
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

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

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

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

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

MILESTONES

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

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

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES AND SCHOOLS

Our major subsidiaries

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

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

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our schools

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

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

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

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

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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

REORGANISATION

Offshore Reorganisation

Incorporation of our Company

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

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

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Establishment of our Company's offshore shareholding structure

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

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

Notes:

- (1) Kang Ruidao has the same ultimate beneficial owners as Dalian Kang Ruidao and Dalian Siwei, which holds approximately 29.65% and 10.82% interest, respectively, in the Registered Shareholder of our Operating Entity. Kang Ruidao is ultimately controlled by Dr. J. Liu (our Chairperson, Director and a core founding member of our Group), who, through Kang Ruidao First, holds all the voting shares in Kang Ruidao. The ultimate beneficial owners of Kang Ruidao hold their remaining corresponding interest through Dalian Kang Ruidao's and Dalian Siwei's approximately 29.65% and 10.82% respective interest in Neusoft Holdings, which, in turn, controls Dongkong First's and Dongkong Second's combined approximately 49.49% interest in our Company. See “Substantial shareholders.”
- (2) Dongkong First and Dongkong Second are wholly-owned subsidiaries of Neusoft International, which is a wholly-owned subsidiary of Neusoft Holdings, being the Registered Shareholder of our Operating Entity. See “— Corporate structure — Corporate structure before the Reorganisation” for the shareholding structure of the Registered Shareholder of our Operating Entity.
- (3) Century Bliss has the same ultimate beneficial owners as Yida Holdings, which holds approximately 17.51% interest in the Registered Shareholder of our Operation Entity. The ultimate beneficial owners of Century Bliss hold their remaining corresponding interest through Yida Holdings' approximately 17.51% interest in Neusoft Holdings.
- (4) Alpine Electronics has the same ultimate beneficial owners as Alpine Electronics (China) Co., Ltd. (阿爾派電子(中國)有限公司, “**Alpine China**”), which holds approximately 7.57% interest in the Registered Shareholder of our Operation Entity. The ultimate beneficial owners of Alpine Electronics hold their remaining corresponding interest through Alpine China's approximately 7.57% interest in Neusoft Holdings.
- (5) Apex Venture is beneficially owned by the spouse of LIU Ming, who holds approximately 2.47% interest in the Registered Shareholder of our Operation Entity. The ultimate beneficial owner of Apex Venture holds her remaining corresponding interest through LIU Ming's approximately 2.47% interest in Neusoft Holdings.

Establishment of our offshore subsidiaries

On 6 September 2018, Neusoft Education BVI was incorporated as a BVI business company limited by shares under the laws of the BVI. Neusoft Education BVI is authorised to issue a maximum of 50,000 shares with

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

no par value each of a single class, of which 100 ordinary shares were allotted and issued to our Company for US\$100.

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

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

Onshore Reorganisation

Incorporation of our JV

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

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

Note:

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

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

On 6 May 2019, as part of the Reorganisation and in order to further stabilise our corporate structure (including our Contractual Arrangements) and to increase the likelihood that the JV Interests (defined below)

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

would remain part of the enlarged Group (being the Group and Neusoft Holdings), Neusoft Holdings entered into an agreement with (a) the PICC minority shareholders (PICC Life and PICC Health, together the “**PICC Shareholders**”); and (b) Northeastern University Group, respectively, pursuant to which:

- the PICC Shareholders and Northeastern University Group agreed, in their respective agreements, that, prior to the Listing, they would not sell any of their respective equity interests in the JV (“**JV Interests**”) without Neusoft Education HK’s consent, and
- following the Listing, each of (a) the PICC Shareholders and (b) Northeastern University Group, pursuant to their respective agreements, shall have the right to auction off all of their respective JV Interests (in whole). If the right is exercised within three years of the Listing, Neusoft Holdings shall bid for the JV Interests at an initial bidding price calculated according to a specified formula set out in the agreement (with reference to our average trading Share price following the Listing to better reflect the fair market value of the JV Interests).

Transfers of equity interests by the former Neusoft Holdings Group

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

- (a) on 15 August 2018, our Operating Entity agreed to transfer 100% equity interest in Shanghai Ruixiang to Dalian Education for a consideration of RMB15 million.
- (b) on 29 August 2018, Neusoft Holdings agreed to transfer 100% equity interest in Dalian Yunguan to Dalian Education for a consideration of RMB55 million.
- (c) on 2 September 2018, Neusoft Holdings agreed to transfer all of its assets and businesses related to cloud services (“**cloud services business**”) to Dalian Yunguan for a consideration of RMB14 million.
- (d) on 2 September 2018, Tianjin Ruidao agreed to transfer all of its assets and businesses related to education software development to Dalian Yunguan for the consideration of RMB15 million. The consideration for this reorganisation step, and for the reorganisation steps described in (b) and (c) above, was negotiated on an arm’s length basis with reference to the value as at 30 June 2018 of the acquired assets and businesses as determined by an independent valuer, and based on assets and/or liabilities of the acquired targets as the case may be.
- (e) on 30 May 2019, Dalian University agreed to transfer 100% equity interest in Dalian Technology to Dalian Education for the consideration of approximately RMB10.8 million.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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

Establishment of onshore entities

We established the following entities as part of our Reorganisation:

- (a) on 3 August 2018, Dalian Education was established as a partly-owned subsidiary of our Operating Entity (as to 95%) and LIU Mengyue (as to the remaining 5%), with an aggregate registered capital of RMB10 million.
- (b) on 14 August 2018, Neusoft Industry Management was established as a wholly-owned subsidiary of Dalian Education, with a registered capital of RMB3 million.
- (c) on 29 August 2018, Neusoft Training School was established as a wholly-owned subsidiary of Dalian Technology, with a registered capital of RMB1 million.
- (d) on 26 April 2019, Neusoft Education Chengdu was established as a wholly-owned subsidiary of Dalian Education, with a registered capital of RMB1 million.

Yida school sponsor rights agreement

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

Entry into Contractual Arrangements

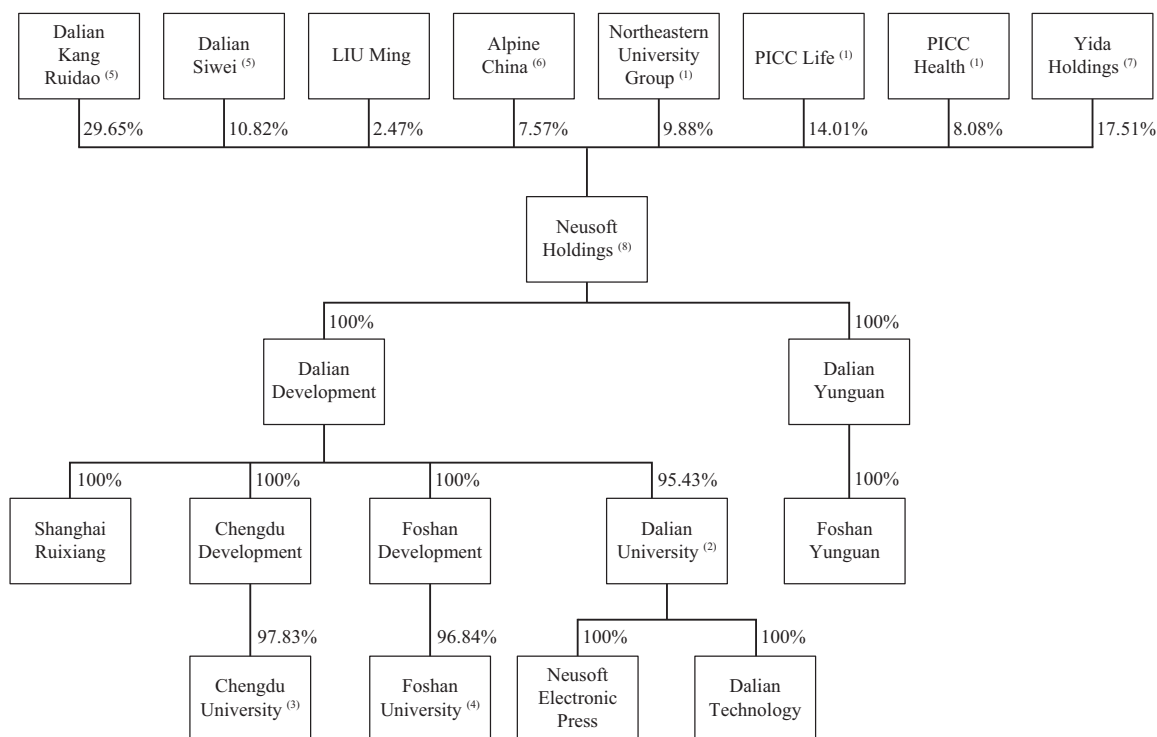
On 21 June 2019, we (through our JV) entered into the Contractual Arrangements with, among others, Neusoft Holdings (being the Registered Shareholder of our Operating Entity), Dalian Development (our Operating Entity) and our universities, pursuant to which economic benefits arising from our Consolidated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

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate structure before the Reorganisation

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



Notes:

- (1) Each of Northeastern University Group, PICC Life and PICC Health continues to hold their interests in our Group following the Reorganisation through (i) their minority shareholding in our JV; and (ii) Neusoft Holdings' interest in our Company. Northeastern University Group is a wholly-owned subsidiary of Northeastern University (東北大學), a public university in Shenyang, Liaoning province in China, which is ultimately controlled by the Ministry of Education. PICC Life and PICC Health are both ultimately controlled by MOF.
- (2) The remaining interests are held by Neusoft Holdings and Yida Group as to 2.74% and 1.83%, respectively. Yida Group is wholly-owned by Dalian Zhongzhi Investment Co., Ltd., which is ultimately beneficially owned by the same three individuals who also ultimately beneficially own Century Bliss and Yida Holdings, and each of them is an Independent Third Party.
- (3) The remaining interests are held by Neusoft Holdings and Yida Group as to 1.30% and 0.87%, respectively. See also Note 2 above. Prior to the reorganisation, Chengdu University wholly-owned Chengdu Neusoft Software Co., Ltd., which was subsequently transferred to Tianjin Ruidao and as at the Latest Practicable Date, Chengdu Neusoft Software Co., Ltd. is a subsidiary of Tianjin Ruidao.
- (4) The remaining interests are held by Neusoft Holdings and Yida Group as to 1.89% and 1.26%, respectively. See also Note 2 above.
- (5) Dalian Kang Ruidao is a limited partnership. Dr. J. Liu (our Chairperson, Director and a core founding member of our Group) ultimately controls (a) Dalian Kang Ruidao, through, among others, his majority ownership of Dalian Kang Ruidao's general partner, and (b) Dalian Siwei, a 99% owned subsidiary of Dalian Kang Ruidao (with Dr. J. Liu having majority ownership of Dalian Siwei's

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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

- (6) Alpine China is a subsidiary of Alpine Electronics, which in turn is a subsidiary of Alps Alpine Co., Ltd. (a company listed on the Tokyo stock exchange (stock code: TSE-67700)).
- (7) Yida Holdings is ultimately owned by three individuals who are Independent Third Parties.
- (8) No shareholder controls more than 50%, or otherwise has statutory control, of Neusoft Holdings. The single largest ultimate controlling shareholder of Neusoft Holdings is Dr. J. Liu (see “Substantial shareholders” and note 5 above), who indirectly controls Dalian Kang Ruidao and Dalian Siwei, which collectively hold approximately 40.47% interest in Neusoft Holdings.

Corporate developments following the Reorganisation

Acquisition of Tianjin Ruidao

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

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

education resources we have cultivated over the years, and are strategically beneficial to the development of our “education resources and apprenticeship programme” business. Please see “Business — Acquisition of Tianjin Ruidao” for further information.

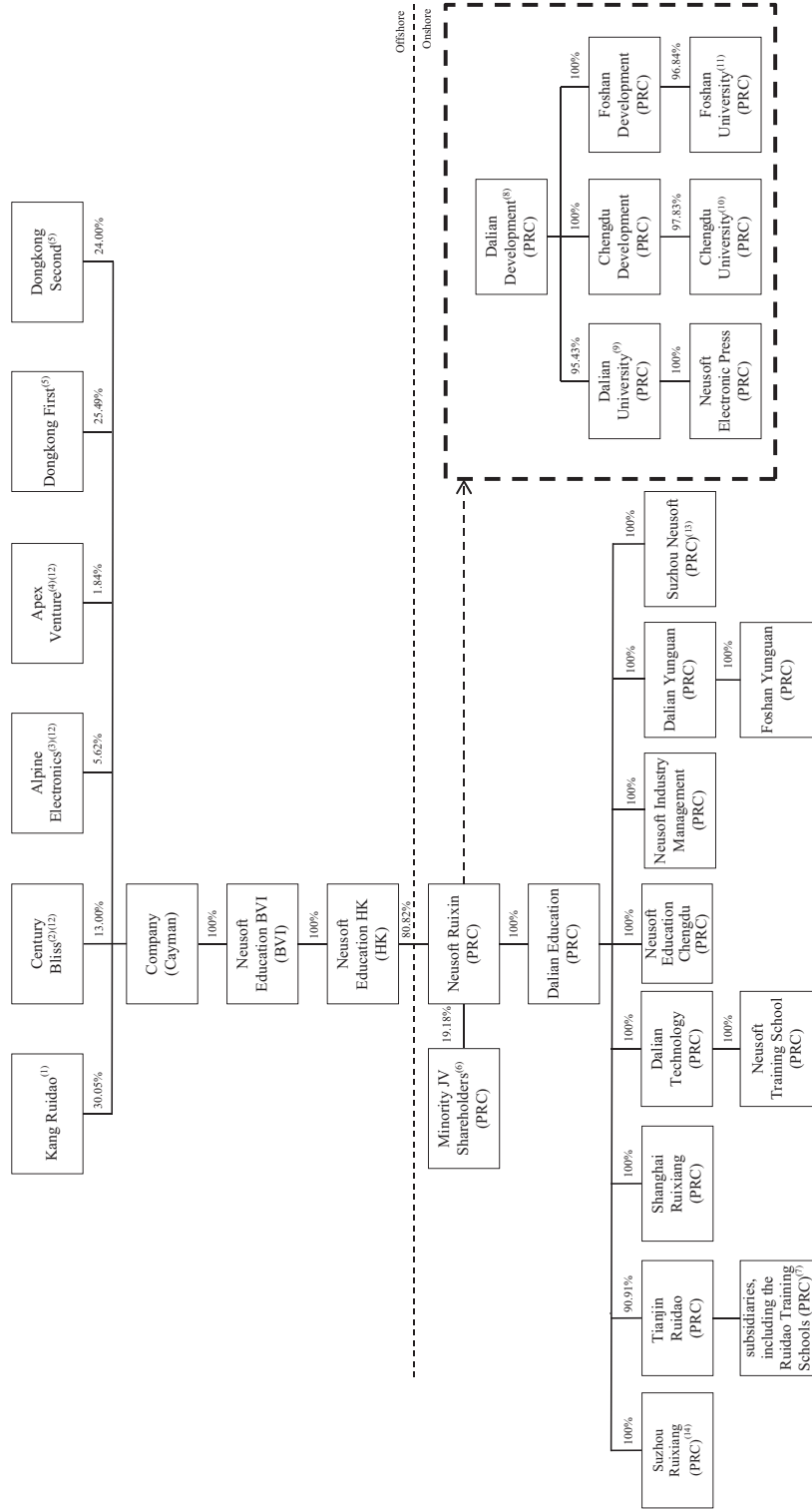
Tianjin Ruidao share option agreement

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

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Corporate structure before the Global Offering

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



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

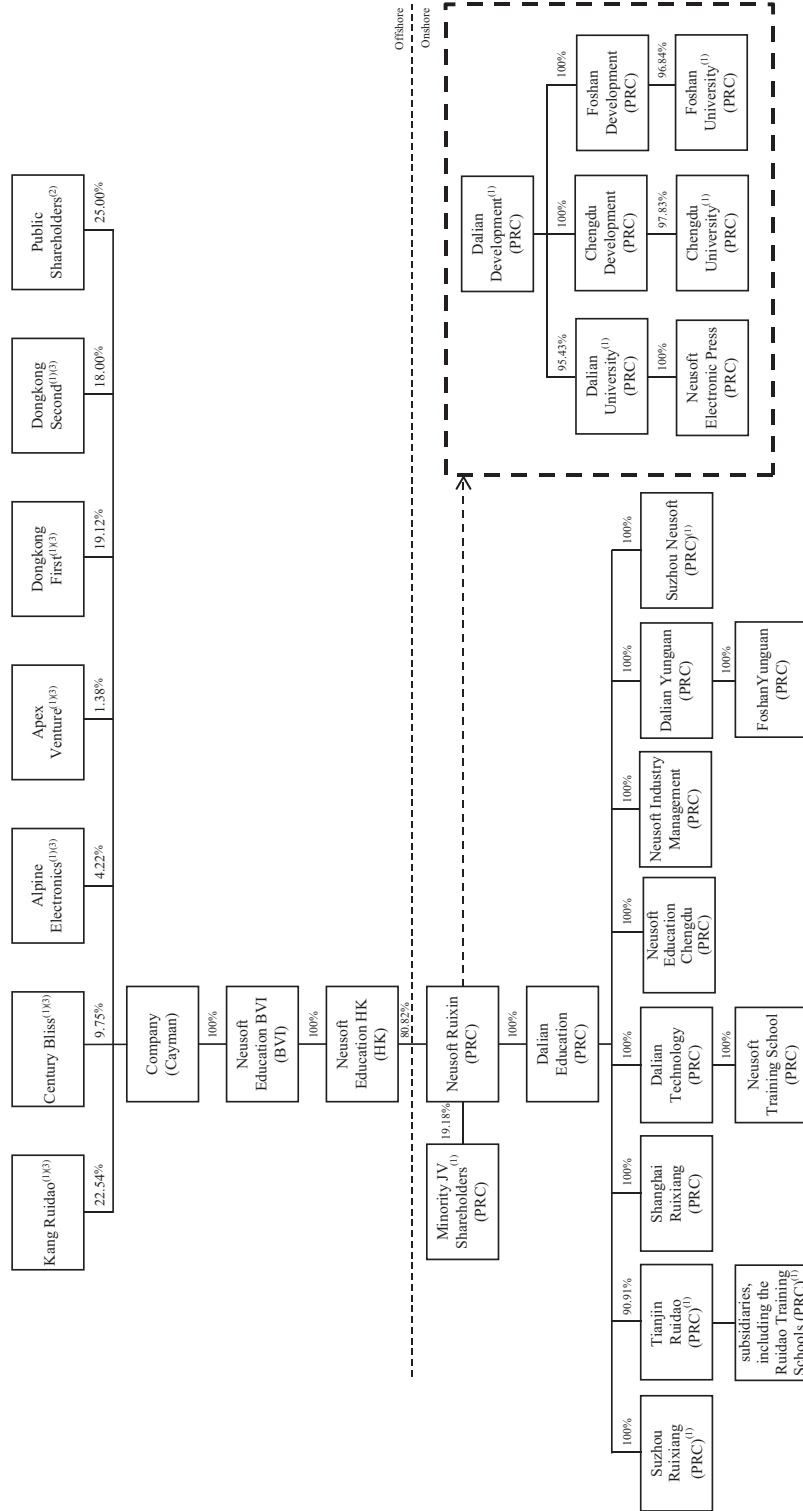
Notes:

- (1) Kang Ruidao is ultimately controlled by Dr. J. Liu (our Director, Chairperson and a core founding member of our Group), who, through Kang Ruidao First, holds all of the voting shares in Kang Ruidao (see “Substantial Shareholders”). Except for four of our Directors (being Dr. Wen, Mr. Rong, Dr. Yang, and Dr. Zhang), and certain directors of our subsidiaries, who each hold minority non-voting shares in Kang Ruidao (each with less than 1.5% of Kang Ruidao’s shares) and are connected persons, the remaining non-voting shares of Kang Ruidao are ultimately held by more than 100 individuals, who are Independent Third Parties.
- (2) Century Bliss is ultimately controlled by three individuals who are Independent Third Parties.
- (3) Alpine Electronics is wholly-owned by Alps Alpine Co., Ltd. (a company listed on the Tokyo stock exchange (stock code: TSE-67700)).
- (4) Apex Venture is wholly-owned by an Independent Third Party.
- (5) Dongkong First and Dongkong Second are wholly-owned subsidiaries of Neusoft International, which is a wholly-owned subsidiary of Neusoft Holdings (one of our Controlling Shareholders), and are connected persons of our Company. See “Substantial Shareholders.” See “— Corporate structure — Corporate structure before the Reorganisation” for the shareholding structure of Neusoft Holdings.
- (6) PICC Life, Northeastern University Group and PICC Health each hold approximately 8.40%, 5.93% and 4.85% interest in our JV, respectively. PICC Life and PICC Health are both ultimately controlled by MOF, all of which are substantial shareholders and connected persons of our Company at the subsidiary level (see “Substantial Shareholders”). Northeastern University Group is an Independent Third Party.
- (7) Tianjin Ruidao’s subsidiaries include the Ruidao Training Schools and the following subsidiaries: Shenyang Neusoft Ruidao Education Services Co., Ltd. (wholly-owned); Nanjing Neusoft Ruidao Information Technology Co., Ltd. (wholly-owned); Dalian Neusoft Ruichuang Technology Development Co., Ltd. (wholly-owned); Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd. (60% controlled by Tianjin Ruidao, with the remaining interest held by two individual third parties); Chongqing Neusoft Ruidao Information Technology Co., Ltd. (wholly-owned); Qingdao Neusoft Ruidao Education Information Technology Co., Ltd. (wholly-owned); Neusoft Ruidao (Weihai) Education Information Consulting Co., Ltd. (wholly-owned); Guangzhou Neusoft Ruidao Education Information Technology Co., Ltd. (wholly-owned); Guangdong Ruidao Gongchuang Technology Co., Ltd. (51% controlled by Tianjin Ruidao, with the remaining interest held by a third party); Beijing Neusoft Ruidao Education Technology Co., Ltd. (wholly-owned); Dalian Neusoft Ruidao Education Information Service Co., Ltd. (wholly-owned); Dalian Waye Information Service Co., Ltd. (60% owned by Tianjin Ruidao, with the remaining interest held by a third party); and Chengdu Neusoft Software Co., Ltd. (wholly-owned). See “Substantial Shareholders—Interests in our Group (excluding our Company)” for more information on the minority shareholders.
- (8) Neusoft Holdings is the Registered Shareholder of Dalian Development, our Operating Entity, which in turn, is controlled by our Group through the Contractual Arrangements. See “Contractual Arrangements.” See “— Corporate structure — Corporate structure before the Reorganisation” for the shareholding structure of the Registered Shareholder of our Operating Entity.
- (9) Please refer to Note 2 under “— Corporate structure before the Reorganisation” above.
- (10) Please refer to Note 3 under “— Corporate structure before the Reorganisation” above.
- (11) Please refer to Note 4 under “— Corporate structure before the Reorganisation” above.
- (12) Each of these entities has granted an Irrevocable Voting Proxy to Dr. J. Liu entitling him to the voting rights attached to all of the Shares held by the respective entity. The Irrevocable Voting Proxies were granted as part of the Reorganisation and with a view to increasing operational efficiency and stream-lining the decision-making process. See “Relationship with our Controlling Shareholders” for more information.
- (13) On 23 January 2020, Suzhou Neusoft Technology Development Co., Ltd. (“**Suzhou Neusoft**”) was established as a wholly-owned subsidiary of Dalian Education, with a registered capital of RMB10 million.
- (14) On 22 June 2020, Suzhou Neusoft Ruixiang Technology Co., Ltd. (“**Suzhou Ruixiang**”) was established as a wholly-owned subsidiary of Dalian Education, with a registered capital of RMB10 million.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Corporate structure immediately following the Global Offering

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



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

- (1) Please refer to the notes under “— Corporate structure before the Global Offering” above.
- (2) These Shares will count towards public float (expected to be approximately 25.00% in aggregate) immediately following the Global Offering. As at the date of this document, none of our existing Shareholders’ shareholdings will count towards public float.
- (3) Our Controlling Shareholders are: (i) Neusoft Holdings and its wholly-owned subsidiaries, Neusoft International, Dongkong First and Dongkong Second; and (ii) Dr. J. Liu, through his control over the voting rights in our Company held by Kang Ruidao and the Irrevocable Voting Proxy grantors Century Bliss, Alpine Electronics and Apex Venture. See “Relationship with our Controlling Shareholders — Controlling Shareholders” for more information.

COMPLIANCE WITH PRC LAWS

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

M&A Rules

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

- (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise (thereby converting the domestic non-foreign enterprise into a foreign-invested enterprise), or subscribes for new equity in a domestic enterprise via an increase of registered capital (thereby converting it into a foreign-invested enterprise); or
- (ii) a foreign investor establishes a foreign-invested enterprise that purchases and operates assets of a domestic enterprise, or that purchases assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

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

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

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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

SAFE registration

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

- (i) before contributing assets or equity interests to an overseas special purpose vehicle (the “**Overseas SPV**”) directly or indirectly controlled by a PRC resident for investment and financing purposes (the “**Initial Registration**”); and
- (ii) following any major change to the Overseas SPV (following the Initial Registration), including a change in the Overseas SPV’s (a) PRC resident shareholder(s), (b) name, and (c) terms of operation; or the occurrence of any capital, share transfer or swap, merger or division.

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

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