. The unit price of these comparable properties ranges from RMB13,000 to RMB14,000 per sq.m. Appropriate adjustments and analysis are considered to the differences in location, size, and other characters between the comparable properties and the property to arrive at an assumed unit rate of the property.

3. We have been provided with the legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Foshan University has obtained the Real Estate Title Certificate of the property as mentioned in note 1 and is entitled to occupy, use, transfer and lease the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2020
				RMB
7.	Rooms 501, 502, 601, 602 of Block D and Room 502 of Block E, Anju Building, No. 75 Nanhai Avenue, Guicheng, Nanhai District, Foshan City, Guangdong Province, The PRC	The property is located at No. 75 Nanhai Avenue, Guicheng, Nanhai District, Foshan City, Guangdong Province. The locality is well served by public transportation. There are residential buildings, shops and educational facilities in the surrounding area. The property comprises 5 residential units on Level 5 and Level 6 of two 17-storey residential buildings with a total gross floor area of approximately 567.07 sq.m. which were completed in 2004. The land use rights of the property have been granted for a term with the expiry date on 2 July 2072 for residential use.	As at the valuation date, except for Room 501 and 502 of Block D and Room 502 of Block E with a total gross floor area of approximately 338.96 sq.m. which were occupied by the Group for residential use, the remaining units of the property were vacant.	8,500,000

Notes:

1. Pursuant to 5 Real Estate Title Certificates — Yue (2018) Fo Nan Bu Dong Chan Quan Di Nos. 0155092, 0155128, 0155165, 0155410 and 0156309, the property with a total gross floor area of approximately 567.07 sq.m. is owned by Neusoft Institute, Guangdong ("Foshan University"), one of the higher education schools operated by the Group, and the relevant land use rights of the property have been granted to Foshan University for a term with the expiry date on 2 July 2072 for residential use.

2. Our valuation has been made on the following basis and analysis:

   In undertaking our valuation of the property, we have identified and analysed various relevant sales evidences in the locality with have similar characteristics as the property. The unit price of these comparable properties ranges from RMB14,000 to RMB16,000 per sq.m. Appropriate adjustments and analysis are considered to the differences in location, size, and other characters between the comparable properties and the property to arrive at an assumed unit rate of the property.

3. We have been provided with the legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Foshan University has obtained the Real Estate Title Certificates of the property as mentioned in note 1 and is entitled to occupy, use, transfer and lease the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 July 2020
				RMB
8.	2 parcels of land located at the southern side of South LvShun Road, Huangnichuan, Longwangtang Street, Dalian City, Liaoning Province, The PRC	The property is located at the southern side of South LvShun Road, Huangnichuan, Longwangtang Street, Dalian City, Liaoning Province. The locality of the property is a developing residential area where public facilities and transportation network are under improvement. The property comprises 2 parcels of land with a total site area of approximately 229,558.90 sq.m., which will be developed into an educational development with a total planned gross floor area of approximately 203,757.24 sq.m. The land use rights of the property have been granted for a term with the expiry date on 26 November 2068 for educational use.	As at the valuation date, the property was bare land.	285,300,000

Notes:

1. Pursuant to 2 State-owned Construction Land Use Rights Grant Contracts — Da Gao 2018-3001 and 2018-3002 dated 7 December 2018, the land use rights of 2 parcels of land with a total site area of approximately 229,558.90 sq.m. were contracted to be granted to Dalian Neusoft University of Information ("Dalian University"), one of the higher education schools operated by the Group, for a term of 50 years for educational use commencing from the land delivery date. The total land premium was RMB222,820,000.

2. Pursuant to 2 Construction Land Planning Permits — Di Zi Di Nos. 210211201920006 and 210211201920007, permission towards the planning of the 2 parcels of land with a total site area of approximately 229,558.90 sq.m. has been granted to Dalian University.

3. Pursuant to 2 Real Estate Title Certificates — Liao (2020) Da Lian Gao Xin Yuan Qu Bu Dong Chan Quan Di Nos. 05900007 and 05900008, the land use rights of 2 parcels of land with a total site area of 229,558.90 sq.m. have been granted to Dalian University for a term with the expiry date on 26 November 2068 for educational use.

4. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 210211202020004 and 210211202020005 in favour of Dalian University, the property with a total planned gross floor area of approximately 203,757.24 sq.m. has been approved for construction.

5. In our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristic as the subject property. The unit price of these comparable land sites ranges from RMB1,100 to RMB1,300 per sq.m.

Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at the assumed unit value for the property.

6. We have been provided with the legal opinion containing the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Dalian University has obtained the Real Estate Title Certificates of the property as mentioned in note 3 and is entitled to occupy, use, transfer and lease the property.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Company Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 August 2018 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1 MEMORANDUM OF ASSOCIATION

1.1 The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2 ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 11 September 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

2.1 Shares

- ***Classes of shares***

The share capital of the Company consists of ordinary shares.

- ***Variation of rights of existing shares or classes of shares***

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

- ***Alteration of capital***

The Company may by ordinary resolution of its members:

- increase its share capital by the creation of new shares;
- consolidate all or any of its capital into shares of larger amount than its existing shares;
- divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

- ***Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Cayman Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his/her behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

- ***Power of the Company to purchase its own shares***

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

- ***Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

- ***Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him/her requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him/her to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent (20%) per annum as the board determines.

2.2 Directors

- ***Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his/her period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him/her and the Company) and members of the Company may by ordinary resolution appoint another in his/her place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he/she resigns by notice in writing delivered to the Company;

(bb) he/she becomes of unsound mind or dies;

(cc) without special leave, he/she is absent from meetings of the board for six (6) consecutive months, and the board resolves that his/her office is vacated;

(dd) he/she becomes bankrupt or has a receiving order made against him/her or suspends payment or compounds with his/her creditors;

(ee) he/she is prohibited from being a director by law; or

(ff) he/she ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

- ***Power to allot and issue shares and warrants***

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Cayman Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

- ***Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting.

- ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

- ***Remuneration***

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he/she held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his/her remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex- employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his/her actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

- ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his/her retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

- ***Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his/her close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

- ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his/her office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him/her as a director, officer or member of, or from his/her interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his/her office from contracting with the Company, either with regard to his/her tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his/her knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his/her interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he/she knows his/her interest then exists, or in any other case, at the first meeting of the board after he/she knows that he/she is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his/her close associate(s) any security or indemnity in respect of money lent by him/her or any of his/her close associates or obligations incurred or undertaken by him/her or any of his/her close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his/her close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his/her close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his/her close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/her/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his/her close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his/her close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(a) **Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(b) **Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) **Meetings of members**

- ***Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

- ***Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he/she is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his/her votes or cast all the votes he/she uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

- ***Annual general meetings and extraordinary general meeting***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

- ***Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen

(14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

- ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

- ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he/she acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he/she acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(d) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Cayman Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his/her terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his/her term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(e) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him/her to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his/her registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his/her address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his/her or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(f) **Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(g) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(h) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

- if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he/she deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(i) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3 CAYMAN ISLANDS COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Cayman Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Company Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Company Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

3.1 Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and Articles of Association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

The Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

3.7 Disposal of assets

The Cayman Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his/her powers and discharging his/her duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

3.8 Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

3.10 Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 24 August 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision in the Cayman Companies Law prohibiting the making of loans by a company to any of its directors.

3.13 Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

3.14 Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

3.15 Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

3.16 Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

3.17 Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his/her appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

3.18 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his/her view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

3.19 Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

3.20 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, (2020 Revision) of the Cayman Islands (the "**Cayman Economic Substance Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the Cayman Economic Substance Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company. However, it does not include an entity that is a tax resident outside the Cayman Islands. Therefore, as long as the Company is a tax resident outside the Cayman Islands, including Hong Kong and the PRC, it is not required to satisfy the economic substance test set out in the Cayman Economic Substance Law.

4 GENERAL

Ogier, the Company's legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Documents delivered to the Registrar of Companies and available for inspection — Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands companies law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

Incorporation

Our Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 20 August 2018. Upon incorporation, our authorised share capital was HK$380,000 divided into 3,800,000,000 shares at par value of HK$0.0001 each.

Following the Share Consolidation on 22 October 2019, our authorised share capital of HK$380,000 became divided into 1,900,000,000 ordinary Shares at par value of HK$0.0002 each.

Our registered office address is 89 Nexus Way, Camana Bay Grand Cayman, KY1-9009, Cayman Islands. Our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of certain provisions of our Memorandum and Articles and of certain aspects of Cayman Company Law is set out in Appendix IV.

Our registered place of business in Hong Kong is at Level 40, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong. We registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies on 3 June 2019. Ms. MAK Po Man Cherie has been appointed as our Company's authorised representative for the acceptance of service of process in Hong Kong. The address for service of process is our registered place of business in Hong Kong.

As at the date of this document, our Company's head office is located at No. 8, Software Park Road, Ganjingzi District, Dalian, China.

Changes in share capital

The following sets out the changes in our Company's share capital during the two years immediately preceding the date of this document:

(a) on 20 August 2018, our Company issued one share upon incorporation to Ogier Global Subscriber (Cayman) Limited, which was transferred to Kang Ruidao on 31 August 2018;

(b) on 31 August 2018, our Company issued:

(i) 300,489,999 shares of par value HK$0.0001 each to Kang Ruidao;

(ii) 254,930,000 shares of par value HK$0.0001 each to Dongkong First;

(iii) 240,000,000 shares of par value HK$0.0001 each to Dongkong Second;

(iv) 130,020,000 shares of par value HK$0.0001 each to Century Bliss;

(v) 56,210,000 shares of par value HK$0.0001 each to Alpine Electronics; and

(vi) 18,350,000 shares of par value HK$0.0001 each to Apex Venture;

(c) on 22 October 2019, our Company completed the Share Consolidation, following which the following Shareholders held our Shares as follows:

(i) 150,245,000 Shares held by Kang Ruidao;

(ii) 127,465,000 Shares held by Dongkong First;

(iii) 120,000,000 Shares held by Dongkong Second;

(iv) 65,010,000 Shares held by Century Bliss;

(v) 28,105,000 Shares held by Alpine Electronics; and

(vi) 9,175,000 Shares held by Apex Venture.

Except as disclosed above, there has been no alternation to our Company's share capital during the two years immediately preceding the date of this document.

Changes in the share capital of our subsidiaries (including our Consolidated Affiliated Entities)

A summary of the corporate information and the particulars of our subsidiaries are set out in Notes 1.2 and 1.3 in the "Accountant's report" in Appendix I.

Chengdu Neusoft Information Technology Development Co., Ltd. changed its registered share capital on 28 February 2020 from RMB102.8 million to RMB195.8 million.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries during the two years immediately preceding the date of this document.

Resolutions of our Shareholders

Our Shareholders passed a set of written resolutions on 11 September 2020 ("**Shareholders' Resolutions**"), pursuant to which, among others:

(i) conditional upon (i) the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as stated in this document, and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (ii) the Offer Price having been determined; and (iii) the obligations of the Underwriters under each of the Underwriting Agreements becoming unconditional (including if relevant, as a result of the waiver of any condition(s) thereunder) and such obligations not having been terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements;

(a) the Listing, the Global Offering and the Over-allotment Option were approved, our Directors were authorised to negotiate and agree the Offer Price, and our Directors were authorised to allot and issue the Offer Shares (including the Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option);

(b) a general unconditional mandate ("**Sale Mandate**") was given to our Directors to exercise all the powers of our Company to allot, issue and deal with any Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted and issued or dealt with, such member of Shares shall not exceed 20% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Shares that may fall to be issued pursuant to the exercise of the Over-allotment Option and any options that may have been granted under the Share Incentive Schemes);

(c) a general unconditional mandate ("**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Shares that may be issued pursuant to the exercise of the Over-allotment Option and any options that may have been granted under the Share Incentive Schemes); and

(d) the Sale Mandate was extended by the addition to the total number of Shares that may be allotted and issued, or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of Shares purchased by our Company pursuant to the Repurchase Mandate (up to 10% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Shares that may be issued pursuant to the exercise of the Over-allotment Option and any options that may have been granted under the Share Incentive Schemes));

(ii) our Company conditionally approved and adopted the Memorandum and Articles with effect from Listing Date.

Each of the general mandates referred to in sub-paragraphs (i)(b), (i)(c), and (i)(d) above will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles; and

- the passing by an ordinary resolution in a general meeting revoking or varying such mandate.

Repurchase of our own Shares

The following paragraphs include, among others, certain information required by the Stock Exchange concerning the repurchase of our own securities.

Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the Shareholders' Resolutions, the Repurchase Mandate was given to our Directors, authorising them to exercise all the powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and that is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Shares that may be issued under the Over-allotment Option and any options that may have been granted under the Share Incentive Schemes), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (ii) the expiration of the period within which the next annual general meeting of our Company is required to be hold by any applicable law or the Articles of Association, and (iii) the passing by an ordinary resolution in a general meeting revoking or varying such mandate.

Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles and subject to the Cayman Companies Law. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles and subject to the Cayman Companies Law.

Trading restrictions

The total number of shares that a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

Status of repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman law.

Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until such time as the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

Core connected persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell their securities to the company.

Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

Funding of repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of Shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or, if authorised by the Articles and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles and subject to the Cayman Companies Law, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

General

The exercise in full of the Repurchase Mandate, on the basis of 666,667,200 Shares in issue immediately following the completion of the Global Offering (presuming the Assumptions), could accordingly result in up to approximately 66,666,720 Shares being repurchased by our Company during the period prior to the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; and

(c) the passing by an ordinary resolution in a general meeting revoking or varying such mandate.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the SFC's Code on Takeovers and Mergers and Share Buy-backs ("**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as disclosed above, our Directors are not aware of any consequences that would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken not to do so, if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) an exclusive management consultancy and business cooperation agreement dated 21 June 2019 (the "**Management Agreement**"), entered into among (i) Dalian Neusoft Ruixin Technology Development Co. Limited (大連東軟睿新科技發展有限公司) ("**Neusoft Ruixin**"), (ii) Dalian Neusoft Software Park Industry Development Co., Ltd. (大連東軟軟件園產業發展有限公司) ("**Dalian Development**") including entities invested and controlled by Dalian Development (including controlled by agreement, and including but not limited to companies, schools and related institutions that Dalian Development directly or indirectly holds more than 50% of the investment interest) as updated from time to time according to the Management Agreement (collectively, the "**Dalian Development Entities**"), and (iii) Dalian Neusoft Holdings Co., Ltd. (大連東軟控股有限公司) ("**Neusoft Holdings**"), pursuant to which the Dalian Development Entities and Neusoft Holdings agreed to engage Neusoft Ruixin, as the exclusive service provider of corporate management consultation, education management consultation, intellectual property licences, technical and business support to Dalian Development and the Dalian Development Entities in return for service fees;

(b) an exclusive call option agreement dated 21 June 2019, entered into among (i) Neusoft Ruixin, (ii) Neusoft Holdings, and (iii) Dalian Development, Dalian Neusoft University of Information (大連東軟信息學院) ("**Dalian University**"), Neusoft Institute, Guangdong (廣東東軟學院) ("**Foshan University**") and Chengdu Neusoft University (成都東軟學院) ("**Chengdu University**"), pursuant to which Neusoft Holdings granted to Neusoft Ruixin (for itself or its designated third party) an exclusive, unconditional and irrevocable call option to purchase from Neusoft Holdings all or part of the equity interest in Dalian Development or the sponsor interests in Dalian University, Chengdu University and/or Foshan University;

(c) an equity pledge agreement dated 21 June 2019, entered into among (i) Neusoft Ruixin, (ii) Neusoft Holdings, and (iii) Dalian Development, pursuant to which Neusoft Holdings unconditionally and irrevocably pledged all its equity interests (including any increased equity interests and the related dividends and bonuses) in Dalian Development in favour of Neusoft Ruixin;

(d) a share transfer agreement entered into between Neusoft Holdings and Dalian Neusoft Education Technology Group Co. Limited (大連東軟教育科技集團有限公司) ("**Dalian Education**") dated 1 March 2020, pursuant to which Neusoft Holdings transferred 90.91% equity interest in Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. (天津東軟睿道教育信息技術有限公司) to Dalian Education for a consideration of RMB362,779,173; and

(e) a cornerstone investment agreement dated 15 September 2020 entered into among (i) the Company, (ii) Greenwoods Asset Management Hong Kong Limited, (iii) CLSA Capital Markets Limited, and (iv) CLSA Limited, pursuant to which Greenwoods Asset Management Hong Kong Limited agreed to subscribe for the number of Offer Shares at the Offer Price, in the amount of Hong Kong dollar equivalent of US$15,000,000;

(f) a cornerstone investment agreement dated 15 September 2020 entered into among (i) the Company, (ii) Pingyang Jihe Lineng Equity Investment Management Centre (Limited Partnership) (平陽幾何礪能股權投資管理中心(有限合夥)), (iii) Shanghai Haitong Securities Asset Management Co., Ltd (上海海通證券資產管理有限公司), (iv) CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), and (v) CLSA Limited (中信里昂證券有限公司), pursuant to which Pingyang Jihe Lineng Equity Investment Management Centre (Limited Partnership) agreed to subscribe for the number of Offer Shares at the Offer Price, through a qualified domestic institutional investor, Shanghai Haitong Securities Asset Management Co., Ltd, in the amount of Hong Kong dollar equivalent of US$8,220,000;

(g) a cornerstone investment agreement dated 15 September 2020 entered into among (i) the Company, (ii) Pingyang Zhongjiao Jihe Equity Investment Fund Management Centre (Limited Partnership) (平陽中教吉何股權投資基金管理中心(有限合夥)), (iii) Shanghai Haitong Securities Asset Management Co., Ltd (上海海通證券資產管理有限公司), (iv) CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), and (v) CLSA Limited (中信里昂證券有限公司), pursuant to which Pingyang Zhongjiao Jihe Equity Investment Fund Management Centre (Limited Partnership) agreed to subscribe for the number of Offer Shares at the Offer Price, through a qualified domestic institutional investor, Shanghai Haitong Securities Asset Management Co., Ltd, in the amount of Hong Kong dollar equivalent of US$2,780,000;

(h) a cornerstone investment agreement dated 15 September 2020 entered into among (i) the Company, (ii) Foresight Orient Global Superior Choice SPC — Global Superior Choice Fund 1 SP, (iii) Foresight Orient Global Superior Choice SPC — Vision Fund 1 SP, (iv) CLSA Capital Markets Limited, and (v) CLSA Limited, pursuant to which Foresight Orient Global Superior Choice SPC — Global Superior Choice Fund 1 SP and Foresight Orient Global Superior Choice SPC — Vision Fund 1 SP agreed to subscribe for the number of Offer Shares at the Offer Price, in an aggregate amount of Hong Kong dollar equivalent of US$9,000,000;

(i) a cornerstone investment agreement dated 15 September 2020 entered into among (i) the Company, (ii) Tibet Longrising Asset Management Co., Ltd. (西藏源樂晟資產管理有限公司), (iii) CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), and (iv) CLSA Limited (中信里昂證券有限公司), pursuant to which Tibet Longrising Asset Management Co., Ltd. agreed to subscribe for the number of Offer Shares at the Offer Price, in the amount of Hong Kong dollar equivalent of US$9,000,000;

(j) a cornerstone investment agreement dated 15 September 2020 entered into among (i) the Company, (ii) Qianhe Capital Management Co., Ltd. (千合資本管理有限公司), (iii) CLSA Capital Markets Limited (中信里昂證券資本市場有限公司), (iv) CLSA Limited (中信里昂證券有限公司), and (v) Essence International Securities (Hong Kong) Limited (安信國際證券（香港）有限公司), pursuant to which Qianhe Capital Management Co., Ltd. (千合資本管理有限公司), agreed to subscribe for the number of Offer Shares at the Offer Price, through a qualified domestic institutional investor, in the amount of Hong Kong dollar equivalent of US$9,000,000; and

(k) the Hong Kong Underwriting Agreement.

Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

Trademarks registered in China

As at the Latest Practicable Date, we had registered the following trademarks in China that we consider to be or may be material to our business:

No.	Trademark	Registered owner	Class	Registration number	Expiry date
1	N-EduTech	Dalian Education	9	34431505	2029.06.27
2	Neuworks	Dalian Education	41	37451014	2029.12.27
3	Neutech	Dalian Education	42	36234696	2029.10.13
4	Neutech	Dalian Education	41	36230989	2029.10.13
5	SOVO	Dalian University	41	3594780	2028.09.06
6	凯 捷	Dalian University	41	3502180	2024.09.06
7	Pcollege	Dalian University	41	3502179	2024.09.06
8		Dalian University	41	32284709	2030.02.06
9	Neuke	Neusoft Electronic Press	41	25932433	2028.08.13
10		Foshan University	16	33315317	2029.08.27
11		Foshan University	41	33307905	2029.12.27
12	东软小睿	Tianjin Ruidao	09	36909246	2029.11.06
13	东软小睿	Tianjin Ruidao	35	36886753	2029.11.06
14	东软小睿	Tianjin Ruidao	42	36902333	2029.11.06

No.	Trademark	Registered owner	Class	Registration number	Expiry date
15	东软睿酷	Tianjin Ruidao	9	36909240	2030.04.21
16	Anole	Tianjin Ruidao	42	33514585	2029.08.27
17	东软睿道	Tianjin Ruidao	41	26461294	2029.03.27
18	睿道	Tianjin Ruidao	37	26472246	2028.09.06
19	睿道	Tianjin Ruidao	9	12307195	2024.08.27
20	睿道	Tianjin Ruidao	42	12307192	2024.08.27
21	Neuedu	Tianjin Ruidao	9	12307191	2024.08.27
22	Neuedu	Tianjin Ruidao	35	12307190	2024.08.27
23	Neuedu	Tianjin Ruidao	41	12307189	2024.08.27
24	Neuedu	Tianjin Ruidao	42	12307188	2024.08.27
25	爱多牛	Tianjin Ruidao	29	11788918	2024.05.13
26	爱多牛	Tianjin Ruidao	28	11448229	2024.02.06
27	爱多牛	Tianjin Ruidao	42	11448226	2024.02.06
28	爱多牛	Tianjin Ruidao	43	11448225	2024.02.06
29	CooVenture	Shenyang Neusoft Ruidao Education Services Co., Ltd.	9	20457348	2027.08.13
30	CooVenture	Shenyang Neusoft Ruidao Education Services Co., Ltd.	35	20457572	2027.10.20

No.	Trademark	Registered owner	Class	Registration number	Expiry date
31	CooVenture	Shenyang Neusoft Ruidao Education Services Co., Ltd.	41	20457728	2027.08.13
32	CooVenture	Shenyang Neusoft Ruidao Education Services Co., Ltd.	42	20457820	2027.08.13
33	CooVenture	Shenyang Neusoft Ruidao Education Services Co., Ltd.	45	20457995	2027.08.13
34	简学	Shenyang Neusoft Ruidao Education Services Co., Ltd.	9	15206457	2025.10.06
35	蛙页	Dalian Waye Information Service Co., Ltd.	42	17307499	2027.02.20
36	友驿站 yyizhan.com	Chengdu Neusoft Software Co., Ltd.	39	17138532	2026.08.20
37	友驿站 yyizhan.com	Chengdu Neusoft Software Co., Ltd.	35	17138493	2026.08.20

Trademarks registered in Hong Kong

As at the Latest Practicable Date, we had registered the following trademarks in Hong Kong that we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registration number	Expiry date
1	東軟教育科技	Our Company	9, 16, 41, 42	304804047	2029.01.16
2	東軟教育	Our Company	9, 16, 41, 42	304804056	2029.01.16
3	A. NEUTECH B. Neutech	Our Company	9, 42	304840911AA	2029.02.26

No.	Trademark	Registered Owner	Class	Registration number	Expiry date
4	A. NEUTECH B. Neutech	Our Company	41	304840911AB	2029.02.26
5	Neuedu	Our Company	9, 35, 37, 41, 42	304887271	2029.04.09
6	東軟科教 东软科教	Our company	16, 41, 42	304994830	2029.07.16
7	東軟教科 东软教科	Our company	16, 41, 42	304994849	2029.07.16
8	东软睿道	Tianjin Ruidao	9, 35, 37, 41, 42	304887235	2029.04.09
9	Neuedu 东软睿道	Tianjin Ruidao	9, 35, 37, 41, 42	304887262	2029.04.09

Trademark applications pending in China

As at the Latest Practicable Date, we had applied for the registration of the following trademarks in China that we consider to be or may be material to our business:

No.	Trademark	Applicant	Class	Application number	Application date
1	NeuFAI	Dalian Education	9	45598535	2020.04.20
2	NeuFAI	Dalian Education	42	45617550	2020.04.20
3	DNUITOPCARES	Dalian Education	41	45174884	2020.04.03
4	DNUITOPCARES	Dalian Education	9	45149440	2020.04.03
5	DNUITOPCARES	Dalian Education	42	45172421	2020.04.03
6	WTOPCARES	Dalian Education	9	45174877	2020.04.03
7	WTOPCARES	Dalian Education	41	45157084	2020.04.03
8	WTOPCARES	Dalian Education	42	45172419	2020.04.03

Copyrights

As at the Latest Practicable Date, we had registered the following software copyrights that we consider to be or may be material to our business:

No.	Copyright	Registered owner	Registration number	Registration date
1	Higher Education Undergraduate Program Management Information Systems Software V1.0 (高等學校本科專業信息管理系統軟件V1.0)	Dalian University	2015SR249782	2015.12.08
2	Higher Education Undergraduate Program Comprehensive Evaluation System Software V1.0 (高等學校本科專業綜合評價系統軟件V1.0)	Dalian University	2015SR249637	2015.12.08
3	Online Assignment Submission and Assessment Software (For Short: Assignment Submission and Assessment) V3.0 (在線作業提交與評判軟件(簡稱:作業提交與評判)V3.0)	Dalian University	2016SR367139	2016.12.12
4	Neusoft e-Learning SkillBase Software (For Short: Neusoft e-Learning SkillBase) V1.0 (東軟移動在線學習平台軟件(簡稱:東軟在線學習平台)V1.0)	Dalian University	2017SR218204	2017.05.31
5	Self-learning Exchange Platform Software (For Short: Micro Easy-Learning) v1.0 (自主學習交流平台軟件(簡稱:微校易學習)v1.0)	Dalian University	2017SR255322	2017.06.12
6	Neulife Mobile Education Management Software (For Short: Neulife) V1.0 (Neulife移動教務管理軟件(簡稱:Neulife)V1.0)	Dalian University	2017SR078404	2017.03.14
7	Interactive Students' Performance Management and Analysis System V1.0 (交互式學生成績管理與分析系統V1.0)	Dalian University	2017SR469682	2017.08.25
8	Higher Education Comprehensive Students Management Platform Software V1.0 (高校綜合學生管理平台軟件V1.0)	Dalian University	2017SR474230	2017.08.28
9	Alumni Management System for Higher Education V1.0 (高校校友管理系統V1.0)	Dalian University	2017SR664619	2017.12.04

No.	Copyright	Registered owner	Registration number	Registration date
10	Uniform Data Management and Service System for Higher Education V1.0 (高校數據統一管理與服務系統V1.0)	Dalian University	2017SR664603	2017.12.04
11	Curriculum Development Quality Evaluation System for Higher Education V1.0 (高校課程建設質量評價系統V1.0)	Dalian University	2017SR662854	2017.12.04
12	Information Management System for Higher Education Teaching Staff V1.0 (高校教職員工信息管理系統V1.0)	Dalian University	2017SR664588	2017.12.04
13	Rewards, Punishments and Daily Performance Management System for Higher Education Students V1.0 (高校學生獎懲及日常表現管理系統V1.0)	Dalian University	2017SR667560	2017.12.05
14	Work Evaluation System for Functional Departments of Higher Education V1.0 (高校職能部門工作評價系統V1.0)	Dalian University	2017SR667537	2017.12.05
15	Competency Assessment System for Higher Education Cadres V1.0 (高校幹部能力評價系統V1.0)	Dalian University	2017SR662847	2017.12.04
16	Unified Identity Certification and Single Point Login Platform for Higher Education V1.0 (高校統一身份認證與單點登錄平台V1.0)	Dalian University	2017SR664613	2017.12.04
17	Classroom Teaching Quality Monitor System for Higher Education V1.0 (高校課堂教學質量監控系統V1.0)	Dalian University	2017SR664597	2017.12.04
18	Integrated Quality Management System for Higher Education Students V1.0 (高校學生綜合素質管理系統V1.0)	Dalian University	2017SR667552	2017.12.05
19	Virtualization Platform Based Linux Online Evaluation System Software (For Short: Linux Online Evaluation System Software) V1.0 (基於虛擬化平台的Linux在線考評系統軟件(簡稱:Linux在線考評系統軟件)V1.0)	Dalian University	2017SR574892	2017.10.19

No.	Copyright	Registered owner	Registration number	Registration date
20	Home-School Interactive and Connected Platform Software (For Short: Home-School Interaction Software) V1.0 (家校互聯互動平台軟件(簡稱:家校互動軟件)V1.0)	Dalian University	2017SR571405	2017.10.17
21	Mobile Teaching Service Software V1.0 (移動教學服務軟件V1.0)	Dalian University	2018SR197100	2018.03.23
22	Curriculum Resources Sharing Software V1.0 (課程資源共享軟件V1.0)	Dalian University	2018SR197123	2018.03.23
23	Neusoft Campus Food Ordering Android Software (For Short: Campus Food Ordering APP) V1.0 (東軟校園訂餐Android版軟件(簡稱:校園訂餐APP)V1.0)	Dalian University	2018SR458836	2018.06.19
24	Digital Library Book Borrowing Management Information System Software (For Short: Book Borrowing app) V1.0 (數字圖書館借閱管理信息系統軟件(簡稱:圖書借閱app)V1.0)	Dalian University	2018SR527569	2018.07.06
25	WeChat Based Education Management System V1.0 (基於微信公眾平台的教務管理系統V1.0)	Dalian University	2018SR536743	2018.07.10
26	Student Dormitory Information Management Platform V1.0 (學生宿舍信息管理平台V1.0)	Dalian University	2018SR669083	2018.08.21
27	Campus Online Answering System (For Short: Online Answering System) V1.0 (校園在線答疑系統(簡稱:在線答疑系統)V1.0)	Dalian University	2018SR737954	2018.09.12
28	News Release System V1.0 (新聞發布系統V1.0)	Dalian University	2018SR738447	2018.09.12
29	Neusoft Practice Management and Monitor Software (For Short: Practice Management and Monitor Software) V1.0 (東軟實習管理與監控軟件(簡稱:實習管理監控軟件)V1.0)	Dalian University	2018SR749765	2018.09.17
30	Navigation System for Freshmen (For Short: Navigation for Freshmen) V1.0 (大學新生導航系統(簡稱:大學新生導航)V1.0	Dalian University	2018SR786189	2018.09.27

No.	Copyright	Registered owner	Registration number	Registration date
31	Student Organization OA System (For Short: Student Organization OA) V1.0 (學生組織OA系統(簡稱:學生組織OA)V1.0)	Dalian University	2019SR0157565	2019.02.19
32	Neusoft Canteen Face Scanning Software (For Short: Canteen Face Swiping Software) V1.0 (東軟食堂刷臉機終端軟件(簡稱:食堂刷臉機)V1.0)	Dalian University	2019SR0157564	2019.02.19
33	Internet of Things Based Video Monitor and Management System for Higher Education Campus V1.0 (基於物聯網的高校校園視頻監控管理系統V1.0)	Dalian University	2019SR0745134	2019.07.18
34	Android-based Mobile Knowledge Base Platform V1.0 (基於Android的移動知識庫平台V1.0)	Dalian University	2019SR0745153	2019.07.18
35	Cloud Health System Platform Based on Big Data V1.0 (基於大數據的雲健康系統平台V1.0)	Dalian University	2019SR0805169	2019.08.02
36	University Personnel Management System V1.0 (大學人事管理系統V1.0)	Dalian University	2019SR0818293	2019.08.07
37	Internet of Things Based Laboratory Management Information System V1.0 (基於物聯網技術的實驗室管理信息系統V1.0)	Dalian University	2019SR0835432	2019.08.12
38	Higher Education Examination Information Release Platform Software V1.0 (高校考試信息發佈平台軟件V1.0)	Dalian University	2019SR0996240	2019.09.26
39	High-definition Remote Teaching Equipment Terminal Software V1.0 (高清遠程教學設備終端軟件V1.0)	Dalian University	2019SR1351880	2019.12.12
40	Palm-top Development System Learning Platform V1.0 (掌上開發系統學習平台V1.0)	Dalian University	2019SR1355589	2019.12.12
41	Neusoft Online Examination System V1.0 (東軟在線考試系統V1.0)	Neusoft Electronic Press	2018SR127477	2018.02.27
42	Project Case Library Publish Platform for Excellent IT Engineer V1.0 (卓越IT工程師項目案例庫出版平台V1.0)	Neusoft Electronic Press	2018SR035570	2018.01.16

No.	Copyright	Registered owner	Registration number	Registration date
43	Digital Courses Publish Platform for Excellent IT Engineer V1.0 (卓越IT工程師數字課程出版平台V1.0)	Neusoft Electronic Press	2018SR035566	2018.01.16
44	Neusoft Teaching Cloud Platform V1.0 (東軟教學雲平台V1.0)	Neusoft Electronic Press	2018SR035437	2018.01.16
45	Niuke Online Education Platform V1.0 (牛課在線教育平台V1.0)	Neusoft Electronic Press	2018SR035275	2018.01.16
46	Neusoft Online Education Platform V1.0 (東軟在線教育平台V1.0)	Neusoft Electronic Press	2018SR035267	2018.01.16
47	Comprehensive Training System for Computer Major V2.1 (計算機類專業綜合訓練系統V2.1)	Neusoft Electronic Press	2017SR114201	2017.04.13
48	Practical Training Assistant System for Projects in Computer Major V1.0 (For Short: Practical Training Assistant) (計算機類專業項目實訓助手系統V1.0(簡稱:實訓助手))	Neusoft Electronic Press	2017SR114194	2017.04.13
49	Teaching and Learning Effect Evaluation System for Computer Major V1.0 (計算機類專業教學與學習效果評估系統V1.0)	Neusoft Electronic Press	2017SR114179	2017.04.13
50	Online Education and Service Platform for Excellent IT Engineer V1.0 (卓越IT工程師在線教育與服務平台V1.0)	Neusoft Electronic Press	2016SR100396	2016.05.10
51	Neusoft Muke Platform (For Short: Neusoft Muke) V2.0 (東軟慕課平台(簡稱:東軟慕課)V2.0)	Neusoft Electronic Press	2016SR075518	2018.06.13
52	Neusoft Web-based Teaching Platform V1.0 (東軟網絡教學平台V1.0)	Neusoft Electronic Press	2018SR755303	2018.09.18
53	Neusoft Web-based Integrated Production and Broadcasting Platform V1.0 (東軟網絡綜合製播平台V1.0)	Neusoft Electronic Press	2018SR755346	2018.09.18
54	Neusoft Cloud Classroom System V1.0 (東軟雲課堂系統V1.0)	Neusoft Electronic Press	2018SR762591	2018.09.19
55	Neusoft Vocational Education Cloud Platform V1.0 (東軟職教雲平台V1.0)	Neusoft Electronic Press	2018SR762588	2018.09.19

No.	Copyright	Registered owner	Registration number	Registration date
56	Neusoft Professional Teaching Resource Database Platform V1.0 (東軟專業教學資源庫平台V1.0)	Neusoft Electronic Press	2018SR762598	2018.09.19
57	Neusoft Practice Teaching Management System V1.0 (東軟實踐教學管理系統V1.0)	Neusoft Electronic Press	2018SR755332	2018.09.18
58	Neusoft Software Project Development and Training System V1.0 (東軟軟件項目開發實訓系統V1.0)	Neusoft Electronic Press	2018SR143278	2018.03.05
59	Neusoft Course Practice Teaching System V1.0 (東軟課程實踐教學系統V1.0)	Neusoft Electronic Press	2018SR860896	2018.10.29
60	Neusoft Software Project Development Management System V1.0 (東軟軟件項目開發管理系統V1.0)	Neusoft Electronic Press	2018SR141603	2018.03.05
61	Neusoft Medical Cloud Platform Based Mobile Picture View Software V1.0 (基於東軟醫療雲平台的移動閱片軟件V1.0)	Foshan University	2017SR230350	2017.06.05
62	Student Status Management Software for Adult Students V1.0 (成教學生學籍管理軟件V1.0)	Foshan University	2017SR237018	2017.06.06
63	Education Management Assistant Software V1.0 (教務管理助手軟件V1.0)	Foshan University	2017SR238222	2017.06.06
64	Teaching Quality Monitor System V1.0 (教學質量監控系統V1.0)	Foshan University	2018SR144211	2018.03.05
65	Ruixiang Student Attendance Check Software V1.0 (芮想學生考勤軟件V1.0)	Shanghai Ruixiang	2017SR609820	2017.11.07
66	Ruixiang Comprehensive Teaching Quality Evaluation Software V1.0 (芮想教學綜合質量評價軟件V1.0)	Shanghai Ruixiang	2017SR609828	2017.11.07
67	Ruixiang Curriculum Management Software V1.0 (芮想課程大綱管理軟件V1.0)	Shanghai Ruixiang	2017SR610708	2017.11.08
68	Ruixiang Training and Practice Software V1.0 (芮想培訓與實踐軟件V1.0)	Shanghai Ruixiang	2017SR609568	2017.11.07
69	Ruixiang Talent Training Program Management Software V1.0 (芮想人才培養方案管理軟件V1.0)	Shanghai Ruixiang	2017SR611400	2017.11.08

No.	Copyright	Registered owner	Registration number	Registration date
70	Ruixiang Laboratory Management and Reservation Software V1.0 (芮想實驗室管理及預約軟件V1.0)	Shanghai Ruixiang	2017SR610002	2017.11.07
71	Teaching and Learning Effect Evaluation System for Neusoft Computer Major V1.0 (東軟計算機類專業教學與學習效果評估系統V1.0)	Dalian Education	2019SR0093407	2019.01.25
72	Practical Training Assistant System for Projects in Neusoft Computer Major (For Short: Practical Training Assistant) V1.0 (東軟計算機類專業項目實訓助手系統(簡稱:實訓助手)V1.0)	Dalian Education	2019SR0094562	2019.01.25
73	Comprehensive Training System for Neusoft Computer Major (For Short: Comprehensive Training System for Major) V1.0 (東軟計算機類專業綜合訓練系統(簡稱:專業綜合訓練系統)V1.0)	Dalian Education	2019SR0094069	2019.01.25
74	Neusoft Teaching Documents Management System V1.0 (東軟教學文檔管理系統V1.0)	Dalian Education	2019SR0099231	2019.01.28
75	Neusoft Education and Teaching Cloud Platform V1.0 (東軟教育教學雲平台V1.0)	Dalian Education	2019SR0098645	2019.01.28
76	Neusoft Education Muke Platform V1.0 (東軟教育慕課平台V1.0)	Dalian Education	2019SR0099182	2019.01.28
77	Neusoft Coursework and Teaching System V1.0 (東軟課程作業教學系統V1.0)	Dalian Education	2019SR0093417	2019.01.25
78	Neusoft Niuke Online Education Platform V1.0 (東軟牛課在線教育平台V1.0)	Dalian Education	2019SR0098602	2019.01.28
79	Neusoft Formative Assessment Management System V1.0 (東軟形成性考核管理系統V1.0)	Dalian Education	2019SR0093008	2019.01.25
80	Neusoft Students Class Attendance Management System V1.0 (東軟學生課堂出勤管理系統V1.0)	Dalian Education	2019SR0093067	2019.01.25
81	Computer Course Practice Teaching System V1.0 (計算機課程實踐教學系統V1.0)	Dalian Education	2019SR0093021	2019.01.25

No.	Copyright	Registered owner	Registration number	Registration date
82	Teaching Resources Database Platform for Computer Major V1.0 (計算機專業教學資源庫平台V1.0)	Dalian Education	2019SR0099180	2019.01.28
83	Online Education Platform V1.0 (教育在線平台V1.0)	Dalian Education	2019SR0098621	2019.01.28
84	Software Project Development and Training System V1.0 (軟件項目開發實訓系統V1.0)	Dalian Education	2019SR0098630	2019.01.28
85	Online Examination System V1.0 (在線考試系統V1.0)	Dalian Education	2019SR0093412	2019.01.25
86	Intelligent Teaching System for Software Course Project v1.0 (軟件類課程項目智能教學系統v1.0)	Dalian Education	2019SR1406093	2019.12.20
87	Enterprise Software Project Practical Teaching System v1.0 (企業軟件項目實戰教學系統v1.0)	Dalian Education	2019SR1406100	2019.12.20
88	Cloud Lab System (For Short: Cloud Lab) V4.2 (雲實驗室系統(簡稱:雲實驗室) V4.2)	Dalian Education	2019SR0330648	2019.4.15
89	Blended Teaching System (For Short: Blended Teaching) V1.0 (混合式教學系統(簡稱:混合式教學)V1.0)	Dalian Education	2019SR1371645	2019.12.16
90	Dormitory Management System V1.0 (公寓管理系統V1.0)	Foshan University	2019SR1180468	2019.11.20
91	Education Management System Facing CEEAA V1.0 (面向CEEAA的教務管理系統V1.0)	Foshan University	2019SR1180463	2019.11.20
92	Palm-top Information-Connect Software (For Short: Palm-top Information-Connect) V1.0 (掌中信息通軟件(簡稱:掌中信息通)V1.0)	Foshan University	2019SR1180453	2019.11.20
93	Student Information Management System V1.0 (學生信息管理系統V1.0)	Foshan University	2019SR0804135	2019.08.02
94	Freshman Registration System V1.0 (新生報到系統V1.0)	Foshan University	2019SR0804132	2019.08.02
95	Quality Engineering Declaration Platform V1.0 (質量工程申報平台V1.0)	Foshan University	2019SR0804131	2019.08.02

No.	Copyright	Registered owner	Registration number	Registration date
96	Ruixiang Quality Education Management System V1.0 (芮想素質教育管理系統V1.0)	Shanghai Ruixiang	2019SR0725763	2019.07.15
97	Ruixiang Graduation Design (Thesis) Management System V1.0 (芮想畢業設計(論文)管理系統V1.0)	Shanghai Ruixiang	2019SR0725620	2019.07.15
98	Ruixiang Quality Course Website System V1.0 (芮想精品課程網站系統V1.0)	Shanghai Ruixiang	2018SR556441	2018.07.17
99	Ruixiang Extracurricular Practice Management System V1.0 (芮想課外實踐管理系統V1.0)	Shanghai Ruixiang	2018SR556075	2018.07.17
100	Ruixiang Quality Education Credit Application System V1.0 (芮想素質教育學分申請系統V1.0)	Shanghai Ruixiang	2018SR557782	2018.07.17
101	Ruixiang Student Internship and Practice Management System V1.0 (芮想學生實習實踐管理系統V1.0)	Shanghai Ruixiang	2018SR554920	2018.07.16
102	Ruixiang UFS System V1.0 (芮想UFS系統V1.0)	Shanghai Ruixiang	2018SR556070	2018.07.17
103	Ruixiang Ideological and Political Courses Online Learning System for Higher Education (芮想高校思政課在線學習系統V1.0)	Shanghai Ruixiang	2018SR556073	2018.07.17
104	Ruixiang Project Learning Platform Software V1.0 (芮想項目教學平台軟件V1.0)	Shanghai Ruixiang	2018SR552954	2018.07.16
105	Ruixiang Credit-based Student Payment System V1.0 (芮想學分制學生收費系統V1.0)	Shanghai Ruixiang	2018SR556291	2018.07.17
106	Ruixiang English Enhancement Training System V1.0 (芮想英語強化訓練系統V1.0)	Shanghai Ruixiang	2018SR556447	2018.07.17
107	Ruixiang Online Exam System V1.0 (芮想在線考試系統V1.0)	Shanghai Ruixiang	2018SR557852	2018.07.17
108	Ruixiang Student Information Management System V1.0 (芮想學生信息管理系統V1.0)	Shanghai Ruixiang	2018SR556227	2018.07.17
109	Ruixiang Top Ten Teacher Selection System V1.0 (芮想十佳教師評選系統V1.0)	Shanghai Ruixiang	2018SR556279	2018.07.17

No.	Copyright	Registered owner	Registration number	Registration date
110	Ruixiang Practical Teaching Achievement Display Platform V1.0 (芮想實踐教學成果展示平台V1.0)	Shanghai Ruixiang	2018SR557842	2018.07.17
111	Ruixiang Teaching Evaluation System V1.0 (芮想評教系統V1.0)	Shanghai Ruixiang	2018SR556284	2018.07.17
112	Ruixiang Departmental Evaluation System for Teachers' Teaching Quality V1.0 (芮想教師教學質量系部評價系統V1.0)	Shanghai Ruixiang	2018SR556069	2018.07.17
113	Ruixiang Muke System V1.0 (芮想慕課系統V1.0)	Shanghai Ruixiang	2018SR555786	2018.07.16
114	Ruixiang Curriculum Project Teaching Evaluation System V1.0 (芮想課程項目教學評價系統V1.0)	Shanghai Ruixiang	2018SR556078	2018.07.17
115	Ruixiang Five-element Ability Training System V1.0 (芮想五元能力培養系統V1.0)	Shanghai Ruixiang	2018SR557862	2018.07.17
116	Ruixiang Unified Identity Certification Platform (芮想統一身份認證平台V1.0)	Shanghai Ruixiang	2018SR557775	2018.07.17
117	Ruixiang Course Retake Management Software V1.0 (芮想課程重修管理軟件V1.0)	Shanghai Ruixiang	2020SR0843018	2020.07.29
118	Ruixiang Intelligent Evaluation Software V1.0 (芮想智能評測軟件V1.0)	Shanghai Ruixiang	2020SR0842226	2020.07.29
119	Ruixiang Innovation and Entrepreneurial Education Management System Software V1.0 (芮想雙創教育管理系統軟件V1.0)	Shanghai Ruixiang	2020SR0843011	2020.07.29
120	Ruixiang Conference Management Platform Software V1.0 (芮想會議管理平台軟件V1.0)	Shanghai Ruixiang	2020SR0843235	2020.07.29
121	Ruixiang professional teaching program management system software V1.0 (芮想專業教學方案管理系統軟件V1.0)	Shanghai Ruixiang	2020SR0843025	2020.07.29
122	Ruixiang Teaching Quality Assurance Software V1.0 (芮想教學質量保障軟件V1.0)	Shanghai Ruixiang	2020SR0843190	2020.07.29
123	Ruixiang College Student Home Business Online Platform Software V1.0 (芮想大學生家企在線平台軟件V1.0)	Shanghai Ruixiang	2020SR0842247	2020.07.29

No.	Copyright	Registered owner	Registration number	Registration date
124	Ruixiang Teaching Achievements Online Platform Software V1.0 (芮想教學成果物在線平台軟件 V1.0)	Shanghai Ruixiang	2020SR0843140	2020.07.29
125	Ruixiang classroom teaching effect evaluation monitoring software V1.0 (芮想課堂教學效果評估監控軟件V1.0)	Shanghai Ruixiang	2020SR0843731	2020.07.29
126	Ruixiang Online Learning Evaluation and Teaching Software V1.0 (芮想在線學評教軟件V1.0)	Shanghai Ruixiang	2020SR0843735	2020.07.29
127	Ruixiang outstanding employee nomination scoring software V1.0 (芮想優秀員工提名打分軟件V1.0)	Shanghai Ruixiang	2020SR0843740	2020.07.29
128	Laboratory Case Teaching Platform V1.0 (實驗室案例教學平台V1.0)	Tianjin Ruidao	2019SR0211076	2019.03.05
129	Innovation and Entrepreneurship Teaching and Project Management Platform V1.0 (創新創業教學及項目管理平台V1.0)	Tianjin Ruidao	2019SR0176941	2019.02.25
130	Neusoft Ruidao Software Development and Training Platform V1.0 (東軟睿道軟件開發實訓平台V1.0)	Tianjin Ruidao	2018SR1003498	2018.12.12
131	Neusoft Ruidao Cloud Computing Big Data Development and Training Platform V1.0 (東軟睿道雲計算大數據開發實訓平台V1.0)	Tianjin Ruidao	2018SR1003419	2018.12.12
132	Neusoft Ruidao Artificial Intelligence Development and Training Platform V1.0 (東軟睿道人工智能開發實訓平台V1.0)	Tianjin Ruidao	2018SR1003412	2018.12.12
133	Neusoft Ruidao Wise Training Platform V1.0 (東軟睿道睿訓實訓平台V1.0)	Tianjin Ruidao	2018SR843522	2018.10.23
134	Neusoft Ruidao Wise IT Skills Assessment System V1.0 (東軟睿道睿知IT技能測評系統V1.0)	Tianjin Ruidao	2018SR842115	2018.10.23
135	Neusoft Ruidao Wise Test System V1.0 (東軟睿道睿測考試系統V1.0)	Tianjin Ruidao	2018SR842122	2018.10.23
136	Neusoft Ruidao Intelligent Education Platform Management System V1.0 (東軟睿道智能教育平台管理系統V1.0)	Tianjin Ruidao	2017SR226543	2017.06.02

No.	Copyright	Registered owner	Registration number	Registration date
137	Neusoft Ruidao Student Guidance Management Platform V1.0 (東軟睿道學員輔導管理平台V1.0)	Tianjin Ruidao	2017SR226649	2017.06.02
138	Distance Training Education Management System V1.0 (遠程培訓教育管理系統V1.0)	Tianjin Ruidao	2017SR226537	2017.06.02
139	Neusoft Ruidao Personnel Training Platform System V1.0 (東軟睿道人員實訓平台系統V1.0)	Tianjin Ruidao	2017SR226708	2017.06.02
140	Neusoft Ruidao Enterprise Staff Online Training Management System V1.0 (東軟睿道企業人員在線培訓管理系統V1.0)	Tianjin Ruidao	2017SR007873	2017.01.09
141	Neusoft Ruidao Online Learning Management System 4.5 (東軟睿道在線學習管理系統4.5)	Tianjin Ruidao	2012SR078328	2012.08.24
142	Neusoft Ruidao Jianxue Software (For Short: Jianxue) V1.0 (東軟睿道簡學軟件(簡稱:簡學)V1.0)	Shenyang Neusoft Ruidao Education Services Co., Ltd.	2015SR267739	2015.12.19
143	CooVenture Venture Cloud Platform (For Short: CooVenture) V1.3 (CooVenture創業雲平台(簡稱:CooVenture)V1.3)	Shenyang Neusoft Ruidao Education Services Co., Ltd.	2016SR300794	2016.10.20
144	CooVenture Intelligent Conference Room Management Software V1.0 (CooVenture 智能會議室管理軟件V1.0)	Shenyang Neusoft Ruidao Education Services Co., Ltd.	2017SR300814	2017.06.22
145	CooVenture Intelligent Laboratory Management Software V1.0 (CooVenture 智能實驗室管理軟件V1.0)	Shenyang Neusoft Ruidao Education Services Co., Ltd.	2017SR300805	2017.06.22
146	CooVenture Intelligent Maker Zone Management Software V1.0 (CooVenture 智能創客區管理軟件V1.0)	Shenyang Neusoft Ruidao Education Services Co., Ltd.	2017SR300816	2017.06.22
147	Neusoft Ruidao Training Charging System V1.0 (東軟睿道培訓收費系統V1.0)	Shenyang Neusoft Ruidao Education Services Co., Ltd.	2013SR024825	2013.03.18
148	Neusoft Ruidao Talent Ability Evaluation System (For Short: Ruiping) V1.0 (東軟睿道人才能力評價系統(簡稱:睿評)V1.0)	Guangzhou Neusoft Ruidao Education Information Technology Co., Ltd.	2016SR112414	2016.05.20

No.	Copyright	Registered owner	Registration number	Registration date
149	Neusoft Ruidao Practice Training Management System (For Short: Ruixun) V1.0 (東軟睿道實訓管理系統(簡稱:睿訓)V1.0)	Guangzhou Neusoft Ruidao Education Information Technology Co., Ltd.	2016SR112410	2016.05.20
150	Neusoft Ruidao Xueba Software (For Short: Xueba) V1.0 (東軟睿道學吧軟件(簡稱:學吧)V1.0)	Guangzhou Neusoft Ruidao Education Information Technology Co., Ltd.	2016SR115485	2016.05.23
151	Neusoft Ruipei Mobile Learning Software (東軟睿培移動學習軟件)	Guangzhou Neusoft Ruidao Education Information Technology Co., Ltd.	2017SR173534	2017.05.11
152	Neusoft Ruirong Enterprise Training Platform (For Short: Neusoft Ruirong) V1.0 (東軟睿融企業培訓平台(簡稱:東軟睿融)V1.0)	Guangzhou Neusoft Ruidao Education Information Technology Co., Ltd.	2017SR173279	2017.05.11
153	Innovation and Entrepreneurship Education Online Service System for Higher Education V1.0 (高校創新創業教育在線服務系統V1.0)	Dalian Neusoft Ruichuang Technology Development Co., Ltd.	2018SR499505	2018.06.29
154	Yunguan World Digital Media Reading Android Client Software V2.0 (雲觀世界數字媒體閱讀Android客戶端軟件V2.0)	Dalian Yunguan	2018SR117147	2018.02.23
155	Yunguan NeuDPS Media Operation Management System Software V2.0 (雲觀NeuDPS媒體運營管理系統軟件V2.0)	Dalian Yunguan	2018SR120312	2018.02.23
156	Yunguan World Digital Media Reading iOS Client Software V2.0 (雲觀世界數字媒體閱讀iOS客戶端軟件V2.0)	Dalian Yunguan	2018SR117103	2018.02.23
157	Yunguan NeuDesign Digital Media Production Software (For Short: NeuDesign) V2.0 (雲觀NeuDesign數字媒體製作軟件(簡稱: NeuDesign)V2.0)	Dalian Yunguan	2018SR117196	2018.02.23
158	Yunguan NeuDPS Background Management System Software V2.0 (雲觀NeuDPS後台管理系統軟件V2.0)	Dalian Yunguan	2018SR117695	2018.02.23

No.	Copyright	Registered owner	Registration number	Registration date
159	Neusoft Ruidao Ruiding Training Platform (For Short: Neusoft Ruidao Ruiding Platform) 1.0 (東軟睿道睿鼎實訓平台 (簡稱: 東軟睿道實訓平台) 1.0)	Dalian Yunguan	2019SR0032368	2019.01.10
160	Neusoft Ruidao Grading evaluation system (For Short: Ruiping Grading evaluation system) V1.0 (東軟睿道睿評分佈式考試系統(簡稱: 睿評分佈式考試系統) V1.0)	Dalian Yunguan	2019SR0032027	2019.01.10
161	Neusoft Ruidao Ruibo IT Talent Skill Evaluation System 1.0 (東軟睿道睿博IT人才技能測評系統1.0)	Dalian Yunguan	2019SR0032020	2019.01.10
162	Artificial Intelligence Training System V1.0 (人工智能實訓系統V1.0)	Dalian Yunguan	2020SR0685894	2020.06.29
163	Software project development training system V1.1 (軟件項目開發訓練系統V1.1)	Dalian Yunguan	2020SR0688191	2020.06.29

As at the Latest Practicable Date, we had registered the following painting copyrights that we consider to be or may be material to our business:

No.	Copyright	Registration number	Classification	Registered owner	Registration date
1	School Badge of Neusoft Institute Guangdong (廣東東軟學院校徽)	Guozuodengzi-2018-F-00691055	Art Work	Foshan University	2018.12.24

Patents in China

As at the Latest Practicable Date, we had been authorised the following patents that we consider to be or may be material to our business:

No.	Patent	Patent Owner	Patent Category	Patent Number	Date of Authorisation Proclamation
1	Teaching is with thinking political affairs education show board (一種教學用思政教育展示板)	Chengdu University	Utility model	ZL 2017 2 0961830.X	2018.05.11
2	Novel English teaching aid (一種新型的英語教具)	Chengdu University	Utility model	ZL 2017 2 0799267.0	2018.05.01

No.	Patent	Patent Owner	Patent Category	Patent Number	Date of Authorisation Proclamation
3	Certificate processing device and system (證件處理裝置及系統)	Chengdu University	Utility model	ZL 2017 2 0817119.7	2018.01.09
4	Access control ware and entrance guard (門禁控制器及門禁)	Chengdu University	Utility model	ZL 2017 2 0818451.5	2018.01.30
5	Access control system and access control system (門禁系統及門禁管理系統)	Chengdu University	Utility model	ZL 2017 2 0816818.X	2018.01.09
6	Graphic user interface for a computer (Medical large data application platform) (用於電腦的圖形用戶界面(醫療大數據應用平台))	Foshan University	Appearance design	ZL 2018 3 0675375.7	2019.08.02
7	Graphical user interface for mobile phone (shopping platform) (用於手機的圖形用戶界面(購物平台))	Foshan University	Appearance design	ZL 2018 3 0608122.8	2019.10.11
8	Sun following device (一種太陽跟隨裝置)	Foshan University	Utility model	ZL 2019 2 0585613.4	2019.10.25
9	Blackboard facilitating art drawing execution (一種方便美術繪圖執導的黑板)	Foshan University	Utility model	ZL 2018 2 2090586.1	2019.12.03
10	Pen holder and pen-holding module with writing force feedback (一種具有落筆力度反饋的執筆器及執筆模塊)	Foshan University	Utility model	ZL 2019 2 0944030.6	2020.03.10
11	Multifunctional solar intelligent lawn lamp capable of guiding directions (一種可指引方向的多功能太陽能智能草坪燈)	Dalian University	Utility model	ZL 2018 2 2086861.2	2019.07.05
12	Waste book intelligent recovery class displacement machine (廢舊書刊智能回收分類置換機)	Dalian University	Appearance design	ZL 2019 3 0000788.X	2019.07.09

No.	Patent	Patent Owner	Patent Category	Patent Number	Date of Authorisation Proclamation
13	Alarm monitoring system based on Android (一種基於Android的告警監控系統)	Dalian University	Utility model	ZL 2019 2 0817372.1	2019.12.24
14	Intelligent Public chair (智慧公共座椅)	Dalian University	Appearance design	ZL 2019 3 0000957.X	2019.08.06
15	Novel warehousing robot (一種新型倉儲機器人)	Dalian University	Utility model	ZL 2019 2 0553101.X	2019.12.24
16	Virtual stereo imaging of 3D installs alternately (一種 3D 虛擬立體成像交互裝置)	Tianjin Ruidao	Utility model	ZL 2018 2 0325897.9	2019.03.29

Domain names

As at the Latest Practicable Date, we owned the following domain names that we consider to be or may be material to our business:

No.	Domain name	Registered owner	Registration date	Expiry date
1	neusoft.edu.cn	Dalian University	2003.4.22	N/A
2	cdio.com.cn	Dalian University	2011.07.19	2022.07.19
3	eduwld.com.cn	Dalian University	2018.09.18	2028.09.18
4	eduwld.com	Dalian University	2018.09.18	2028.09.18
5	eduwld.net	Dalian University	2018.09.18	2028.09.18
6	eduwld.cn	Dalian University	2018.09.18	2028.09.18
7	neucodeing.com	Neusoft Electronic Press	2018.01.04	2021.01.04
8	neucodeing.cn	Neusoft Electronic Press	2018.01.04	2021.01.04
9	neucode.cn	Neusoft Electronic Press	2018.01.04	2023.01.04
10	neukids.net	Neusoft Electronic Press	2017.12.14	2020.12.14(note)
11	neukids.cn	Neusoft Electronic Press	2017.12.14	2020.12.14(note)
12	neubaby.cn	Neusoft Electronic Press	2017.12.14	2020.12.14(note)
13	neuke.cn	Neusoft Electronic Press	2017.06.13	2021.06.13
14	neucourse.cn	Neusoft Electronic Press	2017.06.13	2021.06.13
15	ncoruse.com	Neusoft Electronic Press	2017.06.13	2021.06.13

No.	Domain name	Registered owner	Registration date	Expiry date
16	ncoruse.cn	Neusoft Electronic Press	2017.06.13	2021.06.13
17	173it.net	Neusoft Electronic Press	2017.05.24	2021.05.24
18	173it.com.cn	Neusoft Electronic Press	2017.05.24	2021.05.24
19	17chuangye.com.cn	Neusoft Electronic Press	2016.05.10	2021.05.10
20	51it.com.cn	Neusoft Electronic Press	2016.01.24	2021.01.24
21	neupay.cn	Neusoft Electronic Press	2014.04.18	2021.04.18
22	neumooc.com	Neusoft Electronic Press	2014.03.18	2025.03.18
23	neulink.cn	Neusoft Electronic Press	2014.03.03	2021.03.03
24	neupub.com	Neusoft Electronic Press	2013.12.16	2020.12.16(note)
25	neumoocs.com	Neusoft Electronic Press	2013.12.16	2020.12.16(note)
26	neubooks.com	Neusoft Electronic Press	2012.11.13	2021.11.13
27	myfilms.com.cn	Dalian Technology	2013.09.06	2024.09.06
28	mymusics.com.cn	Dalian Technology	2013.12.20	2024.12.20
29	neutec.com.cn	Dalian Technology	2014.04.21	2024.04.21
30	neusoft.gd.cn	Foshan University	2005.11.17	2025.11.17
31	nuit.edu.cn	Foshan University	2014.04.03	N/A
32	neuedutech.com	Dalian Education	2019.01.15	2029.01.15
33	neuedutech.com.cn	Dalian Education	2019.01.15	2029.01.15
34	neuedutech.cn	Dalian Education	2019.01.15	2029.01.15
35	neutech.cn	Dalian Education	2018.10.24	2028.10.24
36	neutech.com.cn	Dalian Education	2019.03.28	2029.03.28
37	ccniit.com	Chengdu University	2002.12.24	2024.12.24
38	nsu.edu.cn	Chengdu University	2011.06.29	N/A
39	neuedu.com.cn	Tianjin Ruidao	2011.12.04	2020.12.04(note)
40	neuedu.cn	Shenyang Neusoft Ruidao Education Services Co., Ltd.	2011.11.28	2020.11.28(note)
41	neuedu.com	Dalian Education	2008.08.10	2021.08.10
42	cooventure.com	Dalian Neusoft Ruidao Education Information Service Co., Ltd.	2015.01.11	2021.01.11
43	chuangyewa.com	Dalian Waye Information Service Co., Ltd.	2015.08.20	2022.08.20
44	wapage.com	Dalian Waye Information Service Co., Ltd.	2004.03.22	2025.03.23

Note: 7 domain names will expire in 2020, and we will renew these domain names at the time when they expire.

FURTHER INFORMATION ABOUT OUR DIRECTORS

Particulars of Directors' service contracts and appointment letters

Executive Director

Our executive Director, Dr. Wen, has entered into a service contract with our Company on 11 September 2020, pursuant to which he agreed to act as executive Director for an initial term of three years with effect from the date of appointment as approved by the Board after or until the third annual general meeting of our Company after the Listing Date, whichever is earlier and subject to retirement as and when required under the Articles. Either party has the right to give not less than three months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in "Directors and senior management — Remuneration."

Dr. Wen is not entitled to receive any remuneration in his capacity as executive Director under the service contract.

Non-executive Directors

Each of our non-executive Directors has entered into an appointment letter with our Company on 11 September 2020. Their appointment as a director shall continue for three years after or until the third annual general meeting of the Company after or until the Listing Date, whichever is earlier and subject to retirement as and when required under the Articles, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

None of the non-executive Directors are entitled to receive any remuneration in their capacities as non-executive Directors under their respective appointment letters.

Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company on 11 September 2020. The initial term of their appointment shall be three years from the date of this document after or until the third annual general meeting of the Company after the Listing Date, whichever is earlier and subject to retirement as and when required under the Articles, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

The annual director's fees of our independent non-executive Directors (namely Dr. S. Liu, Dr. Qu, Dr. Wang) payable by us under their respective appointment letters is HK$150,000.

Remuneration of Directors

(a) Remuneration and benefits in kind of approximately RMB3.5 million, RMB4.0 million and RMB6.5 million in aggregate were paid and granted by our Group to our Directors in respect of FY 2017, 2018 and 2019.

(b) Under the arrangements currently in force, our Directors, will be entitled to receive remuneration and benefits in kind which, for the year ending 31 December 2020, is expected to be approximately RMB3.0 million in aggregate (excluding discretionary bonus).

(c) Save as disclosed in "— Further information about our Directors — Particulars of Directors' service contracts and appointment letters" above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Disclosure of interests

Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering

Immediately following completion of the Global Offering (presuming the Assumptions), the interests or short positions of our Directors and chief executive in the Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO), that fall to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions that he/she is taken or deemed to have under such provisions of the SFO), or that will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or that will be required, pursuant to the *Model Code for Securities Transactions by Directors of Listed Companies* contained in the Listing Rules, to be notified to our Company and the Stock Exchange, are set out below:

Interest in Shares

Name of Director or chief executive	Nature of interest	Relevant entity	Number and class of securities	Approximate percentage of interest in our Company(1)
Dr. J. Liu(2)	Interest in a controlled corporation	Kang Ruidao	150,245,000 Shares	22.54%
	Interest in a controlled corporation through voting proxy	Century Bliss	65,010,000 Shares	9.75%
		Alpine Electronics	28,105,000 Shares	4.22%
		Apex Venture	9,175,000 Shares	1.38%
	Interest in a controlled corporation	Dongkong First	127,465,000 Shares	19.12%
		Dongkong Second	120,000,000 Shares	18.00%
Wen Tao(3)	Beneficial interest	—	9,595,000	1.44%
Rong Xinjie(3)	Beneficial interest	—	300,000	0.05%
Yang Li(3)	Beneficial interest	—	3,420,000	0.51%
Zhang Yinghui(3)	Beneficial interest	—	3,145,000	0.47%

Notes:

(1) The number of Shares and approximate percentage of interest held immediately following the Global Offering and presuming the Assumptions.

(2) Dr. J. Liu: (a) wholly-owns Kang Ruidao First, which holds all of the voting rights in Kang Ruidao; (b) controls the voting rights held by the Proxy Grantors (being Century Bliss, Alpine Electronics and Apex Venture) in our Company through the Irrevocable Voting Proxies; and (c) has more than one-third ultimate control in Dongkong First and Dongkong Second through a series of intermediary entities. Under the SFO, Dr. J. Liu is deemed to be interested in the full amount of equity interests held by each of Kang Ruidao, the Proxy Grantors (being Century Bliss, Alpine Electronics and Apex Venture), Dongkong First and Dongkong Second in our Company. See Note 7 in "Substantial shareholders — Interest in the Shares of our Company."

(3) These interests are held through options granted under the Pre-IPO Share Incentive Scheme that are convertible into Shares. See "— Share Incentive Schemes — Pre-IPO Share Incentive Scheme — Outstanding Pre-IPO Options granted" for more information.

Interest in associated corporations

The following table lists out our Directors' and chief executive's interests in associated corporations:

Name of Director or chief executive	Nature of interest	Associated corporation	Amount of registered capital (RMB)	Approximate percentage of shareholding in the associated corporation
Dr. J. Liu	Nominee shareholder whose shareholder rights are subject to Contractual Arrangements[(1)]	Dalian Development	359,000,000	100%

Note:

(1) Dr. J. Liu has more than one-third ultimate control in Neusoft Holdings, which is the sole Registered Shareholder of our Operating Entity, Dalian Development. Under the SFO, Dr. J. Liu is deemed to be interested in the full amount of interest held by Neusoft Holdings in Dalian Development, which is subject to the Contractual Arrangements. See Note 7 in "Substantial shareholders — Interest in the Shares of our Company."

Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who, immediately following the completion of the Global Offering, will have or be deemed to have or taken to have beneficial interests or short position in the Shares or underlying shares of our Company that would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please see "Substantial shareholders."

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

SHARE INCENTIVE SCHEMES

Pre-IPO Share Incentive Scheme

Summary

The following is a summary of the principal terms of the Pre-IPO Share Incentive Scheme ("**Pre-IPO Rules**"), as amended from time to time, as adopted by the Board on 19 June 2019 and subsequently approved and ratified by our Shareholders on 24 June 2019. The terms of the Pre-IPO Share Incentive Scheme are not subject to Chapter 17 of the Listing Rules.

Purpose

The purpose of the Pre-IPO Share Incentive Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of our Company and our Shares for the benefit us and our Shareholders as a whole. The Pre-IPO Share Incentive Scheme is further intended to provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants.

Eligibility

Those eligible to participate in the Pre-IPO Share Incentive Scheme includes, among others, directors, senior managers and employees of any member of our Group.

Maximum number of Shares

The overall limit on the number of Shares that may be issued upon exercising all outstanding options ("**Pre-IPO Options**") granted and yet to be exercised under this Pre-IPO Share Incentive Scheme at any time must not exceed 50,000,000 Shares, representing approximately 10.0% of the total number of Shares in issue immediately before the Global Offering ("**Pre-IPO Scheme Limit**"). No Pre-IPO Options may be granted under the Pre-IPO Share Incentive Scheme if this would result in the Pre-IPO Scheme Limit being exceeded.

The Pre-IPO Scheme Limit: (a) may be adjusted, in such manner as our Company's auditors or financial adviser(s) shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, or reduction of the share capital of our Company; and (b) may be modified by the Board in accordance with the Pre-IPO Rules.

Administration

The Pre-IPO Share Incentive Scheme will be administered by the Board, and the decision of the Board will be final and binding on all parties. Subject to compliance the Listing Rules, the provisions of this Pre-IPO Share Incentive Scheme and any applicable laws or regulations, the Board will have the right to, among others:

(a) interpret and construe the provisions of the Pre-IPO Rules;

(b) determine the persons who will be offered Pre-IPO Options under the Pre-IPO Share Incentive Scheme, the number of underlying Shares and the subscription price and exercise price in relation to the Pre-IPO Options;

(c) make such appropriate and equitable adjustments to the terms of the Pre-IPO Options granted under the Pre-IPO Rules as it deems necessary; and

(d) make such other decisions or determinations as it deems appropriate in the administration of the Pre-IPO Share Incentive Scheme.

No member of the Board will be personally liable by reason of any contract or other instrument executed by such member or on his/her behalf in his/her capacity as a member of the Board or for any mistake of judgement made in good faith for the purposes of this Pre-IPO Share Incentive Scheme, and our Company will indemnify and hold harmless each employee, officer or director of our Company to whom any duty or power relating to the administration or interpretation of this Pre-IPO Share Incentive Scheme may be allocated or delegated, against any cost or expense (including legal fees) or liability (including any sum paid in settlement of a claim with the approval of the Board) arising out of any act or omission to act in connection with this Pre-IPO Share Incentive Scheme unless arising out of such person's own wilful default, fraud or bad faith.

Grant of Option

On and subject to the terms of this Pre-IPO Share Incentive Scheme, the Board will be entitled (but not bound) at any time within the Scheme Period (as defined in the Pre-IPO Rules) to make an offer to any selected participant, as the Board may in its absolute discretion select, to take up a Pre-IPO Option pursuant to which such selected participant may, during the option period, subscribe for such number of Shares as the Board may determine at the subscription price. The offer shall specify the terms on which the Pre-IPO Option is to be granted. Such terms may include, but are not limited to, any minimum period(s) for which a Pre-IPO Option must be held and/or any minimum performance target(s) that must be achieved, before the Pre-IPO Option can be exercised in whole or in part, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

An offer shall be deemed to have been accepted, and the option to which the offer relates shall be deemed to have been granted when the duplicate of the offer letter comprising acceptance of the offer duly signed by the selected participant with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of our Company of RMB1.00 by way of consideration for the grant thereof, is received by our Company within ten business days of the date of the offer letter.

Exercise of Pre-IPO Options

A Pre-IPO Option may be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as the Board may from time to time determine, stating that the Pre-IPO Option is thereby exercised, the number of Shares in respect of which it is exercised and (if applicable) the designated person(s).

Each notice must be accompanied by a remittance for the aggregate amount of the subscription price multiplied by the number of Shares in respect of which the notice is given. Within 21 business days after receipt of the notice and remittance and, where appropriate, receipt of the certificate issued by the auditors or the financial adviser, the Company will allot, and instruct the share registrar to issue, the relevant Shares to the grantee (or his/her designated person(s) or estate in the case of the Grantee's death) credited as fully-paid, and issue to the grantee (or his/her designated person(s) or estate in the case of the Grantee's death) a share certificate in respect of the Shares so allotted and issued.

Outstanding Pre-IPO Options granted

As at the Latest Practicable Date:

(a) we conditionally granted Pre-IPO Options to 246 participants, comprising of 5 class A grantees, 45 class B grantees and 196 of both class A and class B grantees, under the Pre-IPO Share Incentive Scheme. All Pre-IPO Options grants were made on 31 August 2020 and our Company will not grant any further Pre-IPO Options under the Pre-IPO Share Incentive Scheme after the Listing. The subscription price of each Pre-IPO Option granted under the Pre-IPO Share Incentive Scheme is 50% of the Offer Price; and

(b) the number of underlying Shares pursuant to all of the outstanding Pre-IPO Options granted amounts to 50,000,000 Shares, (representing approximately 7.50% of the Company's total issued share capital immediately following the Global Offering, presuming the Assumptions), of which (i) 21,762,500 Shares (representing approximately 3.26% of the Company's total issued share capital immediately following the Global Offering, presuming the Assumptions) has been granted to class A grantees, and (ii) 28,237,500 Shares (representing approximately 4.24% of the Company's total issued share capital immediately following the Global Offering) has been granted to class B grantees.

Directors and senior management

Our Directors and senior management have been granted Pre-IPO Options to subscribe for a total of 21,410,000 Shares (representing approximately 3.21% of the Company's total issued share capital immediately following the Global Offering, presuming the Assumptions).

Below is a list of our Directors and senior managers who were granted Pre-IPO Options as of the Latest Practicable Date:

Name	Position	Address	Class A options granted	Class B options granted	Option period, vesting period	Subscription price (per Share)	Number of Shares underlying the Pre-IPO Options	Approximate percentage of issued Shares immediately after the Global Offering (1)
Wen Tao	Executive Director; Chief executive officer; President	Apartment 1-2, No. 123 Yipin Mangu, Yixin Street, Gaoxinyuan District, Dalian, Liaoning, China	4,795,000	4,800,000	See notes 2 and 3	See note 4	9,595,000	1.44%
Rong Xinjie	Non-Executive Director	Block G, No. 901 Huangpu Road, Dalian, Liaoning, China	300,000	—	See note 2	See note 4	300,000	0.05%
Yang Li	Non-Executive Director	No.80 Haohu Residence Agile Garden Villa, Nancun Town, Panyu District, Guangzhou, Guangdong, China	2,220,000	1,200,000	See notes 2 and 3	See note 4	3,420,000	0.51%
Zhang Yinghui	Non-Executive Director	Apartment 7-5 Dongruan Qingcheng Yijing, Qingshan Road, Qingchengshan Town, Dujiangyan Shi, Chengdu, Sichuan, China	1,945,000	1,200,000	See notes 2 and 3	See note 4	3,145,000	0.47%
Chao Yujun	Vice president; Chief financial officer	Apartment 1-2-1, No.53 Lingkong 2nd Street, Tie Xi, Shenyang, Liaoning, China	1,030,000	1,200,000	See notes 2 and 3	See note 4	2,230,000	0.33%
Li Xue	Vice-president	Unit 1-102, No. 702 Hong Ling Road, Ganjingzi District, Dalian, Liaoning, China	240,000	450,000	See notes 2 and 3	See note 4	690,000	0.10%

Name	Position	Address	Class A options granted	Class B options granted	Option period, vesting period	Subscription price (per Share)	Number of Shares underlying the Pre-IPO Options	Approximate percentage of issued Shares immediately after the Global Offering [(1)]
Li Yingao	Vice-president	Unit 2-101, No.8 Hun Nan District, Lv Cheng Quan Yun Village Jade Garden, Shenyang, Liaoning, China	—	1,200,000	See note 3	See note 4	1,200,000	0.18%
Wang Weikun	Vice-president	Unit 1, No. 38 Jingtian Road, Dayou Wenyuan, Liaoning, Dalian, China	230,000	600,000	See notes 2 and 3	See note 4	830,000	0.13%
Subtotal			**10,760,000**	**10,650,000**			**21,410,000**	**3.21%**

Notes:

(1) Presuming the Assumptions.

(2) For class A options: (a) the option period, defined in this document as the period within which the grantee may exercise his/her Pre-IPO Options, commences on the grant date and ends on the date ten years from the grant date of the respective Pre-IPO Option (both dates inclusive); and (b) the vesting date is the Listing Date.

(3) For class B options: (a) the option period, defined in this document as the period within which the grantee may exercise his/her Pre-IPO Options, commences on the grant date and ends on the date ten years from the grant date of the respective Pre-IPO Option (both dates inclusive); and (b) the vesting period is from March 2021 to March 2022 (inclusive).

(4) Each Pre-IPO Option is convertible into one Share at the subscription price of 50% of the final Offer Price per Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) of the Shares offered in connection with the Global Offering.

Connected persons who are not our Directors or senior management

As of the Latest Practicable Date, 14 connected persons (who are not our Directors or senior managers) were granted Pre-IPO Options to subscribe for a total of 8,182,600 Shares (representing approximately 1.23% of the Company's total issued share capital immediately following the Global Offering, presuming the Assumptions).

Below is a list of connected persons (who are not our Directors or senior management) who were granted Pre-IPO Options:

Name	Position	Address	Class A Options Granted	Class B Options Granted	Options period, vesting period	Subscription price (per Share)	Number of Shares underlying the Pre-IPO Options	Approximate percentage of issued shares immediately after completion of the Global Offering[1]
Zhang Xiubang . .	President of Neusoft Holdings	Apartment 4-5-2, No.8-2 Wanghu Road, He Ping District, Shenyang, Liaoning, China	300,000	—	See note 2	See note 4	300,000	0.05%
Li Bing	General manager of our Higher Education Business	21-191 Hua Fa Ling Yun, No. 21-24, Lang Ri Road, Hun Nan New District, Shenyang, Liaoning, China	—	530,000	See note 3	See note 4	530,000	0.08%
Deng Haibo	General manager of our Skills Training Business	No. 279, Xinfu Gangding Peak Garden, Xiangxue Avenue West, Huangpu District, Guangzhou, Guangdong, China	—	430,000	See note 3	See note 4	430,000	0.07%
Ma Yongmei	Chief financial officer of our Business Unit Operations Platform	Apartment 1-2001, No. 31 Yan Nan Yuan, Ling Shui Street, Gaoxinyuan District, Dalian, Liaoning, China	—	300,000	See note 3	See note 4	300,000	0.05%
Xie Shangfei	Director of Tianjin Ruidao's Business Unit Operations Platform	Unit 7, Shuimuqinghua, Chongshan West Road, Huanggu District, Shenyang, Liaoning, China	—	80,000	See note 3	See note 4	80,000	0.01%

Name	Position	Address	Class A Options Granted	Class B Options Granted	Options period, vesting period	Subscription price (per Share)	Number of Shares underlying the Pre-IPO Options	Approximate percentage of issued shares immediately after completion of the Global Offering[(1)]
Du Benwei	Party Secretary of Foshan University	Unit 4-6-2, No. 3 Qi Ba Lane, Nenjiang Street, Huanggu District, Shenyang, Liaoning, China	720,000	1,300,000	See notes 2 and 3	See note 4	2,020,000	0.30%
Ren Hao	Vice-principal of Dalian University	Unit 2-2-2, No.4 Zhiyinyuan, Shahekou District, Dalian, Liaoning, China	895,000	430,000	See notes 2 and 3	See note 4	1,325,000	0.20%
Chen Pingping	Chief financial officer of Dalian University	No.26, Xingang Second Road, Tanggu District, Tianjin, China	600,000	430,000	See notes 2 and 3	See note 4	1,030,000	0.15%
Zhang Xianmin	Vice-principal of Chengdu University	Unit 7-3-4, No. 20-2 Wanghu Road, He Ping District, Shenyang, Liaoning, China	436,000	260,000	See notes 2 and 3	See note 4	696,000	0.10%
Guo Hongqiu	Head of Human Resources of Dalian Education	Unit 1-6-1, No. 13 Fuxiangyuan, Shahekou District, Dalian, Liaoning, China	215,000	400,000	See notes 2 and 3	See note 4	615,000	0.09%
Wang Xinghui	General manager of Dalian Education's Continuing Education Business	Unit 1103, No.30 Boxiangbeiyuandahua Phase I, Gaoxin District, Dalian, Liaoning, China	200,000	410,000	See notes 2 and 3	See note 4	610,000	0.09%
Wu Zhicheng	Principal of College of Continuing Education of Foshan University	Apartment 403, Block 2, Nanhai Yijingyuan Yanyu, No. 6 Huacui South Road, Guicheng Road, Nanhai District, Foshan, Guangdong, China	42,600	64,000	See notes 2 and 3	See note 4	106,600	0.02%

Name	Position	Address	Class A Options Granted	Class B Options Granted	Options period, vesting period	Subscription price (per Share)	Number of Shares underlying the Pre-IPO Options	Approximate percentage of issued shares immediately after completion of the Global Offering(1)
Zhang Wan	Head of the Principal's Office of Dalian University	Unit 2-5-1, No. 42, Haiqiaoyuan, Haikou Road, Ganjingzi District, Dalian, Liaoning, China	34,000	51,000	See notes 2 and 3	See note 4	85,000	0.01%
Yi Shenghua	Head of the Principal's Office of Chengdu University	Unit 204, Block 1, No.45 Guowei Road, Luowu District, Shenzhen, Guangdong, China	22,000	33,000	See notes 2 and 3	See note 4	55,000	0.01%
Subtotal			**3,464,600**	**4,718,000**			**8,182,600**	**1.23%**

Notes:

(1) Presuming the Assumptions.

(2) For class A options: (a) the option period, defined in this document as the period within which the grantee may exercise his/her Pre-IPO Options, commences on the grant date and ends on the date ten years from the grant date of the respective Pre-IPO Option (both dates inclusive); and (b) the vesting date is the Listing Date.

(3) For class B options: (a) the option period, defined in this document as the period within which the grantee may exercise his/her Pre-IPO Options, commences on the grant date and ends on the date ten years from the grant date of the respective Pre-IPO Option (both dates inclusive); and (b) the vesting period is from March 2021 to March 2022 (inclusive).

(4) Each Pre-IPO Option is convertible into one Share at the subscription price of 50% of the final Offer Price per Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) of the Shares offered in connection with the Global Offering.

Other grantees

The table below shows the details of options granted to individuals which is equivalent to or exceeding 300,000, other than the Directors, members of our senior management or connected persons disclosed above, under the Pre-IPO ESOP:

Name	Position	Address	Class A Options Granted	Class B Options Granted	Options period, vesting period	Subscription price (per Share)	Number of Shares underlying the Pre-IPO Options	Approximate percentage of issued shares immediately after completion of the Global Offering(1)
Zhang Hong	Chief Financial Officer of Neusoft Holdings	Unit 3-7-3, No. 45 Nanerjing Road, Shenhe District, Shenyang, Liaoning, China	300,000	—	See note 2	See note 4	300,000	0.05%

Name	Position	Address	Class A Options Granted	Class B Options Granted	Options period, vesting period	Subscription price (per Share)	Number of Shares underlying the Pre-IPO Options	Approximate percentage of issued shares immediately after completion of the Global Offering[1]
Xu Ke	Principal of College of Health and Medical Technology of Dalian University	Unit 1-3-1, No. 33 Huaxiang Road, Tiexi District, Shenyang, Liaoning, China	—	400,000	See note 3	See note 4	400,000	0.06%
Tan Shuai	General Manager of the Northeast Region of Shenyang Neusoft Ruidao Education Services Co., Ltd.	Jinshuihuacheng, Fumin South Street, Hunnan New District, Shenyang, Liaoning, China	—	300,000	See note 3	See note 4	300,000	0.05%
Guo Quan	Vice principal of Dalian University	No. 9 Software Road, Ganjingzi District, Dalian, Liaoning, China	763,000	480,000	See notes 2 and 3	See note 4	1,243,000	0.19%
Cai Zhaoying	Chief financial officer of Foshan University	11-101, No. 89 Yongfu Road, Yuexiu District, Guangzhou, Guangdong, China	406,000	350,000	See notes 2 and 3	See note 4	756,000	0.11%
Liu Hong	Vice principal of Chengdu University	No. 1 Dongsan Road, Erxianqiao, Chenghua District, Chengdu, Sichuan, China	403,500	260,000	See notes 2 and 3	See note 4	663,500	0.10%
Wang Xianzhuo	Vice principal of Foshan University	Unit 2-4-2, No. 171 Haixiaodayuan, Jiefang Road, Zhongshan District, Dalian, Liaoning, China	381,000	350,000	See notes 2 and 3	See note 4	731,000	0.11%
Chen Yunhua	Chief financial officer of Chengdu University	Unit 1-4-1, Block 3, No. 1 Nanyiduan, Yihuan Road, Wuhou District, Chengdu, Sichuan, China	356,000	260,000	See notes 2 and 3	See note 4	616,000	0.09%
Kang Guihua	Vice principal of Chengdu University	Unit 1903, Block 1, No. 999 Yinghua Street, Jinjiang District, Chengdu, Sichuan, China	288,500	260,000	See notes 2 and 3	See note 4	548,500	0.08%
Zhu Aihong	Vice principal of Foshan University	No. 20-1102, Donghailixi, Zhifu District, Yantai City, Shandong, China	206,000	350,000	See notes 2 and 3	See note 4	556,000	0.08%
Lin Tao	Manager of Dalian Education's Logistics Services Center	Unit 1-3-1, No. 17 Fuyiyuan, Shahekou District, Dalian, Liaoning, China	140,000	230,000	See notes 2 and 3	See note 4	370,000	0.06%
Dong Li	Manager of Dalian Education's Financial Management Division	No. 204, Yixin Street, Gaoxinyuan District, Dalian, Liaoning, China	105,000	200,000	See notes 2 and 3	See note 4	305,000	0.05%

Name	Position	Address	Class A Options Granted	Class B Options Granted	Options period, vesting period	Subscription price (per Share)	Number of Shares underlying the Pre-IPO Options	Approximate percentage of issued shares immediately after completion of the Global Offering[(1)]
He Jing	Head of the office of the board of directors of Dalian Education	Unit 2-101, No. 24 Qingxinyuan, Ganjingzi District, Dalian, Liaoning, China	100,000	300,000	See notes 2 and 3	See note 4	400,000	0.06%
Sun Kuo	Director of sales and marketing of Dalian Education's Vocational Education Business Department	Unit 1-1-10-03, Qinhaiyuan, Xiaopingdao, Gaoxin District, Dalian, Liaoning, China	100,000	210,000	See notes 2 and 3	See note 4	310,000	0.05%
Sun Wei	Vice principal of Dalian University	Unit 3-601, Block 12-3, Haiyue Road, Longgang District, Huludao city, Liaoning, China	80,000	400,000	See notes 2 and 3	See note 4	480,000	0.07%
Dong Benqing	General manager of Dalian Education's Vocational Education Business Department	No. 9 Software Road, Ganjingzi District, Dalian, Liaoning, China	290,000	600,000	See notes 2 and 3	See note 4	890,000	0.13%
Subtotal			**3,919,000**	**4,950,000**			**8,869,000**	**1.34%**

Notes:

(1) Presuming the Assumptions.

(2) For class A options: (a) the option period, defined in this document as the period within which the grantee may exercise his/her Pre-IPO Options, commences on the grant date and ends on the date ten years from the grant date of the respective Pre-IPO Option (both dates inclusive); and (b) the vesting date is the Listing Date.

(3) For class B options: (a) the option period, defined in this document as the period within which the grantee may exercise his/her Pre-IPO Options, commences on the grant date and ends on the date ten years from the grant date of the respective Pre-IPO Option (both dates inclusive); and (b) the vesting period is from March 2021 to March 2022 (inclusive).

(4) Each Pre-IPO Option is convertible into one Share at the subscription price of 50% of the final Offer Price per Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) of the Shares offered in connection with the Global Offering.

As of the Latest Practicable Date, the remaining 224 grantees ("**Independent Grantees**"), which includes the other grantees listed above who have been granted options equivalent to or exceeding 300,000 Shares, under the Pre-IPO Share Incentive Scheme conditionally held Pre-IPO Options to subscribe for an aggregate of 20,407,400 Shares (representing approximately 3.06% of the Company's total issued share capital immediately following the Global Offering, presuming the Assumptions).

Below is a summary of the grants to the Independent Grantees.

Range of Pre-IPO Options granted	Number of Independent Grantees	Option period	Vesting period	Subscription price (per Share)
A. Up to and including 50,000	111	see note 1	see notes 2 and 3	see note 4
B. 51,000 to 100,000	77	see note 1	see notes 2 and 3	see note 4
C. 101,000 to 500,000	28	see note 1	see notes 2 and 3	see note 4
D. 501,000 to 1,200,000	7	see note 1	see notes 2 and 3	see note 4
E. Above 1,200,000	1	see note 1	see notes 2 and 3	see note 4
Total Independent Grantees:	224			

Notes:

(1) The maximum option period, defined in this document as the period within which the grantee may exercise his/her Pre-IPO Options, commences on the grant date and ends ten years from the grant date of the respective Pre-IPO Option (both dates inclusive).

(2) For class A options, the vesting date is the Listing Date.

(3) For class B options, the vesting period is from March 2021 to March 2022 (inclusive).

(4) Each Pre-IPO Option is convertible into one Share at the subscription price of 50% of the final Offer Price per Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) of the Shares offered in connection with the Global Offering.

Post-IPO Share Incentive Scheme

Summary

The following is a summary of the principal terms of the Post-IPO Share Incentive Scheme ("**Post-IPO Rules**") conditionally adopted by the Board on 11 September 2020 and approved by our Shareholders on the same date. The terms of the Post-IPO Share Incentive Scheme will be governed by Chapter 17 of the Listing Rules.

Purpose

The purpose of the Post-IPO Share Incentive Scheme is to provide participants with the opportunity to acquire proprietary interests in our Company and to encourage participants to work towards enhancing the value of our Company and our Shares for the benefit of us and our Shareholders as a whole. The Post-IPO Share Incentive Scheme is further intended to provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants.

Eligibility

Those eligible to participate in the Post-IPO Share Incentive Scheme include, among others, any director or employee of our Group or an affiliate of our Group (including nominees and/or trustees of any employee benefit trust established for them) who the Board considers, in its sole discretion, to have contributed or will contribute to our Group.

Maximum number of Shares

The overall limit on the number of Shares that may be issued upon exercise of all options granted under the Post-IPO Share Incentive Scheme and any other schemes is 66,666,720, being no more than 10% of the Shares in issue on the date of the Shares commencing trading on the Stock Exchange ("**Post-IPO Mandate Limit**"). Options that have lapsed in accordance with the terms of the Post-IPO Share Option Scheme (or any other share option schemes of our Company) will not be counted for the purposes of calculating the Post-IPO Mandate Limit.

The overall limit on the number of Shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Incentive Scheme and any options granted and yet to be exercised under any other share option schemes of our Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time ("**Post-IPO Scheme Limit**"). No options may be granted if such options together with any other options granted under any schemes of our Company (or its subsidiaries) will result in the Post-IPO Share Incentive Scheme Limit being exceeded.

We may refresh the Post-IPO Mandate Limit at any time subject to prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Post-IPO Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid approval to refresh the Post-IPO Mandate Limit by our Shareholders in general meeting. Options previously granted under the Post-IPO Share Incentive Scheme or any other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised) will not be counted for the purpose of calculating the Post-IPO Share Option Scheme Mandate Limit as refreshed.

We may also seek separate approval of our Shareholders in general meeting for granting options beyond the Post-IPO Mandate Limit to participants specifically identified by our Company before the aforesaid Shareholders' meeting where such approval is sought.

Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Incentive Scheme and share options granted and to be granted under any other share option scheme(s) of our Company to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue ("**Individual Limit**"). Any further grant of options to a participant that would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to that participant (including exercised, cancelled and outstanding options) in the 12-month period (up to and including the date of such further grant) exceeding the Individual Limit shall be subject to separate approval by our Shareholders (with the selected participant and his/her associates abstaining from voting).

Performance target

The Post-IPO Rules does not set out any performance targets that must be achieved before the options may be exercised. However, the Board may, at their sole discretion, specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

Subscription price

The amount payable for each Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board in its absolute discretion and notified to the participant, but shall be no less than the higher of:

(a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of a Share on the date of grant.

Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his/her personal representative(s) in accordance with the Post-IPO Rules.

Options granted to connected persons

Each grant of options to any Director or chief executive (as defined in the Listing Rules or substantial shareholder (or their respective associates) must first be approved by our independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the caption grants). Where any grant of options to a substantial shareholder or an independent non-executive Director (or their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange), such further grant of options will be subject to prior approval by our Shareholders in general meeting. In obtaining approval, we will send a circular to our Shareholders no later than the date on which we give notice of the general meeting to approve the grant of such options. The proposed grantee, his/her associates and all core connected persons of the Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular to be sent to our Shareholders in connection therewith.

Grant offer letter and notification of grant of options

An offer shall be made to a participant by a letter in duplicate, in such form as the Board may from time to time determine, requiring the selected participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Rules.

An offer shall be deemed to have been accepted, and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the selected participant with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of our Company of RMB1.00 by way of consideration for the grant thereof, is received by our Company within ten business days of the date of the offer letter. Such remittance shall not be refundable in any circumstances.

Any offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that participant, it shall be deemed to have been irrevocably declined.

Restriction of grant of options

No offer shall be made and no option shall be granted to any participant in circumstances prohibited by the Listing Rules or at a time when the participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. No offer shall be made and no option shall be granted to any participant where such person is in possession of any unpublished inside information in relation to our Company until such inside information has been published in an announcement in accordance with the Listing Rules and the *Inside Information Provisions (as defined in the Listing Rules)*. Furthermore, no offer shall be made and no option shall be granted:

(a) during the period of 60 days immediately preceding the publication date of our Company's annual results announcement or, if shorter, the period from the end of the relevant financial year up to the publication date of such results; and

(b) during the period of one month immediately preceding the publication date of our Company's half-year results announcement or, if shorter, the period from the end of the relevant half-year period up to the publication date of such results.

Such period will also cover any period of delay in the publication of any results announcement.

Time for exercise of an option

An option may, subject to terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as the Board may from time to time determine, stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

Cancellation of options

Any breaches of the Post-IPO Rules by a grantee may result in the options granted to that grantee being cancelled by our Company. Any options granted but not exercised may be cancelled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the Post-IPO Share Incentive Scheme (excluding cancelled options) and in compliance with the Post-IPO Rules.

Lapse of options

An Option shall automatically lapse (to the extent not already exercised) on the earliest of:

(a) the expiry of the period within which an option may be exercised, which is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than ten years from the date of the grant ("**Post-IPO Option Period**");

(b) the expiry of any of the periods for exercising the option as referred to in the Post-IPO Rules; and

(c) the date on which the grantee commits a breach of the Post-IPO Rules.

Voting and dividend rights

No dividends shall be payable and no voting rights shall be exercisable in relation to any option (or underlying Share) that has not been exercised.

Effects of alterations in the capital structure of our Company

In the event of an alteration in our Company's capital structure, whilst any option remains exercisable, by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of our Company's capital structure in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in our Company's capital structure as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding alterations (if any) shall be made to:

(a) the number or nominal amount of Shares comprised in each option so far as unexercised;

(b) the subscription price; and/or

(c) the method of exercise of the option,

or any combination thereof, as the auditors or a financial advisor engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards to any particular grantee, to be in their opinion fair and reasonable, provided that any such adjustments should give each grantee the same proportion of the equity capital of our Company as that to which that grantee was previously entitled prior to such adjustments, provided no adjustments shall be made which will enable a Share to be issued at less than its nominal value. The capacity of the auditors or financial adviser (as the case may be) in this is that of experts and not of arbitrators, and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or financial adviser (as the case may be) shall be borne by us.

Retirement, death or permanent physical or mental disability of a selected participant and other events

If a grantee ceases to be a selected participant by reason of (i) death of the grantee, (ii) termination of the grantee's employment or contractual engagement with our Group or an affiliate by reason of his/her permanent physical or mental disablement, (iii) retirement of the grantee, the option may be exercised that has already vested on or before the date that the grantee ceases to be an eligible person within the Post-IPO Option Period, or such other period as the Board may decide in their sole discretion.

In the case of death of a grantee, the option that has already vested on or before the date that the grantee ceases to be an eligible person may be exercised within that period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the option, the option may be exercised within that period by the persons charged with the duty of representing the grantee under the relevant laws in Hong Kong. If the option is not exercised within the time mentioned above, or has not yet vested on or before the date that the grantee ceases to be an eligible person, the option shall lapse.

If a grantee, being an employee whose employment is terminated by our Group or its affiliate by reason of the employer terminating the contract of employment without notice or payment in lieu notice, or the grantee having been convicted of any criminal offence involving his/her integrity or honesty, the option shall immediately lapse.

If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his/her creditors generally, the option shall immediately lapse.

If a grantee being an employee ceases to be a selected participant due to termination of the grantee's employment or contractual engagement with our Group by reason of redundancy, the option that has already vested on or before the date that the Grantee ceases to be an Eligible Person may be exercised within three months of such cessation or within the Post-IPO Option Period, whichever is shorter, or such other period as the Board may decide in their sole discretion.

If a grantee ceases to be a selected participant other than in any of the circumstances described above, unless otherwise provided in the terms of the offer, a grantee may exercise his/her option within three months of such cessation or within the Post-IPO Option Period, whichever is the shorter, or such other period as the Board may decide in their sole discretion.

If an option is not exercised within the time mentioned above, the option shall lapse.

Rights on takeover and schemes of compromise or arrangement

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and the offer becomes or is declared unconditional in all respects, each grantee shall be entitled to exercise his/her option (to the extent not already exercised) and vested on or before the date of first making the offer at any time within one month (or such other period as the Board may decide in their sole discretion) after the date on which the general offer becomes or is declared unconditional.

If an option is not exercised within the time specified, or has not yet vested on or before the date of first making the offer, the option shall lapse.

If a compromise or arrangement between our Company and our members or creditors is proposed, we shall give notice to each grantee on the same date as we despatch the notice to each of member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee (or his/her personal representatives) may until the expiry of the period commencing with such date and ending with the earlier of the date two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court exercise any of his/her options (to the extent not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Post-IPO Share Incentive Scheme. We may require grantees to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantees in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement.

If an option is not exercised within the time specified, the option shall lapse.

Rights on a voluntary winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, we shall on the same date as or soon after we despatch such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this sub-paragraph) and thereupon, each grantee (or his/her personal representatives) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon we shall as soon as possible and, in any event, no later than the business date immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

If an option is not exercised within the time specified, the option shall lapse.

Compulsory winding-up of the Company

In the event of a petition for winding-up being filed against the company in a court of relevant and competent jurisdiction, all unexercised options shall lapse on the date of filing such petition.

Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option shall be identical to all existing issued Shares and shall be allotted and issued subject to all the provisions of the Memorandum and Articles for the time being in force and will rank *pari passu* with the other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of our Company or if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, save that the grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company) declared or recommended or resolved to be paid to our Shareholders on the register on a date prior to such registration.

Duration

The Post-IPO Share Incentive Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted), but in all other respects the provisions of the Post-IPO Rules shall remain in full force and effective to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Rules.

OTHER INFORMATION

Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

Litigation

Save as disclosed in this document and so far as our Directors are aware, as at the Latest Particable Date, no litigation or claim of material importance is pending or threatened against any member of our Group.

Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares that may fall to be issued pursuant to the exercise of the Over-allotment Option and any Shares to be allotted and issued upon the exercise of the options granted or to be granted under the Share Incentive Schemes).

We will pay the Sole Sponsor US$1.3 million (approximately HK$10.1 million) as the sponsor fee.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Consents of experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included:

Name	Qualification
CLSA Capital Markets Limited	Licenced corporation under the SFO to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Tian Yuan Law Firm	Qualified PRC lawyers
Ogier	Cayman Islands lawyers
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer

As of the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of our Group.

Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Bilingual Prospectus

The English and Chinese language versions of this document are being published separately in reliance upon the exemption provided by Section 4 of the *Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong)*.

Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

Disclaimers

Save as disclosed in this document, within the two years immediately preceding the date of this document:

(a) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid otherwise than in cash;

(b) no commissions, discounts, brokerages or other special terms have been granted, have been paid or are payable in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries; and

(c) taking no account of any Shares that may be taken up under the Global Offering and allotted and issued pursuant to the Share Incentive Schemes, so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the Global Offering, have interests or short positions in our Shares and underlying shares that would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Save as disclosed in this document:

(a) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions;

(b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(c) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(d) none of our Directors or the experts named in "— Other information — Consents of experts" above has any direct or indirect interest in the promotion of, or in any assets that have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) our Company has no outstanding convertible debt securities or debentures;

(g) we do not have any issued and outstanding, authorised or otherwise created but unissued debt securities or term loans;

(h) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business; and

(i) none of our Directors are materially interested in any contract or arrangement subsisting at the date of this document that is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The following documents, among others, were delivered to the Registrar of Companies in Hong Kong (the "**Companies Registrar**") for registration together with this document:

(a) copies of WHITE, YELLOW, and GREEN Application Forms;

(b) the written consents referred to in "Statutory and general information — Other information — Consents of experts" in Appendix V to this document; and

(c) copies of the material contracts referred to in "Statutory and general information — Further information about our business — Summary of material contracts" in Appendix V to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Skadden, Arps, Slate, Meagher & Flom and affiliates at Level 42, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. for the 14 days following the date of this document (both dates inclusive):

(a) the Memorandum and Articles;

(b) the Frost & Sullivan Report, a summary of which is set forth in "Industry overview";

(c) the PRC legal opinions issued by our PRC Legal Adviser on PRC Law, in respect of certain general corporate matters and property interests in the PRC of our Group;

(d) the accountant's report and the report on the unaudited pro forma financial information of our Group prepared by PricewaterhouseCoopers, the texts of which are set out in Appendices I and II;

(e) the audited combined financial statement of our Company for the three financial years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020;

(f) the property valuation report prepared by the Property Valuer, the text of which is set out in Appendix III;

(g) the letter of advice prepared by Ogier, our legal adviser on Cayman Islands law, summarising certain aspects of Cayman Companies Law referred to in Appendix IV;

(h) the Cayman Companies Law;

(i) the written consents referred to in "Statutory and general information — Other information — Consents of experts" in Appendix V;

(j) the material contracts referred to in "Statutory and general information — Further information about our business — Summary of material contracts" in Appendix V;

(k) the service contracts and the letters of appointment with our Directors referred to in "Statutory and general information — Further information about our Directors — Particulars of Directors' service contracts and appointment letters" in Appendix V;

(l) the terms of the Pre-IPO Share Incentive Scheme and a list of grantees thereunder; and

(m) the terms of the Post-IPO Share Incentive Scheme.

Neuedu

東軟教育科技有限公司

Neusoft Education Technology Co. Limited