



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

ANNUAL REPORT
2020



教育創造學生價值

Empower Students with Innovative Education

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairperson and Non-executive Director

Dr. LIU Jiren

Executive Director

Dr. WEN Tao

Non-executive Directors (aside from our Chairperson)

Mr. RONG Xinjie

Dr. YANG Li

Dr. ZHANG Yinghui

Mr. Klaus Michael ZIMMER

Independent Non-executive Directors

Dr. LIU Shulian

Dr. QU Daokui

Dr. WANG Weiping

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

JOINT COMPANY SECRETARIES

Ms. HE Jing

Ms. MAK Po Man Cherie

AUTHORISED REPRESENTATIVES

Dr. WEN Tao

Ms. MAK Po Man Cherie

REGISTERED OFFICE

89 Nexus Way

Camana Bay

Grand Cayman, KY1-9009

Cayman Islands

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

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

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

HONG KONG LEGAL ADVISER

As to Hong Kong laws:

William Ji & Co. LLP
(in Association with Tian Yuan Law Firm Hong Kong Office)
Suites 3304-3309, 33/F,
Jardine House 1 Connaught Place
Central, Hong Kong

As to PRC laws:

Tian Yuan Law Firm
10/F, China Pacific Insurance Plaza B
28 Fengsheng Lane, Xicheng District
Beijing
China

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

COMPLIANCE ADVISER

Somerley Capital Limited

20/F, China Building
29 Queen's Road Central
Hong Kong

PRINCIPAL BANKS

China Construction Bank
Dalian High-tech Zone Branch
Shanghai Pudong Development Bank
Dalian Xueyuan Square Branch
Bank of Chengdu
Dujiangyan Branch
Guangdong Nanhai Rural Commercial Bank
Shishan Software Park Banking Office

STOCK CODE

9616

COMPANY WEBSITE

<http://www.neuedu.com>

LISTING DATE

29 September 2020

HIGHLIGHTS OF 2020

February 2020

Neuedu was recognised by the Ministry of Human Resources and Social Security as the first batch of 54 organizations providing online vocational training platforms in the PRC



March 2020

“SOVO Mass Entrepreneurship Space” (SOVO眾創空間) of Chengdu University was recognised as a national-level mass entrepreneurship space (the first private university in Sichuan Province) by the Torch Center of Ministry of Science and Technology (科技部火炬中心), and up to the date, all of three universities of Neusoft have obtained such qualification



May 2020

All of three universities of Neusoft were listed in the top 100 in the “private universities (inclusive of independent colleges) in China in 2020” (2020軟科中國民辦高校排名), among which Dalian University ranked fifth



June 2020

16 June 2020

Dalian University grandly held its 20th anniversary school celebration online



July 2020

3 July 2020

The new campus of Dalian University held a groundbreaking ceremony, which is expected to put into use in September 2021



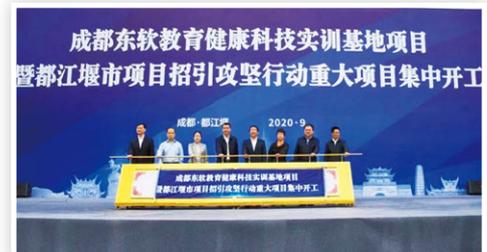
September 2020

Dalian University was recognised as the first batch of national vocational college principal training and cultivation bases by the Ministry of Education



27 September 2020

The Health Technology Training Base project of Chengdu University held a groundbreaking ceremony



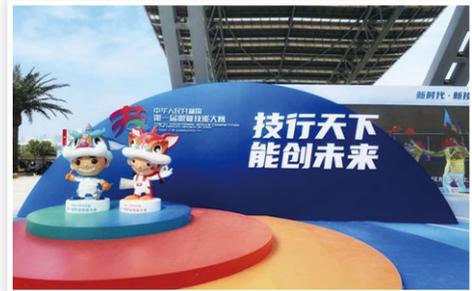
29 September 2020

Neusoft Education (stock code: 9616.HK) successfully listed on the Main Board of the Hong Kong Stock Exchange and became the first stock of IT higher education among Hong Kong stocks



October 2020

Dalian Education was selected as a partner of the "Business Software Solutions" (商務軟件解決方案) competition in the first National Skills Competition (全國技能大賽)



November 2020

Dalian College was selected as one of the first batch of featured demonstrative software colleges recommended to the Ministry of Education (the only recommended university in Liaoning Province), and Chengdu College was selected as the first batch of featured demonstrative software colleges in Sichuan Province (the only private university among 5 selected universities in Sichuan province);



Dalian University ranked first in the "Teachers Teaching Development Index (2020 edition)" (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, and has been in the first place for two consecutive years

序号	学校名称	项目数	总分	省份	序号	学校名称	项目数	总分	省份
1	大连东软信息学院	465	38.26	辽宁省	11	吉林动画学院	416	27.08	吉林省
2	浙江树人学院	330	32.49	浙江省	12	上海建桥学院	112	26.95	上海市
3	山东协和学院	332	32.39	山东省	13	广东白云学院	93	26.92	广东省
4	吉林外国语大学	246	30.96	吉林省	14	三亚学院	228	26.58	海南省
5	山东英才学院	275	30.75	山东省	15	宁波财经学院	251	26.48	浙江省
6	南京医科大学康达学院	33	29.66	江苏省	16	武汉生物工程学院	75	25.58	湖北省
7	西安学院	303	28.74	陕西省	17	华南理工大学广州学院	79	25.43	广东省
8	北京城市学院	383	28.7	北京市	18	江西科技学院	76	25.28	江西省
9	湖南涉外经济学院	188	27.99	湖南省	19	潍坊科技学院	257	25.25	山东省
10	长沙医学院	126	27.69	湖南省	20	沈阳工学院	120	24.95	辽宁省

"民办及独立学院" 共415所, 指数覆盖394所, 覆盖率为94.94%

December 2020

Dalian University won the “2020 Social Influential Private University of the Year” (2020年度社會影響力民辦高校) by Xinhuanet, and the “2020 Influential University Brand Award” (2020年度院校品牌影響力獎) by China Education Online, and Guangdong University won the “2020 Influential Private University e Brand (2020年度品牌影響力民辦高校) by CCTV”.



Neuedu successively won the “Educational Listed Pioneer Award for the Year” (年度教育上市新銳獎) of Blue Whale Education (藍鯨教育) and “IPO with Growth Potential for the Year” (年度最具成長力IPO) of Gelonghui (格隆匯)



Dalian University was recognised as a national-level high-skilled talent training base by the Ministry of Human Resources and Social Security



BUSINESS ACHIEVEMENTS

FULL-TIME FORMAL HIGHER EDUCATION



Revenue of **RMB802** million,
an increase of **9.4%**



Student enrolment of **39,242**,
an increase of **10.87%**



2020 freshmen of **12,753**,
an increase of **25.81%** with an
average registration rate of more than **90%**



Average employment rate of over
91%, and the employment salary
continues to increase



4 national-level first-class bachelor
degree programmes
18 provincial-level first-class
bachelor degree programmes



1 national-level first-class bachelor
degree course
55 provincial-level first-class
bachelor degree course



More than **500** provincial-level and
above teaching quality projects



48 collaborative talent training projects
based on industry-university cooperation



CONTINUING EDUCATION SERVICES



Revenue of **RMB124** million, an increase of **63.2%**



Student enrolment of formal continuing education of **6,849**, an increase of **25.53%**



71 2B training programmes, involving **6,361** trainees



10 new training base qualifications



More than **10,000** employees from **267** enterprises are provided with free training

EDUCATION RESOURCES AND APPRENTICESHIP PROGRAMME



Revenue from education resources of **RMB93** million, an increase of **165.7%**



69 cooperative universities and colleges in the joint establishment of academic majors



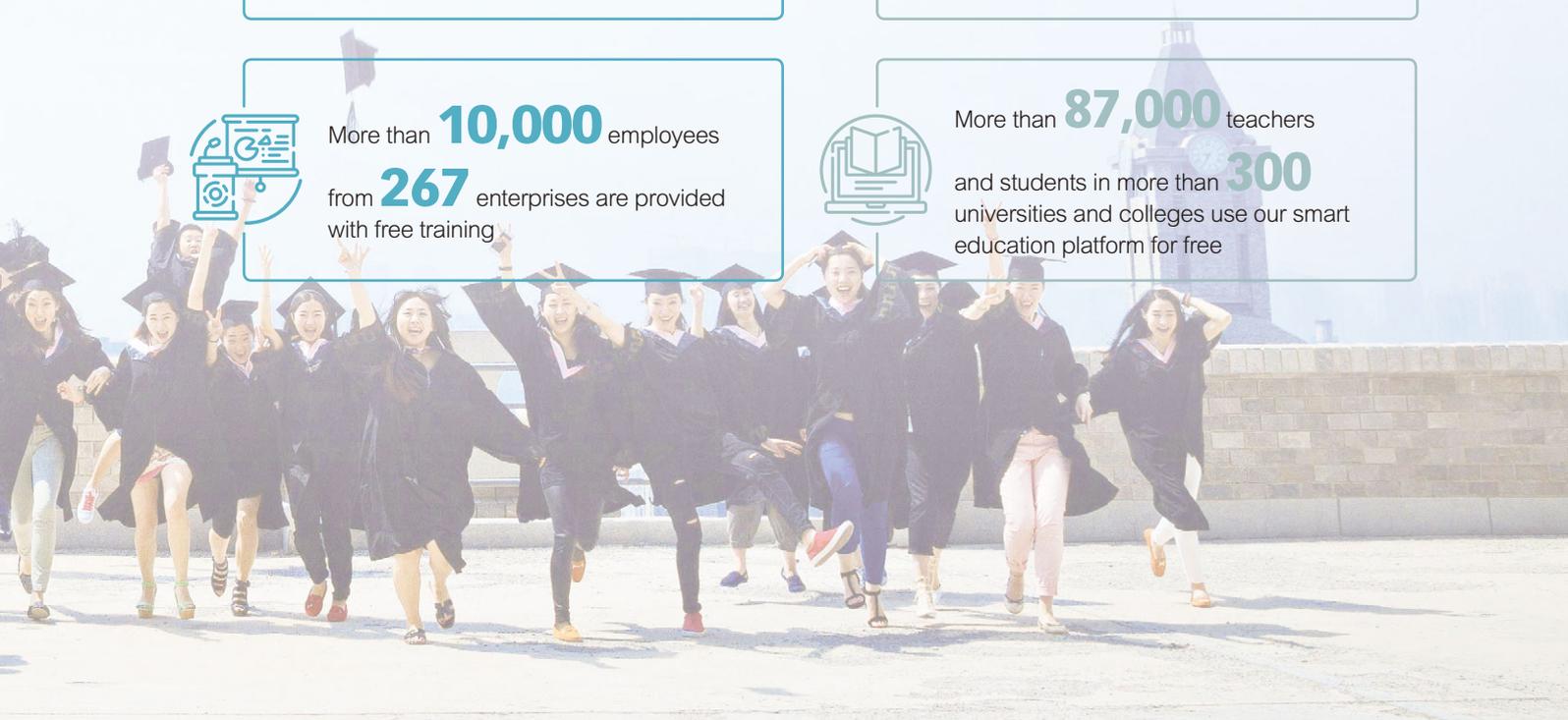
187 projects in joint establishment of academic majors, covering **14,947** students



12 centers for apprenticeship programmes, involving **15,838** students



More than **87,000** teachers and students in more than **300** universities and colleges use our smart education platform for free



FINANCIAL HIGHLIGHTS

Major financial results for the years ended 31 December 2020 and 31 December 2019 are as follows:

	For the year ended 31 December	
	2020 (RMB'000) (audited)	2019 (RMB'000) (audited)
Revenue	1,100,011	958,228
Cost of revenue	(678,923)	(635,226)
Gross profit	421,088	323,002
Selling expenses	(32,473)	(11,239)
Administrative expenses	(231,232)	(109,185)
Research and development expenses	(33,215)	(20,445)
Impairment loss on financial assets	(999)	–
Other income	103,606	71,534
Other expense	(23,918)	(18,936)
Other gains – net	3,764	944
Operating profit	206,621	235,675
Financial expenses – net	(69,655)	(36,707)
Profit before income tax	136,966	198,968
Income tax expenses	(34,030)	(23,953)
Profit for the year	102,936	175,015
Profit for the year attributable to owners of the Company	74,246	139,213
Adjusted net profit (note 1)	275,817	195,743
Adjusted net profit attributable to owners of the Company	225,930	159,941

Note 1:

For the year ended 31 December 2020, the adjusted net profit is the effect of the profit for the year after deducting (i) listing expenses of RMB29,468,000; (ii) share-based compensation expenses of RMB111,144,000; and (iii) net exchange loss of RMB32,269,000.

For the year ended 31 December 2019, the adjusted net profit is the effect of the profit for the year after deducting the listing expenses of RMB20,728,000.

CHAIRPERSON'S STATEMENT

Dear Shareholders:

On behalf of the Board of Neusoft Education Technology Co. Limited, I am pleased to present to all shareholders the consolidated results and annual report (the “**Report**”) of the Company and its subsidiaries for the year ended 31 December 2020.

2020 is an extraordinary year for us. This year witnessed our special historical junction of the 20th anniversary of school-running, and the successful listing on the Main Board of the Stock Exchange, which made us the “first listed company of private IT higher education”. We also made achieved new heights and surprising gains made in our various education undertakings, enabling us to deeply believe that we choose the right path.

At the beginning of school-running in 2000, we proposed: “to build the best private university in China, take a characteristic school-running path that is barely gone, and create greater value for each student and each family with the best quality education services”. In light of our aspiration to develop economically and sustainably, we can only be fearless to challenge, brave the road and proceed with no hesitation. Our dream is far-reaching and noble. Through 20 years of development, we have developed a digital talent education service ecosystem, with full-time formal higher education services as our fundamental business; continuing education, and education resources and apprenticeship programme as two strategic businesses. We have established 3 IT application-oriented universities, 8 IT training schools and 12 execution centres for apprenticeship programme across the country. We have become a leading IT higher education service provider in China. The steadily improved performance in the past year has once again proved our success in the choice of business model and strengthened our confidence in developing to a higher level. Today, we are very pleased to see our education dreams is turning into reality under the joint support of shareholders and all sectors of society, and the concerted efforts of all staff of our Group.

Our growth for the past 20 years is attributed to our awe of failure. Today, the outline of the national “14th Five-Year Plan” clearly proposes to “speed up digital development and build a digital China.” We see that Chinese society is moving from a traditional economy to a digital economy, where a new generation of science and technology revolution and industrial transformation are driving various industries to usher in new change, reconstruction and rebirth. This makes the technology itself change at a faster pace, and the subjects we serve have increasingly high demands for education. Facing the changes and challenges of future education, we have to be fully confident to create our education career, and precisely formulate the future education vision and goals, with the necessity to think and plan prospectively.

In 2021, our Group has embarked on a new journey, which is also a new one for all of our staff.

Guided by the promotion of the overall development of learners, we will further deepen the implementation of our TOPCARES education approach, innovative talent cultivating model, and make solid efforts in the application-oriented education featuring “future orientation, industry-education integration, precision and high efficiency”, creating greater value for students. We shall, as always, maintain our investments in faculty, experimental environment, campus infrastructure etc., and continue to expand new spaces for high-quality school-running and development, enabling our universities become more intelligent and outstanding.



CHAIRPERSON'S STATEMENT

We will invest more in research and development funding and personnel, and build a high-level research and development team for educational research, scientific and technological research, and product development. We will work to establish a digital and intelligent education ecological product system based on platforms, materials and resources with continuous innovations in education approach innovation, model innovation, mechanism innovation and repeated computing updates of educational resources, taking the lead in and empowering a new round of education reform.

We will increasingly accommodate to the market changes, industry needs and social development. Through the "3+N" business model which is high-quality, asset-light, O2O and high-growth, we will accelerate the output of first-class education resources and products and services and empower cooperative universities and colleges and learners to repay shareholders and all sectors of society for their support and help with faster development, larger scale, and more excellent operation.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to all staff of our Group for their efforts and dedication, and to the Shareholders and investors of the Company for their support and trust. Looking forward, we will continue to perform our commitments to students, parents, teachers, shareholders and the society under the new development stage, and we are more confident that our Group will march towards new brilliance!

Neusoft Education Technology Co. Limited

Chairperson of the Board

LIU Jiren

MANAGEMENT DISCUSSION AND ANALYSIS

1 BUSINESS REVIEW

1.1 Overview

As a leading private IT higher education service provider in China, we focus on nurturing talents in the IT industry to cater for the fast-growing demand for the talent arising from the development of China's software and information service industry. Leveraging on our school-operating experience and high-quality resources accumulated in the IT higher education industry in the past two decades, we have developed an ecosystem with full-time formal higher education services as our fundamental business, and with continuing education services, and education resources and apprenticeship programme as our two strategic businesses.

The Group offers three types of education services: (1) full-time formal higher education services; (2) continuing education services; and (3) education resources and apprenticeship programme. The following table shows a breakdown of our revenue from the three business segments during the Reporting Period:

As of 31 December	2020 RMB hundred million	2019 RMB hundred million	Percentage of change	Percentage of total revenue
Full-time formal higher education services	8.02	7.33	9.4%	72.9%
Continuing education services	1.24	0.76	63.2%	11.3%
Education resources and apprenticeship programme	1.74	1.49	16.8%	15.8%
Of which: Education resources	0.93	0.35	165.7%	8.4%
Apprenticeship programme	0.81	1.14	-28.9%	7.4%
Total	11.00	9.58	14.8%	100%

1.2 Full-time formal higher education services

1.2.1 Our universities

The Group currently operates three universities, namely Dalian University in Liaoning province, Chengdu University in Sichuan province and Guangdong University in Guangdong province, to provide bachelor degree programmes, junior college diploma programmes and junior college to bachelor degree transfer programmes. Leveraging on our centralised management, our universities have carried out unified operating strategies and implemented consistent teaching and education principles, which enables us to enjoy good synergies and efficient resource sharing mechanism. Therefore, we have become a leader in private universities in the region and even in the country.

1 BUSINESS REVIEW (CONT'D)

1.2 Full-time formal higher education services (cont'd)

12.1 Our universities (cont'd)

School	Majors
Dalian University	<p>Established 35 bachelor degree programmes, 8 junior college diploma programmes, and 3 junior college to bachelor degree transfer programmes, where IT-related programmes accounted for 84.8%.</p> <p>Honors and achievements in 2020</p> <ul style="list-style-type: none"> 1 programme was newly recognised as the National-level First-class Bachelor Degree Programmes Construction Site (國家級一流本科專業建設點) by the MOE in 2020, and 5 programmes were newly recognised as the Provincial-level First-class Bachelor Degree Programmes Construction Site (省級一流本科專業建設點) by the MOE in 2020; a total of 4 national-level first-class bachelor degree programmes and 11 provincial-level first-class bachelor degree programmes construction sites, ranking the first among all private universities in terms of the recognised number 1 course was recognised as the first batch of National-level First-class Bachelor Degree Courses by the MOE (教育部首批國家級一流本科課程), which is the only private university to be recognised by the first batch in Liaoning Province; 44 courses have been recognised as the Provincial-level First-class Bachelor Degree Courses, ranking the first among all private universities in terms of the recognised number in Liaoning Province In the “2020 China Private University Rankings of First-Class Programmes (2020中國民辦大學一流專業排名)” by Cuaa.net (艾瑞深校友會網), 3 programmes were awarded China’s six-star programmes, 4 programmes were awarded China’s five-star programmes, and 5 of the 7 programmes ranked the first among all private universities Ranked the first in the “National Private and Independent College Teacher Teaching Development Index (2020 Edition) (全國民辦及獨立學院教師教學發展指數(2020版))” issued by the China Association of Higher Education (中國高等教育學會), and ranked the first for two consecutive years Ranked the first among all private universities according to the “China Private and Independent College Teachers’ Competition State Index”(中國民辦及獨立學院教師競賽狀態指數) issued by the China Association of Higher Education (中國高等教育學會) for three consecutive years Awarded the “2020 Social Influential Private Colleges and Universities (2020年度社會影響力民辦高校)” by Xinhua.net (新華網)

1 BUSINESS REVIEW (CONT'D)

1.2 Full-time formal higher education services (cont'd)

1.2.1 Our universities (cont'd)

School	Majors
Chengdu University	<p>Established 29 bachelor degree programmes, 11 junior college diploma programmes, and 11 junior college to bachelor degree transfer programmes, where IT-related programmes accounted for 72.5%.</p> <p>Honors and achievements in 2020</p> <ul style="list-style-type: none"> • 3 new programmes were recognised as the Provincial-level First-class Bachelor Degree Programme Construction Site (省級一流本科專業建設點) in 2020, and a total of 6 majors were recognised • 6 courses were recognised as the Provincial-level First-class Bachelor Degree Courses (省級一流本科課程) in 2020, ranking the first among all private universities in Sichuan Province in terms of the recognised number • Selected as the first batch of characteristic model software colleges in Sichuan Province (the only private university among the 5 selected universities in Sichuan Province) • Successfully passed the qualification assessment of undergraduate teaching work in ordinary colleges and universities • The "SOVO Mass Entrepreneurship Space (SOVO眾創空間)" was recognised by the Torch Center of the Ministry of Science and Technology as a national-level Mass Entrepreneurship Space (the first private university in Sichuan Province). So far, SOVO of all three universities of Neuedu have obtained this qualification • Awarded the "2020 College Brand Influence Award (2020年度院校品牌影響力獎)" by China Education Online

1 BUSINESS REVIEW (CONT'D)

1.2 Full-time formal higher education services (cont'd)

1.2.1 Our universities (cont'd)

School	Majors
Guangdong University	<p>Established 21 bachelor degree programmes, 17 junior college diploma programmes, where IT-related programmes accounted for 71.1%.</p> <p>Honors and achievements in 2020</p> <ul style="list-style-type: none">• 1 programme was recognised as the Provincial-level First-class Bachelor Degree Programme Construction Site (省級一流本科專業建設點) in 2020• 4 courses were recognised as the Provincial-level First-class Bachelor Degree Courses (省級一流本科課程) in 2020, ranking the first among all private universities in Guangdong Province in terms of the recognised number• The Sino-foreign cooperative education project “Guangdong University and the University of the West of England Co-organize Software Engineering Undergraduate Education Project (廣東學院與英國西英格蘭大學合作舉辦軟件工程專業本科教育項目)” was approved by the MOE• Awarded the CCTV’s “2020 Brand Influence Private University (2020年度品牌影響力民辦高校)”

1 BUSINESS REVIEW (CONT'D)

1.2 Full-time formal higher education services (cont'd)

1.2.2 Student enrolment

As of 31 December 2020, there had totally been 39,242 students enrolment in our three universities, including 15,514 students in Dalian University, 13,114 students in Chengdu University, and 10,614 students in Guangdong University, which increased by 10.87% as compared with that of 31 December 2019, hitting a record high in size, and reflecting a strong organic growth momentum.

	As at 31 December 2020	As at 31 December 2019	Change	Percentage of change
Dalian University				
Bachelor degree programmes	13,740	13,228	512	3.87%
Junior college diploma programmes	1,050	1,083	-33	-3.05%
Junior college to bachelor degree transfer programmes	724	350	374	106.86%
Subtotal	15,514	14,661	853	5.82%
Chengdu University				
Bachelor degree programmes	11,367	10,598	769	7.26%
Junior college diploma programmes	1,156	352	804	228.41%
Junior college to bachelor degree transfer programmes	591	57	534	936.84%
Subtotal	13,114	11,007	2,107	19.14%
Guangdong University				
Bachelor degree programmes	9,409	8,722	687	7.88%
Junior college diploma programmes	1,205	1,004	201	20.02%
Subtotal	10,614	9,726	888	9.13%
Total	39,242	35,394	3,848	10.87%

1 BUSINESS REVIEW (CONT'D)

1.2 Full-time formal higher education services (cont'd)

1.2.3 New student enrolment and registration for 2020

With the continuous improvement of the quality of talent training and the continuous enhancement of the overall strength of running schools, our three universities have sufficient ability to attract more outstanding and high-quality students. In addition, the three universities follow closely the market and industry development needs, continuously optimise their professional structures, and make active application for emerging majors for many years, and maintain strong attractiveness of enrolment.

For the 2020/2021 school year, the number of new student of our three universities is 12,753, representing an increase of approximately 26% as compared to 10,137 of the 2019/2020 academic year. The average registration rate for bachelor degree programme students and junior college diploma programmes students of our three universities reached 90%. For the 2020/2021 school year, with respect to the admission scores of science stream and liberal arts stream, the admission score of science stream and liberal arts stream of Dalian University is 59 and 32 higher than the university cut-off score of Liaoning province respectively; the admission scores of science stream and liberal arts stream of Chengdu University are 18 and 14 higher than the university cut-off scores of Sichuan province respectively; the admission scores of science stream and liberal arts stream of Guangdong University are 32 and 22 higher than the university cut-off scores of Guangdong province respectively.

	Number of new student registration for 2020/2021	Number of new student registration for 2019/2020	Change	Percentage of change
Dalian University				
Bachelor degree programmes	3,853	3,488	365	10.46%
Junior college diploma programmes	375	353	22	6.23%
Junior college to bachelor degree transfer programmes	574	155	419	270.32%
Subtotal	4,802	3,996	806	20.17%
Chengdu University				
Bachelor degree programmes	3,255	2,980	275	9.23%
Junior college diploma programmes	901	228	673	295.18%
Junior college to bachelor degree transfer programmes	579	13	566	4,353.85%
Subtotal	4,735	3,221	1,514	47%
Guangdong University				
Bachelor degree programmes	2,666	2,504	162	6.47%
Junior college diploma programmes	550	416	134	32.21%
Subtotal	3,216	2,920	296	10.14%
Total	12,753	10,137	2,616	25.81%

1 BUSINESS REVIEW (CONT'D)

1.2 Full-time formal higher education services (cont'd)

1.2.4 Tuition fees and boarding fees

We optimize our pricing strategy from time to time and adjust the tuition fees and boarding fees of our three universities in the 2020/2021 school year as appropriate. In particular, we have increased the tuition fees for bachelor degree programmes, junior college diploma programmes and junior college to bachelor degree transfer programmes in Dalian University, the tuition fees for bachelor degree programmes and junior college to bachelor degree transfer programmes and boarding fees in Chengdu University, and the tuition fees for bachelor degree programmes in Guangdong University. As the teaching quality of our three universities continues to improve, there is still room for growth in tuition fees in the future. The following table sets forth the tuition fees and boarding fees applicable to new student enrolment for the school year as indicated.

	Tuition fees for each school year (RMB)		Boarding fees for each school year (RMB)	
	2020/2021	2019/2020	2020/2021	2019/2020
Dalian University				
Bachelor degree programmes	24,000-28,000	20,000-28,000	2,400	2,400
Junior college diploma programmes	28,000	24,000	2,400	2,400
Junior college to bachelor degree transfer programmes	24,000	20,000	2,400	2,400
Chengdu University				
Bachelor degree programmes	18,000-19,000	16,000	2,000	1,200
Junior college diploma programmes	16,000	16,000	2,000	1,200
Junior college to bachelor degree transfer programmes	18,000-19,000	16,000	2,000	1,200
Guangdong University				
Bachelor degree programmes	28,000-34,000	24,000-30,000	2,000-3,000	2,000-3,000
Junior college diploma programmes	22,000-30,000	22,000-30,000	2,000-3,000	2,000-3,000

1 BUSINESS REVIEW (CONT'D)

1.2 Full-time formal higher education services (cont'd)

1.2.5 School capacity and utilisation rate

As of 31 December 2020, the school capacity of Dalian University and Guangdong University increased from that of 31 December 2019, mainly due to the construction of a new student apartment in each of the two universities, which was officially put into use in September 2020, after which, the school conditions have been further improved. Upon the completion of the construction works in three universities, the campus capacity will be further expanded, providing strong support for the future enrollment expansion.

	Campus capacity ⁽¹⁾		Utilisation rate ⁽²⁾	
	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Dalian University	16,843	16,843	92.11%	87.05%
Chengdu University	12,878	10,878	101.83%⁽³⁾	101.19% ⁽³⁾
Guangdong University	11,663	10,429	91.01%	93.26%
Total/Average	41,384	38,150	94.82%	92.78%

Note:

- (1) The capacity of each school represents the total number of beds in student dormitories in each school year.
- (2) The utilisation rate of each school is calculated as the total number of students enrolled in our full-time formal higher education programmes as of 31 December in each corresponding school year divided by the school capacity for that year. Students participating in continuing education programmes are not counted in the school capacity.
- (3) Chengdu University had 236 graduating students living outside the campus for the purposes of off-campus internships or practical trainings during the year of 2020.

1 BUSINESS REVIEW (CONT'D)

1.2 Full-time formal higher education services (cont'd)

1.2.6 Greatly improved education quality

In 2020, the three universities have made fruitful achievements in the construction of academic majors and courses, teaching and research achievements, and academic competitions, which further demonstrate excellent education quality of our Group and continued improvement in brand reputation.

- *New breakthroughs made in the construction of majors and courses*
Guided by TOPCARES featured approach of Neuedu, our three universities adhere to the fundamental task of enhancing morality and fostering talents and continue to deepen reforms in education and teaching, thus education quality being continuously improved.

Established strategic emerging programmes: In 2020, 8 new undergraduate programmes applied by the three universities were approved by the MOE. Among them, Dalian University's virtual reality technology programme was successfully approved. Dalian University is the only university in Liaoning Province that has been approved to set up this bachelor degree programme. Currently, only 14 universities in the country offer this programme. Also, Chengdu University was approved for 4 bachelor degree programmes including artificial intelligence and intelligent medical engineering, while Guangdong University was approved for 3 undergraduate programmes including artificial intelligence. As of the date

of this Report, the proportions of IT-related programmes in the three universities have reached 84.8%, 72.5% and 71.1%, respectively. The professional layout in the field of "IT+ HT (Healthcare Technology)" has been further optimized, and the professional clustering effect has been highlighted.

Recognised first-class bachelor degree programmes: As of the date of this Report, a total of 22 majors in our three universities have been included into the "Double-10,000 Program" ("雙萬計劃") of the first-class bachelor degree programmes of the MOE, covering four disciplines: engineering, management, art, and liberal arts, with approximately 40% of the students of bachelor degree programmes involved. Among them, 4 majors of Dalian University were included in the list of the National-level First-class Bachelor Degree Programmes, making it rank the first among all private universities.

Recognised first-class bachelor degree courses: As of the date of this Report, a total of 56 courses in our three universities have been recognised as first-class bachelor degree courses, one of which is in the list of the first batch of national-level bachelor degree courses. In 2020, each of three universities ranks the first among all private universities in their respective provinces in terms of the recognised number of provincial-level first-class bachelor degree courses.

1 BUSINESS REVIEW (CONT'D)

1.2 Full-time formal higher education services (cont'd)

1.2.6 Greatly improved education quality (cont'd)

- *New breakthroughs made in the construction of majors and courses (cont'd)*

Provincial-level Teaching Achievement Awards:

In 2020, our three universities were granted 9 provincial-level bachelor degree teaching achievement awards, 2 provincial-level private universities teaching achievement awards, and 1 provincial-level excellent higher education research achievement award; more than 500 projects were approved as provincial-level and above teaching quality projects.

- *New achievements in academic competitions*

In 2020, students from our three universities have won more than 1,900 provincial-level third prizes and above in various academic competitions, for example, 1 first prize, 4 second prizes, and 25 third prizes in the Chinese College Students Computer Design Competition (中國大學生計算機設計大賽) sponsored by the China Association of Higher Education (中國高等教育學會) and the Advisory Committee of Professional Computing Teaching in Colleges and Universities established under the MOE (教育部高等學校計算機類專業教學指導委員會); 2 first prizes and 8 second prizes in the "Higher Education Press Cup" Contemporary Undergraduate Mathematical Contest in Modeling (「高教社杯」全國大學生數學建模競賽); first prize in each

of the important events such as the 29th Times Golden Calf Awards Selection (時報金犢獎評選), the Blue Bridge Cup National Professional Talent for Software and Information Technology Competition (藍橋杯全國軟件和信息技術專業人才大賽), the National University Digital Art Design Competition (全國高校數字藝術設計大賽), and the National College Student Mathematics Competition (全國大學生數學競賽). In addition, students from our three universities have obtained 30 patents and 200 computer software copyrights in 2020, representing a significant increase in the number of intellectual property achievements. The outstanding performance of our students once again proved the education quality of Neuedu.

1.2.7 Impressive accomplishments in the industry-education integration

The inherent advantages of the industry-education integration have enabled our three universities to be sensitive to and actively grasp new opportunities for collaborative education and jointly fostering talents between schools and enterprises. In 2020, we have carried out extensive and effective school-enterprise cooperation with well-known companies such as Neusoft Corporation and IBM, Alpine, Accenture, Baidu, Huawei, Cisco. We promote the in-depth docking and integration of the education chain, the talent chain and the industrial chain through the joint establishment of industrial colleges, academic majors, laboratories, off-campus practice sites and faculty. Nearly a thousand students were involved in the customized training of enterprises in 2020, enabling students master the needs of the enterprise without leaving the school, and apply what they have learned in school when they just start work.

1 BUSINESS REVIEW (CONT'D)

1.2 Full-time formal higher education services (cont'd)

1.2.7 Impressive accomplishments in the industry-education integration (cont'd)

Meanwhile, in 2020, our three universities were approved for 48 industry-university cooperative education projects of the MOE. Dalian University has become the only university in Liaoning Province being recommended to the selection of the first batch of national-level characteristic model software colleges by the MOE, and Chengdu University has also become the only private university in Sichuan Province that has been selected as the first batch of provincial-level characteristic model software colleges in Sichuan Province. In addition, the “Neusoft IT Industrial College, Neuedu Baidu Artificial Intelligence College, and Digital Media Creative Industry College” of Dalian University have been approved as provincial-level modern industry colleges.

1.2.8 Exciting achievements in employment and entrepreneurship

- *Steady improvement in employment quality*

In view of the impact of the COVID-19 epidemic, our three universities have further expanded employment guidance and services for graduates to ensure the quality of student employment in 2020.

As of 31 December 2020, the employment rates of 2020 graduates of Dalian University, Chengdu University and Guangdong University reached 91.3%, 94.6%, and 91.2%, respectively, which are higher than the average level of colleges and universities in their respective province.

The average salary for graduates of bachelor degree programmes of Dalian University, Chengdu University and Guangdong University reached RMB5,579, RMB5,228, and RMB5,285, respectively and the average salary for graduates of junior college diploma programmes is RMB5,045, RMB4,836 and RMB4,045, respectively. In the tough situation where the COVID-19 epidemic affects the employment market, the average salary for graduates of bachelor degree programmes and junior college diploma programmes of 2020 achieved a steady increase as compared to that of 2019, reflecting the market competitiveness of the graduates of our three universities.

Part of our 2020 outstanding graduates have been employed in well-known companies such as IBM, NetEase, Tencent, JD, Lenovo, Panasonic, Deli, Mike Biology, and ByteDance.

1 BUSINESS REVIEW (CONT'D)

1.2 Full-time formal higher education services (cont'd)

1.2.8 Exciting achievements in employment and entrepreneurship (cont'd)

- *Remarkable achievements in innovation and entrepreneurship education*

In 2020, the student office & venture office (SOVO) of Chengdu University was recognised by the Torch Centre of Ministry of Science and Technology as a national-level Mass Entrepreneurship, upon which, SOVO of all of our three universities has been included in the national-level Mass Entrepreneurship Space, making active contribution to the high-quality development of innovation and entrepreneurship education.

In 2020, our three universities supported more than 400 innovation and entrepreneurship projects, annually incubated a total of 80 virtual companies, and successfully incubated more than 40 entity companies. Among them, there are 2 incubating enterprises of Dalian University that have been recognized as high-tech enterprises, and the incubation projects from Chengdu University and Guangdong University had been recognised by the capital market, with funds raised of more than RMB one million.

1.3 Continuing education services

Based on Neusoft's accumulation in industry practice and Neuedu's accumulation in academic education, in response to the national policy of building a learning society, supported by our three universities and a nationwide sales network, we have built a distinctive continuing education service system consist of:

- Continuing education for bachelor degree programmes and junior college diploma programmes in our three universities;
- IT skills training services to college students, graduates as well as individual trainees in society; and
- Non-academic short-term training services entrusted by governments, enterprises, colleges and universities.

We have set up eight training schools in Dalian, Tianjin, Shenyang, Nanjing, Qingdao, Guangzhou and Qinhuangdao to provide training services.

1 BUSINESS REVIEW (CONT'D)

1.3 Continuing education services (cont'd)

1.3.1 Formal continuing education

As of 31 December 2020, student enrolment of formal continuing education in our three universities was 6,849, increased by 25.53% as compared with that of 31 December 2019, reflecting the further expansion of scale of business.

Student enrolment

	As at 31 December 2020	As at 31 December 2019	Change	Percentage of change
Dalian University				
Continuing education for bachelor degree programmes	1,519	1,238	281	22.70%
Continuing education for junior college diploma programmes	2,310	1,734	576	33.22%
Subtotal	3,829	2,972	857	28.84%
Chengdu University				
Continuing education for bachelor degree programmes	295	129	166	128.68%
Continuing education for junior college diploma programmes	156	42	114	271.43%
Subtotal	451	171	280	163.74%
Guangdong University				
Continuing education for bachelor degree programmes	263	17	246	1,447.06%
Continuing education for junior college diploma programmes	2,306	2,296	10	0.44%
Subtotal	2,569	2,313	256	11.07%
Total	6,849	5,456	1,393	25.53%

1 BUSINESS REVIEW (CONT'D)

1.3 Continuing education services (cont'd)

1.3.2 Skill training for individual customers (2C training)

In March 2020, we acquired 90.91% of the equity interests of Tianjin Ruidao and merged its businesses into our Group. Tianjin Ruidao and its subsidiaries (including training schools) primarily engaged in providing IT skill training services to individual trainees and practical training services to students of higher education institutions, for purposes of improving their IT skills and strengthen their competitiveness in their career.

Affected by the COVID-19 epidemic in 2020, our offline training business has been severely impacted. Our training schools were not able to resume offline teaching for a large amount of time in 2020. Faced with the epidemic, we actively adjust our business strategy, as we adapted market demand and developed courses with more types and terms to satisfy different customers' need; and we also proactively deployed online education by leveraging on self-developed online platform and third-party livestreaming platforms and bringing our courses and trainings online, thus achieving a combination of learning and practicing based on the features of IT training.

In 2020, our 2C training business admitted a total of 2,894 trainees, with an average standard tuition fee of RMB20,800 per student. Despite the impact of the epidemic, the 2C training business still achieved a revenue of approximately RMB41 million in 2020, which has increased the revenue volume of our entire continuing education business segment.

The employment situation in 2020 was critical due to the impact of the epidemic. We actively provided multi-channel job referral services for participants of our training courses, and the successful referral rate reached 70%. Graduates have been successfully employed by well-known companies such as Pactera Technology International Ltd. (文思海輝技術有限公司), Yusys Technologies Co., Ltd. (北京宇信科技集團股份有限公司), ThunderSoft Technology Co., Ltd (中科創達軟件股份有限公司), Beijing Zhangshangxianji Network Technology Co., Ltd (北京掌上先機網絡科技有限公司) and Beijing Kelan Software System Co., Ltd (北京科藍軟件系統股份有限公司).

1.3.3 Short-term training services for institutional customers (2B training)

Despite the impact of the COVID-19 epidemic, the 2B training business in 2020 has achieved growth and breakthroughs. In 2020, the Group obtained 10 new training site qualifications, including four national-level qualifications, one provincial-level qualification and five municipal-level qualifications, further laying the foundation for further expansion of our 2B training business.

Level	Name of Qualification
National-level (4 items)	The First Batch of Training and Cultivation Sites for Principals of Vocational Colleges in China by the MOE (教育部全國首批職業院校校長培訓培育基地) The First Batch of National Informatization Base for Vocational College of Informazaiton Educational Steering Committee established under the MOE (教育部信息化教指委全國首批職業院校信息化培訓基地) 54 Online Platform Institutions for Vocational Skills Training by Ministry of Human Resources and Social Security (人社部54家職業技能培訓線上平台機構) National Higher Skilled Talent Training Site of Ministry of Human Resources and Social Security (人社部國家級高技能人才培訓基地)
Provincial-level (1 item)	Pilot Enterprises for Vocational Skill Level Recognition of Liaoning Province (遼寧省職業技能等級認定試點企業)
Municipal-level (5 items)	46th World Championship Training Base of Dalian City (大連市46屆世賽選手集訓基地) Excellent Vocational Skill Public Training Site of Dalian City (大連市優秀職業技能公共實訓基地) Training Base for Professional Conversion and Skill Enhancement for College Graduates of Dalian (大連市高校畢業生專業轉換及技能提升培訓基地) 46th World Championship Training Base of Chengdu City (成都市46屆世賽選手集訓基地) Entrepreneurship Incubation Base for Veterans of Chengdu City (成都市退役軍人創業孵化基地)

1 BUSINESS REVIEW (CONT'D)

1.3 Continuing education services (cont'd)

1.3.3 Short-term training services for institutional customers (2B training) (cont'd)

Based on the more than 40 training site qualifications we have obtained, we have developed three types of training products for institutional customers:

- professional capacity enhancement training for teachers and practical training for teachers in the education system;
- vocational skills training in the human resources system;
- employee training and Party building training for enterprises;

Our products can also be customized to meet our customers' need.

In 2020, the Group carried out 71 fee-charging projects for 2B training, increased by 12 as compared to 2019. Services covered 39 institutional customers with 6,361 trainees, and achieved a revenue of approximately RMB21 million. Such institutional customers are from more than 10 provinces and cities across China, covering government departments at all levels such as education and human resources, as well as enterprises in finance, construction, energy and other industries.

During the period of the COVID-19 epidemic, we have provided online skill training services to tens of thousands of employees in 267 companies without charge through our self-developed smart education platform. This move, on the one hand, has accumulated institutional customer resources, and on the other hand, allowed Neuedu's online training platform to be initially verified by the market, laying a foundation for the next step of developing online education.

1.4 Education resources and apprenticeship programme

1.4.1 Education Resource Development

We are highly concerned about the disruptive and leading role of cutting-edge technology innovation on the development of education reform, and have established a specialized R&D organization with the research institution and product development center as the core, and a high-level research and development team with rich experience in the fields of education research, technology research and product development, which has initially laid the organizational foundation for the sustainable development of our future business.

In 2020, we comprehensively enlarged our investment on R&D, with our annual R&D expenses amounted to approximately RMB33 million. Based on the accumulation of education practices in Neuedu's 20 years of operation, the R&D staff of the Research Institute and the Product Development Center have continued to make efforts, which commenced to show results in the development of platform products and resources.

1 BUSINESS REVIEW (CONT'D)

1.4 Education resources and apprenticeship programme (cont'd)

1.4.1 Education Resource Development (cont'd)

Based on the accumulated experience of the first-class programmes set up by our three universities, we built a full set of educational teaching contents and resources for eight programmes, including computer science and technology, software engineering, digital media technology, internet of things engineering, integrated circuit design and integrated systems, communication engineering, network engineering, and electronic information engineering. These programmes have been constantly applied, responded, and iteratively upgraded among our three universities, providing a solid resource basis for our cooperation with many universities in China to jointly establish industrial colleges or carry out overall major co-construction.

Based on TOPCARES featured education approach of Neuedu and its scientific and technological advantages in the IT field, we focus on the assistance and support of digital and intelligent teaching management and operation in universities. We were committed to the integration of artificial intelligence and big data technology for education scenarios, and built an adaptive intelligent education platform product that serves hybrid teaching scenarios. We have initially realized user-centered learning planning to provide individualized teaching and learning.

Facing the urgent demand of colleges and institutions for practical teaching products in emerging technologies such as artificial intelligence and big data, we launched our initial generation of Cloud Lab product in 2020 according to the actual development process and scenarios of enterprises. By quickly building course experiments and practical training projects based on the real development environment, the product assists teachers to quickly design and deploy the experimental practice environment, so as to control and manage the experimental and practical process, allowing teachers and students to interact efficiently in the experimental process and to track and trace the experimental results.

1.4.2 Expansion of Education Resource Provision Business

Upon the acquisition of Tianjin Ruidao, we established a sales network supported by seven major regions. In 2020, despite the impact of the COVID-19 epidemic on our expansion of our education resource provision business, this segment still recorded a significant revenue growth of 165.7%. The education resource provision business is carried out with three main modes:

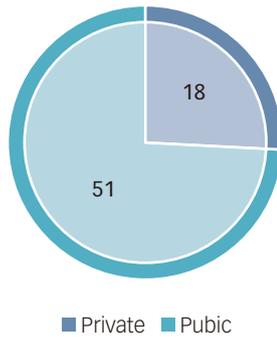
1 BUSINESS REVIEW (CONT'D)

1.4 Education resources and apprenticeship programme (cont'd)

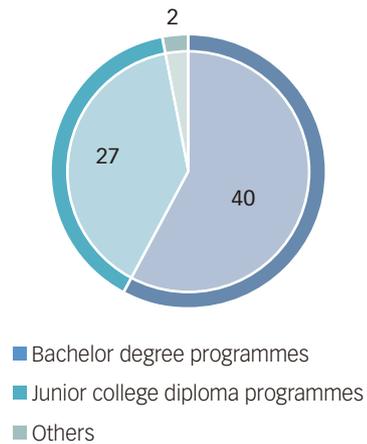
1.4.2 Expansion of Education Resource Provision Business (cont'd)

- *Joint establishment of academic majors and industrial colleges*
 In 2020, the number of institutions cooperating with the Group in joint establishment of academic majors and industrial colleges reached 69, including 12 new clients in 2020. The number of clients by nature and operation level is as follows.

Number of clients by nature



Number of clients by operation level



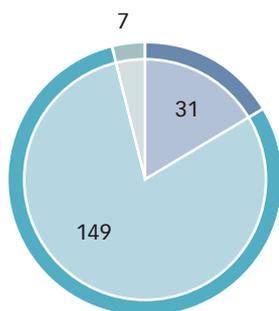
1 BUSINESS REVIEW (CONT'D)

1.4 Education resources and apprenticeship programme (cont'd)

1.4.2 Expansion of Education Resource Provision Business (cont'd)

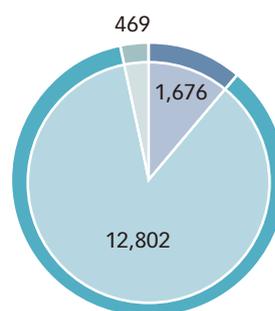
- *Joint establishment of academic majors and industrial colleges (cont'd)*
 In 2020, the Group launched a total of 187 projects in joint establishment of academic majors with 69 cooperative colleges and universities, covering 14,947 students; of which, 58 new projects with 5,125 new students were added in 2020. Joint establishment of academic majors and industrial colleges achieved a revenue of approximately RMB35 million in 2020. Academic majors jointly established are mainly IT and electronic information majors, including computer science and technology, software engineering, electronic information engineering, Internet of Things engineering, data science and big data, digital media technology, etc. The number of projects and students by major types is as follows:

Number of projects by major types



- Electronic information
- Computing
- Others

Number of students by major types



- Electronic information
- Computing
- Others

- *Smart education platform and teaching resources*
 In 2020, the Group sold 50 education and teaching products to 44 customers, of which practical teaching products such as practical curriculum platform and practical project training platform were highly recognised in the market. During the COVID-19 epidemic in 2020, three major online learning platform products of Neuedu including practical curriculum platform, were recognised by the MHRSS as “one of the first batch of 54 recommended online platforms for vocational training during the epidemic”.
- *Practical training laboratory solutions*
 The first-generation cloud laboratory product we launched in 2020 received preliminary verification and praise from the market once it was launched. In 2020, we sold 14 laboratory products to 13 customers. In the future, we will expand the cloud-based experiment platform into more professional areas through iteration and additional investment in R&D, so as to empower cooperative colleges to carry out more effective experiment teaching.

In 2020, the smart education platform and teaching resources and the practical training laboratory solutions achieved a total revenue of approximately RMB41 million.

1 BUSINESS REVIEW (CONT'D)

1.4 Education resources and apprenticeship programme (cont'd)

1.4.3 Apprenticeship programme

The apprenticeship programme enables students to obtain intensive training on real projects in a real corporate environment. We have established 12 off-campus execution centres for apprenticeship programme in 8 provinces or municipalities (of which 2 was added in 2020), which can accommodate approximately 6,000 students for participating in apprenticeship programme on site. In 2020, the number of students who participated in apprenticeship programme was 15,838; due to the COVID-19 epidemic, the apprenticeship programme was mainly conducted through online modality in 2020, and 13,397 students were involved through online modality. Apprenticeship programme is an important part of our cooperation with colleges, and also a unique link of Neuedu. Its expansion provides an important step for business development. In the future, as the number of partner universities increase and students' demand and willingness for off-campus training strengthen, we will also make appropriate planning for new execution centres of apprenticeship programme.

2 FINANCIAL REVIEW

Revenue

Our revenue increased by 14.8% from RMB958.2 million for the year ended 31 December 2019 to RMB1,100.0 million for the year ended 31 December 2020. Details of analysis are as follows:

- Revenue derived from our full-time formal higher education services increased by 9.3% from RMB733.5 million for the year ended 31 December 2019 to RMB801.6 million for the year ended 31 December 2020, primarily attributable to the increase number of students with formal education and the increase in tuition fees.
- Revenue derived from our continuing education services increased by 62.8% from RMB76.4 million for the year ended 31 December 2019 to RMB124.4 million for the year ended 31 December 2020, primarily due to our vigorous efforts to develop skills training for individual customers.
- Revenue generated from the education resources increased by 168.1% from RMB34.5 million for the year ended 31 December 2019 to RMB92.5 million for the year ended 31 December 2020, primarily attributable to our intensified efforts on expansion education resource provision business including joint establishment of academic majors and industrial colleges.
- Revenue generated from the apprenticeship programme decreased by 28.4% from RMB113.8 million for the year ended 31 December 2019 to RMB81.5 million for the year ended 31 December 2020, primarily attributable to the optimisation of our employee structure, in particular, our engineer team, to reduce cost. During the Reporting Period, a vast majority of our revenue from the apprenticeship programme was derived from the revenue arising from the services provided by engineers. The decrease in the number of engineers resulted in the drop in revenue from the apprenticeship programme. In order to increase our student training capacity and further improve the quality and effectiveness of our training, we applied Internet technologies in student training in our apprenticeship programme.

2 FINANCIAL REVIEW (CONT'D)

Cost of Revenue

Cost of revenue increased by 6.9% from RMB635.2 million for the year ended 31 December 2019 to RMB678.9 million for the year ended 31 December 2020, which was the combined effect of (i) an increase in employee welfare expenses caused by business growth and the grant of share options; (ii) an increase in depreciation and amortisation expenses; and (iii) a decrease in office and travel expenses due to the influence of the epidemic.

Gross Profit

Gross profit increased by 30.4% from RMB323.0 million for the year ended 31 December 2019 to RMB421.1 million for the year ended 31 December 2020, which was primarily attributable to the higher increase in revenue than the increase in cost.

Selling Expenses

Selling expenses increased by 190.2% from RMB11.2 million for the year ended 31 December 2019 to RMB32.5 million for the year ended 31 December 2020, mainly due to the our greater efforts to develop the Two Complements business market.

Administrative Expenses

Administrative expenses increased by 111.7% from RMB109.2 million for the year ended 31 December 2019 to RMB231.2 million for the year ended 31 December 2020. Such increase was primarily due to an increase in listing expenses and significant option costs incurred by the grant of share options.

Research and Development Expenses

Research and development expenses increased by 62.7% from RMB20.4 million for the year ended 31 December 2019 to RMB33.2 million for the year ended 31 December 2020, primarily due to more investment in research and development of platform products and resources, laying foundation to the sustainable development of business in the future.

Other Income

Other income increased by 44.9% from RMB71.5 million for the year ended 31 December 2019 to RMB103.6 million for the year ended 31 December 2020, primarily due to an increase in government grants and an increase in rental income from properties.

Net Other Gains

Net other gains increased by 322.2% from RMB0.9 million for the year ended 31 December 2019 to RMB3.8 million for the year ended 31 December 2020, mainly due to the increase in gains on bank wealth management products.

Net Finance Expenses

Net finance expenses increased by 89.9% from RMB36.7 million for the year ended 31 December 2019 to RMB69.7 million for the year ended 31 December 2020, mainly due to the foreign exchange losses arising from the depreciation of Hong Kong dollar owned by the Group (which are mainly the proceeds from the initial public offering of shares of the Company) against RMB.

Income Tax Expenses

Income tax expenses increased by 41.7% from RMB24.0 million for the year ended 31 December 2019 to RMB34.0 million for the year ended 31 December 2020, primarily due to the increase in taxable profit during the Reporting Period.

Profit for the Year

As a result of the foregoing, profit for the year decreased by 41.2% from RMB175.0 million for the year ended 31 December 2019 to RMB102.9 million for the year ended 31 December 2020.

Net profit attributable to owners of the Company decreased by 46.7% from RMB139.2 million for the year ended 31 December 2019 to RMB74.2 million for the year ended 31 December 2020.

2 FINANCIAL REVIEW (CONT'D)

Adjusted Net Profit

For the year ended 31 December 2020, adjusted net profit was approximately RMB275.8 million, representing an increase of 40.9% as compared to last year. For the years ended 31 December 2020 and 31 December 2019, the adjusted net profit margin was 25.1% and 20.4%, respectively.

	For the year ended 31 December	
	2020 (RMB'000)	2019 (RMB'000)
Profit for the year	102,936	175,015
Adjusted items:		
Share-based compensation expenses	111,144	–
Listing expenses	29,468	20,728
Net foreign exchange (gains)/losses	32,269	–
Adjusted net profit	275,817	195,743

Liquidity, Financial Resources and Capital Structure

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 29 September 2020. There has been no change in the capital structure of the Group since then.

As at 31 December 2020, the issued share capital of the Company was HK\$133,333.44, and the number of issued ordinary shares was 666,667,200 of HK\$0.0002 each.

As at 31 December 2020, cash and cash equivalents of the Group amounted to approximately RMB1,426.1 million (31 December 2019: approximately RMB562.9 million). As at 31 December 2020, total bank borrowings of the Group amounted to approximately RMB1,153.3 million (31 December 2019: approximately RMB998.8 million). Borrowings were all denominated in Renminbi. Interests are charged at fixed rates and floating rates. The Group did not carry out any interest rate hedging policy.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

Net Current Liabilities

As of 31 December 2020, net current liabilities amounted to approximately RMB139.4 million (31 December 2019: RMB616.1 million). Such decrease was primarily due to: (i) an increase in cash and cash equivalents of RMB863.2 million, mainly caused by funds raised from the initial public offering of shares of the Company; (ii) an increase in contract liabilities of RMB130.1 million, mainly due to the increase in tuition fees and accommodation fees received by the Group in advance at the beginning of the school year; (iii) an increase in current bank borrowings of RMB175.2 million; and (iv) an increase in trade and other payables of RMB115.0 million.

As of 31 December 2020, the Group's current ratio (being current assets divided by current liabilities) was 0.92 (31 December 2019: 0.50).

2 FINANCIAL REVIEW (CONT'D)

Contingent Liabilities

As of 31 December 2020, the Group did not have any unrecorded significant contingent liabilities or any material litigation against the Group.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB. During the year ended 31 December 2020, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk.

Charge on Assets

As at 31 December 2020, the Group had bank borrowings of RMB428.9 million pledged by certain collection rights of tuition fees and boarding fees.

Gearing Ratio

As at 31 December 2020, the gearing ratio (being total debt divided by total equity, of which total debt refers to the sum of interest-bearing bank loans, other borrowings and lease liabilities) of the Group was 67.5% (31 December 2019: 146.4%).

Capital Expenditures

The capital expenditures of the Group for the year ended 31 December 2020 amounted to approximately RMB408.6 million, which was primarily related to the upgrade and expansion of our campuses.

Material Acquisitions and Disposals

On 1 March 2020, we, through our subsidiary Dalian Education, acquired 90.91% equity interest in Tianjin Ruidao from Neusoft Holdings, for a consideration of approximately RMB362.8 million. Following the acquisition, Tianjin Ruidao became a subsidiary of our Group and its financial results were consolidated into the Company's financial accounts.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

Future Plans for Material Investments or Capital Assets

Save as disclosed in (i) section headed the "Future Plans and Use of Proceeds" of the Company's Prospectus dated 17 September 2020 and (ii) the potential acquisition announcement of the Company dated 19 November 2020, the Group did not have any other immediate plans for material investment or capital assets as of 31 December 2020.

3 EMPLOYEE AND REMUNERATION POLICY

We attach great importance to the supporting role of team structure and ability development for teaching development, academic research, and talent training, with a commitment to building a high-level, professional, application-oriented, and international faculty. 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.

As of 31 December 2020, our three universities had 1,495 full-time teachers, of whom 86.5% had a master degree or Ph.D. degree, approximately 36.2% were professors or associate professors, approximately 22.7% had overseas studies and/or work experience, and approximately 43.6% had engineering practice experience. As of 31 December 2020, our three universities also had 805 part-time teachers. The following table sets forth the number of our teachers in each of our three universities for the school years indicated as of 31 December 2020:

University	Number of full-time teachers	Number of part-time teachers
Dalian University	576	384
Chengdu University	521	190
Guangdong University	398	231
Total	1,495	805

As of 31 December 2020, we had a total of 2,929 employees. Among them, 1,312 of our employees were based in Liaoning province, 586 of our employees were based in Sichuan province, and 627 of our employees were based in Guangdong province. The following table sets forth the total number of employees by function as of 31 December 2020:

Function	Number of employees	% of total
Full-time teachers ⁽¹⁾	1,575	53.8%
Engineers ⁽²⁾	370	12.6%
Research and development personnel ⁽²⁾	265	9.0%
Management and administrative staff ⁽²⁾	555	18.9%
Sales and marketing personnel ⁽²⁾	164	5.6%
Total	2,929	100.0%

Notes:

(1) Include 1,495 full-time teachers in our three universities and 80 full-time teachers in the training business.

(2) 190 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 615 part-time teachers.

3 EMPLOYEE AND REMUNERATION POLICY (CONT'D)

The Group believes that attracting, recruiting and retaining quality employees is essential to the success and sustainable development of the Group. The Group provides employees with a competitive remuneration package that is determined in accordance with prevailing industry practices and their educational background, experience and performance. Meanwhile, the Group participates in various employee social security plan managed by local governments for employees pursuant to applicable laws and regulations, including housing provident fund, pension insurance, medical insurance, maternity insurance, work injury insurance and unemployment insurance. In addition, the Group also provides employees with welfare benefits such as commercial insurance, corporate annuities, welfare physical examinations, and holiday gifts. For the year ended 31 December 2020, the total cost of employee remuneration of the Group (including directors' fees) was RMB572.1 million.

The Company adopted a Pre-IPO share incentive scheme on 19 June 2019 and a Post-IPO share incentive scheme on 11 September 2020 to motivate Directors and eligible employees. Details of such plans and the details of the options or incentive shares granted under such plans are set out in the section headed "Share Incentive Schemes" of the Appendix V to the Company's Prospectus. From the Listing Date to 31 December 2020, no share option under the Pre-IPO Share Incentive Scheme and the Post-IPO Share incentive Scheme has been exercised, lapsed or cancelled. Moreover, the Group provides employees with relevant training courses based on their personal career development.

4 THE IMPACT OF THE COVID-19 EPIDEMIC AND THE RESULTS WE ACHIEVED IN FIGHTING AGAINST THE COVID-19 EPIDEMIC

4.1 Challenges brought by the COVID-19 epidemic to the Group's development

The outbreak of the COVID-19 epidemic in 2020 brought challenges to the Group's operations. In 2020, all of the students of the three universities and eight training schools of the Group failed to resume offline learning, which, to some extent, had an effect on our business operations. The following table shows a time frame of the suspension of offline teaching of our three universities and eight training schools in 2020:

No.	University name	Time frame of being unable to return school
1	Dalian University	23 February 2020 to 29 August 2020
2	Chengdu University	28 February 2020 to 29 August 2020
3	Guangdong University	29 February 2020 to 17 August 2020

No.	Training school name	Time frame of the suspension of offline teaching
1	Dalian High-tech Zone Neusoft Training School Co., Ltd.	17 January 2020 to 20 July 2020 24 July 2020 to 17 August 2020 25 December 2020 to 31 December 2020
2	Tianjin Binhai Newtown Neusoft Ruidao Software Talent Vocational Training School	3 February 2020 to 20 June 2020
3	Shenyang Neusoft Software Talent Training School	17 January 2020 to 21 July 2020 30 December 2020 to 31 December 2020
4	Dalian Neusoft Software Talent Training Centre	17 January 2020 to 20 July 2020 24 July 2020 to 17 August 2020 25 December 2020 to 31 December 2020
5	Nanjing Neusoft Talent Training Centre	6 February 2020 to 5 July 2020
6	Qingdao West Coast New District Neusoft Ruidao Software Talent Training School	26 January 2020 to 5 June 2020
7	Guangzhou Neusoft Software Talent Vocational Training School	28 January 2020 to 9 June 2020
8	Qinhuangdao Neusoft Venture School	4 February 2020 to 1 September 2020

4 THE IMPACT OF THE COVID-19 EPIDEMIC AND THE RESULTS WE ACHIEVED IN FIGHTING AGAINST THE COVID-19 EPIDEMIC (CONT'D)

4.1 Challenges brought by the COVID-19 epidemic to the Group's development (cont'd)

During the spring semester of the 2019/2020 school year, both full time students and continuing education students of our three universities failed to return school, and all courses were conducted online. In accordance with relevant regulations, for the twelve months ended 31 December 2020, we have returned to students boarding fees of RMB30.8 million. In addition, the three universities have incurred total expenses of approximately RMB1.2 million for epidemic prevention.

As the training schools were unable to conduct offline teaching, they lost a significant number of students who intended to register and participating in offline training, delayed or adjusted the scheduled 2B training program, and incurred costs in relation to the vacant training spaces. Meanwhile, due to the impact of the epidemic, most colleges and universities in China were closed in the first half of 2020, and even were locked down or under strict control in the second half of 2020 when they reopened, which affected our sales of training business and education resources business, and thus affected our business expansion.

4.2 Proactive response to the COVID-19 epidemic achieved remarkable results

4.2.1 Conducting online teaching in an effective way to achieve teaching goals

– *Full-time formal higher education services*

During the epidemic, the three universities of the Group have successfully completed all teaching tasks of the spring semester of 2020 online based on the scheduled teaching plans.

As one of the first batch of colleges that initiated online teaching in Liaoning Province, Dalian University had all of its courses teaching online by fully leveraging on the construction results of blended teaching reform. With the online teaching operating smoothly, the overall work attendance of students reached above 99%, maintaining stable quality under the relevant normal teaching operation during the epidemic.

For Chengdu University, all courses (including laboratory courses) were taught online. Graduate students successfully completed their thesis defense online and student satisfaction ranked among the top universities in the province.

The proportion of online course offered by Guangdong University reached 100%. The online teaching operated smoothly, teachers get well prepared, achieving the same quality for online teaching and offline teaching. With an effective implementation of online learning, Guangdong University won 15 outstanding online teaching cases during the epidemic in Guangdong Province.

4 THE IMPACT OF THE COVID-19 EPIDEMIC AND THE RESULTS WE ACHIEVED IN FIGHTING AGAINST THE COVID-19 EPIDEMIC (CONT'D)

4.2 Proactive response to the COVID-19 epidemic achieved remarkable results (cont'd)

4.2.1 Conducting online teaching in an effective way to achieve teaching goals (cont'd)

– *Continuing education and apprenticeship programme*

During the COVID-19 epidemic, based on the epidemic development and the latest policies of the local government, the training schools adjusted their teaching plans in time and had all training courses taught online during the epidemic. The number of online training classes of 2C training business was 70, covering 2,332 students; the number of projects implemented online of 2B training business throughout the year was 7, covering 612 trainees; the number of projects implemented in combination of online and offline approach was 7, covering 257 trainees; and apprenticeship programmes were mainly carried out online, and a total of 13,397 students participated in the apprenticeship programme through online.

Platforms used by online teaching mainly include streaming platform such as Dingding Classroom, QQ Live and Ketangpai, and self-developed platform for practice and training of Neuedu.

4.2.2 Sharing online platforms and resources which showed a high sense of social responsibility

The COVID-19 epidemic has affected the traditional offline learning methods, however, online education has received unprecedented attention. As a leading IT higher education group in China, we opened our independently developed Neusoft MOOC Platform, Neusoft Practical Curriculum Platform and Neusoft Software Development Practical Training Platform to domestic universities for free during the epidemic. Approximately 300 higher education institutions with a total of approximately 87,000 registered users used our smart education platforms.

In addition, to implement the arrangements of Central Committee of CPC and the State Council, and further implement the Action Plan for Upgrading Vocational Skills "Internet + Plan for Vocational Skills Training", the Ministry of Human Resources and Social Security recommended 54 online platforms to provide resources and services of online training for vocational skills for free during the COVID-19 epidemic prevention and control, and the Group was successfully recommended. As one of the platforms recommended by the MHRSS, we utilized our self-developed smart education platform to provide online vocational skills training services for tens of thousands of employees in 267 companies.

We were also recognised by CAETT as "Excellent Innovative Application Cases of Educational Technology in the Battle against the Pandemic" ("教育科技「戰疫」優秀創新應用案例"), and caring company for "suspending classes without stopping study and teaching" by National Joint Conference of Vocational education Information (全國職業教育信息化聯席會議).

4 THE IMPACT OF THE COVID-19 EPIDEMIC AND THE RESULTS WE ACHIEVED IN FIGHTING AGAINST THE COVID-19 EPIDEMIC (CONT'D)

4.2 Proactive response to the COVID-19 epidemic achieved remarkable results (cont'd)

In view of the implementation of the above plans, the management have assessed and reached a preliminary conclusion that for the year ended 31 December 2020 and up to the date of this Report, the COVID-19 epidemic did not have an adverse impact on the financial condition of the Group. The Group will continue to monitor the developments of the COVID-19 outbreak, and proactively respond to its effect on the Group's operation and financial condition, which will be reflected in 2021 interim and annual financial statement.

5. FUTURE PROSPECT

5.1 Market Analysis

5.1.1 "IT+ healthcare technology" steady growth of higher education track.

- The 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Outline of the Vision 2035 (hereinafter referred to as the "14th Five-Year Plan") proposed to increase the gross admission rate of higher education to 60%. Currently, the gross admission rate of higher education in China is 54.4%, which still has sufficient room for improvement from the goal.

- The sudden outbreak of COVID-19 in 2020 led to increasing employment pressure. Thus, the 2020 Government Work Report proposed that higher vocational colleges would expand their enrollment by 2 million within two years. Benefiting from junior college to bachelor degree transfer programme and enrollment expansion of higher vocational colleges under employment support scheme, the admission quota for higher education is expected to continue to grow steadily. According to the Frost & Sullivan report, the number of students in private colleges and universities in the PRC is expected to reach 8 million by 2023.
- With new breakthroughs in AI, big data, the Internet of Things and other new-generation information technologies, the digital economy is booming and the IT industry continues to receive government policy support. The 2021 government work report clearly states, "To accelerate the development of digitalization, create new advantages in the digital economy, collaborate to promote the transformation of digital industry and industry digitalization, and accelerate the pace of digital society construction". As the scale of industry continues to expand and market demand continues to rise, the supply of digital IT professionals is outstripping demand. According to the "Planning Guide for the Development of Manufacturing Industry Talents (製造業人才發展規劃指南)", the shortage of talents in the software and information technology services industry was expected to reach 9.5 million in 2025.

5. FUTURE PROSPECT (CONT'D)

5.1 Market Analysis (cont'd)

5.1.1 "IT+ healthcare technology" steady growth of higher education track. (cont'd)

- "Comprehensive Health" has become a national strategy. The Frost & Sullivan Report shows that China's demand for healthcare talents will reach 47,700,000 in 2023 and that the talent gap is expected to be 25,400,000. Favorable policies (including "comprehensive promotion of the construction of a healthy China") supporting the rapid development promotes the demand for talents and increases salary level, thereby attracting more students to choose healthcare technology as their major and career choice. The total number of students will continue to rise.

5.1.2 Strong demand for IT vocational skill training.

- Driven by the new generation of technological revolution and industrial reform, a large number talents with high-quality, digital vocational skills will become significant support in promoting the sustainable and healthy development of the economy and society. Under the policies of improving the lifelong learning system and building a learning society, our IT vocational skills training, as an important portal connecting academic education and demands for IT industry talents, will further adapt to social development and we would develop various types of training to enhance the professionalism, practical ability and employment competitiveness of talents, providing a boost to the development of the industry.

- The overall market size of IT vocational skills training showed a trend of stepwise growth, benefiting from the rapid development of the downstream industry, the rapid iteration of technology updates and the strong demand for talents. According to a Frost & Sullivan report, China's IT vocational education and training market is expected to grow from RMB42.1 billion in 2019 to RMB72 billion in 2024, with a CAGR of 11.3% from 2019 to 2024.

5.1.3 Larger market for IT value-added service.

- With the rapid development of the IT industry, the requirements for employment in the industry are constantly increasing, requiring talent skills to match industrial technology. Currently, due to the lack of industry resource, colleges and universities are confronted with many problems in the construction of IT majors, such as unreasonable specialty setup and poor instructional resources and teacher resources. In this circumstance, colleges and universities cooperate with enterprises with strong industry background to conduct specialty co-construction, establish industry colleges or transform real industry projects into teaching cases, providing an important channel for students to improve professional skills and practical capabilities.

5. FUTURE PROSPECT (CONT'D)

5.1 Market Analysis (cont'd)

5.1.3 Larger market for IT value-added service. (cont'd)

- As of 2019, among the 2,688 colleges and universities in China, more than 70% of them have IT-related majors, and there is a broad market for the joint construction of IT majors. According to the Frost & Sullivan report, the market size of IT value-added services (such as specialty co-construction, platform sharing, and teaching resource output) for various educational institutions and schools will increase from RMB6.6 billion in 2018 to RMB14.8 billion in 2023, with a CAGR of 17.5% from 2018 to 2023.

5.2 Government Policies

5.2.1 Continuous policy support to private higher education receives, and sufficient room for growth in both volume and price

- As private higher education plays an increasingly important role in alleviating employment pressure, optimizing talent structure and improving the skill of labor force, the state gives more policy support to private higher education development.

- In August 2020, five departments including the MOE jointly issued the "Opinion on Further Strengthening and Standardizing the Charging Method of Education Fee" (《關於進一步加強和規範教育收費管理的意見》), requiring that the charging method of non-profit private schools shall be formulated by provincial government; the charging method of for-profit private schools shall be formulated by school and adjusted for market condition. Independent pricing mechanism is favorable for the private universities with strong school running strength and high-quality education, and accordingly increase in number of students and per capita tuition can be achieved.

5.2.2 The government subsidizes vocational skills training, and B/C-side training has a bright future

- In May 2019, the State Council published "Action Plan for Vocational Skill Improvement (2019-2021)" (《職業技能提升行動方案(2019-2021)》), which proposes that from 2019 to 2021 actions shall be taken to upgrade vocational skill, improve the pertinence and effectiveness of training so as to comprehensively improve workers vocational skills and employment and entrepreneurship capabilities. Subsidized vocational skills training reached to more than 50 million people in three years.

5. FUTURE PROSPECT (CONT'D)

5.2 Government Policies (cont'd)

5.2.2 The government subsidizes vocational skills training, and B/C-side training has a bright future (cont'd)

- The 2021 Government Work Report once again proposed to “broaden the usage of vocational skills training funds, the development of large-scale, multi-level vocational skills training, to complete vocational skills upgrading and higher vocational expansion of the three-year action goal, and to build a number of highly skilled personnel training sites.” The state is committed to promoting a completed system of lifelong skills training, continuing to carry out vocational skills training on a large scale and other related favorable policies, providing strong policy support for commissioned training for B-side customers and vocational skills training for C-side individuals.

5.2.3 The state promotes the sharing of high-quality educational resources and intensifies the construction of training bases.

- Due to the continuous impact of the COVID-19 epidemic on higher education, the advantages of online education have become increasingly prominent, and the state has vigorously advocated mixed education and the construction of online education resources. In July 2020, the “Opinions on Supporting the Healthy Development of New Business Forms and New Models to Activating the Consumer Market and Driving Employment Expansion” (《關於支持新業態新模式健康發展激活消費市場帶動擴大就業的意見》) jointly issued by the National Development

and Reform Commission and other 13 departments, clearly emphasizes the establishment of a normalized integrated development mechanism for online and offline education and permits to purchase and appropriately use qualified society and market-oriented excellent online course resources; meanwhile, the 2021 Government Work Report proposes the promotion of open education resources for high-level universities, which provide a favorable policy opportunity to promote the sharing of high-quality education resources.

- In December 2020, the National Development and Reform Commission issued the “Guiding Opinions on Promoting the Co-construction and Sharing of Public Training Bases” (《關於推動公共實訓基地共建共享的指導意見》) to encourage localities to coordinate various types of funds, increase support for the construction of public training bases, and promote the co-construction and sharing of vocational skills training resources, facilitating the large-scale development of vocational skills training; the “14th Five-Year Plan” restates the construction of a batch of public training bases and industry-education integration bases, and promotes the co-construction and sharing of training resources, which have laid a solid policy foundation for the development of diversified practical trainings.

5. FUTURE PROSPECT (CONT'D)

5.3 Development Strategy

As a leader in private IT higher education in China, we have formed a proven education methodology and education and teaching resources. The students we trained have innovative thinking and strong practical ability, which has enabled the three universities to win sound brand reputation.

In the context of the accelerating the development of digital economy and digital society construction, continuous construction of high-quality education systems, and enhancing the capability of education to serve economic and social development at the national level, we will:

- Led by first-class education research, further promote the iterative innovation of TOPCARES featured education approach of Neuedu;
- Supported by first-class scientific and technology research and development, deepen the integration of education and regional economy, industry, and information technology;
- Driven by product development that closely follows market needs, continue to consolidate and improve the quality and core competitiveness of education resources and products;
- Guaranteed by the centralised management model featuring digitization, intelligence, and high-efficiency, boost the coupling and interaction of the “One Core with Two Complements” business, and further expand the brand influence, creating a new ecosystem in which key stakeholders are enabled to enjoy common development, shared growth and win-win scenario.

Based on our continuous tracking of the national education policy and our positive judgment on the education market in the field of “IT + healthcare technology”, we intend to adopt the following strategies/plans for each business segment:

5.3.1 Educational Research and Technology R&D Strategy

Facing the challenges and opportunities brought by the digital and intelligent transformation of higher education in the PRC, we will firmly promote the “education + technology” research and development strategy, and continue to invest more in research and development funding and personnel. With consistent research and exploration and relying on scientific and technical means and teaching methods innovation, we expect to build our core competitive advantage, taking the lead in and empowering a new round of education reform.

Educational Research

We will intensify our efforts to promote the iterative update of TOPCARES featured education approach of Neuedu through systematic research in the field of education technology and learning science. We continue to optimise and develop new education philosophy, approaches, models, systems and standards, and pay close attention to methods and channels of information technology and education integration, providing strong education theoretical support for technological studies and product development.

5. FUTURE PROSPECT (CONT'D)

5.3 Development Strategy (cont'd)

5.3.1 Educational Research and Technology R&D Strategy (cont'd)

Technical Research and Development

We will focus on the development trend of smart education in the future, and comprehensively promote the research and development and application of emerging cutting-edge technologies in the field of education such as artificial intelligence, big data, and virtual reality; continue to make key core technology breakthroughs in the learning difficulties in the digital environment such as intelligent guidance, dialogue robots, user portraits, blind spot detection, intelligent evaluation, state perception, behavior diagnosis, virtual experiments, etc., establishing a same-frequency linkage relationship with product research and development which is strong coupling and interactive.

Product Research and Development

We will accommodate to the national strategy of education modernization and the application scenarios of future education, and precisely design and make ahead planning for the innovative form of future education products with the full support from our latest achievements in education research and scientific and technological research. We work to carry out a comprehensive optimisation and reorganisation for existing products, and seek to build a systematic education product and teaching resources covering three levels of teaching management, teaching operation and teaching practice. We are committed to the simultaneous building of a smart education data management platform and an automated

teaching resource management platform, and focus on the research and development of integrated intelligent hybrid teaching platform products, digital real-time teaching management evaluation products, and digital advanced professional experimental practice products. In coordination with the efforts from three universities of Neusoft to accelerate the verification and export of high-quality supporting teaching resources, we endeavor to build a digital and intelligent education ecological product system based on platforms, data and resources for all professional fields and all teaching scenarios.

5.3.2 "One Core with Two Complements" Business Development Strategy

Full-time Formal Higher Education Service

- Based on our TOPCARES featured education approach, we will take the promotion of students' comprehensive development as the orientation, adopt an education model that is closely integrated with the needs of the industry, and use intelligent teaching platform to promote the upgrade of the blended education model.
- Supported by the approved 4 national-level, 18 provincial-level first-class bachelor degree programmes, and 56 first-class bachelor degree courses, we will continue to improve the quality of courses, projects, activities, laboratories, graduation projects, innovation and entrepreneurship, developing our three universities into "IT Demonstration Universities" and "Brand Universities".

5. FUTURE PROSPECT (CONT'D)

5.3 Development Strategy (cont'd)

5.3.2 "One Core with Two Complements" Business Development Strategy (cont'd)

Full-time Formal Higher Education Service (cont'd)

- We will add more new majors in the field of "IT+ healthcare technology" that are in high demand, and apply for more capacity to further consolidate our leadership in this field.
- We set to continuously optimise our pricing strategy, and regularly review the charging levels of the three universities based on the regional economic and social development level, service demand, education and training costs, and regulatory environment, and increase the pricing standards in a timely manner to achieve an increase in both quality and price.
- By upgrading existing school facilities and expanding campuses, we are committed to improving the conditions of three universities to enhance students' learning experience, to expand development space for high-quality school-running. We will also explore and expand the school network, and empower our universities move forward to a new stage of higher level and faster development through management and operation which is group-based, large-scale and refined.

Continuing Education Services

- As the dual promotion of "education + skills" has gradually become a rigid demand in society, with excellent teaching reputation of full-time formal higher education and strong brand awareness, our continuing education services will rapidly expand to a wider range of customer base, fully utilise the advantages of online education, continue to promote online-offline integration, and contribute to build a learning society in ways that expand the revenue of the Group.
- **In terms of the formal higher continuing education business,** guided by market demand, we will achieve solid growth in business scale through further adjustment of professional settings, timely update of teaching content, strengthening of teaching quality control, multiple guarantees for training and employment, and simultaneous online and offline enrollment.
- **In terms of short-term training for institutional clients,** we fully leverage dividend policies to make active applications for more training base qualifications and develop high-quality training products. We promote the expansion and upgrade of corporate training by taking the professional skills improvement project as the starting point; using teacher corporate practice as the starting point to increase the scale of entrusted training by colleges and universities; taking the 100th anniversary of the founding of the communist party of China as an opportunity to develop professional training and party building training for government departments.

5. FUTURE PROSPECT (CONT'D)

5.3 Development Strategy (cont'd)

5.3.2 "One Core with Two Complements" Business Development Strategy (cont'd)

Continuing Education Services (cont'd)

- **In terms of short-term training for individual customers**, we will launch products aimed at enhancing skills of pan-IT professional trainees and products aimed at helping non-IT professional trainees to quickly get start in IT industry. We implement the training model of "teaching online and practicing offline" to gradually realise the transfer of offline training to online, and forge a closed-loop teaching of "teaching, learning, practicing, testing, and evaluating". Through the combination of online and offline, we provide students with a more flexible and diversified learning experience, use high-quality employment to boost the reputation of students, and provide life-long education services for a wider range of people.

Education Resources and Apprenticeship Programmes

- Through the "3+N" business model which is asset-light, O2O, replicable and high-growth, we will break through the existing foundation of "three" universities of Neuedu in physical space and enrollment limits, and make full use of the real estate, faculty, equipment and campus of the "N" partner colleges; through diversified cooperation methods such as joint establishment of academic majors and industrial colleges, to export first-class education products and services, and realize the continuous expansion of education scale.
- We provide high-quality education resources through online and offline forms, and continue to expand the scope of education value-added services, and to utilise big data technology to make our delivery of education resources more detectable, measurable and evaluable, in ways that promote the synchronous progress and deep integration of online and offline ways, thus satisfying the diverse needs of higher education institutions.
 - We endeavor to further geographically broaden the sales network, improve sales capabilities, expand brand awareness and coverage of high-quality education resources.
 - We will intensify appropriate deployment and the optimise of apprenticeship programme and attract more higher education institutions to cooperate with us, enabling us to build a talent supply ecosystem that benefits schools, enterprises, students and the government.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

As of the date of this Report, our Board consists of nine Directors: one executive Director, five non-executive Directors and three independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Roles and responsibilities	Date of joining the Group	Date of appointment as Director
LIU Jiren (劉積仁)	65	Non-executive Director, Chairperson	Overall strategic planning, overall management and business direction	June 2000	31 August 2018
WEN Tao (溫濤)	58	Executive Director, Chief executive officer, President	Overseeing operational performance and daily management	June 2000	31 August 2018
RONG Xinjie (榮新節)	58	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)	48	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
LIU Shulian (劉淑蓮)	66	Independent non-executive Director	Providing independent opinion and judgement to the Board	August 2018	31 August 2018
QU Daokui (曲道奎)	59	Independent non-executive Director	Providing independent opinion and judgement to the Board	August 2018	31 August 2018
WANG Weiping (王衛平)	69	Independent non-executive Director	Providing independent opinion and judgement to the Board	August 2018	31 August 2018

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)

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 a member of the Remuneration Committee. He is a core founding member of the Group (and Neusoft Holdings Group) and is currently the director or chairperson of the board of a number of the Group members, including: (i) Dalian Neusoft Software Park Industry Development, 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) Neusoft Ruixin, 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, formerly known as Northeastern University of Technology (東北工學院)), China, in April 1980, December 1982 and November 1987, respectively, as well as a professorship of Northeastern University, China, in June 1988.

Aside from the Group, Dr. J. Liu has more than 30 years of experience in the education industry. He was formerly a lecturer at the Northeastern University from May 1987 to June 1988 and a vice-principal from March 1995 to August 2014 and he has been a professor of the 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 (stock code: 600718), since June 1996.

Save as disclosed in this section, Dr. J. Liu did not hold any directorships in any other listed companies during the three years prior to and including the date of this Report.

Executive Director

Dr. WEN Tao (溫濤)

Dr. Wen, aged 58, is our executive Director, chief executive officer and president of the Company. He holds various directorships within the 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-chairperson 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 Dalian Neusoft Software Park Industry Development, 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 the 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.

DIRECTORS (CONTINUED)

Executive Director (Continued)

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 Dalian Neusoft Software Park Industry Development. 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, please see "Business – Our competitive strengths – Experienced management team and high-quality teaching staff" in the Prospectus of the Company.

Dr. Wen did not hold any directorships in any other listed companies during the three years prior to and including the date of this Report.

Non-executive Directors (aside from our Chairperson)

Mr. RONG Xinjie (榮新節)

Mr. Rong, aged 58, is a non-executive Director of the Company and a member of the Audit Committee. He holds various directorships within the Group, including: Dalian Development, 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 the Group, Mr. Rong is a director and general manager from February 2013 to January 2017 and a deputy-chairperson of the board of directors of Neusoft Holdings; general manager and chief executive officer, 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 other listed companies during the three years prior to and including the date of this Report.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)

Non-executive Directors (aside from our Chairperson) (Continued)

Dr. YANG Li (楊利)

Dr. Yang, aged 58, is a non-executive Director of the Company. 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 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 other listed companies during the three years prior to and including the date of this Report.

Dr. ZHANG Yinghui (張應輝)

Dr. Zhang, aged 48, 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 any other listed companies during the three years prior to and including the date of this Report.

DIRECTORS (CONTINUED)

Non-executive Directors (aside from our Chairperson) (Continued)

Mr. Klaus Michael ZIMMER

Mr. Zimmer, aged 64, is a non-executive Director. 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 a member of the board of Neusoft Corporation, from May 2011 to April 2017 and the senior vice-president from May 2017 to July 2018, the vice-president of Neusoft Holdings from February 2019 to December 2020.

Mr. Zimmer did not hold any directorships in any other listed companies during the three years prior to and including the date of this Report.

Independent Non-executive Directors

Dr. LIU Shulian (劉淑蓮)

Dr. S. Liu, aged 66, is an independent non-executive Director, chairperson of the Audit Committee, and a member of the Nomination Committee. Dr. S. Liu is also an independent non-executive director of Neusoft Corporation, a company listed on the Shanghai Stock Exchange (stock code: 600718), since May 2017. Prior to this, she was an independent non-executive director of Dalian Huarui Heavy Industry Group co., Ltd. (大連華銳重工集團股份有限公司) (formerly known as Dalian Huarui Heavy Industry Steel Casting Co., Ltd. (大連華銳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 (stock code: 600694)), from April 2007 to April 2013.

Dr. S. Liu received her bachelor's degree in economics, master's degree in economics and doctorate degree in management, from Dongbei University of Finance and Economics (東北財經大學) (formerly known as Liaoning Finance Institute (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; acted as 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), from 2008 to 2018; 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 any directorships in any other listed company during the three years prior to and including the date of this Report.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)

Independent Non-executive Directors (Continued)

Dr. QU Daokui (曲道奎)

Dr. Qu, aged 59, is an independent non-executive Director, the chairperson of the Remuneration Committee, and a 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.

Save as disclosed in this section, Dr. Qu did not hold any directorships in any other listed companies during the three years prior to and including the date of this Report.

Dr. WANG Weiping (王衛平)

Dr. Wang, aged 69, is an independent non-executive Director, a member of the Remuneration Committee, and a 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 any directorships in any other listed company during the three years prior to and including the date of this Report.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table provides information about members of our senior management (aside from our Directors) of the Company as of the date of this report:

Name	Age	Position	Roles and Responsibilities	Date of joining the Group
CHAO Yujun (晁玉軍)	55	Vice-president; Chief financial officer	Overseeing financial operations and management	February 2004
LI Yingao (李印杲)	49	Vice-president	Overseeing the business operations of education resources and continuing education	March 2020
WANG Weikun (王維坤)	49	Vice-president	Overseeing the operations of branding, administration, and logistics management	June 2002

Due to family reasons, Dr. LI Xue (李雪) has resigned as the vice-president of the Company, which took effect on 18 February 2021. Dr. LI Xue has confirmed that he did not have any disagreement with the Board or the senior management, and there was not any matters that need to be brought to the attention of the Group, the Company's shareholders or the Stock Exchange.

Mr. CHAO Yujun (晁玉軍)

Mr. Chao, aged 55, is the 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 the 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 date of this Report.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT (CONTINUED)

Mr. LI Yingao (李印泉)

Mr. Li, aged 49, 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 (人力資源總監) and general manager of the IT talent training department (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 date of this Report.

Dr. WANG Weikun (王維坤)

Dr. W. Wang, aged 49, 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 date of this Report.

None of the Directors and members of senior management of the Company are related to other Directors or members of senior management.

COMPANY SECRETARIES

Ms. HE Jing (何婧)

Ms. He, aged 36, 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 (stock 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.

Ms. MAK Po Man Cherie (麥寶文)

Ms. Mak, aged 46, 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 16 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.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining and promoting stringent corporate governance. The corporate governance principles of the Company are to promote effective internal control measures, to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations, and to enhance the transparency and accountability of the Board to all Shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the period from 29 September 2020 (the "**Listing Date**") to 31 December 2020 (the "**Relevant Period**"), except for the deviations noted below, the Company has complied with the code provisions of the CG Code and, where appropriate, adopted the recommended best practices as set out in the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

(a) CG Code A.1.1

Under the CG Code A.1.1, the Board should meet regularly and the board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of Directors entitled to be present. As (i) the Directors regularly communicated on different matters regarding the Company before the Listing; (ii) on 23 September 2020, the Company held a board meeting in ways of on-site and video conference to review the interim financial information and the interim report of the Company prior to the Listing; and (iii) there was only a short timeframe for the Relevant Period, the Company did not hold four regular board meetings during the Relevant Period. In the financial year of 2021, the Company will hold at least four regular board meetings.

(b) CG Code A.5.2

According to the CG Code A.5.2 and the terms of reference of the Nomination Committee, the Nomination Committee should review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. As (i) there has been discussion among Directors on the relevant matters prior to the Listing of the Company; and (ii) there was only a short timeframe for the Relevant Period, there was no meeting convened by the Nomination Committee during the Relevant Period. In the financial year of 2021, the Nomination Committee will hold one meeting to review and discuss the matters stated in the terms of reference of the Nomination Committee.

(c) CG Code B.1.2

Pursuant to the CG Code B.1.2 and the terms of reference of the Remuneration Committee, the Remuneration Committee should make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. As (i) there has been discussion among Directors on the relevant matters prior to the Listing of the Company; and (ii) there was only a short timeframe for the Relevant Period, there was no meeting convened by the Remuneration Committee during the Relevant Period. In the financial year of 2021, the Remuneration Committee will hold one meeting to review and discuss the matters stated in the terms of reference of the Remuneration Committee.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted model code for Securities Transactions by Directors of Listed Issues set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding Directors’ securities transactions. In addition, the Company has also adopted a code of conduct regarding the Directors securities transactions on terms no less exacting than the required standard set out in the Model Code as the Company’s code of conduct for dealings in securities of the Company by the Directors.

Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the required standard set out in the code of conduct and the Model code throughout the year ended 31 December 2020. The Company has been notified by Dr. Liu Jiren (劉積仁) (a non-executive Director of the Company) that he is deemed to be interested in Shares held by Neusoft Holdings, which acquired 1,454,500 shares (representing approximately 0.217% of the total issued share capital of the Company at the time) through its wholly-owned subsidiary during the black-out period prior to the publication of the annual results of the Company. Therefore, Dr. Liu Jiren (劉積仁) did not strictly comply with paragraphs A.3(a), A.6 and B.8 of the Model Code in respect of the aforesaid share purchases. In light of the aforesaid and in order to prevent potential breaches in the future, the Company has taken various measures, including (i) reiterating and reminding the Directors from time to time in respect of the relevant rules and requirements in relation to Directors’ dealing in securities, (ii) providing enhanced trainings to Dr. Liu and relevant executives at Neusoft Holdings in relation to the Model Code and relevant internal regulations, and (iii) strengthen the internal control procedures in order to ensure the compliance of the code of conduct and the Model Code.

THE BOARD

Responsibilities

The Board leads and provides direction to the management, directly, and indirectly through its committees, by laying down strategies and overseeing their implementation, monitors the Group’s operational and financial performance, and ensures that sound internal control and risk management systems are in place. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

The major powers and functions of the Board include, but not limited to, convening the general meetings, presenting reports at the general meetings, implementing the resolutions passed at the general meetings, considering and approving the operational plans and investment plans of the Company, formulating the Company’s strategic development plans, formulating annual financial budgets and final accounts plans, formulating profit distribution plans and loss recovery plans, and exercising other powers and functions as conferred by the Memorandum and Articles of Association (the “**Articles of Association**”).

The Company provides the Directors with sufficient resources to perform their duties and the Directors may seek independent professional advice at the Company’s cost, where it is considered relevant and necessary for the purpose of discharging their duties.

Delegation of management function

The Board is responsible for making decision with respect to the strategic plans, major investment decisions and other significant operational matters of the Company, while responsibilities with respect to the implementation of the decisions of the Board, and the execution of strategies and systems in the daily operations of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to entering into any significant transactions.

THE BOARD (CONTINUED)

Composition of the Board

During the Relevant Period and up to the date of this Report, the members of the Board are set out below:

Chairperson and non-executive Director

Dr. LIU Jiren

Executive Director

Dr. WEN Tao

Non-executive Directors (aside from our Chairperson)

Mr. RONG Xinjie

Dr. YANG Li

Dr. ZHANG Yinghui

Mr. Klaus Michael ZIMMER

Independent Non-executive Directors

Dr. LIU Shulian

Dr. QU Daokui

Dr. WANG Weiping

All Directors of the Company has extensive experience and in-depth knowledge, and are diligent and responsible, which is highly beneficial to the business development of the Company. The composition of the Board provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goals. The executive Director of the Company is responsible for monitoring the daily operations of the Company, the non-executive Directors are responsible for providing professional advice to the Board, and the independent non-executive Directors are responsible for providing independent judgments in the overall decision-making process of the Board. Biographical details of the Directors are set out in the section headed "Directors and Senior Management" in this Report. A list of the Directors specifying their roles and functions is available on the Stock Exchange's and the Company's website.

There is no other relationship (including financial, business, family or other material/relevant relationship(s) among the Board members of the Company.

As regards the CG Code provision requiring Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the company in a timely manner.

Board meetings and general meeting

The Articles of Association of the Company sets out the responsibilities and proceedings of the Board. The Board meets regularly, at least four times a year, to consider operational reports and policies of the Company. Not less than 14 days' notices are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board meetings and Board Committee meetings, reasonable notice is generally given in the circumstances.

The Company Secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. Minutes of the Board meetings and committee meetings are recorded in sufficient details in respect of matters considered by the Board and committees and the decisions reached. Final version of these minutes are available for inspection by Directors.

THE BOARD (CONTINUED)

Board meetings and general meeting (Continued)

As there is a short timeframe between the Listing Date of the Company and the release of the 2020 interim report of the Company, the Board of the Company only held one Board meeting to review the interim financial information and the interim report of the Company prior to the Listing Date. Since the Listing Date, the Company has not held a general meeting. Individual attendance records of each Director at the Board meetings are set out below:

Directors	Attendance in person/ Number of meetings held
Dr. LIU Jiren	1/1
Dr. WEN Tao	1/1
Mr. RONG Xinjie	1/1
Dr. YANG Li	1/1
Dr. ZHANG Yinghui ^(Note 1)	0/1
Mr. Klaus Michael ZIMMER ^(Note 2)	0/1
Dr. LIU Shulian	1/1
Dr. QU Daokui	1/1
Dr. WANG Weiping	1/1

Notes:

1. Dr. WEN Tao was entrusted to attend and vote on the Board meeting of the Company held on 23 September 2020.
2. Dr. LIU Jiren was entrusted to attend and vote on the Board meeting of the Company held on 23 September 2020.

After the Listing Date, the Company held a separate meeting for the Chairperson and independent non-executive Directors in accordance with the code provision A.2.7 of the CG Code.

THE BOARD (CONTINUED)

Training and continuous professional development of Directors

Each newly appointed Director shall be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also regularly provides all Directors with internal briefings on updates in relation to the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

The Directors undertake to comply with the code provision A.6.5 of the CG Code. During the Relevant Period, the Company has provided videos and reading materials related to corporate governance matters and Directors' duties for their reference and study. All Directors (namely, Dr. LIU Jiren, Dr. WEN Tao, Mr. RONG Xinjie, Dr. YANG Li, Dr. ZHANG Yinghui, Mr. Klaus Michael ZIMMER, Dr. LIU Shulian, Dr. QU Daokui and Dr. WANG Weiping) have participated in the training of Directors organised by the Company to develop their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company has maintained the training records of each Director for the year ended 31 December 2020.

Insurance of Directors and Officers

The Company has arranged for appropriate insurance coverage for Directors' and Officers' liabilities in respect of legal actions against them arising out of corporate activities.

Independent non-executive Directors

The independent non-executive Directors have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, all independent non-executive Directors will continue to make various contributions to the Company.

Since the Listing Date, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the number of independent non-executive Directors represents at least one-third of the Board.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence and considers that each of them to be independent by reference to the Rule 3.13 of the Listing Rules.

THE BOARD (CONTINUED)

Chairperson and Chief Executive Officer

Since the Listing Date, Dr. LIU Jiren has served as chairperson and Dr. WEN Tao has served as chief executive officer. The chairperson is responsible for leading the Board to formulate the overall strategic planning, overall management and business direction of the Company. The chief executive officer is responsible for overseeing the operational performance and daily management of the Company.

There is a clear and effective division of responsibilities between the chairperson and the chief executive officer to ensure a balance of power and authority.

Appointment and re-election of Directors

There is no change in information of Directors since the Listing Date. Each of the Directors has entered into a service contract or letter of appointment with the Company for a term of three years.

Notwithstanding the specific term of appointment, provisions under the Articles of Associations of the Company require that at each annual general meeting, one-third of the Directors for the time being, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Pursuant to the Articles of Associations of the Company, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director so that the number of Directors appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meetings. Any Director appointed by the Board 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. Any Director appointed under this Article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

The term of office of all Board members of the Company will expire in 2021. Therefore, in accordance with Article 108 of the Articles, Dr. LIU Jiren, Dr. WEN Tao, Mr. RONG Xinjie, Dr. YANG Li, Dr. ZHANG Yinghui, Mr. Klaus Michael Zimmer (“**Mr. Zimmer**”), Dr. LIU Shulian, Dr. QU Daokui and Dr. WANG Weiping shall retire from offices as Directors at the annual general meeting. Except for Mr. Zimmer, who expires his term of service and does not offer himself for re-election, all of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM. The biographical details of the above named Directors to be re-elected at the AGM are set out in Appendix II to this circular in accordance with the relevant requirements of the Listing Rules.

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established three committees (namely, the Audit Committee, the Remuneration Committee and the Nomination Committee) for overseeing the performance of specific functions which are set out in written terms of reference for each committee. The Board committees are provided with sufficient resources to perform their duties and may seek independent professional advices where appropriate when receiving reasonable requests. The relevant costs shall be borne by the Company.

Audit Committee

The Company has established the Audit Committee with written terms of reference (being available on the websites of the Stock Exchange and the Company) in compliance with Rule 3.21 of the Listing Rules and the CG Code. During this financial year, the Audit Committee is comprised of two independent non-executive Directors (Dr. LIU Shulian and Dr. QU Daokui) and one non-executive Director (Mr. RONG Xinjie). Dr. LIU Shulian is the chairperson of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system (including risk management) of the Group, review and approve connected transactions and provide advice and comments to the Board. The Committee must meet, at least twice a year, with the external auditors, to assist and advise the Board in establishing formal and transparent arrangements to consider how the Board should apply financial reporting, risk management and internal control principles for maintaining an appropriate relationship with the Company's auditors, and for approving connected transactions for the Company.

The Audit Committee of the Company held two audit committee meetings on 14 September 2020 prior to the Listing Date and 14 December 2020 after the Listing Date, respectively. At the meeting held on 14 September 2020, the Audit Committee had reviewed the Company's unaudited interim condensed consolidated financial information for the six months ended 30 June 2020, and confirmed that the applicable accounting principles, standards and requirements had been complied with, and that adequate disclosures had been made. At the meeting held on 14 December 2020, the Audit Committee listened to the report from the external auditor on the financial audit work plan of the Company in 2020 and discussed the financial audit work plan of the Company in 2020. No executive Director attended the two meetings between the Audit Committee and the external auditor.

The composition of the Audit Committee and attendance of members at committee meeting are as follows:

Composition of Board committees (C= Chairperson; M= Member of the Committee)	Attendance/ Number of meetings held
Dr. LIU Shulian (C)	2/2
Dr. QU Daokui (M)	2/2
Mr. RONG Xinjie (M)	2/2

BOARD COMMITTEES (CONTINUED)

Nomination Committee

The Company has established the Nomination Committee with written terms of reference (being available on the websites of the Stock Exchange and the Company) in compliance with the CG Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. During this financial year, the Nomination Committee is comprised of two independent non-executive Directors (Dr. LIU Shulian and Dr. WANG Weiping) and one non-executive Director (Dr. LIU Jiren). Dr. LIU Jiren is the chairperson of the Nomination Committee.

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 Committee shall meet at least once annually, to identify, consider and recommend to the Board appropriate candidates to serve as Directors of the Company, to oversee the process for evaluating the performance of the Board, and to develop and recommend to the Board nomination guidelines. The Nomination Committee will take into consideration a candidate's qualification, experience, expertise and knowledge, the requirements applicable to the Company and the structure and composition of the Board, identify, review and nominate with diligence and care candidates suitably qualified as Board members before making recommendations to the Board for their final appointment.

As there is a short timeframe for the Relevant Period of the Company, the Nomination Committee has not held any separate meetings.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference (being available on the websites of the Stock Exchange and the Company) in compliance with the CG Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. During this financial year, the Remuneration Committee is comprised of two independent non-executive Directors (Dr. QU Daokui and Dr. WANG Weiping) and one non-executive Director (Dr. LIU Jiren). Dr. QU Daokui is the chairperson of the Remuneration Committee.

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 senior management. The Committee shall meet at least once annually, to make recommendations to the Board in determining the policy and structure for the remuneration of all directors and senior management, including remuneration packages, bonuses and other compensation, to establish a formal and transparent procedure for developing policy, to evaluate the performance of directors and senior management, to review and approve the terms of incentive schemes and directors' service contracts, and to recommend the remuneration packages for all Directors and senior management.

As there is a short timeframe for the Relevant Period of the Company, the Remuneration Committee has not held any separate meetings.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographies of Directors and members of senior management as at the date of this Report are set out in the section headed "Directors and Senior Management" in this Report. Pursuant to the code provision B.1.5 of the CG Code, the following table sets forth the remuneration of the Directors and members of senior management (excluding equity-settled share option expense) categorized by remuneration group for the year ended 31 December 2020:

Group (Note)	Remuneration (RMB)	Number of Individuals
1	1,000,001–2,000,000	5
2	2,000,001–3,000,000	1
3	3,000,001–5,000,000	1

Note:

Group 1 includes 2 Directors and 3 members of senior management of the Company.

Group 2 includes 1 member of senior management of the Company.

Group 3 includes 1 Director and senior management of the Company.

The Directors and senior management may also receive options to be granted under the Share Option Scheme. For further details of the Share Option Scheme, please refer to the paragraph headed "Pre-IPO Share Incentive Scheme" and "Post-IPO Share Incentive Scheme" of this Report.

During the year ended 31 December 2020, none of the Directors waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Further details relating to Directors' emoluments and the five highest paid individuals as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 11 and 37 to the financial statements.

BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board diversity which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that the Company should endeavor to ensure that Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based in a range of measurable objectives, including but not limited to gender, age, culture and educational background, knowledge, professional qualification, skills, expertise, knowledge and industry experience. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Directors believe that such merit-based appointments will best enable the Company to serve the Shareholders and other stakeholders going forward.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

DIRECTORS NOMINATION POLICY

According to the Directors Nomination Policy, in evaluating and selecting any candidate for directorship, the Nomination Committee would consider the following criteria, including, among other things, integrity and credit, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s). The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship based on the needs of the Company and reference check of each candidate.

DIVIDEND POLICY

Subject to the Articles of Associations and applicable laws, the Company at general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. For further details on the dividend policy of the Company, please refer to the section headed "Dividend Policy" in the Report of the Directors.

AUDITORS' REMUNERATION

The independent auditor of the Company is PricewaterhouseCoopers. PricewaterhouseCoopers provided services in respect of the audit of the Company's consolidated financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) for the year ended 31 December 2020.

For the years ended 31 December 2020, the total fee paid/payable (excluding disbursements) in respect of audit and non-audit services provided by the independent auditor is set out below:

	RMB'000
Audit services related to IPO	1,900
Annual audit and related services	2,950
Non-audit services	850
Total	5,700

The statement of the auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 109 to 115 of this Report.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements of the Company for the year ended 31 December 2020. The responsibilities of the Company's auditor on the consolidated financial statements of the Company are set out in the independent auditor's report on pages 109 to 115 of this Report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The Board confirms that, to the best of its knowledge and having made appropriate enquires, it considers that the Company has adequate resources to continue in operational existence in the foreseeable future and has prepared the financial statements on a going concern basis accordingly.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving its strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems.

The management is primarily in charge of designing, implementing and monitoring the risk management and internal control systems. The Board, through the Audit Committee, oversees management on the above systems and has conducted a review on the effectiveness of the systems including aspects of financial, operational and compliance controls annually. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Audit and Supervision Department of the Company has the internal audit function and conduct an assessment on the internal control and risk management systems of the Company for the year ended 31 December 2020. The review covered all material risks and controls, including financial, operational, business and strategic, compliance as well as risk management. The adequacy and effectiveness of such systems was analysed by (1) interviewing with the Board and supervisors of different operation units regarding the Company's daily operation flow and (2) examining major internal control procedures by random sampling. The Audit and Supervision Department reports to the Board from time to time, and has provided its findings and recommendations in respect of enhancing the effectiveness on the risk management and internal control systems of the Company to the Audit Committee, and takes actions to resolve the defects once identified. During the year, no major deficiencies were found in respect of internal control. The Board believes that the internal control and risk management systems of the Company are adequate and effective.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

The key features of the Company's internal control and risk management systems include:

- A comprehensive financial accounting system to accurately measure financial performance of the Company
- The Board monitors and maintains levels of cash and cash equivalents deemed adequate to finance the Company's operations
- Prior approval from Directors or senior management regarding commitment for all material matters
- Guidelines on assessing, reporting and disseminating inside information
- Organized and standardized procedures on recruitment and employee relocation
- Periodic review by management on the internal control procedures and risks factors
- Report to the Audit Committee about the findings on identified risks and measures to address such risks

The Company will continue to review the Company's systems of internal control and risk management and further enhance the Company's system as appropriate. The Board will also continually evaluate the adequacy of resources, staff qualifications and experience, training programs and budget in terms of the Company's accounting and financial reporting functions.

The Group has a policy for handling and dissemination of inside information, including relevant control processes and safeguards. The processes and safeguards are implemented when and as necessary by relevant department heads and the management involved in the handling and dissemination of inside information.

JOINT COMPANY SECRETARIES

Ms. HE Jing and Ms. MAK Po Man Cherie are the joint company secretaries of the Company. For details of Ms. HE Jing and Ms. MAK Po Man Cherie, please refer to the section headed “Directors and Senior Management” of this Report. Ms. HE Jing is a full-time employee of the Company.

Ms. HE Jing is responsible for making recommendations to the Board on issues related to corporate governance, ensuring that Board policies and procedures as well as applicable laws, rules and regulations are strictly followed, as well as reporting corporate governance matters to the chairperson and chief executive officer of the Company.

In order to maintain sound corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also appointed Ms. MAK Po Man Cherie of SWCS Corporate Services Group (Hong Kong) Limited, as the Company’s joint company secretary, to assist Ms. HE Jing in discharging the duties of a company secretary. Ms. HE Jing has attended trainings on, among other things, the Listing Rules, director and Board secretaries’ duties, rules on information disclosure, rules on connected transactions, notifiable transactions, directors’ securities dealings, disclosure of interests, market misconduct and the implementation of relevant internal policies.

In compliance with Rule 3.29 of the Listing Rules, Ms. HE Jing and Ms. MAK Po Man Cherie undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the year ended 31 December 2020. The Company’s primary contact with Ms. MAK Po Man Cherie is the joint company secretary of the Company, Ms. HE Jing.

SHAREHOLDERS’ RIGHTS

To safeguard Shareholders’ interests and rights, a separate resolution will be proposed for each issue at general meetings.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Under the Articles of Association of the Company, extraordinary general meetings shall also 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 two 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.

SHAREHOLDERS' RIGHTS (CONTINUED)

Enquiries made to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could directly send their enquiries to Hong Kong Share Registrar of the Company, Tricor Investor Services Limited or send email to enquiries@hk.tricorglobal.com or hotline at +852 2980 1333 or go in person to the public counter at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders who intend to raise their inquiries about corporate governance or other matters to the Board could send a written inquiry request marked "The Board" to the Company, and mail the written inquiry request to No. 8 Software Park Road, Ganjingzi District, Dalian, Liaoning Province, China.

Communication with shareholders

The Company believes that effective communication with Shareholders is essential to enhance investor relations and investors' understanding of the Company's business performance and strategy. The Company also recognizes the transparency of its corporate information and the importance of timely disclosure of such information, which enables Shareholders and investors to make the best investment decisions.

The Company publishes the latest information regarding the Company on the maintained website (<https://www.neuedu.com>), including business operations, financial information, corporate governance practices and other information.

To facilitate communication between the Company and the investment community, the Company regularly conducts briefings and meetings with institutional investors and analysts as well as media interviews and roadshows, to provide the latest and comprehensive information of the Company.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Company adopted the revised and restated Memorandum and Articles of Association of the Company on 11 September 2020, with effect from the listing of the shares of the Company on the Stock Exchange. There are no changes in the constitutional documents of the Company since the Listing Date and up to the date of this Report. The latest version of the Company's Memorandum and Articles of Association are available on the websites of the Stock Exchange and the Company.

DIRECTORS' REPORT

The Board is pleased to present this Report and the audited financial statements of the Group for the year ended 31 December 2020.

1. GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 20 August 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 29 September 2020.

2. PRINCIPAL BUSINESSES

The Company is an investment holding company. The Group is principally engaged in providing education services in the PRC, including (i) full-time formal higher education services; (ii) continuing education services; and (iii) education resources and apprenticeship programme. Activities and particulars of the subsidiaries of the Company are set out in note 36 to the notes to financial statements.

3. BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020, comprising an analysis of the Group's performance during the year using financial key performance indicators, particulars of important events affecting the Group during the year and an indication of future developments of the Group are set out in the sections headed "Chairperson's Statement", "Management Discussion and Analysis" in this Report. The review and discussion form part of this directors' report.

4. ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group attaches great importance to environmental protection and has complied with all the laws and regulations that have a significant impact on the business and operations of the Group in all material respects. There was no serious violation of relevant laws and regulations during the reporting period.

The Group is committed to fulfilling social responsibilities, improving employee welfare and promoting development, protecting the environment, making contributions to society and achieving sustainable growth.

The Environmental, Social and Governance Report for the year ended 31 December 2020 will be published by the Company in due course in accordance with Appendix 27 of the Listing Rules.

5. PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties the Group faces include:

- 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;
- our business and results of operations depend on whether we can expand student enrolments and whether we can expand the number of universities that cooperate with us;
- our business relies heavily on our brand and reputation, and any damage to our reputation would materially and adversely affect our business;
- we are subject to uncertainties brought by the recent developments of PRC Laws relating to private education;
- we face intense competition in the PRC education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures;
- risks relating to our Contractual Arrangements; and
- our business has been and is likely to be materially and adversely affected by the outbreak of COVID-19.

The above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisers before making any investment in the shares.

6. CONTINUING CONNECTED TRANSACTIONS

1) Neusoft holdings framework agreement

Background

On 11 September 2020, the Company (for itself and on behalf of the other members of the 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) the Group would lease certain properties to Neusoft Holdings Group; (ii) the Group would provide software development and technological services to Neusoft Holdings Group; and (iii) the 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 effective 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.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

1) Neusoft holdings framework agreement (Continued)

a. Property leasing and management

Description of the transaction and pricing policy

We will lease out certain buildings (including land and facilities) and offer property management services to members of Neusoft Holdings Group. 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

In 2020, the actual revenue from this transaction was approximately RMB0.3 million.

Listing Rules implications

Since the highest applicable percentage ratio calculated under Rule 14.07 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.

b. Software development and technological services

Description of the transaction and pricing policy

We provide software development and technological services to members of Neusoft Holdings Group, including: internet systems, email platforms and support services, helpdesk platform and support services, 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, annual caps and bases of annual caps

In 2020, the annual cap for such software development and technological services was RMB6.0 million. In 2020, the actual revenue from this transaction was nil.

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 shareholder's approval (including recommendation from an independent financial adviser) requirements, but will subject to announcement requirements and annual reporting requirements under Chapter 14A of the Listing Rules.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

1) Neusoft holdings framework agreement (Continued)

c. Provision of on-site engineers

Description of the transaction and pricing policy

We provide on-site engineers 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. 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, annual caps and basis of annual caps

In 2020, the annual cap for providing on-site engineers was RMB90.0 million. In 2020, the actual revenue from this transaction was approximately RMB56.8 million.

In 2021, the annual cap for providing on-site engineers is RMB90.0 million.

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 Rule 14.07 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 reporting, annual review, announcement, circular and independent shareholders' approval requirements.

Connected relationship

Neusoft Holdings is the controlling shareholder of the Company and a substantial shareholder at the Company and the subsidiary level. Its subsidiaries are the associates of Neusoft Holdings. Therefore, Neusoft Holdings and its subsidiaries are connected persons of the Company.

2) Property framework agreement

Description of the transaction and pricing policy

On 11 September 2020, the 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 and entities controlled by Dr. J. Liu 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. The terms of the agreement were entered into on normal commercial terms (or better) after arm's length negotiations and will be effective from the Listing Date to 31 December 2022 (both dates inclusive).

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

2) Property framework agreement (Continued)

Historical amounts

In 2020, the actual fee for this transaction was approximately RMB1.5 million.

Listing Rules implications

Since the highest applicable percentage ratio calculated under Rule 14.07 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.

Connected relationship

Dr. J. Liu is the controlling shareholder of the Company, Chairperson, Director, a core founding member of the Group and a substantial shareholder at the Company level, and the entities controlled by him are the associates of Dr. J. Liu. Therefore, Dr. J. Liu and his controlling entities are connected persons of the Company.

3) Structured contracts

Overview

The Group (a) operates private higher education businesses (through our universities) ("**Education Business**"); and (b) publishes audio-visual products and electronic publications, and provides 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, the Group operates Relevant Business through the Consolidated Affiliated Entities. To comply with PRC Laws and maintain effective control over our Relevant Business, we entered into Contractual Arrangements, under which our JV (being Neusoft Ruixin) acquired effective control over the financial and operational policies of the Consolidated Affiliated Entities and became entitled to all of the economic benefits derived from their operations.

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 Dalian Neusoft Software Park Industry Development.

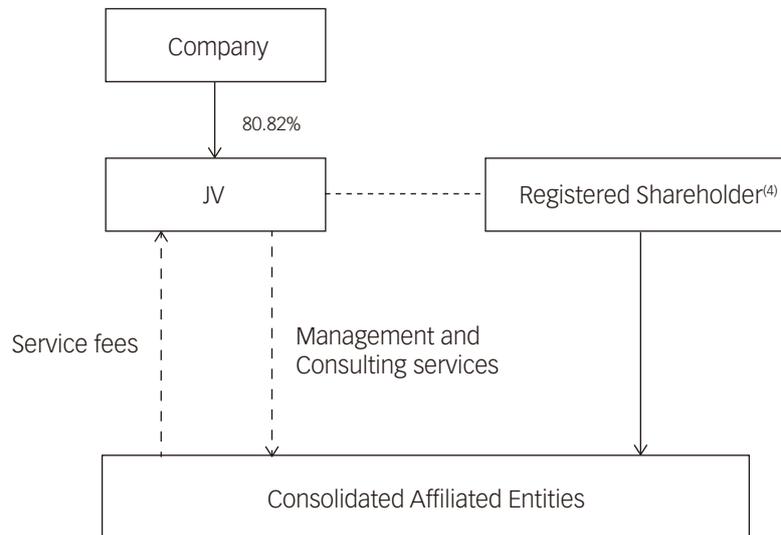
The Consolidated Affiliated Entities under the Contractual Arrangements include: (a) Dalian Neusoft Software Park Industry Development Co., Ltd.; (b) Dalian Neusoft University of Information; (c) Dalian Neusoft Electronic Press Co., Ltd.; (d) Chengdu Neusoft Information Technology Development Co., Ltd.; (e) Chengdu Neusoft University; (f) Foshan Nanhai Neusoft Information Technology Development Co., Ltd.; (g) Neusoft Institute, Guangdong. Details of the Consolidated Affiliated Entities are set out in the notes 36 to the consolidated financial statements.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) Structured contracts (Continued)

Overview (Continued)

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



Notes:

- (1) "→" denotes direct legal and beneficial ownership in: (a) the equity interests of Dalian Neusoft Software Park Industry Development in the Consolidated Affiliated Entities, and (b) the sponsor interests in our universities.
- (2) "→" denotes the contractual arrangements.
- (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 Dalian Development and the Consolidated Affiliated Entities; (b) exclusive options to acquire all or part of the Registered Shareholder's equity interest in Dalian Neusoft Software Park Industry Development and sponsor interests in our universities; and (c) equity pledge over the Registered Shareholder's equity interest in Dalian Neusoft Software Park Industry Development.
- (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" in the Prospectus of the Company.

Summary of material terms of structured contracts

A summary of each of the specific agreements in force that comprise the Structured Contracts is set out below. For further details of these agreements, please refer to the section headed "Contractual Arrangements – Summary of the Material Terms of Our Contractual Arrangements, Summary of Other Material Terms of Our Contractual Arrangements" in the Prospectus.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) Structured contracts (Continued)

Summary of material terms of structured contracts (Continued)

a. *Exclusive management consultancy and business cooperation agreement*

Under the exclusive management consultancy and business cooperation agreement dated 21 June 2019, entered into between (i) Neusoft Ruixin; (ii) our Consolidated Affiliated Entities; and (iii) the Registered Shareholder of Dalian Neusoft Software Park Industry Development (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.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) structured contracts (Continued)

Summary of material terms of structured contracts (Continued)

b. Exclusive call option agreement

Under the exclusive call option agreement dated 21 June 2019, entered into between (i) Neusoft Ruixin; (ii) the Registered Shareholder of Dalian Neusoft Software Park Industry Development; and (iii) Dalian Neusoft Software Park Industry Development 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 Dalian Neusoft Software Park Industry Development 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 Neusoft Ruixin or its designated third party is permitted under PRC Laws to acquire all or part of the equity interests of Dalian Neusoft Software Park Industry Development 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 Dalian Neusoft Software Park Industry Development 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 Dalian Neusoft Software Park Industry Development or universities is permitted without our JV's prior written consent.

Any distribution of profit or dividend from Dalian Neusoft Software Park Industry Development 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 Dalian Neusoft Software Park Industry Development 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.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) Structured contracts (Continued)

Summary of material terms of structured contracts (Continued)

c. *Equity pledge agreement*

Each of our universities is a private non-enterprise entity (民辦非企業單位). 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 Dalian Neusoft Software Park Industry Development held by its Registered Shareholder. Under the equity pledge agreement dated 21 June 2019, entered into by and between (i) Neusoft Ruixin; (ii) the Registered Shareholder of Dalian Neusoft Software Park Industry Development; and (iii) Dalian Neusoft Software Park Industry Development (the “**Equity Pledge Agreement**”), the Registered Shareholder unconditionally and irrevocably pledged all of the equity interests in Dalian Neusoft Software Park Industry Development in favour of Neusoft Ruixin in order to guarantee the performance of the obligations of the Registered Shareholder, Dalian Neusoft Software Park Industry Development, 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 Dalian Neusoft Software Park Industry Development 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, Dalian Neusoft Software Park Industry Development, 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.

The Equity Pledge Agreement has been duly registered with the relevant PRC legal authority pursuant to PRC Laws.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) Structured contracts (Continued)

Documents supporting the structural integrity and stability of our main agreements

a. *Power of attorneys*

The Registered Shareholder of Dalian Neusoft Software Park Industry Development, 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 the Company, the authorisations granted under the Powers of Attorney shall be exercised in a manner in favour of the 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, 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.

b. *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.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) structured contracts (Continued)

Documents supporting the structural integrity and stability of our main agreements (Continued)

b. Undertaking letters (Continued)

The main purpose of the Undertaking Letters is to further support the stability of the operation of the Contractual Arrangements. 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 the 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 the Company.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) Structured contracts (Continued)

Documents supporting the structural integrity and stability of our main agreements (Continued)

c. *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 Neusoft Ruixin and has consented to the entry into of the Contractual Arrangements by Neusoft Ruixin, the Registered Shareholder and Dalian Neusoft Software Park Industry Development;
- (ii) he/she undertakes to execute all necessary documents and take all necessary acts to safeguard the performance of the Contractual Arrangements and to give effect to the aims and purpose of the 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.

Business activities of the consolidated affiliated entities in the PRC and their significant financial contributions to the group

In 2020, revenue from the Contractual Arrangements of the Group was approximately RMB873.1 million, accounting for approximately 79.4% of the total revenue of the Group (2019: RMB799.5 million). As of 31 December 2020, the total assets of the Group's Contractual Arrangements were approximately RMB3,068.9 million, accounting for approximately 74.7% of the total asset of the Group (2019: RMB2,560.8 million).

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) Structured contracts (Continued)

Regulatory framework

a. Higher 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 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;

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) Structured contracts (Continued)

Regulatory framework (Continued)

a. Higher education business (Continued)

Sino-foreign Schools in Liaoning, Guangdong, and Sichuan provinces (Continued)

- (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 and the Development Planning Office of the Educational Department of Liaoning Province, the Policy and Regulation Office and the Cooperation and Exchange Office of the Department of Education of Guangdong Province, the Development Planning Office and the International Cooperation and Exchange Office of the Education Department of Sichuan Province is competent to provide the above confirmation, since the International Cooperation and Exchange Office of the Educational Department of Liaoning Province, the Cooperation and Exchange Office of the Department of Education of Guangdong Province, and International Cooperation and Exchange Office 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 of the Education Department of Sichuan Province and the Educational Department of Liaoning Province and the Policy and Regulation Office 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, the Directors consider that it is not practicable for us to seek to apply to reorganise any of our universities as a Sino-foreign School.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) Structured contracts (Continued)

Regulatory framework (Continued)

b. 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 the 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.

c. 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.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by the 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.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) Structured contracts (Continued)

Plan to comply with the qualification requirements

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**”), a 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, the Group has established the AizuNeusoft Innovation Hub and the Neusoft Education Technology Co., Ltd. Contact Office on Aizu’s campus, as part of the 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.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) Structured contracts (Continued)

Plan to comply with the qualification requirements (Continued)

- (c) the Group is in the process of communicating and negotiating with certain experienced and reputable overseas education services providers on potential collaboration opportunities, including expanding the 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 the 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. Due to the impact of the Coronavirus Disease epidemic, the establishment our Japanese subsidiary has not yet been completed. 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 the Directors believe it is in the best interests of the 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;

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) structured contracts (Continued)

Plan to comply with the qualification requirements (Continued)

- (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.

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 to inform our Shareholders of the actions undertaken towards meeting the Qualification Requirements.

Risks relating to the structured contracts

For risks related to the Structured Contracts, please refer to the section "Risk Factors – Risks relating to Our Contractual Arrangements" in the Prospectus of the Company.

Major changes relating to the structured contracts

For the year ended 31 December 2020, there were no major changes in the Structured contracts and/or the adoption of the Structured Contracts.

Unwinding of the structured contracts

As at the date of this Report, there has not been any unwinding of any Structured Contracts, nor has there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed. For details related to the unwinding of the Structured Contracts, please refer to the sections headed "Contractual Arrangements – Circumstances under which we will unwind our Contractual Arrangements with respect to our Education Business" and "Contractual Arrangements – Circumstances under which we will unwind our Contractual Arrangements with respect to our Publishing Business" in the Prospectus of the Company.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

3) structured contracts (Continued)

Exemption from the stock exchange

The Stock Exchange has granted the Company an exemption from strict compliance with the requirements relating to the connected transactions under Chapter 14A of the Listing Rules in respect of the Structured Contracts. For details, please refer to the section headed "Connected Transactions-Contractual Arrangements" in the Prospectus of the Company.

Compliance with our contractual arrangements

We have adopted the following measures to ensure the 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) the Board will review the overall performance of, and compliance with, our Contractual Arrangements at least annually;
- (iii) the Company will disclose the overall performance of, and compliance with, our Contractual Arrangements in the annual reports; and
- (iv) the Company will engage legal advisers and other professional advisers (if necessary) to assist the Board with reviewing the implementation of our Contractual Arrangements, and to deal with specific issues or matters arising out of our Contractual Arrangements.

4) Confirmation from independent non-executive directors

The independent non-executive Director have reviewed and confirmed the continuing connected transactions set out above are:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The independent non-executive Directors have reviewed the Structured Contracts and confirmed that (i) all transactions in relation to the Structured Contracts during the year ended 31 December 2020 were entered into and conducted pursuant to the relevant provisions thereunder; (ii) no dividends have been paid by the PRC Consolidated Affiliated Entities to their respective holders of equity which are not otherwise subsequently assigned or transferred to the Group; and (iii) no new contracts entered into or renewed between the Group and our PRC Consolidated Affiliated Entities during the year ended 31 December 2020.

6. CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

5) Confirmation from the auditor

The auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 December 2020:

- (i) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) with respect to the aggregate amount of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

7. RELATED PARTIES TRANSACTIONS

Except for those disclosed in the paragraph headed "Continuing Connected Transactions" above in this Report (all of which are continuing connected transactions under Chapter 14A of the Listing Rules), other transactions entered into by the Group for the year ended 31 December 2020 as set out in note 35 to the consolidated financial statements do not fall under connected transactions or continuing connected transactions in accordance with Chapter 14A of the Listing Rules, except for directors' emoluments, which form part of the "Directors' Remuneration" described in note 37 to the consolidated financial statements were continuing connected transactions exempt from the connected transaction requirements under Rule 14A.76(1) or 14A.95 of the Listing Rules.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules since the Listing Date.

8. SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 36 to the consolidated financial statements.

9. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its any subsidiaries purchased, sold or redeemed any listed securities of the Company during the period from the Listing Date to 31 December 2020.

10. SHARE CAPITAL AND ISSUED SHARES

As of 31 December 2020, the Company's authorised share capital of HK\$380,000 became divided into 1,900,000,000 Shares at par value of HK\$0.0002 each. As of 31 December 2020 and the date of this Report, 666,667,200 Shares were in issue and fully paid. Details of movements in the share capital of the Company during the year ended 31 December 2020 are set out in note 25 to the consolidated financial statements.

11. USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING OF THE COMPANY

The Shares of the Company have been listed on the Main Board of the Stock Exchange as at 29 September 2020. The net proceeds from the IPO are approximately HK\$924.2 million (equals to approximately RMB777.5 million), which are intended to be used for the purposes set out in the Prospectus.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

	% of net proceeds	Net proceeds from the IPO HK\$ million	Net proceeds from the IPO RMB million (Note)	Utilised amount as of 31 December 2020 RMB million	Unutilised amount as of 31 December 2020 RMB million	Expected timeline for fully utilising unutilized amount
Upgrading our existing school facilities and expanding our campus	51%	475.0	399.6	18.1	381.5	2021
Acquisition of other schools	21%	190.0	159.9	–	159.9	2022-2024
Repay commercial loans	18%	164.2	138.1	15.0	123.1	2021
Supplement working capital	10%	95.0	79.9	0.8	79.1	2021
Total	100%	924.2	777.5	33.9	743.6	

Note: The amount of the net proceeds from the IPO has been confirmed after the lapse of the over-allotment option, which is slightly different from the estimated one disclosed in the Company's interim report published on 29 September 2020.

12. ISSUED BONDS

For the year ended 31 December 2020, the Company did not issue or maintain any bonds.

13. DIRECTORS

As of 31 December 2020 and as of the date of this report, the Directors of the Company are as follows:

Chairperson and Non-Executive Director

Dr. LIU Jiren

Executive Director

Dr. WEN Tao

Non-executive Directors (aside from our Chairperson)

Mr. RONG Xinjie

Dr. YANG Li

Dr. ZHANG Yinghui

Mr. Klaus Michael ZIMMER

Independent Non-executive Directors

Dr. LIU Shulian

Dr. QU Daokui

Dr. WANG Weiping

Every Director shall retire from office once every three years and for this purpose, at each annual general meeting one-third (1/3) of the Directors for the time being, or, if their number is not a multiple of three (3), then the number nearest to one-third (1/3) but not less than one-third (1/3) shall retire from office by rotation. The directors to retire in every year will be those who have been longest in office since their last election and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Subject to the Articles of Association, a retiring Director shall be eligible for re-election at the annual general meeting at which he retires. For avoidance of doubt, each Director shall retire at least once every three (3) years.

The term of office of all Board members of the Company will expire in 2021. Therefore, in accordance with Article 108 of the Articles, Dr. LIU Jiren, Dr. WEN Tao, Mr. RONG Xinjie, Dr. YANG Li, Dr. ZHANG Yinghui, Mr. Klaus Michael Zimmer ("Mr. Zimmer"), Dr. LIU SHulian, Dr. QU Daokui and Dr. WANG Weiping shall retire from offices as Directors at the annual general meeting. Except for Mr. Zimmer, who expires his term of service and does not offer himself for re-election, all of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM. The biographical details of the above named Directors to be re-elected at the AGM are set out in Appendix II to this circular in accordance with the relevant requirements of the Listing Rules.

14. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 47 to 55 of this Report.

15. CHANGES IN DIRECTORS' OR CHIEF EXECUTIVES' INFORMATION

Pursuant to Rule 13.51B(1), all changes and updated information regarding the Directors and chief executive are set out in the section headed "Directors and Senior Management". Save as disclosed in the above section, there was no change to any of the information required to be disclosed pursuant to Rule 13.51(2)(a) to (e) and (g) for the year ended 31 December 2020.

16. DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

The executive Director has entered into a service contract with the Company with effect for a term of three years commencing from the date of their appointment (31 August 2018) or until the third annual general meeting of the Company since the Listing Date (whichever is earlier), which shall be automatically renewed for successive periods of three years (subject to re-election as and when required under the Articles of Association), until terminated in accordance with the terms thereof or by either party giving to the other not less than three months' prior notice in writing.

Each of our non-executive Directors and each of our independent non-executive Directors have entered into an appointment letter with the Company with effect for a term of three years commencing from the date of their appointment or until the third annual general meeting of the Company since the Listing Date, whichever is earlier and subject to retirement as and when required under the Articles of Association, until terminated in accordance with the terms thereof or by either party giving to the other not less than one month's prior notice in writing. Under the respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee.

The appointment of the Directors is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

17. DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Report, at no time for the year ended 31 December 2020 was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 were granted any right to subscribe for the share capital or debentures of the Company or any other body corporate, or had exercised any such right.

18. INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE ISSUER OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), that fall to be notified to the 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 have been recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or that will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are set out below:

Interest in the Company

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in the Company
LIU Jiren ⁽¹⁾	Interest in a controlled corporation and interest in a controlled corporation through voting proxy	500,000,000	75.00%
WEN Tao ⁽²⁾	Beneficial interest	9,595,000	1.44%
RONG Xinjie ⁽²⁾	Beneficial interest	300,000	0.05%
YANG Li ⁽²⁾	Beneficial interest	3,420,000	0.51%
ZHANG Yinghui ⁽²⁾	Beneficial interest	3,145,000	0.47%

Notes:

- (1) Dr. LIU Jiren: (a) wholly-owns Kang Ruidao Education First Investment Limited ("**Kang Ruidao First**"), which holds all of the voting rights of Kang Ruidao International Investment Inc. ("**Kang Ruidao**"); (b) controls the voting rights held by the Proxy Grantors (being Century Bliss International Limited ("**Century Bliss**"), Alpine Electronics, Inc ("**Alpine Electronics**") and Apex Venture Holdings, Inc. ("**Apex Venture**") in the Company through the irrevocable voting proxies; and (c) has more than one-third ultimate control over Dongkong Education First Investment Inc. ("**Dongkong First**") and Dongkong Education Second Investment Inc. ("**Dongkong Second**") through a series of intermediary entities. Under the SFO, Dr. LIU Jiren 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 the Company.
- (2) These interests were held through options granted under Pre-IPO Share Incentive Scheme that are convertible into Shares.

18. INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE ISSUER OR ITS ASSOCIATED CORPORATIONS (CONTINUED)

Interest in associated corporations

Dalian Neusoft Software Park Industry Development Co., Ltd.

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of interest in the associated corporation
LIU Jiren ⁽¹⁾	Nominee shareholder whose shareholder rights are subject to the contractual arrangements	359,000,000	100%

Note:

- (1) Dr. LIU Jiren has more than one-third ultimate control in Neusoft Holdings, which is the sole registered shareholder of Dalian Neusoft Software Park Industry Development Co., Ltd. Under the SFO, Dr. LIU Jiren is deemed to be interested in the full amount of interest held by Neusoft Holdings in Dalian Neusoft Software Park Industry Development Co., Ltd, which is subject to the contractual arrangements.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), that were recorded in the register required to be kept pursuant to Section 352 of the SFO, or that will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

19. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2020, as far as the Directors are aware, the following persons (not being the Directors or chief executive of the Company) have or are taken or deemed to have interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations, that fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or that are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as follows:

Interests in the Company

Shareholders	Capacity/Nature of interest	Number of Shares held	Approximate percentage of interest in the Company
Kang Ruidao International Investment Inc. ⁽¹⁾	Beneficial interest	150,245,000	22.54%
Kang Ruidao Education First Investment Limited ⁽¹⁾	Interest in a controlled corporation	150,245,000	22.54%
Dongkong Education First Investment Inc. ⁽²⁾⁽³⁾	Beneficial interest	127,465,000	19.12%
Dongkong Education Second Investment Inc. ⁽²⁾⁽³⁾	Beneficial interest	120,000,000	18.00%
Neusoft Holdings International Inc. ("Neusoft International") ⁽²⁾	Interest in a controlled corporation	247,465,000	37.12%
Neusoft Holdings ⁽²⁾	Interest in a controlled corporation	247,465,000	37.12%
Century Bliss International Limited ⁽⁴⁾	Beneficial interest	65,010,000	9.75%
SUN Yinhuan ⁽⁴⁾	Interest in a controlled corporation	65,010,000	9.75%

Notes:

- (1) Dongkong Education First Investment Inc. holds all of the voting shares in Kang Ruidao International Investment Inc. Under the SFO, Dongkong Education First Investment Inc. is deemed to be interested in the full aggregate amount of Shares held by Kang Ruidao International Investment Inc. in the Company.
- (2) Both Dongkong Education First Investment Inc. and Dongkong Education Second Investment Inc. are 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 Education First Investment Inc. and Dongkong Education Second Investment Inc. in the Company.
- (3) Under a supplemental trust loan agreement entered into between Neusoft Holdings and China Industrial International Trust Limited ("CIIT") dated 20 June 2019, Dongkong Education First Investment Inc. and Dongkong Education Second Investment Inc. 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 Education First Investment Inc. and Dongkong Education Second Investment Inc.
- (4) Century Bliss International Limited 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 International Limited in the Company.

19. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES (CONTINUED)

Interests in the Group (excluding the Company)

Shareholder	Name of Group member	Capacity/ Nature of interest	Approximate percentage held by the substantial shareholder
Neusoft Holdings	Dalian Neusoft Software Park Industry Development Co., Ltd.	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) ⁽¹⁾	Dalian Neusoft Ruixin Technology Development Co., Limited	Interest of a registered Shareholder	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 Insurance Company Limited (which holds approximately 8.40% interest in Dalian Neusoft Ruixin Technology Development Co., Limited) and PICC Health Insurance Company Limited (which holds approximately 4.85% interest in Dalian Neusoft Ruixin Technology Development Co., Limited) is majority-controlled by The People's Insurance Company (Group) of China Limited, which is majority-controlled by Ministry of Finance of the PRC. As such, each of The People's Insurance Company (Group) of China Limited and Ministry of Finance of the PRC may exercise more than 10% of the voting rights in Dalian Neusoft Ruixin Technology Development Co., Limited.
- (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.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2020 (other than those owned by the Directors and chief executive of the Company) that fall to be disclosed to the Company pursuant to the Divisions 2 and 3 of Part XV of the SFO, or that have been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

20. ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be held on 25 May 2021. Notice of the annual general meeting will be published and issued to the shareholders in due course.

21. CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the annual general meeting

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 18 May 2021 to Tuesday, 25 May 2021, both days inclusive, during which period no transfer of Shares can be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 17 May 2021.

Entitlement to the proposed final dividend

For determining the shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 31 May 2021 to Wednesday, 2 June 2021, both days inclusive, during which period no transfer of Shares can be registered. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 28 May 2021.

22. DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" in this Report and the note 35 to the consolidated financial statements, none of the Director had an interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Group was a party during the year ended 31 December 2020 and up to the date of this Report.

23. CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as reorganization related contracts of the Group entered into in respect of the Listing disclosed in the Prospectus, the section headed "Connected Transactions" herein and note 35 to the consolidated financial statements, no contract of significance was entered into between the Company or any of its subsidiaries and its controlling shareholder or any of its subsidiaries or for the provision of services to the Company or any of its subsidiaries by its controlling shareholder or any of its subsidiaries or no controlling shareholder had an interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Group was a party during the year ended 31 December 2020 and up to the date of this Report.

24. DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2020, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

25. NON-COMPETITION UNDERTAKING

Our Controlling Shareholders, Dr. J. Liu and Neusoft Holdings (for itself and on behalf of the entities that it controls) have given the Company a non-compete undertaking, pursuant to which, each of the two Controlling Shareholders has undertaken that while they remain a controlling shareholder of the Company (as defined in the Listing Rules), whichever is earlier, he/it would not, and would procure their respective close associate not to, carry on, engage or participate in the business that competes or is likely Dr. J. Liu to compete, directly or indirectly, with the business of the Group, 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.

The Company has received a written confirmation from Dr. J. Liu and Neusoft Holdings in respect of their compliance with the aforementioned non-competition undertaking during the year ended 31 December 2020. The independent non-executive Directors have reviewed and are satisfied that each of the Controlling Shareholders have complied with the non-competition undertakings for the year ended 31 December 2020.

26. PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, the directors of the Company, managing directors, alternate Directors, auditors, secretaries and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses incurred by the execution of their duty, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has arranged appropriate liability insurance in respect of legal proceedings against the directors.

27. LOAN AND GUARANTEE

For the year ended 31 December 2020, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors of the Company, senior management, the controlling shareholders or their respective connected persons.

28. EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2020 and up to the date of this report, save as set out in the section headed “Share Incentive Schemes” in the Prospectus, neither the company nor any of its subsidiaries had entered into (i) any agreement that will or may result in the Company issuing shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

29. MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole and any substantial part of the business of the Group was entered into or in existence for the year ended 31 December 2020.

30. RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 set out in the consolidated income statement and consolidated statement of comprehensive income on pages 116 to 117 of this Report.

The Board has resolved to recommend the payment of a final dividend per share of HK2.7 cents for the year ended 31 December 2020 to shareholders whose names appear on the register of members of the Company on 2 June 2021. The final dividend is subject to the approval of the Shareholders at the annual general meeting to be held on 25 May 2021, if approved, it will be paid in cash on or around 17 June 2021.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

31. DIVIDEND POLICY

The Company has formulated a dividend policy, which specifies the principles and guidelines shall be followed when the Board plans to declare and pay dividends to Shareholders.

Any declaration and recommendation of dividends will be at the sole discretion of the Board, subject to shareholders' approval and will depend on the future operations and earnings of the Group, 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 the Cayman Companies Law and the Articles of Association of the Company. The Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by the Board. In either case, a dividend may only be declared and paid out of the profits and reserves of the Company that are lawfully available for distribution (including share premium), and in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Any future dividend payments to the Shareholders will also depend upon the availability of dividends received from the subsidiaries of the Company. Regulations in the PRC may restrict the ability of the Company's Chinese subsidiaries to pay dividends to the Company.

The Dividend Policy reflects the Board's current views on the Company's financial and cash flow position. The Board will review and reassess the Dividend Policy and its effectiveness from time to time.

32. FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 203 of this Report.

33. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

34. TAXATION

The information on the taxation of the Company and the Group in 2020 is set out in note 13 to the audited consolidated financial statements.

35. TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

36. BORROWINGS

As at 31 December 2020, the Group had outstanding bank borrowings and interest accruals of approximately RMB1,161.1 million. Details of the borrowings are set out in note 29 to the consolidated financial statements.

37. DONATIONS

In 2020, the Group donated RMB0.2 million (2019: nil).

38. EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2020, the Group has 2,929 employees, and the number of employees employed varies from time to time depending on needs. The Company believes that attracting, recruiting and retaining high-quality employees is essential to the success and sustainability of the Group. The Group provides employees with a competitive remuneration package, which is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. As required by the applicable laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including, among others, housing provident funds, pensions, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. In addition, the Group also provides employees with benefits, including commercial insurance, corporate annuities, welfare medical examinations, and holiday gifts. For the year ended 31 December 2020, the total cost of employee remuneration of the Group (including directors' fees) was RMB572.1 million.

The Company adopted a Pre-IPO share incentive scheme on 19 June 2019 and a Post-IPO share incentive scheme on 11 September 2020 to motivate Directors and eligible employees. Details of such plans and the details of the options or incentive shares granted under such plans are set out in the section headed "Share Incentive Schemes" of the Appendix V to the Company's Prospectus. From the Listing Date to 31 December 2020, no share option under the Pre-IPO Share Incentive Scheme and the Post-IPO Share Incentive Scheme has been exercised, lapsed or cancelled. Moreover, the Group provides employees with relevant training courses based on their personal career development.

39. RETIREMENT BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Group are set out in note 11 to the financial statements.

40. PRE-IPO SHARE INCENTIVE SCHEME

A Pre-IPO Share Incentive Scheme was adopted by the Board of the Company on 19 June 2019 and subsequently approved and ratified by the Shareholders on 24 June 2019. The purpose of the 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 the Group and the Shareholders as a whole. The terms of the Pre-IPO Share Incentive Scheme are not subject to the Chapter 17 of the Listing Rules.

For the details of the Pre-IPO Share Incentive Scheme, please see section headed the "Statutory and General Information – Share Incentive Schemes – Pre-IPO Share Incentive Scheme" under Appendix V of the Prospectus of the Company. On 31 August 2020, the Company granted options to 246 participants pursuant to the scheme, involving a total of 50,000,000 Shares, representing approximately 7.5% of the Company's total issued share as at 31 December 2020.

From the Listing Date to 31 December 2020, no options under the pre-IPO share incentive scheme have been exercised, lapsed or cancelled.

41. POST-IPO SHARE INCENTIVE SCHEME

Summary

The Company conditionally adopted a share option scheme on 11 September 2020 with effect from the Listing Date. The terms of the Post-IPO Share Incentive Scheme will be governed by Chapter 17 of the Listing Rules. Since the adoption of the Share Option Scheme on 11 September 2020, no options have been granted, exercised, cancelled or lapsed in accordance with the Share Option Scheme and there were no outstanding options as at 31 December 2020. The following is a summary of the principal terms of the Post-IPO Share Incentive Scheme.

Purpose

The purpose of the Post-IPO Share Incentive Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the 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 the 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 the Group or an affiliate of the 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 the 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**"), representing 10% of the issued shares of the Company as of the date of this Report. Options that have lapsed in accordance with the terms of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) will not be counted for the purposes of calculating the Post-IPO Mandate Limit.

41. POST-IPO SHARE INCENTIVE SCHEME (CONTINUED)

Maximum number of Shares (Continued)

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 the 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 the Shareholders in general meeting for granting options beyond the Post-IPO Mandate Limit to participants specifically identified by the Company before the aforesaid Shareholders' meeting where such approval is sought.

Maximum entitlement of a grantee

Unless approved by the 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 the 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.

41. POST-IPO SHARE INCENTIVE SCHEME (CONTINUED)

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 the Shareholders in general meeting. In obtaining approval, we will send a circular to the 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.

41. POST-IPO SHARE INCENTIVE SCHEME (CONTINUED)

Grant of 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 the Company of RMB1.00 by way of consideration for the grant thereof, is received by the 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 the 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 the 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 the 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.

41. POST-IPO SHARE INCENTIVE SCHEME (CONTINUED)

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 the 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 the Company

In the event of an alteration in the 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 the Company's capital structure in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the 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 the Company for such purpose shall, at the request of the 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 the 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 the Company and the grantees. The costs of the auditors or financial adviser (as the case may be) shall be borne by the Company.

41. POST-IPO SHARE INCENTIVE SCHEME (CONTINUED)

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 the 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 the 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 the 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.

42. PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended 31 December 2020 are set out in note 16 to the consolidated financial statements.

During the Listing process, the Company has engaged a property valuer to conduct a valuation of the property in which the Group has interests in the PRC, the report of which has been included in Appendix III of the Prospectus.

The value of the property interests were provided on market value basis (as defined in the Appendix III of the Prospectus). As at 31 July 2020, the amount of valuation of the property in its then existing state attributable to the Group was RMB3,128,300,000.

The additional depreciation that would be charged against the statement of profit or loss and other comprehensive income had those property been state at such valuation is RMB27.3 million.

43. RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company for the year ended 31 December 2020 are set out in note 26 to the consolidated financial statements, of which, the reserves available for distribution to Shareholders as at 31 December 2020 are set out in note 26 to the consolidated financial statements.

44. AUDIT OF ANNUAL RESULTS

The Audit Committee has reviewed the Company's audited consolidated financial statements for the year ended 31 December 2020, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

45. AUDITOR

PricewaterhouseCoopers is the auditor of the Company for the year ended 31 December 2020, and has audited the consolidated financial statements of the Company for the year ended 31 December 2020. PricewaterhouseCoopers will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to be held on 25 May 2021 to seek Shareholders' approval on the appointment of PricewaterhouseCoopers as the auditor of the Company until the conclusion of the next annual general meeting and to authorise the Board to fix their remuneration.

46. MAJOR 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 2020, the goods and services provided by the Group to the five largest customers account for less than 30% of our revenue.

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.

In 2020, the goods and services purchased by the Group from the five largest suppliers accounted for less than 30% of our operating costs.

47. PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, during the year ended 31 December 2020 and as of the date of this Report, at least 25% of the total issued shares of the Company are held by the public, which is in compliance with the public float requirements as stipulated in the Listing Rules.

48. CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this Report.

49. MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceedings for the year ended 31 December 2020.

50. COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

For the year ended 31 December 2020, the Group has complied with relevant laws and regulations that have a significant impact on the Group.

51. EVENTS SUBSEQUENT TO THE END OF THE YEAR

Details of the events subsequent to the end of the year of the Group are set out in note 38 to the audited consolidated financial statements.

By order of the Board

Neusoft Education Technology Co. Limited

Dr. LIU Jiren

Chairperson

Hong Kong, 29 March 2021

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Neusoft Education Technology Co. Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Neusoft Education Technology Co. Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 116 to 202, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of purchase price allocation (“PPA”)
- impairment assessment of goodwill and brand with indefinite useful lives

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of PPA	
Refer to Note 2.2.1(b) Business combination not under common control, Note 4(b) Critical accounting estimates and judgments – Purchase price allocation in business combination and Note 33 Business combination of the consolidated financial statements.	We obtained an understanding of management’s internal control and assessment process of valuation of PPA and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and risk level of other inherent risk factors such as subjectivity of significant assumptions and estimates used.
On 1 March 2020, the Group acquired 90.91% of the issued shares of Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. (Tianjin Ruidao) for a cash consideration of approximately RMB362,779,000.	We also evaluated and tested the key control over the valuation of PPA, including management review and approval of the valuation methodology, significant assumptions and estimates used.
The acquisition is accounted for as a business combination which requires the Group to allocate the purchase price to the assets acquired, liabilities assumed, and identified intangible assets based on their estimated fair values at the date of acquisition.	We assessed the competency, capability and objectivity of the independent external valuer engaged by management. We assessed the appropriateness of the valuation methodology, significant assumptions and estimates used in the valuation of PPA at the date of acquisition with the involvement of our internal valuation experts.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The fair value of the assets acquired, liabilities assumed and identified intangible assets at the date of acquisition was based on a valuation report prepared by an independent external valuer engaged by management. In aggregate, fair values of total identifiable net assets amounted to approximately RMB227,842,000 was recognised in the consolidated balance sheet as at the date of acquisition.</p>	<p>Our procedures in relation to the discounted cash flow forecast included:</p>
<p>The fair values of the assets acquired, liabilities assumed and identified intangible assets were determined using discounted cash flow approach which involved significant management's assumptions and estimates including revenue growth rate, EBITDA, long-term growth rate, royalty rate, remaining useful life of brand and customer relationship and discount rate.</p>	<ul style="list-style-type: none"> <li data-bbox="831 599 1437 733">– Tested the data, on a sample basis, used in management's discounted cash flow forecast by checking supporting documents including business plan, agreements and contracts; <li data-bbox="831 771 1437 871">– Assessed the reasonableness of discount rate taking into account the cost of capital of Tianjin Ruidao and comparable companies in the industry; <li data-bbox="831 909 1437 1078">– Assessed the reasonableness of revenue growth rate, EBITDA, long-term growth rate, royalty rate and remaining useful life of brand and customer relationship by comparing with historical financial data and industry data; and
<p>We focused on the valuation of PPA because the fair values of identifiable net assets are subject to high degree of estimation uncertainty. The inherent risk in relation to the valuation of PPA is considered significant due to subjectivity of significant assumptions and estimates used.</p>	<p>Based on the above procedures, we considered that significant assumptions and estimates used in the valuation of PPA were supported by available evidence obtained.</p>

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of goodwill and brand with indefinite useful lives</p> <p>Refer to Note 2.7 Impairment of non-financial assets, Note 4(c) Critical accounting estimates and judgments – Estimation of goodwill impairment and brand impairment and Note 17(a) Intangible assets – Impairment tests for goodwill and brand to the consolidated financial statements.</p> <p>The Group recognised goodwill and brand which have indefinite useful lives of RMB135 million and RMB89 million respectively as at 31 December 2020 arising from the acquisition of Tianjin Ruidao on 1 March 2020.</p> <p>Management performed impairment reviews of goodwill and brand, which have indefinite useful lives, annually. The recoverable amounts of the cash generating unit (“CGU”) have been determined by management based on value-in-use calculations. The value-in-use calculations use the discounted cash flow forecast prepared by management which involve significant management’s assumptions and estimates such as revenue growth rates, EBITDA, long-term growth rate and discount rate. Based on management’s assessment, no impairment for goodwill and brand with indefinite useful lives was considered necessary as at 31 December 2020.</p> <p>We focused on the impairment assessment of goodwill and brand with indefinite useful lives because the estimation of recoverable amounts is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill and brand with indefinite useful lives is considered significant due to subjectivity of significant assumptions and estimates used.</p>	<p>We obtained an understanding of management’s internal control and impairment assessment process of goodwill and brand with indefinite useful lives and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and risk level of other inherent risk factors such as subjectivity of significant assumptions and estimates used.</p> <p>We also evaluated and tested the key control over the impairment assessment of goodwill and brand with indefinite useful lives, including management review and approval of the valuation methodology, significant assumptions and estimates.</p> <p>We assessed the appropriateness of the valuation methodology, significant assumptions and estimates used in the impairment assessment of goodwill and brand with indefinite useful lives with the involvement of our internal valuation experts.</p> <p>Our procedures in relation to the discounted cash flow forecast included:</p> <ul style="list-style-type: none">– Tested the data, on a sample basis, used in management’s discounted cash flow forecast by checking supporting documents including business plan, agreements and contracts;– Assessed the reasonableness of discount rate by taking into account the cost of capital of the CGU and comparable companies in the industry;– Assessed the reasonableness of revenue growth rate, EBITDA and long-term growth rate by comparing with historical financial data and industry data; <p>Based upon the above procedures, we considered that significant assumptions and estimates used in goodwill and brand with indefinite useful lives impairment assessment were supported by the evidence obtained.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied. From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is NG Ping Fai.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 March 2021

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Revenue	6	1,100,011	958,228
Cost of revenue	10	(678,923)	(635,226)
Gross profit		421,088	323,002
Selling expenses	10	(32,473)	(11,239)
Administrative expenses	10	(231,232)	(109,185)
Research and development expenses	10	(33,215)	(20,445)
Net impairment losses on financial assets		(999)	–
Other income	7	103,606	71,534
Other expense	8	(23,918)	(18,936)
Other gains-net	9	3,764	944
Operating profit		206,621	235,675
Finance income	12	4,665	3,387
Finance expenses	12	(74,320)	(40,094)
Finance expenses-net	12	(69,655)	(36,707)
Profit before income tax		136,966	198,968
Income tax expenses	13	(34,030)	(23,953)
Profit for the year		102,936	175,015
Profit attributable to:			
– Owners of the Company		74,246	139,213
– Non-controlling interests		28,690	35,802
		102,936	175,015
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	15	0.14	0.28
Diluted earnings per share	15	0.14	0.28

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit for the year	102,936	175,015
Other comprehensive loss		
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences on translation	(782)	(15)
Other comprehensive loss for the year	(782)	(15)
Total comprehensive income for the year	102,154	175,000
Total comprehensive income attributable to:		
– Owners of the Company	73,464	139,198
– Non-controlling interests	28,690	35,802
	102,154	175,000

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Right-of-use assets	18	663,286	442,840
Property, plant and equipment	16	1,543,474	1,202,367
Intangible assets	17	300,828	10,736
Deferred income tax assets	19	33,353	34,809
Prepayments, deposits and other receivables	22	11,500	237,157
Total non-current assets		2,552,441	1,927,909
Current assets			
Inventories		8,449	3,063
Trade and notes receivables	21	23,333	6,148
Prepayments, deposits and other receivables	22	57,442	45,909
Financial assets at fair value through profit or loss	23	35,233	50
Restricted cash	24	4,119	10,215
Cash and cash equivalents	24	1,426,063	562,882
Total current assets		1,554,639	628,267
Total assets		4,107,080	2,556,176
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	25	117	88
Share premium	26	2,919,030	2,046,481
Reserves	26	(1,598,071)	(1,678,930)
Retained earnings		277,171	207,316
Subtotal		1,598,247	574,955
Non-controlling interest		193,045	137,972
Total equity		1,791,292	712,927

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 December	
		2020	2019
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Trade and other payables	28	675	–
Borrowings	29	504,881	525,634
Deferred tax liabilities	19	42,408	6,779
Lease liabilities	18	46,302	39,647
Deferred income	30	27,517	26,865
Total non-current liabilities		621,783	598,925
Current liabilities			
Trade and other payables	28	341,540	226,531
Current income tax liabilities		26,407	9,210
Contract liabilities	6(c)	619,510	489,436
Borrowings	29	648,383	473,164
Lease liabilities	18	10,131	5,601
Deferred income	30	48,034	40,382
Total current liabilities		1,694,005	1,244,324
Total liabilities		2,315,788	1,843,249
Total equity and liabilities		4,107,080	2,556,176

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 116 to 202 were approved by the Board of Directors on 29 March 2021 and were signed on its behalf.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Note	Attributable to owners of the Company											
	Share capital	Share premium	Combined					Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total
			share capital	Merge reserve	Capital reserve	Statutory reserve						
RMB'000	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												
Profit for the year	-	-	-	-	-	-	-	74,246	74,246	28,690	102,936	
Other comprehensive loss	-	-	-	-	-	-	(782)	-	(782)	-	(782)	
Total comprehensive income	-	-	-	-	-	-	(782)	74,246	73,464	28,690	102,154	
Transactions with owners in their capacity as owners												
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	25	29	872,549	-	-	-	-	-	872,578	-	872,578	
Share-based compensation	27	-	-	-	89,947	-	-	-	89,947	21,193	111,140	
Acquisition of a subsidiary	33	-	-	-	-	-	-	-	-	30,996	30,996	
Profit appropriation to statutory reserves	26(a)	-	-	-	-	4,391	-	(4,391)	-	-	-	
Transactions with non-controlling interests	26(b)	-	-	-	-	(12,697)	-	-	(12,697)	(23,577)	(36,274)	
Deregistration or disposal of subsidiaries		-	-	-	-	-	-	-	-	(2,229)	(2,229)	
		29	872,549	-	-	77,250	4,391	-	(4,391)	949,828	26,383	976,211
Balance at 31 December 2020	117	2,919,030	-	(1,756,337)	13,105	145,957	(796)	277,171	1,598,247	193,045	1,791,292	
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	

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations		594,621	403,207
Income taxes paid		(19,799)	(22,235)
Net cash generated from operating activities	31(a)	574,822	380,972
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	33	(320,736)	–
Purchases of property, plant and equipment		(403,006)	(177,592)
Payment for land use right		(60)	(371,088)
Proceeds from sale of property, plant and equipment	31(b)	2,744	346
Purchases of intangible assets	17	(5,559)	(2,967)
Purchases of financial assets measured at fair value through profit and loss	3.3	(691,425)	(312,600)
Settlement of financial assets measured at fair value through profit and loss	3.3	749,753	401,423
Decrease in restricted bank deposits		6,096	3,467
Interest received		4,726	3,581
Net cash used in investing activities		(657,467)	(455,430)
Cash flows from financing activities			
Transaction with non-controlling interests		(2,229)	(600)
Professional expense paid in connection with the issuance of new shares during the listing process		(3,419)	(1,306)
Proceeds from borrowings	31(c)	643,433	763,124
Repayments of borrowings	31(c)	(489,114)	(291,040)
Borrowings from related parties	31(c), 35(a)	–	200,000
Borrowings from a third party	31(c)	20,000	–
Repayments of borrowings to related parties	31(c), 35(a)	–	(200,000)
Repayments of borrowings to a third party	31(c)	(20,000)	–
Dividends paid	31(c)	(467)	(3,536)
Interest paid	31(c)	(37,356)	(36,732)
Principal elements of lease payments	31(c)	(11,704)	(7,408)
Net proceeds from issuance of ordinary shares relating to the initial public offering		878,951	–
Net cash generated from financing activities		978,095	422,502
Net increase in cash and cash equivalents		895,450	348,044
Cash and cash equivalents at the beginning of the year	24	562,882	214,834
Exchange gains/(loss) on cash and cash equivalent	12	(32,269)	4
Cash and cash equivalents at end of year	24	1,426,063	562,882

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Neusoft Education Technology Co. Limited (“**the Company**” or “**Neusoft Education Technology**”) was incorporated in Cayman Islands on 20 August 2018 as an exempted company with limited liability. The address of the Company’s registered office is at the offices of 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 “**Business**”).

The Company has no ultimate holding company or ultimate controlling shareholder.

Prior to the incorporation of the Company and the completion of the Reorganisation, the 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 (“**Guangdong 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**”).

Pursuant to the reorganization in preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Listing**”):

- (1) In 2018, Dalian Neusoft Education Technology Group Co. Limited (“**Dalian Education**”) was incorporated as a limited liability company in the PRC. Dalian Education acquired Shanghai Ruixiang and Dalian Yunguan from Dalian Development and Neusoft Holdings Co., Ltd. (“**Neusoft Holdings**”). Subsequently, in order to effectively realize the resource sharing and cost saving among all the schools, Neusoft Holdings transferred “Cloud services business” to Dalian Yunguan. Further, Tianjin Ruidao transferred education software development business to Dalian Yunguan.
- (2) 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). 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.
- (3) On 17 May 2019, Dalian Neusoft Ruixin Technology Development Co., Limited (“**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 Science & Technology Industry Group (“**Northeastern University**”), 8.40% by PICC Life Insurance Company Limited (“**PICC Life**”), and 4.85% by PICC Health Insurance Company Limited (“**PICC Health**”).
- (4) 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, 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.
- (5) the Consolidated Affiliated Entities engaged in the Listing Business were transferred to the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION (CONTINUED)

On 1 March 2020, Dalian Education acquired 90.91% equity interest in Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. ("**Tianjin Ruidao**") from Neusoft Holdings, our controlling shareholder, 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.

On 29 September 2020, the Company has successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and made an offering of 166,667,200 ordinary shares at a price at HKD6.22 per share. The net proceeds of the Company from the initial public offering ("**IPO**"), after deducting underwriting commissions and other issuance costs, were approximately RMB878,951,000.

The financial statements are presented in Renminbi ("**RMB**") and rounded to nearest thousand Yuan, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have 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 consolidated financial statements 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The following new and amended standards, and annual improvements are mandatory for the first time for the Group's financial year beginning on January 1, 2020 and are applicable for the Group:

- Amendment to IFRS 3 on Definition of a Business
- Amendments to IAS 1 and IAS 8 on Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7 on Interest Rate Benchmark Reform and its Effects on Financial Reporting – Phase 1
- Revised Conceptual Framework for Financial Reporting

The adoption of these interpretation and amendments to standards has had no significant impact on the results and the financial position of the Group.

(b) New standards and interpretations not yet adopted

The following new and amended standards, and interpretations that have been issued but not yet effective for the year ended 31 December 2020, and have not been early adopted by the Group:

		Effective from annual period beginning on or after
Amendment to IFRS 16	Covid-19 Related Rent Concessions	1 June 2020
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to IFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, plant and equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Cost of Fulfilling a Contract	1 January 2022
Annual improvements to IFRS standards 2018-2020	IFRS 1, IFRS 9, IFRS 16, and IAS 41	1 January 2022
IFRS 17	Insurance Contracts	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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, Northeastern University, Yida Holdings Co., Ltd (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Subsidiaries controlled through Contractual Arrangements (Continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) Business combination not under common control (Continued)

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(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, renovation, motor vehicles, electronic equipment, furniture and fixtures that 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	20-50 years
– Renovation	3-8 years
– Motor vehicles	5 years
– Electronic equipment	3-10 years
– Furniture and fixtures	5 years
– Others	5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

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 income statement.

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 recognized and measured at cost incurred to acquire and bring them to use. They are amortized on a straight-line basis over their estimated useful lives from 4 to 10 years, and recorded in amortization within operation expense in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

(d) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These 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 recognized as an expense as incurred.

For the years ended December 31, 2020 and 2019, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 amortized 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments and other financial assets (Continued)

2.8.2 Recognition and measurement (Continued)

Debt instrument

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:

- **Amortized 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 amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest method.
- **Fair value through other comprehensive income ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other (losses)/gains, net. Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses are presented in other (losses)/gains, net.
- **Fair value through profit or loss ("FVPL"):** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognized in profit or loss and presented net in the consolidated income statement within other (losses)/gains, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in the consolidated income statement. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 amortized cost are subject to IFRS 9's new expected credit loss model. The Group assesses on a forward-looking basis the expected credit loss associated with its assets carried at amortized 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 recognized 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Trade receivables and other receivables

Trade receivables are amounts due from customers 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 income statement, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Share-based payments

Equity-settled share-based payment transactions

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the services received in exchange for the grant of the equity instruments (options) is recognized as an expense on the consolidated income statement with a corresponding increase in equity.

In terms of options awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (options) granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Service and non-marketing performance conditions are included in calculation of the number of options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

2.21 Revenue from contracts with customers

Revenue are recognized 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 recognized 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

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 recognized as revenue proportionately over the school year based on the school calendar, while the boarding fees are recognized as revenue over a 12-months period.

The balance of contract liabilities represents the portion of tuition and boarding fees received from students to which the Group will deliver the services within one year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue from contracts with customers (Continued)

(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 recognized 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

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 final 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. Upon contract inception date and at the end of 31 December 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue from contracts with customers (Continued)

(c) Education resources and apprenticeship programme (Continued)

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 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.

Tianjin Ruidao offers students opportunities to intern at various enterprises after training them systematically and intensively. Tianjin Ruidao usually charge service fees from those enterprises based on number of students supplied and their working hours. The outstanding service fees will be recorded as trade receivables once the revenue recognised over the contracted period, and the credit term is no more than 180 days after invoice date.

(d) Development of software system technology

Development of software system technology is recognized as other income in the consolidated income statement. The service is provided to customers for scientific research, technical consultation, and system development. The revenue is recognized 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.

2.22 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (Continued)

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 to 47 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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

2.24 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.

2.25 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 29. 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 year, 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.

For the year ended December 31, 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 RMB1,173,000 (2019: RMB2,004,000) higher/lower.

(b) Credit risk

(i) Risk management

Credit risk is managed on a Group basis. 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management (Continued)

For deposits and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

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. 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 indicators 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 behaviour 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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

Trade receivables

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. To measure the expected credit risk losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses below also incorporate forward looking information.

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables:

	Current	Up to 6 months past due	6 to 12 months past due	12 to 18 months past due	Over 18 months past due	Total
31 December 2020						
Expected loss rate	0.01%–2.01%	0.02%–13.53%	0.08%–22.94%	0.18%–35.35%	100%	
Gross carrying amount	18,467	588	1,399	170	387	21,011
Loss allowance	109	1	229	2	387	728

As at 31 December 2019, the expected losses for customers of sale of service and goods is minimal and no provision for impairment of trade receivables was made.

The loss allowances for trade receivables as at 31 December 2020 reconcile to the opening loss allowances as follows:

	Year ended 31 December 2020 RMB'000
Opening loss allowance	–
Increase in loss allowance recognized in profit or loss during the year	728
Receivables written off during the year as uncollectable	–
Closing loss allowance	728

Other receivables carried at amortised cost

The Group applies 3-stage model to assess the expected credit losses associated with its other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Other receivables at amortised cost include deposits, advances to staff and third parties. The loss allowance for other receivables at amortised cost was not material during the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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 29. 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.

As at 31 December 2020, the Group has cash and cash equivalents and restricted cash of approximately RMB1,430,182,000 (2019: RMB573,097,000) (Note 24), trade and other receivables excluding non-financial assets of approximately RMB48,525,000 (2019: RMB26,483,000) (Note 20) and notes receivables of RMB3,050,000 (2019: Nil) (Note 21) 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.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount Liabilities RMB'000
At 31 December 2020						
Borrowings (principal plus interests)	686,756	170,888	267,180	54,031	1,178,855	1,153,264
Trade and other payables (excluding non-financial liabilities)	248,744	-	-	-	248,744	248,744
Lease liabilities	13,286	10,960	22,356	18,538	65,140	56,433
	948,786	181,848	289,536	72,569	1,492,739	1,458,441
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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 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 2020 and 2019 was as follows:

	As at 31 December	
	2020	2019
The liability-to-asset-ratio	56.39%	72.11%

3.3 Fair value estimation

Financial assets

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2020 and 2019 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

Financial assets (Continued)

The following table presents the Group's financial assets that are required to be measured at fair value as at 31 December 2020 and 2019:

	Level 3 RMB'000
At 31 December 2020	
Financial assets at fair value through profit or loss	35,233
At 31 December 2019	
Financial assets at fair value through profit or loss	50

Level 3 instruments of the Group's assets include financial investments measured at fair value through profit or loss.

There was no transfer between level 1 and 2 for recurring fair value measurements during the year. The following table presents the changes in level 3 financial assets for the years ended at 31 December 2020 and 2019:

	Financial products sponsored and managed by banks (Level 3) RMB'000
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
Balance at 1 January 2020	50
Acquisition of a subsidiary (Note 33)	90,540
Additions	691,425
Settlements	(749,753)
Gain and loss recognised in profit or loss (Note 9)	2,971
Balance at 31 December 2020	35,233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

Financial assets (Continued)

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 includes financial assets at fair value through profit or loss (Note 23). The following table summarises the quantitative information about the significant unobservable inputs used in the recurring level 3 fair value measurements.

Description	As at 31 December		Unobservable inputs	As at 31 December		Relationship of unobservable input to fair value
	2020	2019		2020	2019	
	RMB'000	RMB'000				
Financial assets at fair value through profit or loss	35,233	50	Expected rate of return	2%-3.1%	2%	The higher the expected rate of return, the higher the fair value

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 RMB152,000 (2019: RMB220) lower/higher.

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.

4. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 year 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 amortized, whereas indefinite lived intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite lived and finite lived intangible assets.

4. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

(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.

Details of key assumptions are disclosed in Note 17.

There was no impairment of goodwill and brand during the year ended 31 December 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 amortization expense in future periods.

(e) Income taxes

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

As at 31 December 2020, the net book values of the buildings that owned by Guangdong University are RMB273,808,000 (2019: RMB289,918,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. 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

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 and major customers

A customer contributed more than 10% of the total sales of the Group during the year ended 31 December 2020 and 2019. The amount of sales to these customers are disclosed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Shanghai Sirui Information Technology Company Limited (Shanghai Sirui)	Note (a)	116,585

(a) The revenue of the particular customer was less than 10% of the Group's revenue for the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Full-time formal higher education services	801,616	733,480
– Tuition fees	755,279	666,490
– Boarding fees (i)	44,320	64,054
– Rental income of telecommunication device	2,017	2,936
Continuing education services (i)(ii)	124,359	76,435
Education resources and apprenticeship programme	174,036	148,313
– Education resources	92,518	34,506
– Apprenticeship programme	81,518	113,807
	1,100,011	958,228

- (i) Due to the outbreak of Coronavirus Disease 2019 in early 2020 (“**COVID-19 outbreak**”), the students of three universities and Dalian High-tech Zone Neusoft Training School Co., Ltd. (“**Neusoft Training School**”) could not stay in the dormitories since the starting date of the second semester of the 2019/2020 school year. Therefore, the management decided to refund certain boarding fee received in advance for the second semester of the 2019/2020 school year (“**Refunded Boarding Fee**”). The management estimated the amount to be refunded mainly based on the period and the number of students to be affected. Accordingly, the related contract liabilities were reclassified to refunded liabilities. During the year, the Group has refunded all Refunded Boarding Fee, RMB30,798,000, to the students.
- (ii) During the year, Tianjin Ruidao and its subsidiaries did not experience on the unfulfillment of the agreed employment rate and did not return any Committed Fees (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE (CONTINUED)

(a) Revenue from contracts with customers

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue from the transfer of goods and services over time		
Full-time formal higher education services	799,599	730,544
– Tuition fees	755,279	666,490
– Boarding fees	44,320	64,054
Continuing education services	124,359	76,435
Education resources and apprenticeship programme	133,067	113,807
– Education resources	51,549	–
– Apprenticeship programme	81,518	113,807
Revenue from the transfer of goods and services at a point in time		
Education resources and apprenticeship programme	40,969	34,506
– Education resources	40,969	34,506
	1,097,994	955,292

(b) Revenue from other sources

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Full-time formal higher education services		
– Rental income of telecommunication device	2,017	2,936

6. REVENUE (CONTINUED)

(c) Contract liabilities

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2020 and 2019 and will be expected to be recognized within one year:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Full-time formal higher education services	546,258	445,530
– Tuition fees	490,447	400,600
– Boarding fees	55,811	44,930
Continuing education services	53,082	41,795
Education resources and apprenticeship programme	14,845	233
– Education resources	14,845	233
Development of software system technology	5,325	1,878
	619,510	489,436

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 recognized over the relevant period of the applicable programme.

There were no contract assets at the end of each reporting period recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE (CONTINUED)

(c) Contract liabilities (Continued)

(1) Revenue recognized in relation to contract liabilities

The following table shows the revenue recognized for the years ended 31 December 2020 and 2019 related to brought-forward contract liabilities:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year		
Full-time formal higher education services	445,530	408,488
– Tuition fees	400,600	367,584
– Boarding fees	44,930	40,904
Continuing education services	41,795	39,446
Education resources and apprenticeship programme	233	620
– Education resources	233	620
Development of software system technology	1,878	1,390
	489,436	449,944

(2) Unsatisfied contracts

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Expected to be recognized within one year		
Full-time formal higher education services	546,258	445,530
– Tuition fees	490,447	400,600
– Boarding fees	55,811	44,930
Continuing education services	53,082	41,975
Education resources and apprenticeship programme	24,895	1,885
– Education resources	24,895	1,885
Development of software system technology	5,325	2,165
	629,560	491,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Rental income from properties	31,398	28,866
Property service and management income	18,359	18,754
Government grants and subsidies	43,126	16,358
Development of software system technology	9,918	5,551
Interest income from loan to related parties and third party	61	71
Others	744	1,934
	103,606	71,534

8. OTHER EXPENSES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Depreciation of property, plant and equipment	6,755	6,058
Property maintenance and fire protection expenses	5,599	5,212
Development of software system technology expenses	6,992	5,375
Utilities expenses	3,018	508
Employee benefit expenses (Note 11)	536	578
Amortization of land use rights and intangible assets	884	718
Others	134	487
	23,918	18,936

9. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Gains on financial assets at fair value through profit or loss	2,971	1,079
Donation received	1,354	605
Net losses on disposal of property, plant and equipment	(652)	(820)
Others	91	80
	3,764	944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses (<i>Note 11</i>)	571,516	409,213
Depreciation and amortization expenses	132,211	101,578
Property management, landscaping and maintenance expenses	47,082	55,901
Office and utilities expenses	85,021	97,598
Rental expense	43,907	36,780
Cost of publication (a)	2,705	5,302
Subcontract cost (b)	27,683	17,931
Taxes and fees	7,652	6,216
Auditors' remuneration	3,800	–
Consulting and professional fees	1,496	646
Listing expenses	29,468	20,728
Others	23,302	24,202
	975,843	776,095

- (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 Guangdong University and Tianjin Ruidao to subcontractors. Guangdong University mainly paid service fee 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 Guangdong University. Tianjin Ruidao and its subsidiaries paid service fee to subcontractors for outsourced education resources and other services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages and salaries	371,898	324,895
Share-based compensation (Note 27)	111,144	–
Contributions to pension plan (a)	28,759	36,864
Welfare and other expenses	60,251	48,032
	572,052	409,791

(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 year ended 31 December 2020 include 3 Directors (2019: 2 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 year are set out as below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Share-based compensation expenses (Note 27)	9,961	–
Wages and salaries	3,920	4,364
Welfare and other expenses (i)	27	142
Contributions to pension plan (i)	14	152
Total employee benefit expense	13,922	4,658

- (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Five highest paid individuals (Continued)

The number of highest paid non-director individuals whose remunerations for each of the years fell within the following band is as follows:

	No. of individuals	
	2020	2019
Emolument band		
HK\$6,000,001 to HK\$10,000,000	2	–
HK\$2,000,001 to HK\$6,000,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	2
HK\$1,000,001 to HK\$1,500,000	–	1
Nil to HK\$1,000,000	–	–

During the year, 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 EXPENSES

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance income		
Interest income from deposits	4,665	3,387

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance expenses		
Interest expenses from bank	(51,729)	(42,023)
Interest expenses from leasing	(2,798)	(2,477)
Interest expenses from related party	–	(7,108)
Other charges	(347)	(427)
Net foreign exchange (losses)/gains	(32,269)	4
Less: Amount capitalized (a)	12,823	11,937
	(74,320)	(40,094)
Finance expenses – net	(69,655)	(36,707)

- (a) During the year, finance costs have been capitalized on qualifying assets at an average interest rate of 4.81% (2019: 4.80%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current tax on profits for the year	36,987	24,231
Deferred income tax (<i>Note 19</i>)	(2,957)	(278)
	34,030	23,953

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	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	136,966	198,968
Tax calculated at a taxation rate of 25%	34,242	49,742
The impact of preferential tax rate	(34,969)	(25,547)
Expenses and losses not deductible for tax purposes	31,860	1,102
Tax losses for which no deferred tax assets was recognised	10,126	2,039
Non-taxable income	(3,075)	(981)
Utilisation of previously unrecognised tax losses	(4,154)	(3,065)
Others (a)	–	663
Tax charge	34,030	23,953

(a) Others

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 disposal of the equity investment of Dalian Technology and Dalian Education.

(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.

13. INCOME TAX EXPENSE (CONTINUED)

(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 year.

(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 year.

(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%.

In the foreseeable future, the Group does not have any plan to require its subsidiaries in mainland China to distribute their retained earnings but intends to retain them to operate and expand its business in mainland China. Accordingly, no deferred income tax liability related to WHT on undistributed earnings 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% for the years ended 31 December 2019. For the year ended 31 December 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 12.5% for the years ended 31 December 2020 and 2019.
- 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% for the years ended 31 December 2020 and 2019.
- The subsidiaries of Tianjin Ruidao are small low-profit enterprises, followed by a reduced tax rate of 20% for the year ended 31 December 2020.
- Suzhou Neusoft Ruixiang Technology Co., Ltd. is a small low-profit enterprise, followed by a reduced tax rate of 20% for the year ended 31 December 2020.

13. INCOME TAX EXPENSE (CONTINUED)

(vii) Deferred tax assets not recognised

As at 31 December 2020, the Group has unused tax losses of RMB66,854,000 (2019: RMB10,003,000), which will expire in one to five years for offsetting against future profits. Deferred tax assets have not been 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 during the years ended 31 December 2020 and 2019.

Dividends during the years ended 31 December 2020 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 2020 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 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 Co., Ltd. ("**Yida Group**"), amounting to approximately RMB467,000. This amount has been paid as at 31 December 2020.

A dividend in respect of the year ended 31 December 2020 of HKD0.027 per share, in an aggregate amount of HKD18,000,000 (approximately equivalent to RMB15,150,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting to be held on 25 May 2021. These financial statements do not reflect this dividend payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. EARNINGS PER SHARE

(a) Basic

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 year.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	74,246	139,213
Weighted average number of ordinary shares in issue (thousands)	542,466	500,000
Basic earnings per share (in RMB)	0.14	0.28

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to owners of the Company after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares during the year.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	74,246	139,213
Weighted average number of ordinary shares in issue (thousands)	542,466	500,000
Adjustments for share options granted to employees (thousands)	4,458	–
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousands)	546,924	500,000
Diluted earnings per share (in RMB)	0.14	0.28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Renovation RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019								
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
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
Year ended 31 December 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 33)	-	4,983	-	14,448	1,080	608	-	21,119
Additions	-	8,128	-	25,890	8,084	1,607	384,179	427,888
Transfer upon completion	128,300	218	-	-	-	-	(128,518)	-
Disposals	(1,441)	-	-	(1,849)	(93)	(13)	-	(3,396)
Depreciation charge	(53,457)	(9,983)	(176)	(27,867)	(11,241)	(1,780)	-	(104,504)
Closing net book amount	1,008,401	41,922	608	56,585	35,328	6,437	394,193	1,543,474
At 31 December 2020								
Cost	1,529,563	68,485	4,795	229,971	149,375	20,459	394,193	2,396,841
Accumulated depreciation	(521,162)	(26,563)	(4,187)	(173,386)	(114,047)	(14,022)	-	(853,367)
Net book amount	1,008,401	41,922	608	56,585	35,328	6,437	394,193	1,543,474

(a) Construction in progress as at 31 December 2020 comprises buildings being constructed.

(b) As at 31 December 2020, buildings with a net book value of RMB81,417,000 (2019: RMB86,558,000) had been leases out.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INTANGIBLE ASSETS

	Goodwill RMB'000	Brand RMB'000	Customer relationship RMB'000	Software RMB'000	Total RMB'000
At 1 January 2019					
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 charge	–	–	–	(2,455)	(2,455)
Closing net book amount	–	–	–	10,736	10,736
At 31 December 2019					
Cost	–	–	–	24,110	24,110
Accumulated amortisation	–	–	–	(13,374)	(13,374)
Net book amount	–	–	–	10,736	10,736
Year ended 31 December 2020					
Opening net book amount	–	–	–	10,736	10,736
Acquisition of a subsidiary (Note 33)	134,937	89,499	66,907	2,357	293,700
Additions	–	–	–	5,559	5,559
Amortisation charge	–	–	(5,576)	(3,591)	(9,167)
Closing net book amount	134,937	89,499	61,331	15,061	300,828
At 31 December 2020					
Cost	134,937	89,499	66,907	32,026	323,369
Accumulated amortisation	–	–	(5,576)	(16,965)	(22,541)
Net book amount	134,937	89,499	61,331	15,061	300,828

17. INTANGIBLE ASSETS (CONTINUED)

(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 33) on 1 March 2020. Tianjin Ruidao is principally engaged in the provision of IT value-added education services 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:

	As at 31 December 2020
Revenue growth rate (%)	10%-30%
EBITDA (% of revenue) (%)	11%-19%
Long-term growth rate (%)	2.60%
Pre-tax discount rate (%)	15.82%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine 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.
EBITDA (% of revenue)	Based on past performance and management's expectations for the future.
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. LEASES

(i) **Amounts recognised in the consolidated statements of balance sheet**

The consolidated balance sheet includes the following amounts relating to leases:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Right-of-use assets		
Land use rights	609,191	398,959
Leased Properties	54,095	43,881
	663,286	442,840
Lease liabilities		
Current	10,131	5,601
Non-current	46,302	39,647
	56,433	45,248

(ii) **Amounts recognised in the consolidated income statement**

The consolidated income statement shows the following amounts relating to leases:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (<i>Note 10</i>)	26,179	17,104
Interest expense (<i>Note 12</i>)	2,798	2,477
Expense relating to short-term leases (<i>Note 10</i>)	43,907	36,780
	72,884	56,361

The total cash outflow for leases during the year ended 31 December 2020 is RMB14,502,000 (Note 31).

18. LEASES (CONTINUED)

(iii) 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.

(iv) The Group's land use rights are purchased from the government and other enterprises. All the land use rights have proper title deeds.

(v) As at 31 December 2020, four parcels of land owned by Guangdong University with a net book value of RMB11,981,000 (2019: RMB12,353,000) are in condition of not ready for development in according to the competent local government authority. Our Directors are of the view that the risk that the four parcels of land are regarded as idle land is remote.

19. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred income tax assets		
Deferred income tax assets to be recovered within 12 months	1,649	1,649
Deferred income tax assets to be recovered after more than 12 months	31,704	33,160
	33,353	34,809
Deferred income tax liabilities		
Deferred income tax liabilities to be settled within 12 months	(3,428)	(2,571)
Deferred income tax liabilities to be settled after more than 12 months	(38,980)	(4,208)
	(42,408)	(6,779)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

The gross movement of the Group's deferred income tax assets is as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Beginning of the year	34,809	36,458
Debited to the consolidated statements of comprehensive income	(1,456)	(1,649)
End of the year	33,353	34,809

The gross movement of the Group's deferred income tax liabilities is as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Beginning of the year	(6,779)	(8,706)
Acquisition of a subsidiary (<i>Note 33</i>)	(40,042)	–
Credited to the consolidated statements of comprehensive income	4,413	1,927
End of the year	(42,408)	(6,779)

The movements in deferred income tax assets and liabilities of the Group during the year ended 31 December 2020 and 2019, 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 RMB'000	Asset impairment provision RMB'000	Total RMB'000
Balance at 1 January 2020	34,809	–	34,809
(Debited)/Credited to the consolidated statements of comprehensive income	(1,649)	193	(1,456)
Balance at 31 December 2020	33,160	193	33,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

(a) Deferred tax assets (Continued)

	Unrealised gain on intra-group transactions RMB'000	Asset impairment provision RMB'000	Total RMB'000
Balance at 1 January 2019	36,458	–	36,458
(Debited)/Credited to the consolidated statements of comprehensive income	(1,649)	–	(1,649)
Balance at 31 December 2019	34,809	–	34,809

(b) Deferred tax liabilities

	Customer relationship RMB'000	Brand RMB'000	Property, plant and equipment RMB'000	Total RMB'000
Balance at 1 January 2020	–	–	(6,779)	(6,779)
Acquisition of a subsidiary (Note 33)	(16,727)	(22,374)	(941)	(40,042)
Credited to the consolidated statements of comprehensive income	1,394	–	3,019	4,413
Balance at 31 December 2020	(15,333)	(22,374)	(4,701)	(42,408)

	Customer relationship RMB'000	Brand RMB'000	Property, plant and equipment RMB'000	Total RMB'000
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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS

	Financial assets measured at amortized cost RMB'000	Fair value through profit or loss RMB'000	Total RMB'000
At 31 December 2020			
Assets as per balance sheet			
Trade and other receivables excluding non-financial assets	48,525	–	48,525
Financial products as designed by a financial institution (Note 23)	–	35,233	35,233
Cash and cash equivalents (Note 24)	1,426,063	–	1,426,063
Restricted cash (Note 24)	4,119	–	4,119
	1,478,707	35,233	1,513,940

	Financial assets measured at amortized cost RMB'000	Fair value through profit or loss RMB'000	Total RMB'000
At 31 December 2019			
Assets as per balance sheet			
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

	Amortised cost RMB'000
At 31 December 2020	
Liabilities as per balance sheet	
Borrowings (Note 29)	1,153,264
Trade and other payables excluding non-financial liabilities (Note 28)	248,744
	1,402,008
At 31 December 2019	
Liabilities as per balance sheet	
Borrowings (Note 29)	998,798
Trade and other payables excluding non-financial liabilities (Note 28)	168,708
	1,167,506

21. TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Due from related parties (Note 35 (b))	3,564	442
Receivables from continuing education services	5,164	1,293
Receivables from education resources services	11,734	4,145
Receivables from development of software system technology	200	131
Others	349	137
	21,011	6,148
Less: Provision for impairment of trade receivables	(728)	–
Trade receivables – net	20,283	6,148
Notes receivables	3,050	–
	23,333	6,148

The Group's trade receivables were denominated in RMB and the carrying amounts approximated their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. TRADE AND NOTES RECEIVABLES (CONTINUED)

- (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 2020 and 2019, the ageing analysis of the trade receivable was as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Less than 6 months	18,634	5,803
6 months to 1 year	591	–
1 to 2 years	1,222	345
More than 2 years	564	–
	21,011	6,148

- (b) The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. Information about the impairment of trade receivables can be found in note 3.1.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Other receivables and deposits		
Due from related parties (<i>Note 35 (b)</i>)	48	–
Loan receivable from third parties	1,300	1,500
Advance to staff	1,890	2,733
Advance to third parties	2,711	2,508
Deposits	16,774	13,549
Deductible VAT input	15,819	6,010
Others	1,741	45
	40,283	26,345
Less: Provision for impairment of other receivables	(271)	–
	40,012	26,345
Less: non-current portion		
– Deposits	(11,500)	(11,500)
– Loan receivable from third parties	–	(1,500)
Other receivables and deposits – current portion	28,512	13,345

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Prepayment		
Prepayment for utilities	4,298	3,812
Prepayment for leases	23,206	23,737
Prepayment to related parties (Note 35 (b))	17	55
Prepayment in relation to the Listing (a)	–	4,126
Prepayment to others	1,409	224,991
Less: non-current portion		
– Prepayments for property, plant and equipment	–	(541)
– Prepayments for land use right	–	(223,616)
Prepayments – current portion	28,930	32,564
Total prepayments, deposits and other receivables	57,442	45,909

The Group's prepayments, deposits and other receivables were denominated in RMB and the carrying amounts approximated their fair values.

- (a) The listing expenses that are attributable to the issuance to new shares are accrued during the listing process and have been deducted from equity when issuing new shares.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets		
Financial products sponsored and managed by banks (Note 3.3)	35,233	50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash on hand	146	109
Cash at banks	1,425,727	562,773
Short-term deposit with initial terms within three months	190	–
	1,426,063	562,882

(b) Restricted cash

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
For securing deposits	4,119	10,215

25. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares
Authorised:		
As at 1 January 2019	3,800,000,000	HKD380,000
Effect of Share Consolidation (a)	(1,900,000,000)	–
As at 31 December 2019	1,900,000,000	HKD380,000

As at 1 January 2020 and 31 December 2020, the number of ordinary shares and nominal value of ordinary shares remained at 1,900,000,000 and HKD380,000 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. SHARE CAPITAL (CONTINUED)

	Number of ordinary shares	Nominal value of ordinary shares HKD	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Issued:					
As at 1 January 2019	1,000,000,000	100,000	88	0	88
Effect of Share Consolidation (a)	(500,000,000)	–	–	–	–
Completion of reorganisation	–	–	–	2,046,481	2,046,481
As at 31 December 2019	500,000,000	100,000	88	2,046,481	2,046,569
As at 1 January 2020	500,000,000	100,000	88	2,046,481	2,046,569
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs (b)	166,667,200	33,333	29	872,549	872,578
As at 31 December 2020	666,667,200	133,333	117	2,919,030	2,919,147

- (a) On 22 October 2019, the Company consolidated its shares on a two-to-one basis, so that its authorised share capital becomes HK\$380,000 divided into 1,900,000,000 ordinary shares of HKD0.0002 par value each, of which 500,000,000 ordinary shares are in issue ("**Share Consolidation**").
- (b) Upon completion of the IPO, the Company issued 166,667,200 new shares at par value of HKD0.0002 each for cash consideration of HKD6.22 each and raised gross proceeds of approximately HKD1,036,670,000 (equivalent to RMB911,876,000). The respective share capital amount was approximately RMB29,000 and share premium arising from the issuance was approximately RMB872,549,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB39,327,000 were treated as a deduction against the share premium arising from the issuance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. SHARE PREMIUM AND RESERVES

	Combined share capital RMB'000	Share premium RMB'000	Merge reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserves(a) RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2020	-	2,046,481	(1,756,337)	(64,145)	141,566	(14)	367,551
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	-	872,549	-	-	-	-	872,549
Share-based compensation	-	-	-	89,947	-	-	89,947
Profit appropriation to statutory surplus reserves (a)	-	-	-	-	4,391	-	4,391
Transactions with non-controlling interests (b)	-	-	-	(12,697)	-	-	(12,697)
Other comprehensive loss	-	-	-	-	-	(782)	(782)
At 31 December 2020	-	2,919,030	(1,756,337)	13,105	145,957	(796)	1,320,959
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 loss	-	-	-	-	-	(15)	(15)
At 31 December 2019	-	2,046,481	(1,756,337)	(64,145)	141,566	(14)	367,551

26. SHARE PREMIUM AND RESERVES (CONTINUED)

(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 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.

On 19 May 2020, Dalian Education and Tianjin Ruiyi Enterprise Management Consulting Center (Limited Partnership) ("**Tianjin Ruiyi**") entered into a put and call option agreement ("**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 RMB36,274,000. Pursuant to the Agreement, Dalian Education has an obligation to purchase the 9.09% equity interest in Tianjin Ruidao at any time within three years since Listing which resulted in recognising a financial liability of approximately RMB36,274,000, by debiting non-controlling interest of RMB23,588,000 and capital reserve of RMB12,686,000 on the date of the Listing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 authorized director on 10 June 2020 (the “**Pre-IPO Share Incentive Scheme**”). Pursuant to the Pre-IPO Share Option 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, including 21,762,500 Class A and 28,237,500 Class B share options.

On 11 September 2020, the Board of Directors of the Company conditionally adopted the principal terms of the Post-IPO Share Incentive Scheme. The purpose of the Post-IPO Share Incentive Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage and retain participants to make contributions to the long-term growth and profits of the Group. The total number of share options available for grant under Post-IPO Share Incentive Scheme was 66,666,720. As of 31 December 2020, no options has been granted or agreed to be granted pursuant to Post-IPO Share Incentive Scheme.

Pre-IPO Share Incentive Scheme

Share options granted to participants

The share options granted under Pre-IPO Share Incentive Scheme have different vesting terms.

All granted Class A share options are vested on the Listing date without any performance requirements.

The Class B share options are performance-based share options with graded vesting terms, and vest in tranches from grant date over no more than 2 years, on condition that participants remain in service and performance conditions are satisfied. The performance goals are determined by the Board of Directors. For those share options, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based compensation expenses are then adjusted to reflect the revision of original estimates.

Movements in the number of share options granted to participants and their related weighted average exercise prices are as below:

	Number of share options	Average exercise price per share option (HKD)
Outstanding as of 1 January 2020	–	–
Granted during the year	50,000,000	3.11
Forfeited during the year	(925,800)	3.11
Exercised during the year	–	–
Outstanding as of 31 December 2020	49,074,200	3.11
Exercisable as of 31 December 2020	21,725,000	3.11

The weighted-average remaining contract life for outstanding share options was 9.67 years as of 31 December 2020.

27. SHARE OPTION (CONTINUED)

Pre-IPO Share Incentive Scheme (continued)

Fair value of share options

The Group has used the Binomial option-pricing model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Year ended 31 December 2020
Spot price (HKD)	5.53
Expected Offer Price (HKD) (a)	5.70
Exercise price (HKD) (a)	2.85
Risk-free interest rate	0.78%
Dividend yield	–
Expected volatility	54.02%
Expected terms	10 years

- (a) Exercise price of each share options granted under Pre-IPO Share Incentive Scheme was 50% of the Offer Price. Prior to the completion of initial public offering, the expected Offer Price was HKD5.70, and the exercise price of each option was estimated to be HKD2.85 accordingly. Pursuant to the completion of initial public offering, the Offer Price has been determined at HKD6.22, and thus the exercise price of each share options granted under Pre-IPO Share Incentive Scheme was determined at HKD3.11.

The weighted average fair value of granted share options was HKD3.45 per share, for the years ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables		
Amount due to third parties	4,133	972
Other payables		
Miscellaneous expenses received from students	50,567	52,008
Amount due to related parties (Note 35 (b))	1,336	3,016
Payables in relation to the Listing	216	8,419
Salary and welfare payables	81,729	49,374
Deposits	30,424	19,433
Government subsidies payable to students	7,901	2,214
Payables for purchases of property, plant and equipment	82,022	58,777
Payables for administrative cost	14,317	14,880
Tax payables	11,742	8,449
Interest payables to bank	7,786	3,438
Redemption liability (Note 26 (b))	36,274	–
Others	13,768	5,551
Less: non-current portion		
– Amount due to a third party	(675)	–
Other payables – current portion	337,407	225,559
Total trade and other payables	341,540	226,531

The Group's trade payables were denominated in RMB and the carrying amounts approximated their fair values.

- (b) The credit terms of trade payables granted to the Group are generally no more than 180 days. As at 31 December 2020 and 2019, the aging analysis of the trade payable based on invoice dates was as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Less than 6 months	4,133	933
6 months to 1 year	–	–
1 to 2 years	–	–
2 to 3 years	–	–
More than 3 years	–	39
	4,133	972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BORROWINGS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Long-term borrowings		
Bank borrowings		
– secured	428,881	350,734
– unsecured	275,950	253,940
Current portion of		
– long term borrowings – secured	(55,000)	(52,000)
– long term borrowings – unsecured	(144,950)	(27,040)
	504,881	525,634
Short-term borrowings		
Bank borrowings		
– secured	–	200,000
– unsecured	448,433	194,124
Current portion of		
– long term borrowings – secured	55,000	52,000
– long term borrowings – unsecured	144,950	27,040
	648,383	473,164
Total borrowings	1,153,264	998,798

(a) Bank borrowings of the Group which are guaranteed by related parties are shown below:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Neusoft Holdings (Note 35 (d))	85,000	–

(b) The weighted average effective interest rate (per annum) at the balance sheet dates are set out as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Bank borrowings	4.90%	4.91%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BORROWINGS (CONTINUED)

- (c) The Group has the following undrawn bank borrowing facilities:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Bank borrowing facilities	2,119,387	492,500

- (d) The maturity date of the following was analysed as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	648,383	473,164
Between 1 and 2 years	147,881	200,634
Between 2 and 5 years	330,800	241,000
More than 5 years	26,200	84,000
	1,153,264	998,798

- (e) As at 31 December 2020, the Group's borrowings were denominated in RMB.
- (f) On 21 May 2010, Guangdong University entered into a loan agreement with a bank. As at 31 December 2019, the loan balances are RMB42,000,000. The loan bears a floating interest rate of PBOC interest rate. Guangdong University has pledged the tuition and accommodation fees collection rights from 4 March 2015 to 16 January 2020 to the bank. Guangdong University further pledged the collection rights of the tuition fee from 17 January 2020 to 3 March 2020 to the bank. The loan was fully repaid to the bank on 21 May 2020.
- (g) On 12 October 2017, Guangdong University entered into a loan agreement with a bank. On 5 January 2018, an additional RMB60,000,000 was borrowed under the contract. As at 31 December 2020, the loan balance is RMB100,000,000 (2019: RMB110,000,000). The loan bears a floating interest rate of PBOC interest rate. Guangdong University has pledged the collection rights of the tuition, accommodation and other service fees from 27 September 2017 to 31 December 2022 to the bank.

On 17 January 2020, Guangdong University further entered into a loan agreement with the bank. As at 31 December 2020, the loan balance is RMB45,000,000 (2019: nil). The loan bears a floating interest rate of PBOC interest rate. Guangdong University has pledged the collection rights of the tuition fees from 17 January 2020 to 31 December 2025.

Pursuant to the loan agreements, Guangdong University opened a bank account in the bank without any restrictions on use. However, if any events of defaults or events that could trigger the bank's doubts of on-time repayment ability, the bank has the right to freeze the deposits in the account. As at 31 December 2020, the balance in this bank account is RMB7,266,000 (2019: RMB26,945,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BORROWINGS (CONTINUED)

(g) (continued)

As at 31 December 2020, the loan balance with RMB198,881,000 (2019: RMB198,734,000) was loaned from a bank by Dalian University since 28 March 2019. 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. Pursuant to the loan agreement, Dalian University opened a bank account in the bank without any restrictions on use. However, if any events of defaults or events that could trigger the bank's doubts of on-time repayment ability, the bank has the right to freeze the deposits in the account. As at 31 December 2020, the balance in this bank account is RMB4,000 (2019: RMB2,104,000).

On 26 November 2020, Dalian University entered into a loan agreement with a bank. As at 31 December 2020, the loan balance is RMB85,000,000 (2019: nil). The loan bears a floating interest rate of PBOC interest rate. Dalian University has pledged the collection rights of the tuition fees from 19 November 2020 to 25 November 2035 to the bank.

(h) As at 31 December 2020, in addition to the above loans, the other unsecured loan balances were RMB724,383,000 (2019: RMB648,064,000).

30. DEFERRED INCOME

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current:		
Deferred government grants (a)	27,517	26,865
Current:		
Deferred government grants (a)	40,699	34,045
Rental	7,335	6,337
	48,034	40,382
	75,551	67,247

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Profit before income tax	136,966	198,968
Adjustments for:		
– Depreciation of property, plant and equipment (Note 16)	104,504	88,795
– Amortisation of intangible assets (Note 17)	9,167	2,455
– Depreciation of right-of-use assets (Note 18)	26,179	17,104
– Net losses/(gain) on disposal of property, plant and equipment (Note 9)	652	820
– Gains in profit or loss on financial instrument (Note 9)	(2,260)	(1,079)
– Interest income (Note 12)	(4,726)	(3,458)
– Finance expenses (Note 12)	73,973	39,667
– Share-based compensation (Note 11)	111,144	–
– Provision for impairment on financial assets (Note 21, Note 22)	999	–
Operating cash flows before movements in working capital	456,598	343,272
Changes in working capital:		
– Trade and notes receivables (Note 21, Note 33)	(11,088)	8,444
– Prepayments, deposits and other receivables	2,368	(10,591)
– Increase in inventories	(5,135)	(282)
– Deferred income (Note 30, Note 33)	7,007	3,468
– Contract liabilities (Note 6, Note 33)	110,597	39,492
– Trade and other payables	34,274	19,404
Cash generated from operations	594,621	403,207
Income taxes paid	(19,799)	(22,235)
Net cash generated from operations	574,822	380,972

(b) In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Net book amount (Note 16)	3,396	1,166
Loss on disposal of property, plant and equipment (Note 9)	(652)	(820)
Proceeds from disposal of property, plant and equipment	2,744	346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) The reconciliation of assets and liabilities arising from financing activities is as follows:

	Borrowing from financial institution	Borrowing from a third party	Dividends	Lease liabilities	Total
As at 1 January 2020	1,002,236	–	467	45,248	1,047,951
Cash flows					
– Proceeds from borrowings	643,433	–	–	–	643,433
– Repayments of borrowings	(489,114)	–	–	–	(489,114)
– Borrowings from a third party	–	20,000	–	–	20,000
– Repayments of borrowings to a third party	–	(20,000)	–	–	(20,000)
– Lease principal elements paid	–	–	–	(11,704)	(11,704)
– Interest paid	(34,558)	–	–	(2,798)	(37,356)
– Dividends paid	–	–	(467)	–	(467)
Non-cash movements					
– Addition of lease liabilities	–	–	–	22,889	22,889
– Interest accrued	38,906	–	–	2,798	41,704
– Others	147	–	–	–	147
As at 31 December 2020	1,161,050	–	–	56,433	1,217,483

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. CONTINGENCIES

The Group did not have any significant contingencies items as of 31 December 2020 and 2019.

33. BUSINESS COMBINATIONS

On 1 March 2020, the Group acquired 90.91% of the issued shares of Tianjin Ruidao for a cash consideration of RMB362,779,000 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 18)	10,441
Property, plant and equipment (Note 16)	21,119
Investment in associate	711
Intangible asset – brand (Note 17)	89,499
Intangible asset – customer relationship (Note 17)	66,907
Intangible asset – software (Note 17)	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 RMB143,639,000 and net profit of RMB22,668,000 to the Group for the period from 1 March 2020 to 31 December 2020.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit of the Group for the period ended 31 December 2020 would have been RMB1,111,958,000 and RMB74,953,000 respectively.

Non-controlling interests are recognized at its proportionate shares of the acquired net identifiable assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. BUSINESS COMBINATIONS (CONTINUED)

(b) Purchase consideration – cash outflow

	As at 31 December 2020 RMB'000
Inflow of cash to acquire subsidiary, net of cash acquired Cash consideration	362,779
Less: Balances acquired Cash	(42,043)
Net outflow of cash – investing activities	320,736

Note: The cash consideration was fully settled as at 31 December 2020.

34. COMMITMENTS

(a) Capital commitments

The following is the details of capital expenditure contracted but not provided for in the consolidated financial statements.

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Commitment for acquisition of property, plant and equipment and land use right	826,137	186,016

(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	
	2020	2019
	RMB'000	RMB'000
No later than 1 year	33,048	19,067
Later than 1 year and no later than 5 years	48,677	17,872
Later than 5 years	3,836	–
	85,561	36,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. 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
Qiqin Technology (Beijing) Co., Ltd. (b)	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
Tianjin SiRui Information Technology Co., Ltd.	A company controlled by Neusoft Holdings
Puer Jinggu Yunshe Hotel Co., Ltd.	A company controlled by Neusoft Holdings
Neusoft Health Medical Management Co., Ltd	A company controlled by Neusoft Holdings
Yida Group	Owner who has significant influence over the Group

(a) These related parties became subsidiaries of the Group after the acquisition of Tianjin Ruidao on 1 March 2020.

(b) Qiqin Technology (Beijing) Co., Ltd. was previously known as Beijing Neusoft Huiju Information Technology Co., Ltd.

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Borrowings from related parties		
Owner who has significant influence over the Company (Note (i))		
Balance at 1 January	–	–
Borrowings from related parties	–	200,000
Repayments of borrowings to related parties	–	(200,000)
Interest payable to related parties	–	7,108
Repayments of interest to related parties	–	(7,108)
Balance at 31 December	–	–
A company controlled by Neusoft Holdings (Note (ii))		
Balance at 1 January	–	40
Repayments of interest payables to related parties	–	(40)
Balance at 31 December	–	–

- (i) During year ended 31 December 2019, 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. The loan has been repaid on 26 September 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

- (ii) During the year ended 31 December 2019, 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. The loan has been repaid on 9 January 2019.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Purchasing goods and receiving services		
Owner who has significant influence over the Company	36	385
Companies controlled by Neusoft Holdings	1,727	3,127
	1,763	3,512

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	
	2020 RMB'000	2019 RMB'000
Selling goods and providing services		
Owner who has significant influence over the Company	–	359
Companies controlled by Liu Jiren	1,455	1,554
Companies controlled by Neusoft Holdings	57,441	120,295
	58,896	122,208

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.

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balance with related parties

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables due from related parties		
Companies controlled by Neusoft Holdings	3,564	442
Other receivables due from related parties		
A company controlled by Neusoft Holdings	48	–
Other payables due to related parties		
Owner who has significant influence over the Company	21	221
A company controlled by Liu Jiren	238	238
Companies controlled by Neusoft Holdings	1,077	706
Owner who has significant influence over the Group	–	1,851
	1,336	3,016
Amounts prepaid by related parties		
A company controlled by Liu Jiren	226	226
A company controlled by Neusoft Holdings	64	64
	290	290
Amounts prepaid to related parties		
A company controlled by Liu Jiren	17	–
Owner who has significant influence over the Company	–	55
	17	55

As at 31 December 2020 and 2019, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) 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	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	12,904	8,366
Share-based compensation	51,617	–
Contributions to pension plans	141	195
Welfare and other expenses	163	229
	64,825	8,790

(d) Borrowings guaranteed by related party

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Owner who has significant influence over the Company	85,000	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. SUBSIDIARIES

As at 31 December 2020 and 2019, the Company had direct or indirect interests in the following subsidiaries:

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Attributable equity interests of the Group		As of the date of this report	Principal activities and place of operation
				At 31 December			
				2020	2019		
Directly held:							
Neusoft Education BVI	BVI	20 August 2018	HK\$380,000	100%	100%	100%	Investment holding in BVI
Indirectly held:							
Dalian Development	PRC	10 July 2002	RMB359,000,000	80.82%	80.82%	80.82%	Investment Holding & Estate Management in PRC
Dalian University	PRC	29 April 2004	RMB350,190,000	80.82%	80.82%	80.82%	Higher education in PRC
Neusoft Electronic Press	PRC	21 April 2005	RMB5,000,000	80.82%	80.82%	80.82%	Publishing in PRC
Dalian Technology	PRC	10 October 2013	RMB10,000,000	80.82%	80.82%	80.82%	Investment holding in PRC
Chengdu Development	PRC	8 July 2002	RMB195,800,000	80.82%	80.82%	80.82%	Investment holding in PRC
Chengdu University	PRC	10 June 2003	RMB230,663,174	80.82%	80.82%	80.82%	Higher education in PRC
Foshan Development	PRC	8 January 2002	RMB150,700,000	80.82%	80.82%	80.82%	Investment holding in PRC
Guangdong University	PRC	24 February 2003	RMB158,400,000	80.82%	80.82%	80.82%	Higher education in PRC
Shanghai Ruixiang	PRC	14 April 2017	RMB5,000,000	80.82%	80.82%	80.82%	Software development in PRC
Dalian Yunguan	PRC	17 February 2013	RMB20,000,000	80.82%	80.82%	80.82%	Software development in PRC
Foshan Yunguan (note (a))	PRC	24 June 2016	RMB5,000,000	80.82%	80.82%	–	Software development in PRC
Neusoft Education HK	Hong Kong	26 September 2018	HK\$100	100%	100%	100%	Investment holding in Hong Kong
Neusoft Training School	PRC	29 August 2018	RMB1,000,000	80.82%	80.82%	80.82%	Training service in PRC
Dalian Neusoft Industry Management Services Co., Ltd.	PRC	14 August 2018	RMB3,000,000	80.82%	80.82%	80.82%	Property management in PRC
Dalian Education	PRC	3 August 2018	RMB10,000,000	80.82%	80.82%	80.82%	Investment holding in PRC
Dalian Neusoft Kangrui Jiuhe Medical Management Co., Ltd. (note (a))	PRC	22 September 2018	RMB5,000,000	–	48.49%	–	Medical related consultation in PRC
Neusoft Ruixin	PRC	17 May 2019	RMB10,000	80.82%	80.82%	80.82%	Investment holding in PRC
Chengdu Neusoft Education Technology Group Co., Limited	PRC	26 April 2019	RMB1,000,000	80.82%	80.82%	80.82%	Investment holding in PRC
Suzhou Neusoft Technology Development Co., Ltd.	PRC	23 January 2020	–	80.82%	–	80.82%	Investment holding in PRC
Tianjin Ruidao	PRC	22 March 2012	RMB110,000,000	80.82%	–	80.82%	Training service in PRC
Shenyang Neusoft Software Talent Training School	PRC	9 September 2008	RMB300,000	80.82%	–	80.82%	Training service in PRC
Dalian Neusoft Software Talent Training Centre	PRC	8 May 2009	RMB1,000,000	80.82%	–	80.82%	Training service in PRC
Tianjin City Binhai Newtown Neusoft Ruidao Software Talent Vocational Training School	PRC	13 August 2015	RMB1,000,000	80.82%	–	80.82%	Training service in PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Attributable equity interests of the Group		As of the date of this report	Principal activities and place of operation
				At 31 December 2020	2019		
Nanjing Neusoft Ruidao Information Technology Co., Ltd.	PRC	5 March 2014	–	80.82%	–	80.82%	Training service in PRC
Nanjing Neusoft Talent Training Centre	PRC	28 July 2009	RMB300,000	80.82%	–	80.82%	Training service in PRC
Shenyang Neusoft Ruidao Education Services Co., Ltd.	PRC	9 July 2012	RMB5,000,000	80.82%	–	80.82%	Training service in PRC
Dalian Neusoft Ruidao Education Information Services Co., Ltd. (note (a))	PRC	23 July 2012	RMB2,000,000	–	–	–	Training service in PRC
Qingdao Neusoft Ruidao Education Information Technology Co., Ltd.	PRC	6 December 2012	RMB2,000,000	80.82%	–	80.82%	Training service in PRC
Qingdao Xihai Newtown Neusoft Ruidao Software Talent Training School	PRC	12 November 2013	RMB1,200,000	80.82%	–	80.82%	Training service in PRC
Beijing Neusoft Ruidao Education Technology Co., Ltd. (note (a))	PRC	21 September 2012	RMB1,000,000	–	–	–	Training service in PRC
Guangzhou Neusoft Ruidao Education Information Technology Co., Ltd.	PRC	31 December 2013	RMB1,000,000	80.82%	–	80.82%	Training service in PRC
Guangzhou Neusoft Software Talent Vocational Training School	PRC	13 July 2015	RMB1,000,000	80.82%	–	80.82%	Training service in PRC
Chongqing Neusoft Ruidao Information Technology Co., Ltd.	PRC	11 July 2017	RMB2,000,000	80.82%	–	80.82%	Training service in PRC
Dalian Neusoft Ruichuang Technology Development Co., Ltd.	PRC	22 August 2014	RMB10,000,000	80.82%	–	80.82%	Software development in PRC
Chengdu Neusoft Software Co., Ltd.	PRC	17 June 2010	RMB10,000,000	80.82%	–	80.82%	Software development in PRC
Neusoft Ruidao (Weihai) Education Information Consulting Co., Ltd.	PRC	29 October 2019	RMB1,000,000	80.82%	–	80.82%	Training service in PRC
Qinhuangdao Neusoft Venture School	PRC	15 March 2016	RMB5,000,000	72.74%	–	72.74%	Training service in PRC
Guangzhou Ruiyuan Information Technology Co., Ltd. (note (a))	PRC	20 August 2019	RMB1,000,000	–	–	–	Training service in PRC
Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd.	PRC	18 April 2016	RMB1,000,000	48.49%	–	48.49%	Software development in PRC
Dalian Waye Information Service Co., Ltd.	PRC	15 March 2016	RMB10,739,000	48.49%	–	48.49%	Software development in PRC
Guangdong Ruidao Gongchuang Technology CO., Ltd.	PRC	29 April 2016	RMB10,000,000	41.22%	–	41.22%	Software development in PRC
Dalian Zhisheng Technology Co., Ltd. (note(b))	PRC	23 September 2020	RMB139,754,000	100%	–	100%	Investment holding in PRC
Dalian Ruidi Technology Co., Ltd. (note(b))	PRC	23 September 2020	RMB139,750,000	100%	–	100%	Investment holding in PRC
Dalian Xindi Technology Co., Ltd. (note(b))	PRC	23 September 2020	RMB139,750,000	100%	–	100%	Investment holding in PRC
Dalian Sidi Technology Co., Ltd. (note(b))	PRC	23 September 2020	RMB139,754,000	100%	–	100%	Investment holding in PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Attributable equity interests of the Group		As of the date of this report	Principal activities and place of operation
				At 31 December			
				2020	2019		
Dalian Zhizhuo Technology Co., Ltd. <i>(note(b))</i>	PRC	23 September 2020	RMB139,754,000	100%	-	100%	Investment holding in PRC
Dalian Zhiyue Technology Co., Ltd. <i>(note(b))</i>	PRC	23 September 2020	RMB139,754,000	100%	-	100%	Investment holding in PRC
Suzhou Neusoft Ruixiang Technology Co., Ltd. <i>(note(b))</i>	PRC	22 June 2020	-	80.82%	-	80.82%	Software development in PRC
Tianjin Port Baoshui Zone Neusoft Ruidao Vocational Training School Co. Ltd. <i>(note(b))</i>	PRC	4 September 2020	-	80.82%	-	80.82%	Training service in PRC
Dalian DOIT Human Resource Service Co., Ltd. <i>(note(b))</i>	PRC	11 November 2020	RMB2,000,000	80.82%	-	80.82%	Investment holding in PRC
Ningbo Wanli Neusoft Digital Technology Co., Ltd. <i>(note(b))</i>	PRC	28 December 2020	-	41.22%	-	41.22%	Investment holding in PRC

Notes:

(a) Kangrui Jiuhe has been deregistered on 2 June 2020.

Guangzhou Ruiyuan Information Technology Co., Ltd. has been sold to a third party on 4 June 2020.

Beijing Neusoft Ruidao Education Technology Co., Ltd. has been deregistered on 11 November 2020.

Dalian Neusoft Ruidao Education Information Services Co., Ltd. has been deregistered on 25 December 2020.

Foshan Yunguan has been deregistered on 7 February 2021.

(b) Dalian Zhisheng Technology Co., Ltd., Dalian Zhiyue Technology Co., Ltd., Dalian Ruidi Technology Co., Ltd., Dalian Xindi Technology Co., Ltd., Dalian Sidi Technology Co., Ltd., Dalian Zhizhuo Technology Co., Ltd., Suzhou Neusoft Ruixiang Technology Co., Ltd., Tianjin Port Baoshui Zone Neusoft Ruidao Vocational Training School Co. Ltd., Dalian DOIT Human Resource Service Co., Ltd. and Ningbo Wanli Neusoft Digital Technology Co., Ltd. were newly incorporated companies during the year ended 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 received no pay from the Company. The remuneration of other directors for the year ended 31 December 2020 and 2019 are set out below:

For the year ended 31 December 2020	Wages, salaries and bonuses RMB'000	Contributions to pension plans RMB'000	Welfare and other expenses RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive director WEN Tao	4,312	48	27	13,117	17,504
Non-executive directors: YANG Li	1,423	24	25	6,073	7,545
ZHANG Yinghui	1,620	25	26	5,321	6,992
Independent non-executive director: Liu Shulian	32	–	–	–	32
Qu Daokui	32	–	–	–	32
Wang Weiping	32	–	–	–	32
	7,451	97	78	24,511	32,137

For the year ended 31 December 2019	Wages, salaries and bonuses RMB'000	Contributions to pension plans RMB'000	Welfare and other expenses RMB'000	Total RMB'000
Executive director WEN Tao	3,450	72	70	3,592
Non-executive directors: YANG Li	1,524	55	58	1,637
ZHANG Yinghui	1,215	25	51	1,291
	6,189	152	179	6,520

37. BENEFITS AND INTERESTS OF DIRECTORS

Directors' emoluments (continued)

- (a) Hong Kong Companies Ordinance 622G4(5) specifies that, if any emoluments consist of a non-cash benefit otherwise, then the reference to the amount of emoluments is a reference to the estimated money value of that benefit. According to Revised AB3 issued by HKICPA in 2017, which provides some guidance in respect of the determination of the "estimated money value". The acceptable approaches include the following:
- (i) the amount recognized as an expense in the period in accordance with IFRS2 Share-based payment; or
 - (ii) the amount of the gain if the options are exercised, or as if they were exercised, at the time of vesting, for those options vested during the year. The amount of gain is the difference between the market price of the shares on the day of vesting and the price paid, if any, for the shares.

The Group choose the second approach to estimate the money value of share-based compensation to directors.

During the year, WEN Tao, YANG Li and ZHANG Yinghui was granted 4,795,000, 2,220,000 and 1,945,000 Class A share options respectively to reward their past years' contribution to the Group on 31 August 2020. Such options were vested immediately on the Listing date with the Offer Price of HKD6.22 and exercise price of HKD3.11 (Note 27). Accordingly, the estimated money value of share options is RMB13,117,000, RMB6,073,000 and RMB5,321,000 respectively.

During the year, no Class B share options are vested (Note 27).

38. SUBSEQUENT EVENTS

On 25 February 2021, the Company's wholly-owned subsidiaries, Dalian Sidi Technology Co., Ltd ("**Dalian Sidi**") and Dalian Xindi Technology Co., Ltd ("**Dalian Xindi**"). entered share purchase agreements with two non-controlling shareholders, PICC Life and PICC Health, in relation to acquisition of 8.40% and 4.85% non-controlling interests in Neusoft Ruixin at purchase considerations of approximately RMB263,770,000 and RMB152,296,000 respectively ("**Acquisition**"). Completion will take place on the date on which a) payment of consideration are made respectively or b) the relevant industrial and commercial registration in relation to the Acquisition is completed, whichever is earlier. On 26 March 2021, 30% of purchase considerations, approximately RMB79,131,000 and RMB45,689,000 were paid to PICC Life and PICC Health by Dalian Sidi and Dalian Xindi respectively. As at the date on which this set of financial statements were authorised for issue, the Acquisition has not been completed. Upon completion of the Acquisition, Neusoft Ruixin will be indirectly held as 94.07% by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	2,068,228	2,083,984
Total non-current assets	2,068,228	2,083,984
Current assets		
Cash and cash equivalents	15,394	10
Prepayments, deposits and other receivables	808,573	4,138
Total current assets	823,967	4,148
Total assets	2,892,195	2,088,132
EQUITY		
Equity attributable to owners of the Company		
Share capital	117	88
Share premium	2,919,030	2,046,481
Reserves	(13,807)	37,217
Accumulated losses	(26,190)	(14,119)
Total equity	2,879,150	2,069,667
LIABILITIES		
Current liabilities		
Trade and other payables	13,045	18,465
Total current liabilities	13,045	18,465
Total liabilities	13,045	18,465
Total equity and liabilities	2,892,195	2,088,132

The balance sheet of the Company was approved by the Board of Directors on 29 March 2021 and was signed on its behalf:

LIU Jiren
Director

WEN Tao
Director

39. FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium RMB'000	Share-based Compensation reserve RMB'000	Currency Translation differences RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	2,046,481	–	37,217	(14,119)	2,069,579
Loss for the year	–	–	–	(12,071)	(12,071)
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	872,549	–	–	–	872,549
Share-based compensation	–	111,140	–	–	111,140
Currency translation differences (Note a)	–	–	(162,164)	–	(162,164)
At 31 December 2020	2,919,030	111,140	(124,947)	(26,190)	2,879,033
At 1 January 2019	–	–	1	(9,445)	(9,444)
Loss for the year	–	–	–	(4,674)	(4,674)
Currency translation differences (Note a)	–	–	37,216	–	37,216
Completion of reorganisation	2,046,481	–	–	–	2,046,481
At 31 December 2019	2,046,481	–	37,217	(14,119)	2,069,579

Note:

- (a) Foreign currency translation reserve represents the difference arising from the translation of the financial statements of the Company as its functional currency in HKD, different from its presentation currency as RMB.

FINANCIAL SUMMARY

Results of operations	For the year ended 31 December				
	2016	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	647,149	731,390	853,167	958,228	1,100,011
Cost of revenue	(484,260)	(496,958)	(580,884)	(635,226)	(678,923)
Gross profit	162,889	234,432	272,283	323,002	421,088
Operating profit	136,806	196,850	207,571	235,675	206,621
Profit before income tax	111,974	161,583	171,005	198,968	136,966
Profit for the year	80,131	143,215	163,678	175,015	102,936
Profit for the year attributable to owners of the Company	61,696	114,818	131,991	139,213	74,246
Adjusted net profit (note i)	80,131	143,215	173,042	195,743	275,817
Adjusted net profit attributable to owners of the Company	61,696	114,818	141,355	159,941	225,930

Note i: Adjusted net profit is derived from the profit for the year after deducting the effects of listing expenses, share-based compensation expenses, and net exchange gains/losses.

Financial ratios	For the year ended 31 December				
	2016	2017	2018	2019	2020
Gross profit margin	25.2%	32.1%	31.9%	33.7%	38.3%
Net profit margin	12.4%	19.6%	19.2%	18.3%	9.4%
Adjusted net profit margin	12.4%	19.6%	20.3%	20.4%	25.1%

Assets and liabilities	For the year ended 31 December				
	2016	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	1,564,804	1,435,594	1,436,050	1,927,909	2,552,441
Current assets	281,659	520,517	379,618	628,267	1,554,639
Current liabilities	1,017,359	1,096,219	888,575	1,244,324	1,694,005
Net current assets (liabilities)	(735,700)	(575,702)	(508,957)	(616,057)	(139,366)
Total assets less current liabilities	829,104	859,892	927,093	1,311,852	2,413,075
Non-current liabilities	328,743	233,139	385,030	598,925	621,783
Total equity	500,361	626,753	542,063	712,927	1,791,292
Total equity and non-current liabilities	829,104	859,892	927,093	1,311,852	2,413,075

FINANCIAL SUMMARY

Extracted major items	For the year ended 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Property, plant and equipment	1,096,028	1,108,960	1,076,197	1,202,367	1,543,474
Cash and cash equivalents	60,230	332,558	214,834	562,882	1,426,063
Contract liabilities	378,268	411,766	449,944	489,436	619,510
Bank borrowings	492,660	426,500	527,980	998,798	1,153,264

Financial ratios	For the year ended 31 December				
	2016	2017	2018	2019	2020
Asset to liability ratio	72.9%	68.0%	70.1%	72.1%	56.4%
Gearing ratio (<i>Note ii</i>)	113.9%	103.2%	107.0%	146.4%	67.5%

Note ii: At the end of the relevant financial year, 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.

Cash flows	For the year ended 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000
Net cash from operating activities	199,260	343,724	343,203	380,972	574,822

DEFINITIONS

“%”	per cent
“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 as of 31 December 2020
“Apex Venture”	Apex Venture Holdings, Inc., a company incorporated under the laws of the United States and a Shareholder as of 31 December 2020
“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 to the Prospectus dated 17 September 2020
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“CAGR”	compound annual growth rate
“Century Bliss”	Century Bliss International Limited, a company incorporated under the laws of the BVI with limited liability and a Shareholder as of 31 December 2020
“Chengdu Neusoft Information Technology 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
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“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
“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
“Contractual Arrangements”	the contractual arrangements entered into by our Group as described in the section headed “Contractual Arrangements” of the Prospectus of the Company
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, to the persons listed in the section headed “Relationship with our Controlling Shareholders” of the Prospectus of the Company, 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 the 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. Liu” or “Chairperson”	LIU Jiren (劉積仁), the Chairperson, Director and a core founding member of the 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
“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 Nanhai Neusoft Information Technology 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
“Guangdong 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

DEFINITIONS

“FY”	financial year ended 31 December, being our financial year end
“GAAP”	generally accepted accounting principles
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “we”, “us”, or “our”	The 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 the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	the current 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 section headed “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation” in the Prospectus of the Company dated 17 September 2020)
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“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
“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” of the Prospectus of the Company for further information
“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

DEFINITIONS

“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”	29 September 2020, on which the Shares of the Company are listed and from which dealings therein are 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
“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與改革委員會)

DEFINITIONS

“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 (stock 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 “Continuing 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
“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
“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

DEFINITIONS

“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 of the Prospectus of the Company dated 17 September 2020
“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 to the Prospectus of the Company dated 17 September 2020
“Principal Share Registrar”	Ogier Global (Cayman) Limited
“Proxy Grantors”	Century Bliss, Alpine Electronics, and Apex Venture, and each of them being a “Proxy Grantor”
“Prospectus”	the prospectus of the Company dated 17 September 2020
“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
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	The Group’s reorganisation in preparation for the Listing, as described in “History, Reorganisation and corporate structure – Reorganisation” in the Prospectus of the Company dated 17 September 2020
“RMB” or “Renminbi”	Renminbi, the current lawful currency of China
“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

DEFINITIONS

“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
“Share Incentive Scheme”	Pre-IPO Share Incentive Scheme and Post-IPO Share Incentive Scheme or any 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)
“State Council”	State Council of the PRC (中華人民共和國國務院)
“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
“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 Report is as of the date of this Report. The English names of the PRC entities, PRC Laws and the PRC governmental authorities referred to in this Report 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 Report 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.

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東軟教育科技有限公司

Neusoft Education Technology Co. Limited