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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO ACQUISITION OF 5.93% EQUITY INTEREST IN
THE TARGET COMPANY**

BACKGROUND

References are made to the announcement of the Company dated 19 November 2020 in relation to the potential acquisition of certain equity interest in the Target Company, and the announcement of the Company dated 25 February 2021 in relation to the discloseable and connected transaction in relation to acquisition of 13.25% equity interest in the Target Company.

The Board announces that on 8 May 2021, Dalian Ruidi entered into the Equity Transfer Agreement with Northeastern University Group in relation to the Acquisition.

LISTING RULES IMPLICATIONS

As the Previous Acquisition and the Acquisition involve the acquisition of equity interest in the Target Company within a 12-month period, they are aggregated pursuant to Rule 14.22 of the Listing Rules. As the highest applicable percentage ratio in aggregate exceed 5% but are below 25%, the Acquisition and the transaction contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

References are made to the announcement of the Company dated 19 November 2020 in relation to the potential acquisition of certain equity interest in the Target Company, and the announcement of the Company dated 25 February 2021 in relation to the discloseable and connected transaction in relation to acquisition of 13.25% equity interest in the Target Company.

The Board announces that on 8 May 2021, Dalian Ruidi entered into the Equity Transfer Agreement with Northeastern University Group in relation to the Acquisition. The principal terms of the Equity Transfer Agreement are set out below.

Equity Transfer Agreement

Date

8 May 2021

Parties

- (a) Dalian Ruidi (as the purchaser); and
- (b) Northeastern University Group (as the vendor).

Subject Matter

Pursuant to and subject to the terms and conditions of the Equity Transfer Agreement, Dalian Ruidi has agreed to purchase and Northeastern University Group has agreed to sell the Sale Shares (representing 5.93% of the total issued share capital of the Target Company).

Consideration and Payment Terms

Pursuant to the Equity Transfer Agreement, the Consideration for the Sale Shares is RMB186,209,100. The Consideration shall be payable by Dalian Ruidi to Northeastern University Group as follows:

- a) The earnest money of RMB30 million paid by Dalian Ruidi to the SUAEE on 28 April 2021 shall be applied directly to set off the Consideration after the Equity Transfer Agreement has become effective;
- b) 30% of the Consideration (after deducting the aforementioned earnest money of RMB30 million) shall be payable in cash by Dalian Ruidi to the bank account designated by the SUAEE within five (5) working days after the Equity Transfer Agreement has become effective, and it is agreed that the SUAEE shall transfer the paid Consideration to the designated bank account of Northeastern University Group within three (3) working days after the SUAEE issues a proof for the transfer of equity interest; and

- c) 70% of the Consideration shall be payable in cash by Dalian Ruidi to the bank account designated by Northeastern University Group by 31 October 2021, and Dalian Ruidi shall pay interests to Northeastern University Group during the Deferred Payment Period which will be calculated with reference to the interest rates of bank loans for the same period.

On 8 May 2021, Dalian Neusoft Education Technology Group Co. Limited (大連東軟教育科技集團有限公司) (“**Dalian Education**”) and Dalian Zhisheng Technology Limited* (大連志盛科技有限公司) (“**Dalian Zhisheng**”), the subsidiaries of the Company, as the guarantors, entered into a guarantee agreement with Dalian Ruidi and Northeastern University Group, pursuant to which Dalian Education and Dalian Zhisheng agree to provide joint guarantee for the due performance of payment obligations of Dalian Ruidi under the Equity Transfer Agreement.

The Consideration was determined based on normal commercial terms and after arm’s length negotiation between the parties to the Equity Transfer Agreement, with reference to (i) the initial bidding price calculated according to a specific formula with reference to the Company’s average trading share price, which is determined under the share purchase agreement dated 6 May 2019, the supplement agreement I dated 13 March 2020 and the supplemental agreement II dated 18 February 2021, entered into between Northeastern University Group and Neusoft Holdings; and (ii) the valuation of the Target Company as per the valuation report dated 4 January 2021 issued by the Independent Valuer (as defined below) (the “**Valuation Report**”). It is intended that the Consideration will be financed by internal resources of the Group and/or bank financing.

Completion

Dalian Ruidi and Northeastern University Group will (i) complete the transfer of equity interest of the Target Company within twenty (20) working days after the Equity Transfer Agreement has become effective, and (ii) assist the Target Company with the relevant industrial and commercial registration of change within twenty (20) working days after obtaining the proof for the transfer of equity interest issued by the SUAEE.

On the basis of completion of the Previous Acquisition, upon Completion of the Acquisition, the Target Company will be indirectly owned as to 100% by the Company and its financial results will continue to be consolidated into the consolidated financial statements of the Group.

INFORMATION OF THE GROUP

The Group is principally engaged in the provision of private IT higher education service, IT training services and education technology services in the PRC.

Dalian Ruidi, an indirectly wholly-owned subsidiary of the Company, is an investment holding company.

INFORMATION OF THE VENDOR

Northeastern University Group is a wholly-owned subsidiary of Northeastern University, and it is principally engaged in the provision of research and development and technology services of computer hardware and software, mechatronics, new high-tech products, new materials and metallurgical technology products in the PRC.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Northeastern University Group and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability, which is principally engaged in the business of development and sales of education software and education consulting services. As at the date of this announcement, it is held as to 80.82% by the Company, 13.25% by the PICC Shareholders and 5.93% by Northeastern University Group respectively (according to the announcement of the Company dated 25 February 2021, the Previous Acquisition has not been completed, therefore the relevant equity interest are still held by the PICC Shareholders). Based on the financial statements of the Target Company prepared in accordance with the PRC Accounting Standards, the consolidated financial information of the Target Company for the years ended 31 December 2019 and 31 December 2020 was as follows:

	For the year ended	
	31 December	
	2019	2020
	(audited)	(audited)
	RMB'000	RMB'000
Net profit before taxation	203,206	173,058
Net profit after taxation	177,820	134,517

The audited consolidated net asset value of the Target Company as at 31 December 2020 was approximately RMB946,441,000 (equivalent to approximately HK\$1,136,839,000).

VALUATION

Pursuant to the relevant requirements of transfer of state-owned assets in the PRC, an equity valuation, which comprises of an asset valuation, has been conducted against the Target Company by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. (北京華亞正信資產評估有限公司) (the “**Independent Valuer**”), an independent third party, to assess the equity interest of the Target Company as of 31 October 2020. The Independent Valuer issued the Valuation Report on 4 January 2021.

According to the Valuation Report, the fair value of the assets of the Target Company as of 31 October 2020 was approximately RMB3,056,809,700. The valuation surplus of the assets of the Target Company (including the real properties, properties under construction and land owned by the Universities) as of 31 October 2020 amounts to RMB1,359,116,000.

The valuation was valued based on both the asset and market approach. To the best of the knowledge, information and belief of the Directors, the Valuation Report prepared by the Independent Valuer does not constitute a profit forecast under Rule 14.61 of the Listing Rules. This announcement is therefore not subject to the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Directors consider that on the basis of completion of the Previous Acquisition, the Acquisition under the Equity Transfer Agreement will enable the Group to increase its interest in the Target Company to 100%, thereby enhancing control and influence over the management and operation of the operating entities of the Group, and offering greater flexibility in business strategy to the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

As none of the Directors has a material interest in the Acquisition, no Director is required to abstain from voting on the Board resolution(s) approving the Acquisition.

LISTING RULES IMPLICATIONS

As the Previous Acquisition and the Acquisition involve the acquisition of equity interest in the Target Company within a 12-month period, they are aggregated pursuant to Rule 14.22 of the Listing Rules. As the highest applicable percentage ratio in aggregate exceed 5% but are below 25%, the Acquisition and the transactions contemplated thereunder constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares by Dalian Ruidi pursuant to the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	Neusoft Education Technology Co. Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 9616)
“Consideration”	the total consideration for the Sale Shares under the Equity Transfer Agreement
“Dalian Ruidi”	Dalian Ruidi Technology Development Co., Ltd.* (大連芮迪科技有限公司), a company incorporated under the PRC laws on 23 September 2020 and an indirectly wholly-owned subsidiary of the Company
“Deferred Payment Period”	the period from the 6th working day from the effective date of the Equity Transfer Agreement to the date of completion of payment of the remaining 70% of the Consideration
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	an equity transfer agreement dated 8 May 2021 entered into between Dalian Ruidi and the Northeastern University Group in relation to the acquisition of the Sale Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Neusoft Holdings”	Dalian Neusoft Holdings Co., Ltd. (大連東軟控股有限公司), a company incorporated under the PRC laws on 15 November 2011, a controlling shareholder of the Company
“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 the Target Company
“PICC Health”	PICC Health Insurance Company Limited (中國人民健康保險股份有限公司), a shareholder of the Target Company

“PICC Life”	PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司), a shareholder of the Target Company
“PICC Shareholders”	PICC Health and PICC Life
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Previous Acquisition”	the acquisition of 13.25% equity interest of the Target Company by the Group from the PICC Shareholders on 25 February 2021. For details, please refer to the announcement of the Company dated 25 February 2021
“Sale Shares”	5.93% equity interest in the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SUAEE”	Shanghai United Assets and Equity Exchange (上海聯合產權交易所)
“Target Company”	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 with limited liability
“%”	per cent

By order of the Board
NEUSOFT EDUCATION TECHNOLOGY CO. LIMITED
Dr. LIU Jiren
Chairperson and non-executive Director

Hong Kong, 10 May 2021

As at the date of this announcement, the board of directors comprises Dr. WEN Tao as executive Director; Dr. LIU Jiren, Mr. RONG Xinjie, Dr. YANG Li, Dr. ZHANG Yinghui and Mr. Klaus Michael ZIMMER as non-executive Directors; and Dr. LIU Shulian, Dr. QU Daokui and Dr. WANG Weiping as independent non-executive Directors.

* *For identification purposes only*