

---

## BUSINESS

---

### OVERVIEW

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

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

With the support of Neusoft Corporation, we engaged in an extensive school-enterprise cooperation in order to better equip our students with skills that can be applied directly in their future employment, and improve

---

## BUSINESS

---

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

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

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

Our relentless efforts at improving the quality of our education services by applying our education philosophy and approach have won us numerous awards and gained the trust of students, parents, teachers, local governments, potential employers and business partners. Our "Neusoft Education" brand has also achieved strong brand awareness and high social recognition in China's private higher education industry, which in turn enables us to attract more high quality students. Our students are admitted from either the liberal arts stream or science stream of high schools. According to the Frost & Sullivan Report, for the 2019/2020 school year, the

---

## BUSINESS

---

admission scores of students from the science and liberal arts streams entering our Dalian University both ranked the first among all the private universities (exclusive of independent colleges) in Liaoning province, while the admission scores of students from the science and liberal arts streams entering our Chengdu University both ranked the fourth among all the private universities (exclusive of independent colleges) in Sichuan province, and for those entering our Foshan University, ranked the first and the third in terms of science stream and liberal arts stream, respectively, among all the private universities (exclusive of independent colleges) in Guangdong province.

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

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

---

## BUSINESS

---

### OUR COMPETITIVE STRENGTHS

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

#### **Leading position in China's IT higher education industry**

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

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

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

---

## BUSINESS

---

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

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

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

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

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

In addition, we partnered with industry-leading enterprise to establish industrial colleges. For example, we entered into a business collaboration framework agreement with Baidu in May 2019 to establish a college focusing on artificial intelligence in each of our three universities, optimising our existing curriculum offerings, formulating talent cultivation systems, and developing education resources, and smart education solutions, which consist of smart course solutions and smart campus solutions. Such framework agreement provides a

---

## BUSINESS

---

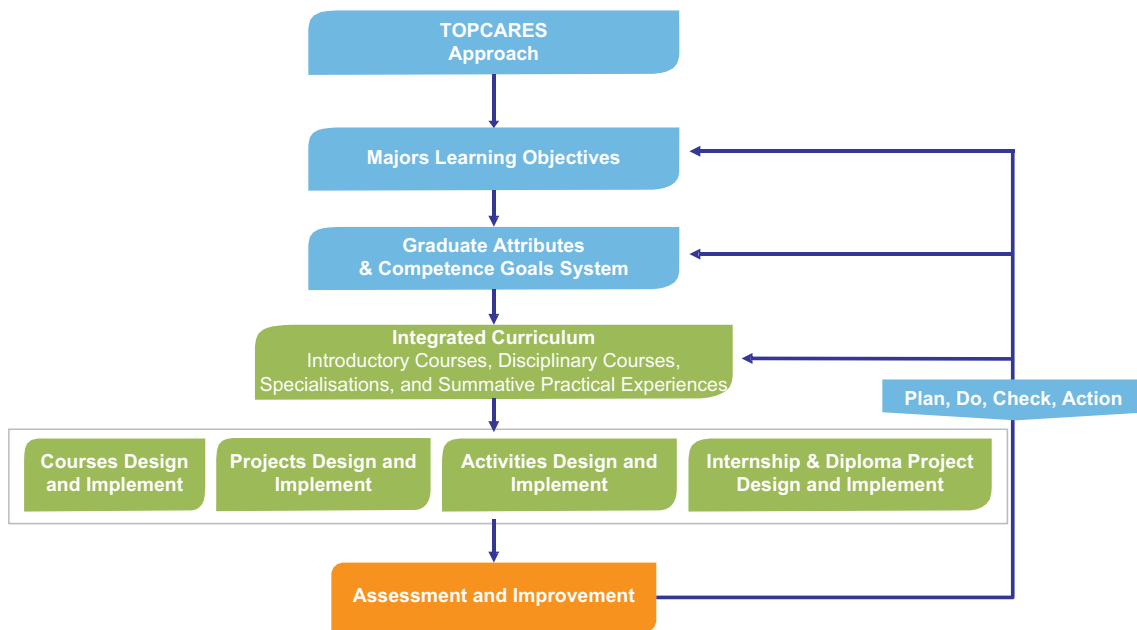
collaboration period of six years unless otherwise agreed by the two parties or separately agreed under any further business cooperation agreement, and may be terminated by either party with a written notice delivered 30 days in advance under certain circumstances such as bankruptcy or insolvency. In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

### **Unique TOPCARES education approach developed to deliver our mission of “Empower Students with Innovative Education”**

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



## BUSINESS



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

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

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

---

## BUSINESS

---

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

### **Strong brand awareness and high public recognition**

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

- Dalian University and Chengdu University were both included in the First Batch of 35 Model Software Vocational Technical Institutes in China (全國首批35所示範性軟件職業技術學院) by the MOE in 2003;
- Our project on “The Exploration and Practise on Cultivation Mode of Practical IT Talent” (創新型 IT 職業人才培養模式的探索與實踐) won the first prize of the “National Teaching Achievement Award” (國家級教學成果獎) in 2005; we were the first private university in China to win such a high national award;
- Foshan University was recognised as the “National Base for Nurturing Skill-Oriented Professionals in Short Supply on Computer Application and Software Technology” (國家計算機應用和軟件技術專業技能型緊缺人才培養培訓基地) in 2005;
- Our project on “Construction and Application of Software Talent’s Training Platform” (軟件人才培養的實訓平台建設與應用) won the second prize of “National Teaching Achievement Award” (國家級教學成果獎) in 2009;
- Dalian University was the first private university in China, among all the eight Chinese universities, including well-known public universities such as Tsinghua University and Beijing Jiaotong University, to be admitted by Conceiving — Designing — Implementing — Operating (CDIO) Initiative as a collaborator in 2012, adopting the CDIO framework to govern its curriculum design and outcome-based evaluation;



---

## BUSINESS

---

- Dalian University was recognised by Xinhuanet (新華網) as a Private University with Social Influence in China (中國社會影響力民辦高校) in 2015;
- Chengdu University was recognised as a Pilot University in Sichuan Province in the Reform of the Overall Transformation and Development of Undergraduate Colleges (四川省本科院校整體轉型發展改革試點) in 2016;
- Dalian University was recognised as a Model Higher Education Institution in Liaoning Province Transforming to be Application-Oriented (遼寧省普通本科高等學校向應用型轉變示範高校) in 2017.
- According to Wushulian China Private Universities in Comprehensive Competitiveness (“武書連中國民辦大學綜合實力排行榜”), Dalian University ranked the fifth in 2018 and 2019 among all private universities in China, respectively;
- Dalian University ranked the first among all private universities in China in the “Teachers Teaching Development Index” released by the China Association of Higher Education (中國高等教育學會), a national non-profit social organisation, in 2019;
- Neusoft Education Technology Group was recognised by Xinhuanet (新華網) as “Comprehensive Strength Education Group” in 2019;
- Our three universities were included as top 100 private universities among all universities in China by Ruanke (軟科), a world-leading professional research and consulting firm focusing on higher education institution’s performance review and improvement, in 2020 and Dalian University ranked fifth among all private universities in China; and
- Dalian University ranked the first among all private universities (inclusive of independent colleges) in China in the “Analysis Report on National Teachers’ Teaching Contests (2012-2019)” released by the Expert Working Group of *the College Contests Evaluation and Management System Research* of the China Association of Higher Education (中國高等教育學會) in early 2020.

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

---

## BUSINESS

---

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

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

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

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

---

## BUSINESS

---

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

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

### **Efficient operations and resources sharing under centralised management model**

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

---

## BUSINESS

---

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

- *Unified school operating strategies*: At our Group level, we carry out unified school operating strategies and make central decisions for key issues that are vital to our business development. Our three universities are managed under a similar business structure and share the same education philosophy, which enables us to effectively carry out our business strategies as a Group.
- *Consistent teaching and education principle*: At our Group level, we implement consistent teaching and education principles, represented by our TOPCARES approach. We guide each school to design its own curriculum system and develop the relevant education content to ensure consistent education quality. Each school is delegated certain school's discretion to make necessary adjustments to its own education content to accommodate the individual school's development needs.
- *Education resources sharing*: At our Group level, we make holistic planning for the allocation of education resources across all our schools in terms of procurement, maintenance and upgrade plans for textbooks, collection of books in libraries, laboratory instruments and devices, IT systems, laboratory establishment and construction, and school buildings and facilities construction, among other matters, so that we can maximise the use of our education resources, allow our schools to share resources, and improve utilisation efficiency.

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

### **Experienced management team and high-quality teaching staff**

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

Our Chairperson, Dr. J. Liu, entered China's higher education industry over 30 years ago, and was previously a vice principal of Northeastern University. Dr. J. Liu is currently a professor and Ph.D. supervisor at Northeastern University. He is also the chairperson of Neusoft Corporation, which when it listed in 1996 was the first software company listed on the Shanghai Stock Exchange (stock code: 600718). With extensive experience accumulated in both the higher education and IT service industries, Dr. J. Liu is an elite in both industries, which enables him to bring his valuable insights and expertise accumulated from both industries to the management of

---

## BUSINESS

---

our schools. Dr. J. Liu has won numerous honours and awards, domestically and internationally, including “China Business Leaders Award” (“中國最佳商業領袖”) in 2007, “the Sixth Consumer News and Business Channel Asia Business Leaders Award – Innovators” (“第六屆CNBC亞洲商業領袖-創新人物”) in 2008, “2009 CCTV China Economy Person of the Year” (“2009 CCTV 中國經濟年度人物”) in 2009, “China Software Industry Decade Great Player” (“中國軟件產業十年功勳人物”) in 2011, and was named as one of the “One Hundred Outstanding Private Entrepreneur for the 40-Year Reform and Opening up” (“改革開放40年百名傑出民營企業家”) in 2018. In 2019, Dr. J. Liu was awarded as the EY Entrepreneur of the Year – Award for Societal Impact (安永全球企業家-社會貢獻獎).

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

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

### OUR BUSINESS STRATEGIES

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

---

## BUSINESS

---

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

### **Grow our student enrolments and further expand our enrolment capacity**

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

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

- *Expand and improve school infrastructure*

We believe that school infrastructure is crucial to drive our student enrolments. We intend to increase our investment in new construction projects to build academic, office and living facilities that can drive our student enrolments in the years to come. See “— Campus facilities and services — Upgrade and expansion



---

## BUSINESS

---

plans”. In addition, we will increase investment in information infrastructure so as to comprehensively improve digitalised management of our campuses and apply digital technology across our campuses.

- *Expand our school network*

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

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

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

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

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

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

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

We aim to establish collaboration with more industry-leading enterprises and strengthen our relationships with existing partnership enterprises, focusing on areas such as employer tailored programmes and school-enterprise joint establishment of laboratories, through which the enterprises will be more deeply involved in curriculum design, talent cultivation and practical training. As a result, our students will be provided with

---

## BUSINESS

---

high quality learning experiences, and increased internship and potential employment opportunities. For example, in November 2019, we established jointly with Baidu the artificial intelligence college in each of our three universities. We plan to develop jointly with Baidu education resources by applying Baidu's leading artificial intelligence platform, tools, technologies and applications. We also plan to work with Baidu to jointly develop application-oriented professional talent cultivation systems, education resources and smart education platforms that are customised to academic majors such as artificial intelligence and big data.

- *Further enhance our brand awareness and public recognition*

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

### **Further optimise our pricing strategy and enhance our profitability**

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

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

---

## BUSINESS

---

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

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

- *Higher continuing education services*

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

- *Short-term training services for institutional customers*

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

- *Short-term training services for individual customers*

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

### **Further expand our education resources and apprenticeship programme under our “3+N” business model**

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

We plan to further promote our asset-light “3+N” model and deliver our quality education resources through both online and offline formats. By applying such business model, we can break through physical restraints and admission quota limitations of our universities and realise higher growth. After other higher

---

## BUSINESS

---

education institutions start to enjoy our education resources, we will continuously supply them our additional value-added services such as talent cultivation standard system, teaching content updates, establishment of smart education platform, data monitoring and assessment, and teacher training services, to address additional needs of these higher education institutions. In addition, we plan to further improve the development and delivery of our education resources by adopting big data technology so that our delivery of education resources is more monitorable, measurable and evaluable.

- *Enhance our product research and development*

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

- *Expand our sales network*

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

- *Optimise our project implementation*

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

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

- *Further optimise our apprenticeship programme*

Our apprenticeship programme provides our students and students of other higher education institutions that cooperate with us with the opportunity to further hone their skills and obtain practical work experience

---

## BUSINESS

---

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

### **Strengthen our teaching staff and optimise our employee structure**

- *Strengthen our efforts in teaching staff recruitment*

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

- *Refine teacher compensation, evaluation and promotion mechanisms*

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

- *Support continued development of our teachers*

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

**OUR EDUCATION PHILOSOPHY AND APPROACH**

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





---

## BUSINESS

---

### OUR SERVICES

#### Overview

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

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

## BUSINESS

### Full-time formal higher education services

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

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

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

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

---

## BUSINESS

---

### *Bachelor degree programmes*

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

Dalian University currently offers 34 bachelor degree majors, including 27 IT related majors, such as data science and big data technology, Internet of Things engineering, computer science and technology, and five healthcare technology related majors which are health services management, medical imaging technology, intelligent medical engineering, medical product management and medical information engineering. As of the Latest Practicable Date, three bachelor degree programmes of Dalian University were included in the list of national-level first-class bachelor degree programmes by the MOE and another six bachelor degree programmes of Dalian University were included in the list of provincial-level first-class bachelor degree programmes by the MOE. As of the Latest Practicable Date, Dalian University had one national-level undergraduate comprehensive reform pilot major, two national-level and 24 provincial-level premium courses, and its majors were recognised in four national-level and 49 provincial-level government supporting programmes, such as pilot major for the reform of engineering talent cultivation mode and pilot major for the internationalisation of undergraduate curricula. Bachelor degree programmes in Dalian University are offered through six schools: (i) school of computer and software, (ii) school of information and business management, (iii) school of intelligence and electronic engineering, (iv) school of digital arts and design, (v) school of foreign languages, and (vi) school of healthcare technology.

Chengdu University currently offers 25 bachelor degree majors, including 17 IT related majors, such as data science and big data technology, computer science and technology, and internet engineering, and two healthcare technology related majors, i.e. medical information engineering and health services management. As of the Latest Practicable Date, three bachelor degree programmes of Chengdu University were included in the list of provincial-level first-class bachelor degree programmes by the MOE. As of the Latest Practicable Date, Chengdu University had 15 provincial-level premium courses and its majors were recognised in 19 provincial-level government supporting programmes, such as application-oriented demonstration major for local undergraduate universities and pilot programme for undergraduate major comprehensive reform. Bachelor degree programmes in Chengdu University are offered through six departments: (i) department of computer science and engineering, (ii) department of information and software engineering, (iii) department of information management, (iv) department of business management, (v) department of digital arts, and (vi) department of applied foreign languages.

Foshan University currently offers 18 bachelor degree majors, including 13 IT related majors, such as big data management and application, software engineering, internet engineering, and digital media technology. As of the Latest Practicable Date, Foshan University had five provincial-level premium resources sharing courses

---

## BUSINESS

---

and its majors were recognised in 11 provincial-level government supporting programmes, such as provincial-level featured majors. Bachelor degree programmes in Foshan University are offered through five schools: (i) school of computer science, (ii) school of information management and engineering, (iii) school of business management, (iv) school of digital media and design, and (v) school of foreign languages.

### *Junior college diploma programmes*

Junior college diploma programmes are another type of full-time higher education programmes that generally take three years for students to complete. Upon satisfying all the requirements set by the student cultivation plans, such as earning a minimum number of credits and passing all types of assessments, students are able to graduate with a junior college diploma. Our three universities offer a total of 36 junior college diploma majors and over 480 courses for junior college diploma programme students. These courses can be categorised into general courses, major-related foundational courses, major-related specialised courses, and comprehensive practise courses. For information about admission criteria, see “— Student admission”.

Dalian University currently offers eight junior college diploma majors, all of which are IT majors. Chengdu University currently offers eleven junior college diploma majors, eight of which are IT related majors. Foshan University currently offers 17 junior college diploma majors, 11 of which are IT related majors.

### *Junior college to bachelor degree transfer programmes*

Junior college to bachelor degree transfer programmes are another type of full-time higher education programmes that generally take two years for students to complete. Upon satisfying all the requirements set by the student cultivation plans, such as earning a minimum number of credits and passing all types of assessments and examinations, students are able to graduate with a bachelor degree. Applicants applying for such programmes have to be full-time junior college graduates and take nationwide entrance examinations administered by each provinces, municipalities directly under the central government, and autonomous regions. For more information, see “— Student admission”.

We provide junior college to bachelor degree transfer programmes through Dalian University and Chengdu University. The two universities offer a total of 14 junior college to bachelor degree transfer majors, such as software engineering, computer science and technology, e-commerce, industrial design, and animation. For information about student admission, see “— Student admission”.

### *School capacity and utilisation rate*

Each of our universities generally requires its full-time higher education programme students to live on campus in student dormitories during their study at our universities. Under limited circumstances, such as off-campus internships, we allow full-time formal higher education programme students to live outside campus after receiving their parent’s written request to do so. As a result, we believe the number of students our student dormitories are designed to accommodate is the most reasonable metric to estimate the maximum capacity of our universities. With respect to continuing education programmes, we do not require students of our continuing

---

## BUSINESS

---

education programmes to live on-campus. There is no reasonable metric in estimating the maximum capacity of students of our continuing education programmes. Therefore, we do not include the number of students in our continuing education programmes in estimating the maximum capacity and calculating the utilisation rate of our universities. We also do not take into account very limited number of students enrolled in the summer programmes that we may offer from time to time. The following table sets forth our school capacities and utilisation rates for the school years presented.

	Capacity <sup>(1)</sup> for the school year				Utilisation rate <sup>(2)</sup> for the school year			
	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020
Dalian University . . . . .	15,013	15,013	15,013	16,843	96.64%	97.47%	96.98%	91.05%
Chengdu University . . . . .	10,796	10,942	10,878	10,878	98.67%	97.58%	96.20%	101.17% <sup>(3)</sup>
Foshan University . . . . .	<u>9,526</u>	<u>9,430</u>	<u>9,430</u>	<u>10,429</u>	92.94%	98.58%	96.71%	93.25%
Total/Average . . . . .	<u>35,335</u>	<u>35,385</u>	<u>35,321</u>	<u>38,150</u>	96.26%	97.80%	96.67%	94.54%

*Notes:*

- (1) The capacity of each school represents the total number of beds in student dormitories in each school year. Students enrolled in continuing education programmes are not included in calculating school capacity.
- (2) The utilisation rate of each school is calculated as the total number of students enrolled in our full-time formal higher education programmes as of 31 August in each corresponding school year (except for the 2019/2020 school year, the cut-off date for which is 31 March 2020) divided by the school capacity for each corresponding school year.
- (3) Chengdu University had 136 graduating students living outside the campus for purposes of inter-campus exchange or internships.

The school capacity for Foshan University and the school capacity for Chengdu University decreased slightly in the 2017/2018 school year and the 2018/2019 school year, respectively, because we changed the floor plans for certain student dormitory buildings to provide a better living condition for our students.

The utilisation rates of Dalian University and Foshan University decreased in the 2019/2020 school year because we increased the school capacities for both schools. In 2019, Dalian University completed the construction and put into use a new student dormitory building in preparation for future expansion, providing an additional of approximately 1,800 beds in student dormitories. For the school year of 2019/2020, Foshan University adjusted the floor plans for certain student dormitory buildings and leased additional student dormitory buildings and, as a result, was able to accommodate an additional of approximately 1,000 students.

---

**BUSINESS**

---

*Tuition fees and boarding fees*

*Tuition fees*

We generally require students to pay tuition fees and boarding fees for the entire school year prior to the commencement of each school year. We recognise tuition fees as revenue over the school year based on our school calendar. The following table sets forth the listed tuition fees applicable to newly admitted students for the school years presented.

	Tuition fees for newly admitted students for the school year				
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	(RMB)				
<b>Dalian University</b>					
Bachelor degree programmes . . . . .	16,000~18,000	20,000~24,000	20,000~24,000	20,000~28,000	24,000~28,000
Junior college diploma programmes . . . . .	14,000	20,000	20,000	24,000	28,000
Junior college to bachelor degree transfer programmes . . . . .	16,000	20,000	20,000	20,000	24,000
<b>Chengdu University</b>					
Bachelor degree programmes . . . . .	16,000	16,000	16,000	16,000	18,000~19,000
Junior college diploma programmes . . . . .	16,000	16,000	16,000	16,000	16,000
Junior college to bachelor degree transfer programmes . . . . .	16,000	16,000	16,000	16,000	18,000~19,000
<b>Foshan University</b>					
Bachelor degree programmes . . . . .	18,000~20,000	18,000~30,000	20,000~30,000	24,000~30,000	28,000~34,000
Junior college diploma programmes . . . . .	13,500~30,000	18,000~30,000	18,000~30,000	22,000~30,000	22,000~30,000

For the 2017/2018 school year, we raised our tuition fees for bachelor degree programmes, junior college diploma programmes and junior college to bachelor degree transfer programmes offered by Dalian University, and raised tuition fees for bachelor degree programmes and junior college diploma programmes offered by Foshan University. For the 2018/2019 school year, we raised tuition fees for bachelor degree programmes offered by Foshan University. For the 2019/2020 school year, we increased tuition fees for bachelor degree programmes and junior college diploma programmes offered by Dalian University and Foshan University. For the 2020/2021



---

## BUSINESS

---

school year, we increased tuition fees for bachelor degree programmes and junior college diploma programmes offered by Dalian University, and bachelor degree programmes offered by Foshan University. Tuition fee rates and boarding fee rates of our Chengdu University are no longer subject to government approval and we raised tuition fees for bachelor degree programmes and junior college to bachelor degree transfer programmes offered by Chengdu University for the 2020/2021 school year. We raise tuition fees to reflect our increased operating costs, the improvements of our facilities and the changes in the market price for higher education services. Our tuition fee increase decisions depend on the market condition and other special circumstances we may encounter in the future.

Our tuition fee recognition policy generally leads to seasonal fluctuations of our results of operations. We recognise tuition fees we receive for each school year based on school year calendar and tend to recognise less tuition fees during the first quarter and the third quarter due to the winter holiday (generally starts in January and ends in February) and summer holiday (generally starts in July and ends in August). As a result, our quarterly results for the first quarter and third quarter are significantly lower than the results of other quarters. See “Risk Factors — Risks relating to our business and our industry — Our results of operations are subject to seasonal fluctuations which could result in volatility or have an adverse effect on the market price of our Shares” for more information.

### *Boarding fees*

We generally require students to pay boarding fees for the entire school year prior to the commencement of each school year. We recognise boarding fees as revenue over a 12-month period. The following table sets forth the boarding fees applicable to newly admitted students for the school years presented.

	Boarding fees for newly admitted students for the school year				
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	(RMB)				
Dalian University .....	1,200	2,400	2,400	2,400	2,400
Chengdu University .....	1,200	1,200	1,200	1,200	2,000
Foshan University .....	1,700	3,000	3,000	2,000~3,000	2,000~3,000

We raised our boarding fees for each of Dalian University and Foshan University for the 2017/2018 school year and the boarding fees for Chengdu University for the 2020/2021 school year. In the future, we plan to raise the boarding fees periodically to reflect our increased operating cost and the improvements of our accommodation conditions. For the 2019/2020 school year, we changed the floor plan for certain student dormitory buildings of Foshan University to accommodate more students. Boarding fees were adjusted accordingly to reflect such change.

### *Tuition fee and boarding fee policy*

We are able to determine the level of tuition fee and boarding fee rates for our three universities ourselves. According to our tuition fee policy, increase of tuition fees is only applicable to the incoming first year students

---

## BUSINESS

---

and the tuition fee rate for the existing students remains the same throughout the course of the relevant programme. In the meanwhile, we allow students with financial difficulties to postpone the payment of tuition fees and help them obtain students loans in certain circumstances.

We have tuition fees and boarding fees refund policies in place at our universities for students who leave during a school year. For Dalian University, if a student enrolls and pays tuition fees and boarding fees but withdraws from the university through a written application within one week after the new semester begins, tuition fees and boarding fees would be refunded in full. For students who withdraw from the university after the first week, prorated monthly tuition fees and boarding fees starting from the second month of the month when the students submit withdrawal application to the university will be refunded. Dalian University does not refund tuition fees and boarding fees to students who are expelled from the university. For Chengdu University, for newly admitted students who fail to enrol for a school year due to reasonable causes, tuition fees and boarding fees prepaid will be refunded in full. For existing students who leave the university due to causes such as voluntary withdrawal and being expelled during a school year, prorated monthly tuition fees and boarding fees will be refunded. For Foshan University, for newly admitted students who fail to enrol for a school year due to reasonable causes, the tuition fees and boarding fees prepaid will be refunded in full. For newly admitted students who are enrolled in the university but withdraw before taking any courses, 90% of the tuition fees and boarding fees will be refunded. For existing students who withdraw from the university during a school year, prorated monthly tuition fees and boarding fees will be refunded. Foshan University does not refund tuition fees and boarding fees to students who are expelled from the university.

The following table sets out the number of students dropped out during the school years presented.

	Number of students dropped out in the school year			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
Dalian University . . . . .	69	53	45	18
Chengdu University . . . . .	23	21	16	14
Foshan University . . . . .	<u>43</u>	<u>33</u>	<u>26</u>	<u>16</u>
<b>Total</b> . . . . .	<b><u>135</u></b>	<b><u>107</u></b>	<b><u>87</u></b>	<b><u>48</u></b>

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

---

## BUSINESS

---

The following table sets out the amount of tuition fees and boarding fees refunded to the students who dropped out in the school years presented.

	Tuition fees and boarding fees refunded			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Dalian University .....	657	702	487	378
Chengdu University .....	231	208	134	196
Foshan University .....	452	472	515	359
<b>Total</b> .....	<b><u>1,340</u></b>	<b><u>1,382</u></b>	<b><u>1,136</u></b>	<b><u>933</u></b>

\* Our school year generally ends in June or July of each year. For the purpose of calculating the amount of tuition fees and boarding fees refunded to students that dropped out in each school year, we use 31 August 2017, 2018 and 2019 as the cut-off date for the number of students in the 2016/2017 school year, the 2017/2018 school year, and the 2018/2019 school year, respectively, and 31 March 2020 as the cut-off date for the 2019/2020 school year.

### *Featured education model*

School-enterprise cooperation, student start-up support, and internationalisation are three special features of our higher education services.

#### *School-enterprise cooperation*

We engaged in an extensive school-enterprise cooperation in order to better equip our students with skills that can be applied directly in their future employment, and improve their career prospects. Our school-enterprise cooperation primarily focuses on joint curriculum design, joint student cultivation, and joint practical training. Our school-enterprise cooperation not only benefits students from obtaining actual skills and knowledge that are readily applicable to their future job, but also enables enterprises to pre-train and pre-select prospective employees that fit their job vacancies well.

We invite our students' future employers to participate in the design and development of curriculum/major offerings and student cultivation plans as we believe that employers are more sensitive in anticipating industry trend and know better what type of knowledge and skills students should acquire in school study. For example, under our cooperation with IBM, Dalian University invited engineers from IBM to jointly establish the software engineering major and formulate the student cultivation plan. IBM also worked closely with Dalian University to jointly develop curriculum and related teaching resources such as textbooks and case studies so that students have a closer access to the actual applications of theoretical knowledge in their school study. In addition to reviewing our student cultivation plans, we cooperate closely with enterprises to jointly cultivate our students. Cooperating enterprises send industry experts to our universities to guide our students in various competitions, to lecture on cutting-edge technologies, and participate in the review of graduation project or thesis defence. We have also established employer-tailored programmes with industry leading companies such as Intel and Accenture. The student cultivation plans for these programmes have been tailored to the cooperating enterprises.

---

## BUSINESS

---

Employees of such enterprises will participate in the teaching of relevant courses that are specifically related to the enterprises and the industry so that students can acquire specific knowledge and skills that are desired by such enterprises. Furthermore, our cooperation with enterprises also provides our students with the opportunities to intern at leading companies in various industries, such as Accenture, IBM, and Hewlett Packard. Upon accepting our students as interns, cooperating enterprises will assign an instructor to guide and train our students during the course of their internship. Students who perform well in the internship will have a priority when such enterprises recruit future employees. Taking IBM as an example, starting from 2012, IBM accepts around on average 24 students from Dalian University every year as interns. Interns work on the actual projects undertaken by IBM and are guided by instructors assigned by IBM. In the past three years, IBM has hired over 40 graduates of Dalian University. Other than the above, our cooperating enterprises, such as Texas Instrument, Toshiba, and Intel, have also established jointly with us various laboratories of mainstream IT technologies such as 3D printing, cloud computing, smart logistics, and wearable technology. We also involve our own IT development company in our education activities. See “— Education resources and apprenticeship programme — Apprenticeship programme (數字工場)” for more information. As of 31 March 2020, our three universities have entered into cooperation agreements with over 700 enterprises in various industries such as IT, internet, e-commerce, healthcare, arts and culture industries.

In addition, we have a university science park strategically located in the Dalian High-Tech Industrial Zone near the campus of Dalian University. The university science park is an important vehicle for us to carry out school-enterprise cooperation. It integrates academic research, talent cultivation, and business operations. We currently have several renowned IT enterprises such as Hewlett-Packard and Alpine in the science park. There are also a number of well-known IT enterprises such as IBM, SAP and Accenture located near our campus. We have carried out in-depth integration of industry and education with some of these enterprises. Some of our employer-tailored education programmes are also offered in the science park at relevant enterprises’ premise. Enterprises in and near the science park also actively participate in our school activities such as sponsoring scientific projects or competitions. The convenient location significantly facilitates the interaction among enterprises, our students and us.

### *Student start-up support programme*

We effectively integrate our education on practical skills with education on innovation and entrepreneurship and established the student office & venture office (SOVO), a student start-up centre in each of our three universities to create and foster the spirit of innovation and entrepreneurship. SOVO provides multidisciplinary training for students and encourage students to create business value by innovatively applying what they have learnt at school. Against the backdrop of the national policy of innovative and entrepreneurship education, SOVO also serves as a student start-up incubator whereby our students can establish a virtual company and operate the company in a way as a real company is operated. Students will face actual problems encountered by a real company such as internal management, completion of specific projects, competition from other companies and obtain hands-on experience in solving those problems. We have mentors available at SOVO to provide guidance and support to our students such as professional counselling on various problems encountered over the course of running virtual companies. These mentors comprise both dedicated teachers from our universities and entrepreneurs outside the campus. Students can also acquire relevant knowledge by enrolling in courses we specifically designed for innovation and entrepreneurship education. What makes it even more

---

## BUSINESS

---

attractive to students is that if a virtual company is doing well, there are opportunities to get venture financing from companies outside the campus and turn the virtual company into a real company.

As of 31 March 2020, SOVO had incubated more than 7,300 start-up projects and over 1,000 “virtual” companies in our three universities, among which more than 250 virtual companies had been successfully registered with relevant government agencies as real companies. SOVO of all of our three universities have been awarded as national-level Mass Entrepreneurship Space under the Torch Centre of Ministry of Science and Technology (科技部火炬中心眾創空間).

### *International programmes*

In order to provide our students with necessary exposure to various cultures and opportunities to seek education overseas, as of 31 March 2020, we have established 198 international programmes by cooperating with over 130 universities abroad. According to the cooperation agreements with these overseas universities, undergraduate students can apply to study at an overseas university after completing certain years of study at our universities and generally meeting the minimum grade threshold for language proficiency test. After studying overseas for certain years/semesters and meeting certain requirements of the overseas university, students will be eligible to receive a bachelor degree of that overseas university. Our students can also apply for studying abroad as exchange students for certain period of time after meeting the minimum grade threshold for language proficiency test. After completing their study at an overseas university, students can transfer the credits they earned in overseas universities back and count towards the total number of credits they have to earn according to their cultivation plan. For students of our junior college programmes, we have corresponding international programmes available for them to apply as well. In the meantime, our universities are also accepting international students for the two types of international programmes described above. As of 31 March 2020, there had been over 1,800 students in our three universities studying abroad through applying our international programmes and our universities had accepted over 2,500 international students studying in our three universities.

### *Grade assessment*

For each of our universities, examinations are centrally administered by each school’s department of academic affairs at the end of each semester to test students’ understanding in various subject matters. The final grade a student receives for a particular course generally consists of his/her class attendance, quizzes, coursework assessment, experiment performance, and final examination. The final examination primarily takes the form of closed book and/or open book examinations. The final examination could also take the form of project design, thesis, or other forms of assessment. Final grade can be in the form of scores (with maximum score of 100) or levels (excellence, good, medium, pass, and fail). Students who fail the course will not be able to earn the corresponding credits and have to either re-take the assessment or re-take the course. The form of assessment and detailed assessment questions/requirements/standards are generally formulated by the primary instructor based on the teaching syllabus and examination scope and filed with the department of academic affairs of each university after having been reviewed by relevant responsible persons of the curriculum and department or school. The department of academic affairs will arrange and administer final assessments.

---

## BUSINESS

---

### *Graduate employment*

Successful post-graduate employment is one of the main objectives for students to pursue higher education, especially private higher education, in China. As such, graduate employment rate is a key indicator of our university operations. To help our students find jobs that fit their interests and skills, each of our three universities has designed employment related courses for students. For our junior students, we generally require them to take mandatory career planning courses to let them understand that future employment and career planning are actually something that they need to care about since the start of their college study. For our senior students, we also make available a variety of general and specialised courses such as career development analysis, business etiquette, basic laws for start-ups, accounting and finance for start-ups for them to freely choose and provide more detailed guidance for their future employment.

In addition, each of our three universities has a dedicated career guidance and service centre that provides a wide range of services to our students who seek employment or internship opportunities. These career guidance and service centres not only serve as a platform to gather and disseminate employment information, but also help our students explore life, work and learning options available to them. When our students approach a career guidance and service centre for counselling services, our professionally trained staff will offer career advice based on the student's personal interests and preference and fine-tune his/her work and learning plans. The career guidance and service centre of each school organises various information sessions, job fairs, job-hunting trainings and other employment-related events from time to time to ensure that our students are well equipped with necessary information and the desired skill sets.

### *Employment rate*

For the 2016/2017, 2017/2018 and 2018/2019 school years, the average initial employment rate of our full-time formal higher education programmes in our three universities was 93.0%, 94.5% and 94.1%, respectively, substantially above the overall average initial employment rate for higher education in China, which was 78.4%, 78.6% and 77.4%, according to the Frost & Sullivan Report. The table below sets forth the initial employment statistics of our universities for the school years presented.

	<b>Initial employment rate for the school year</b>		
	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>
Dalian University .....	92.55%	91.79%	92.73%
Chengdu University .....	95.38%	96.82%	97.19%
Foshan University .....	91.04%	94.76%	92.42%

### **Continuing education services**

Our continuing education services consist of (i) formal higher continuing education programmes, (ii) non-formal higher continuing education programmes, and (iii) short-term training programmes.

---

## BUSINESS

---

### *Formal higher continuing education programmes*

Our formal higher continuing education programmes are essentially adult higher education programmes. Our adult higher education programmes are designed to provide formal higher continuing education services to adult students who are not registered as our full time students. Upon completion of the relevant courses and passing the required examinations, adult students enrolled in such programmes will be awarded a bachelor degree or a junior college diploma, depending on the programmes they are enrolled in. Our adult higher education programmes have a flexible course schedule so that adult students can have more flexibility in balancing their study, work, and personal life. Adult students are able to conveniently and efficiently learn relevant courses.

Our adult higher education programmes consist of junior college to adult bachelor degree transfer programmes (專科起點升本科) and high school to adult junior college transfer programmes (高中起點升專科). Applicants of junior college to adult bachelor degree transfer programmes have to possess a junior college diploma and take the National College Entrance Examination for Adults. Applicants of high school to adult junior college transfer programmes have to possess a high school diploma or an equivalent diploma and take the National College Entrance Examination for Adults. For more information about admission criteria, see “— Student admission”. It generally takes two years and a half for students to complete junior college to adult bachelor degree transfer programmes and two years and a half for students to complete high school to adult junior college transfer programmes. After completing all courses pursuant to the nationally prescribed teaching plan, students enrolled in junior college to adult bachelor degree transfer programmes will receive an adult bachelor degree and students enrolled in high school to adult junior college transfer programmes will receive an adult junior college diploma. All of our three universities can offer adult higher education programmes.

Dalian University currently offers five junior college to adult bachelor degree transfer programmes: digital media technology, financial management, human resources management, e-commerce and marketing, and three high school to adult junior college transfer programmes: applied computer technology, computer network technology, and e-commerce. The tuition fees for the adult higher education programmes offered by Dalian University generally range from RMB2,800 to RMB6,000.

Foshan University currently offers 12 junior college to adult bachelor degree transfer programmes, such as software engineering, visual communication design, business management and e-commerce, and 12 high school to adult junior college transfer programmes, such as computer network technology, animation production technology, information security and management, and digital media arts design. The tuition fees for the adult higher education programmes offered by Foshan University range from RMB9,800 to RMB17,800, depending on the programmes that students are enrolled in. In response to the market demand, the adult higher education services offered by Foshan University, in addition to normal course instructions, include (i) extra practical courses and trainings to help students acquire hands-on knowledge and experience, and (ii) additional services offered to students to facilitate their employment after graduation. As a result, the tuition fees for the adult higher education services offered by Foshan University are generally higher than the tuition fees charged by Dalian University.

Chengdu University will start to offer one junior college to adult bachelor degree transfer programmes (e-commerce) and two high school to adult junior college transfer programmes (information security and management, and product art design) in the 2020/2021 school year.



---

## BUSINESS

---

The following table sets out the number of students enrolled in our adult higher education programmes in Dalian University and Foshan University in the school years presented.

	Number of students enrolled in the school year			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
Dalian University .....	991	1,083	1,325	1,682
Foshan University .....	<u>1,761</u>	<u>2,575</u>	<u>2,448</u>	<u>2,320</u>
<b>Total</b> .....	<b><u>2,752</u></b>	<b><u>3,658</u></b>	<b><u>3,773</u></b>	<b><u>4,002</u></b>

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

### *Non-formal higher continuing education programmes*

#### *Self-taught examination preparation services*

Self-taught examination education in China is open to any person who wants to pursue higher education (bachelor degree or junior college diploma) without any restrictions in admission. Applicants can freely choose a self-taught examination programme of a major that they are interested in a school that they want to attend, and the level of higher education (bachelor degree or junior college diploma) that they want to pursue. However, students have to pass all examinations and tests required by relevant rules and regulations and administered by provincial department of education before they can be awarded a bachelor degree or a junior college diploma, depending on the programmes they are enrolled in.

We provide self-taught examination preparation services through Dalian University and Chengdu University. After students are enrolled in a self-taught examination programme, they can attend courses we designed for them to get them prepared for the examinations and tests required for obtaining a bachelor degree or a junior college diploma.

Currently, Dalian University offers six self-taught examination preparation programmes for students who plan to take the self-taught examinations for a bachelor degree and one self-taught examination preparation programmes for students who plan to obtain a junior college diploma. The tuition fees for the self-taught examination preparation programmes offered by Dalian University range from RMB3,315 to RMB5,400, depending on the programmes that students are enrolled in.

Chengdu University currently offers five self-taught examination preparation programmes for students who plan to take the self-taught examinations for a bachelor degree and four self-taught examination preparation programmes for students who plan to obtain a junior college diploma. The tuition fees for the self-taught examination preparation programmes offered by Chengdu University range from RMB3,000 to RMB3,800.

---

## BUSINESS

---

The following table sets out the number of students enrolled in our self-taught examination preparation programmes in Dalian University and Chengdu University in the school years presented.

	Number of students enrolled in the school year			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
Dalian University .....	451	566	479	445
Chengdu University .....	<u>81</u>	<u>75</u>	<u>68</u>	<u>95</u>
<b>Total</b> .....	<b><u>532</u></b>	<b><u>641</u></b>	<b><u>547</u></b>	<b><u>540</u></b>

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

### *Short-term training programmes*

We provide short-term training services on a wide variety of IT and IT related topics to institutional and individual customers. Unlike formal or non-formal higher continuing education programmes, short-term training programmes are not categorised as higher education, participants of our short-term training programmes will not be awarded any degrees or diplomas, and there are also no admission thresholds for these programmes. Our short-term training programmes typically have a term of several weeks to several months.

#### *Training services to institutional customers*

We provide customised short-term training services on various topics primarily to institutional clients such as universities/colleges, government agencies, and enterprises through our three universities and our training schools. Specifically, our short-term training services can be categorised primarily as follows:

- Training services for universities/colleges: Leveraging our experience in higher IT education sector and our brand recognition, we offer teacher training services to vocational colleges and application-oriented universities. For example, we provided special trainings in information technology area to teachers from vocational colleges in Shanxi province so as to improve their practical experience and capabilities in applying information technology in their teaching activities. We have been recognised as a premium provincial centre for the scheme of improving capabilities of the teachers in vocational schools by the MOE.
- Training services for government agencies: In response to the market demand, we also provide training services to staffs of government agencies and, on behalf of government agencies, provide trainings in specific areas to the society. For example, we provided staff trainings to employees of the Civil Affairs Bureau of Xigang District of Dalian (大連市西崗區民政局), so that they are able to effectively use relevant IT systems in carrying out their duty. We also provided special trainings in the practical exploration of embedded technology in intelligent manufacturing field on behalf of Dalian Human Resources and Social Security Bureau (大連市人力資源和社會保障局) to the general public.

---

## BUSINESS

---

- **Training services for enterprises:** We offer customised training services to enterprises in industries such as construction and finance to match their differentiated needs primarily in the form of new employee trainings, language trainings and management trainings. For example, we provided a tailored training to new employees of China Construction Eighth Engineering Bureau Co., Ltd. (中國建築第八工程局有限公司) in terms of business etiquette, communication and execution, and office software, and other quality development training based on the nature of the industry and different roles played by the employees.

Service fees for our short-term training services we provide to institutional customers are negotiated on a case-by-case basis, depending on the number of people participating the training courses, the length of the programmes, training topics, among others. As of the Latest Practicable Date, we had provided 70 short-term training programmes to companies, schools and government agencies, as well as other institutional customers, and received 30 qualifications recognised by national, provincial and municipal governments, including being recognised by the Ministry of Human Resources and Social Security as one of the first batch of 50 online vocational training platforms (人社部推薦的職業技能培訓線上平台機構) during COVID-19 pandemic, by four ministries including the MOE as one of the first batch of enterprise practice sites for teachers of vocational education (首批職業教育教師企業實踐基地), by Liaoning provincial government as a service outsourcing talent training base in Liaoning province (遼寧省服務外包人才培訓基地), and by Dalian municipal government as a vocational skills public training base in Dalian (職業技能公共實訓基地).

### *Training services to individual customers*

In March 2020, we acquired Tianjin Ruidao and merged its short-term training services for individual customers into our existing short-term training services. The primary objective of our short-term training services to individual customers is to enhance their IT skills by offering them a wide range of specialised practical training programmes. Our individual customers mainly include employees in the IT industry and students entering the IT industry. We currently offer a total of 141 courses covering popular IT technologies such as JAVA, UI, and Python. These training services are offered by our eight training schools in seven cities across China. Generally, the training courses have a term of four to five months. Individual customers pay a tuition fee based on the courses they are enrolled in. Depending on the length and subject of the courses, tuition fee for such courses offered by Tianjin Ruidao ranges from RMB9,000 to RMB25,800. In 2019, Tianjin Ruidao offered short-term training services to over 4,000 individual customers. We promote our training services mainly through online channels such as website advertisement, WeChat public account, and offline in-campus roadshows. We hold information sessions in-campus and make available trial courses to students.

## **Education resources and apprenticeship programme**

### *Education resources*

Over the course of our university operations in the past 20 years, we have distilled our TOPCARES approach and accumulated abundant education experience and resources. In order to further realise the value of our education approach and abundant education resources, we established a dedicated research institute and a product centre to develop and continuously optimise our proprietary education products. By supplying these

---

## BUSINESS

---

quality products to other universities of applied science, junior college, and vocational schools that are in need of quality education resources, we are able to help them improve effectiveness and efficiency of their education services. Our education resources currently comprise three modules: (i) joint establishment of academic majors and industrial colleges (專業共建與產業學院), (ii) smart education platform and teaching resources, and (iii) practical training laboratory solutions. We are able to offer our clients a customised, fully-integrated major design solution or college establishment solution based on their differentiated demands by a different combination of the three modules.

### *Joint establishment of academic majors and industrial colleges*

Targeting IT related majors and healthcare technology majors of higher education institutions that cooperate with us, we offer them a wide range of our quality education resources such as joint formulation of talent cultivation plan, joint development of course offerings, teacher training, and practical training projects. By supplying them our quality education resources, we are able to help them establish talent cultivation systems that better integrate their school education with enterprises' business operations so as to better cater for the industries' demand for talent. As of the Latest Practicable Date, we had helped other higher education institutions establish 20 academic majors, including engineering software, artificial intelligence, and big data.

By partnering with industry-leading enterprises, we offer five types of industrial college establishment solutions to other higher education institutions. These five types of industrial colleges are: college of computer and software, college of artificial intelligence, college of digital media, college of enterprise informatisation, and college of healthcare technology. We also carry out multi-disciplinary cooperation with other higher education institutions encompassing talent cultivation, technology development and scientific research. In 2019, we entered into a business collaboration framework agreement and a business collaboration agreement on artificial intelligence college with Baidu and established Neusoft Baidu Artificial Intelligence College in each of our three universities. The establishment of artificial intelligence colleges further optimised our existing education resources in artificial intelligence sector such as curriculum offerings, talent cultivation systems, and practical training projects. We have started to promote such cooperation model to other higher education institutions and jointly establish Neusoft Baidu Artificial Intelligence College in other universities.

The joint establishment of academic majors and industrial colleges services include full-cycle cooperation of talent cultivation and practical training cooperation tailored to senior students. Generally, we charge fees based on the number of students enrolled in the majors under joint establishment. For full-cycle cooperation of talent cultivation, which generally starts from the first school year to the last school year of a programme, we charge higher education institutions that cooperate with us fees for each school year based on the number of students enrolled in the majors under joint establishment. For practical training cooperation tailored to senior students, we charge higher education institutions that cooperate with us fees based on the number of students joining the practical training and the length of the training period.

### *Smart education platform and teaching resources*

Based on our two decades of experience operating universities of applied science, we have accumulated and further developed premium teaching resources, such as curriculum resources and case studies, regarding our

---

## BUSINESS

---

IT majors, healthcare technology majors and innovation and entrepreneurship education. Through various smart education platforms we developed in-house, we are able to supply these quality education resources to other universities, colleges and vocational schools. Smart education platforms we developed in-house mainly include Neusoft MOOC platform, practical curriculum platform, and software project practical training platform. These platforms contain approximately 200 courses and over 4,000 cases, videos and courseware covering seven majors including software technology, big data, artificial intelligence, Internet of Things, and digital media. The project resources we integrated into the platforms are derived from actual projects undertaken by companies in the market. We convert and compile these actual projects into educational resources that are ready-for-use by course instructors and have appropriate levels of difficulties for students of different grades. Our smart education platforms support course instructors' core teaching activities such as case study, in-class practice and after-class project training, which reduce repetitive work in the teaching activities, enable digitalised feedback on students' performance in the project practices, and facilitate course instructors' assessment of the effectiveness of teaching activities. We sell our clients smart education platforms that are embedded with teaching resources. We charge our clients for each platform sold and the amount of resources integrated into the platform.

### *Practical training laboratory solutions*

The IT industry is rapidly evolving and has a higher requirement on students' hands-on capabilities. Pure curriculum resources are far from being enough in cultivating a qualified student for the industry. Students have to obtain sufficient practical experience before graduation. As a result, practical trainings and laboratories are of great importance for schools that primarily provide IT and technology education services. Based on our prior experience and a large number of actual cases in our previous cooperation with IT enterprises, our three universities have established a number of professional practical training laboratories that are close to the forefront of the industry by imitating the actual development environment of the companies outside the campus, enabling our students to effectively solidify the knowledge acquired by them through progressive experiments and trainings. By virtue of summarising and refining our years of experience in practical training laboratory construction and management, we have built an advanced and integrated experimental training system and streamlined a complete set of experimental and training room construction solutions, which include a set of education objectives, standards, principles, and experiment contents for establishing and operating offline or online laboratories for our clients that are universities and colleges. Our practical training laboratory solutions currently cover software engineering, data science and big data technology, artificial intelligence, automotive electronics, and digital media technology majors. By applying our laboratory solutions, our clients will be able to efficiently establish their own laboratories, significantly shorten the construction period and improve the effectiveness of experiment and training while effectively solving the problem of the disconnection between school education and future employment.

As of the Latest Practicable Date, we have supplied our education resources to over 400 universities, colleges, and vocational schools in China. Among the universities, colleges, and vocational schools that use our education resources, 31 of them are included in the tertiary education development initiative called "Double First Class Universities" ("雙一流大學"), including Nanjing University, Wuhan University, Sichuan University, Harbin Institute of Technology, Dalian University of Technology, Northeastern University, and Huazhong University of Science and Technology, and 64 of them are included in the vocational education development initiative called "Double High-level Vocational Colleges" (中國職業教育"雙高計畫"建設學校). In addition, as of

---

## BUSINESS

---

the Latest Practicable Date, a total of approximately 300 higher education institutions utilised our smart education platform to study online amid COVID-19 pandemic.

### *Apprenticeship programme (數字工場)*

In order to ensure our education resources business has a continual competitive edge and unique features, we developed apprenticeship programme, a creative education model that effectively integrates school education with on-the-job training so as to comprehensively and effectively improve the capabilities of our students and students of other higher education institutions that cooperate with us and get them prepared for their future career, which in turn empowers higher education institutions in their supply of qualified talents to IT-related industries and contribute to the development of local economy.

The school education part of our apprenticeship programme focuses on practical trainings that hone students' practical skills, while on-the-job training part emphasises on the training of differentiated skills and capabilities that are specifically tailored to students' prospective employers through involving students in the actual project development activities. Specifically, students of our three universities and other higher education institutions that cooperate with us can participate in our apprenticeship programme and be trained intensively in a workplace simulation environment to acquire knowledge and skills that are important to engineers in the IT and IT-related industries. Afterwards, depending on their capabilities, outstanding students will have the opportunities to be involved in various IT development projects we undertake from our clients. These students are guided by our engineers in those actual IT development projects, which gives them an actual work experience before starting their career. Outstanding students also have the opportunities to conduct off-campus internships at enterprises that cooperate with us. For the students who are able to competently complete assignments in the actual IT development projects or off-campus internships, they will have opportunities to be employed by enterprises cooperating with us through our recommendation. The successful implementation of our apprenticeship programme allowed us to form a chain of talent supply that starts from customised school education to intensive trainings, to on-the-job trainings/off-campus internships, and finally to supply of qualified talents to enterprises.

Before the acquisition of Tianjin Ruidao in March 2020, we operated our apprenticeship programme mainly through Shanghai Ruixiang. Shanghai Ruixiang provides Shanghai Sirui with human resources and technology expertise through assigning engineers to the actual IT development projects outsourced to Shanghai Sirui by third parties. Shanghai Ruixiang involves our students in such actual IT development projects with the guidance of the engineers of Shanghai Ruixiang. Shanghai Sirui is a company wholly-owned by Neusoft Holdings, one of our Controlling Shareholders. Shanghai Ruixiang charges fees from Shanghai Sirui based on the number of engineers assigned to each IT development project and the actual development work. The fees charged are determined on an arm's length basis based on the market rates. Since the primary purpose of our apprenticeship programme is to better educate our students, fees received by Shanghai Ruixiang are used primarily to cover the cost we incurred in offering apprenticeship programme to our students. For more information, please see "Connected Transactions" in this document. As part of education resources we supply to other higher education institutions, we started to accept students of other higher education institutions in our apprenticeship programme in late 2019 and charge fees from other higher education institutions. Such revenue

---

## BUSINESS

---

from accepting students of other higher education institutions is recorded under revenue from education resources.

After the acquisition of Tianjin Ruidao in March 2020, we amalgamated Tianjin Ruidao's off-campus internship programme into our apprenticeship programme. Under the off-campus internship programme, Tianjin Ruidao offers students opportunities to intern at various enterprises after training them systematically and intensively. In the meanwhile, Tianjin Ruidao charges fees from those enterprises based on the number of students supplied and their working hours. By giving students opportunities to conduct internship, students are able to obtain actual work experience and build their resume for their future career. The acquisition of Tianjin Ruidao also expanded the delivery network of our apprenticeship programme. As of the Latest Practicable Date, we had ten delivery centres in eight provinces across China. These delivery centres are able to offer our apprenticeship programme to over 5,000 students across China.

After the acquisition of Tianjin Ruidao, off-campus internship programme is still operated by Tianjin Ruidao and a few other subsidiaries. As we consolidate Tianjin Ruidao's off-campus programme into our apprenticeship programme, we are also reforming our apprenticeship programme by optimising the ways students are trained, such as changing offline face to face training to using a combination of online and offline trainings, so that we can improve the efficiency of student training while not compromising the quality of such training.

### IMPACT OF COVID-19 ON OUR BUSINESS OPERATIONS

In response to the outbreak of COVID-19, the Chinese government took a number of actions such as extending the Chinese New Year holiday, quarantining and otherwise treating individuals in China who had contracted COVID-19, asking residents to remain at home and to avoid gathering in public, among other actions. The outbreak of COVID-19 in China have also resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China. Schools are not allowed to reopen until local provincial government's further notice. After the second semester of the 2019/2020 school year started, our three universities offered nearly all instruction through online modality. Our training schools have also been offering training services online since February 2020. Since our students did not live on campus for the second semester of the 2019/2020 school year, we decided to refund the boarding fees to our students in the three universities and Neusoft Training School. In April and May 2020, the MOE and the provincial governmental authorities issued their policies on refund of boarding fees and our boarding fee refund estimation is consistent with such policies. The policy of our Dalian University is refunding boarding fees of five months to all students. The policy of our Foshan University is refunding boarding fees of 150 days to graduating students and boarding fees of 120 days to students of other class years. The policy of our Chengdu University is refunding boarding fees of 150 days to all students. The policy of our Neusoft Training School is refunding boarding fees of five months to all of its students. The total amounts of boarding fees to be refunded by Dalian University, Foshan University and Chengdu University and Neusoft Training School are expected to be RMB15.3 million, RMB10.0 million, RMB3.7 million and RMB1.7 million, respectively. As of the Latest Practicable Date, Dalian University, Foshan University and Neusoft Training School had refunded almost all the boarding fees to be refunded, and Chengdu University had refunded approximately 20% of the boarding fees to be refunded. The remaining portion of



---

## BUSINESS

---

boarding fees to be refunded will be refunded in the near future. As of the Latest Practicable Date, our three universities had reopened. Starting from the end of June, our training schools gradually resumed offering courses offline. Our subsidiaries operating education resources and apprenticeship programme business gradually resumed offline work since February 2020. During COVID-19 when we offered online instruction, we primarily relied on our proprietary “Neusoft Blended Teaching Platform”, “Neusoft MOOC Platform” and “Neusoft Practical Training Project Platform”. In addition, we used other third-party products to assist our teachers’ online instruction and facilitate after-class communications between students and teachers. These products primarily included curriculum resources and online streaming products such as Tencent Courses, teaching management products such as U Campus and Ketangpai, and instant communication products such as Dingding, Foxmail and Tencent Meeting. With these platforms, our teachers were able to deliver instruction through live streaming and recorded lectures. These online platforms also allowed students to interact with teachers, submit their assignments and attend after-class tutoring sessions. We believed that by offering instruction through alternative modalities, we could minimise the impact of COVID-19 pandemic on our school operations. In fact, COVID-19 pandemic also has a positive impact on the promotion of our online education platforms. During the outbreak of COVID-19, many schools choose to deliver instruction online, which created higher demand for our online education platforms. As of the Latest Practicable Date, there were approximately 300 universities, colleges and vocational schools using our online education platforms. Our Neusoft IT Capabilities Training Platform was included in the first batch of 50 online vocational training platforms by the Ministry of Human Resources and Social Security during COVID-19 pandemic.

Normal economic life throughout China was sharply curtailed amid COVID-19 pandemic. Our short-term training services for individual customers, which was operated by Tianjin Ruidao prior to the acquisition in March 2020, also experienced a decline in the number of students enrolled in our short-term training programmes from 852 in the first quarter of 2019 to 536 in the first quarter of 2020 primarily due to (i) our inability to conduct in-campus marketing and promotional activities as a result of temporary campus closures, and (ii) our inability to offer face-to-face course instruction which negatively affected individual customers’ willingness to take our training courses. Such decrease in the number of students enrolled also negatively affected Tianjin Ruidao’s revenue from providing short-term training services to individual customers for the three months ended 31 March 2020, which together with the fact that the provision of innovation and entrepreneurial education service to higher education institutions by Tianjin Ruidao usually happens in the second half of a calendar year, are primary reasons for Tianjin Ruidao to have a net loss for the three months ended 31 March 2020. We expect that the student enrolment number will increase after schools and universities in the provinces where we have business operations reopen and we resume face-to-face course instruction. To further improve the student enrolment, we plan to further promote our short-term training services through popular social media channels so as to capture more potential customer base. We also plan to offer online courses through live streaming to attract potential students and combine such online instruction with offline instruction to capture a wider range of customer base. In addition to our existing programmes targeting graduating students, we have been developing new training programmes targeting junior students to capture more potential customers through offering differentiated training programmes for college students in different class years.

As COVID-19 has become a global pandemic, our international programmes are also adversely affected. Many countries changed their immigration policies and imposed restrictions on international travel. As a result, many of our international students are unable to return to China and certain Chinese students are also unable to

---

## BUSINESS

---

travel to overseas universities for study. We are offering online instruction for our international students for the new semester. Depending on the arrangements of the overseas universities cooperating with us, Chinese students enrolled in our international programmes would take courses online or defer the semester. In addition, short-term exchange programmes that were supposed to be implemented in the first half of 2020 were cancelled or delayed. If the spread of COVID-19 in other countries and regions cannot be effectively controlled, our international programmes for the next school year would be materially and negatively affected.

Student admission and business development usually require travels and site visits. If COVID-19 pandemic drags on for longer, we may not be able to effectively carry out student admission marketing activities for the next school year, cooperate with our business partners and develop new business opportunities in the future. We currently carry our student admission marketing activities mostly online. Due to our good brand image and reputation of the good quality of our education services, we do not expect our student admission for the 2020/2021 school year will be materially and adversely affected.

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

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

Our Directors confirm that the outbreak of COVID-19 have had a negative impact on our business operations in the short run as (a) our universities and training schools were temporarily closed for a period of time; (b) students of our universities and training schools had to take courses online; (c) the number of students enrolled in Tianjin Ruidao’s short-term training programmes experienced a decline in the first quarter of 2020; (d) we have to refund boarding fees of approximately RMB30.7 million to our students; (e) our international programmes for the second semester of the 2019/2020 school year were cancelled or delayed; and (f) the operation of our education resources business was negatively affected due to the travel restrictions across China. However, it is unlikely for COVID-19 to have a material adverse impact on our continuing business operations and sustainability in the long run as (i) we are able to provide education services online and students can attend classes without physically present at our universities or training schools, which will mitigate the negative impact of COVID-19 on our business operations; (ii) as of the Latest Practicable Date, all of our three universities had

---

## BUSINESS

---

reopened and our training schools also began to gradually offer offline training services starting from late June 2020; (iii) our major source of revenue, tuition fee income from our fundamental business full-time formal higher education services has not been affected by the COVID-19; and (iv) we have sufficient cash and cash equivalents to maintain our business operations.

### OUR CENTRALISED MANAGEMENT MODEL

Over the course of our university operations in the past two decades, we have established a centralised management model through which we apply unified school operation strategies, TOPCARES education philosophy, school management and decision making mechanism to all our universities and share various types of resources among our universities. Our Board is responsible for formulating overall school operation strategies and implement such strategies across all our universities. Our Board is led by our Chairperson, Dr. J Liu, and is supported by our Chief Executive Officer, Dr. Wen, and various functional departments. The principals of our three universities are also members of our Board. The composition of our Board ensures that different situations in the operation of each of our three universities are adequately considered and the strategies/decisions made by the Board are implemented in each of our three universities with consistent standards. We believe that our centralised management model lays a foundation for our future school network expansions. Specifically, our centralised management model has the following advantages:

- Operating strategies and decision-making: our centralised management model allows us to implement our current school operation strategy that focuses on the provision of high quality full-time formal higher education services that are complemented by our continuing education services and education resources and apprenticeship programme. Similar business structure and the same education philosophy enable us to apply unified strategies and decision making across all our universities;
- Student admission and employment information sharing: we formulate consistent student admission plans and marketing strategies that are complementary to each other for different programmes of our three universities. In the working level in each year, our universities share student admission experience and resources in each provinces, municipalities, and autonomous regions in China. In addition, our three universities share with each other employment information available for our students;
- Education resources sharing: we make holistic planning for the development and allocation of education resources across all our universities and individually approve each university's procurement, maintenance and upgrade plan with respect to textbooks, collection of books in libraries, experiment instruments and devices, IT systems, laboratory establishment and constructions, school buildings and facilities constructions, among others, so that we can maximise the use of our education resources and the utilisation efficiency. From education management perspective, we apply the same overall human resources management system across our three universities and share teaching experience and teacher resources periodically;

---

## BUSINESS

---

- Clear and effective management hierarchy: at school level, each of our universities is managed on a day-to-day basis by its principal, who is assisted by several vice principals responsible for one or more specific aspects of our universities' operations. The board of each of our respective schools is responsible for the overall management of each of our universities. We believe this management system allows us to maximise the capabilities of our teachers and administrative personnel to enhance the quality of education we provide and promote students' well-being; and
- Unified internal management and IT systems: we have formulated various internal management rules such as internal control and compliance rules, procurement rules and procedures, and property management rules. These internal rules are implemented by all our universities and subsidiaries consistently. To improve operational efficiency, we use IT systems in various aspects of our daily school operations such as teaching management system, course selection system, grading system, and student management system. These IT systems are connected to each other. Our senior management team is able to obtain overall school operation data/information on a real-time basis to facilitate their decision-making.

### STUDENT ADMISSION

#### Student admission process

The National Higher Education Entrance Exam is the major channel for our universities to enrol students in our bachelor degree programmes and junior college diploma programmes. Graduating high school students nationwide submit applications to several universities of their choice based on the scores they receive in the National Higher Education Entrance Exam. Each province in China sets its own admission thresholds for different academic concentrations and different category of universities based on students' overall performance in the National Higher Education Entrance Exam. Universities in each province then evaluate and admit prospective students within the thresholds based on the respective scores and specific aspirations in students' applications, which usually rank universities in several categories with the first choice being the school the student wants to attend the most.

For our junior college to bachelor degree transfer programmes, our universities admit students based on their grades in the nationwide entrance examination administered by the provincial department of education. Applicants must be full-time junior college graduates possessing a junior college diploma. Similar to bachelor degree programmes and junior college diploma programmes, junior college to bachelor degree transfer programmes are also subject to admission quotas set by each provincial government. The admission quotas for junior college to bachelor degree transfer programmes form part of the overall student admission quotas for full-time formal higher education programmes that each university is subject to every year.

In terms of our full-time formal higher education programmes, for the 2019/2020 school year, (i) Dalian University admitted approximately 34% of the new students from Liaoning province and the remaining 66% from other provinces, (ii) Chengdu University admitted approximately 77% of the new students from Sichuan province and the remaining 23% from other provinces, and (iii) Foshan University admitted approximately 85% of the new students from Guangdong province and the remaining 15% from other provinces.

---

## BUSINESS

---

For our adult higher education programmes, we admit adult students through the National Higher Education Entrance Examination for Adults. Similar to the National Higher Education Entrance Exam, students will generally be admitted based on their grade in the National Higher Education Entrance Examination for Adults.

### Student admission quota

The number of students our full-time formal higher education programmes and formal higher continuing education programme are able to enrol is subject to the admission quotas determined by local education authority. For each upcoming school year, each of our universities formulates a student admission plan that contains admission quotas for its full-time formal higher education programmes and formal higher continuing education programmes to be reviewed and approved by local education authority. We formulate student admission plans for our universities by taking into account our overall available resources and the resources of each of our three universities. The following table sets forth the admission quotas of each of our full-time formal higher education programmes and formal higher continuing education programmes for the school years presented.

	Admission quotas for the school year				
	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
<b>Dalian University</b>					
Bachelor degree programmes . . . . .	3,477	3,477	3,657	3,757	4,109
Junior college diploma programmes . . . . .	546	546	546	696	696
Junior college to bachelor degree transfer programmes . . . . .	200	200	200	200	700
Adult higher education programmes . . . . .	323	466	549	629	*
<b>Chengdu University</b>					
Bachelor degree programmes . . . . .	3,000	3,079	3,000	3,288	3,473
Junior college diploma programmes . . . . .	160	120	50	900	1,000
Junior college to bachelor degree transfer programmes . . . . .	41	41	39	8	222
<b>Foshan University</b>					
Bachelor degree programmes . . . . .	2,220	2,300	2,548	2,932	2,944
Junior college diploma programmes . . . . .	450	450	350	838	1,500
Adult higher education programmes . . . . .	926	513	788	1,002	*

\* As of the Latest Practicable Date, applicable local education authority has not determined the admission quotas of adult higher education programmes of Dalian University and Foshan University for the 2020/2021 school year.

The student admission quota for junior college diploma programmes of Chengdu University decreased continuously from the 2016/2017 school year through the 2018/2019 school year primarily because we intentionally reduced the number of students in our admission plan for junior college diploma students after considering a number of factors such as school capacity and the university's overall development strategy of

---

## BUSINESS

---

focusing on bachelor degree programmes. Since Chengdu University admits students for its junior college to bachelor degree transfer programmes from graduates of its junior college diploma programmes, decreases in the number of students enrolled in Chengdu University's junior college diploma programmes from the 2016/2017 school year through the 2018/2019 school year naturally led to the decreases in the student admission quota for Chengdu University's junior college to bachelor degree transfer programmes during the same school years. The student admission quota for junior college diploma programmes of Foshan University decreased continuously from the 2016/2017 school year through the 2018/2019 school year primarily because we intentionally reduced the number of students in our admission plan for junior college diploma students as the university is positioned as a bachelor degree programme focused university supplemented by featured junior college diploma programmes. The student admission quota for adult higher education programmes of Foshan University fluctuated from the 2016/2017 school year through the 2018/2019 school year primarily due to changes in the market competition landscape. In response to the central government's policy in 2019 encouraging higher vocational colleges to admit more students, we intentionally increased the number of students in our student admission plan for junior college programmes for the 2019/2020 and 2020/2021 school years for our universities. Our universities had complied with their respective admission quotas during the Track Record Period and up to the Latest Practicable Date. Although our universities generally admit the maximum number of students for each programme to fully utilise the admission quotas, the actual number of students enrolled in each school year may be less than the admission quota as there may be students who choose not to accept our admission offer.

### **Student admission marketing**

Our student admission has historically been driven primarily by our brand recognition. Our competency in student admission can be boiled down to (i) a vast majority of the IT related majors we offer equip our students with knowledge and skills desired by the highest-paying jobs and we have competitive advantage in these major offerings when compared to other private higher education institutions; (ii) our TOPCARES approach and school-enterprise education ensure that our students acquire hands-on knowledge and skills that can be applied directly to their future jobs, which would significantly increase our students' job prospects; and (iii) our first-class faculty and learning environment such as digital smart campus, flexible learning environment, which enables our students to study at any time, in any place. Based on the feedback we received from our students, we believe they are generally satisfied with the high-quality education we provide and are therefore willing to help us attract more students through referrals. We also utilise new and targeted marketing techniques, such as live streaming of campus activities and online advertising targeting potential students and their parents as well as organising student admission informational meetings and high school principal forums. Dalian University, Chengdu University and Foshan University each runs a WeChat public account that publishes news and events about the school from time to time. In addition, after over ten years of operations, we have built a wide base of alumni, who we believe have passionate and genuine emotional connections with our universities. Other than referrals, another major marketing effort is to participate in information sessions organised by provincial level education bureaus during student admission season each year. We have a team in each of our three universities responsible for student admission. Prior to the National Higher Education Entrance Exam each year, our student admission staff visit certain high schools in selected cities in Liaoning province, Sichuan province, and Guangdong province, as well as other provinces where we usually admit a substantial number of students, to hold information sessions. Due to our efforts in multiple student recruitment channels and the reputation of our high quality education services, the number of students applying to our universities has been higher than the actual

---

## BUSINESS

---

number of students we are able to enrol in recent years and the actual grades of the students we enrolled in various provinces were also higher than the minimum grade we may enrol.

### OUR TEACHERS

We believe that our team of experienced and dedicated teachers are crucial to our success. As an operator of private schools, we can provide better incentives to qualified teachers who fit our hiring criteria. Teachers are the key to maintaining high-quality educational programmes and services as well as maintaining our brand and reputation. Our aim is to continue hiring teachers with a strong command of academic knowledge and/or practical skills in their respective specialised areas who are open to innovative teaching methods and a caring heart towards students' well-being. We also value the awards and recognition bestowed upon our teachers who have achieved teaching excellence. We believe that academic studies and practical skills are equally important for our students and are two inseparable part of our education objectives. In addition to teaching relevant courses, our teachers are actively involved in various research activities. As of 31 March 2020, our three universities had 1,318 full-time teachers, of whom 87.0% had a master degree or Ph.D. degree, approximately 40.5% were professors or associate professors, and approximately 21.7% had overseas studies and/or work experience. As of 31 March 2020, our three universities also had 852 part-time teachers. In addition, as of 31 March 2020, Tianjin Ruidao had 98 full-time teachers. The following table sets forth the number of our teachers in each of our three universities for the school years indicated:

	Number of teachers for the school year			
	<u>2016/2017*</u>	<u>2017/2018*</u>	<u>2018/2019*</u>	<u>2019/2020*</u>
<b>Dalian University</b>				
Full time .....	560	517	528	521
Part time .....	333	361	350	424
<b>Chengdu University</b>				
Full time .....	357	385	446	430
Part time .....	194	216	203	196
<b>Foshan University</b>				
Full time .....	271	355	362	367
Part time .....	220	226	229	232
<b>Total</b> .....	<u>1,935</u>	<u>2,060</u>	<u>2,118</u>	<u>2,170</u>

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



---

## BUSINESS

---

The following table sets forth the highest degree held by our teachers for the school years indicated:

	Number of teachers for the school year			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
Ph.D. degree . . . . .	77	92	100	101
Master degree . . . . .	923	980	1,043	1,046
Bachelor degree . . . . .	181	176	187	166
Junior college diploma . . . . .	7	9	6	5
Total . . . . .	<u>1,188</u>	<u>1,257</u>	<u>1,336</u>	<u>1,318</u>

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

We have adopted the policy regarding the student-to-teacher ratio pursuant to the applicable regulatory requirements. Our PRC Legal Adviser advised us that, according to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》), restrictions on student admission will be imposed if a comprehensive higher education institution has a student-to-teacher ratio higher than 22:1. The Circular of the General Office of the Ministry of Education on Conducting the Undergraduate Teaching Quality Assessment in General Higher-education School (《教育部辦公廳關於開展普通高等學校本科教學工作合格評估的通知》) also includes the teacher-to-student ratio as a criterion for undergraduate teaching quality assessment. During the Track Record Period, our three universities maintained a student-to-teacher ratio lower than 22:1.

The following table sets forth the student-to-teacher ratio, taking into account both full-time and part-time teachers, for each of our universities for the school years indicated. As advised by our PRC Legal Adviser, our training schools are not subject to the student-to-teacher ratio requirement.

	Student-to-teacher ratio in the school year			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
Dalian University . . . . .	18.8	19.0	18.6	18.9
Chengdu University . . . . .	21.5	19.6	17.8	19.6
Foshan University . . . . .	21.4	19.4	18.8	19.6

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

According to the Regulations on Teacher Licences (《教師資格條例》), personnel engaged in teaching activities in various types of schools and other educational institutions must obtain teacher licences (教師資格證書) from education authorities. According to the Notice on Issuing Qualifications of Teachers in Vocational Schools and Employment Training Centers and Other Vocational Training Institutions (《關於做好技工學校和就業訓練中心及其他職業培訓機構教師上崗資格認定工作的通知》), all personnel engaged in the education and

---

## BUSINESS

---

teaching activities at vocational training institutions should obtain teacher qualifications (職業培訓教師上崗資格證書) from human resources and social security authorities. As of the Latest Practicable Date, 38 teachers of our four training schools had not obtained teacher licences and/or teacher qualifications. Three of the four training schools have obtained written confirmations from the competent government authorities confirming that, with respect to vocational training or educational training services without granting academic credentials, the corresponding teacher licence examination or teacher qualification accreditation is no longer administered and the corresponding teacher licences or teacher qualifications are not mandatorily required in practice in the places where such training schools are located. Our PRC Legal Adviser has interviewed the competent education authority of the remaining one training school and was given to understand that the teacher licences are also not mandatorily required insofar as this training school is concerned. Our PRC Legal Adviser is of the view that these government bodies are the competent authorities to give such confirmations.

As advised by our PRC Legal Adviser, the applicable PRC laws and regulations are silent on the legal liabilities that may be imposed on training schools employing teachers without requisite teacher licences or teacher qualifications. However, based on the above confirmations given by the government authorities, the PRC Legal Adviser is of the view that our risk of being penalised by government authorities for employing teachers without teacher licences or teacher qualifications is remote.

As advised by the PRC Legal Adviser, the applicable PRC Laws are also silent on whether students are entitled to compensation from training schools for receiving training from teachers without teacher licences or teacher qualification. Based on the above, our PRC Legal Adviser is of the view that our risk of being required by ruling courts to pay compensation to students for providing training services through non-qualified teachers is relatively low.

We believe our students enrol in our training courses and subscribe to the “Ruidao” training brand due to the quality of teaching and courses (including course content and materials) provided to students. Based on the above, we believe that the teacher licence issue does not present a significant reputational risk or materially affect our reputation. See “Risk Factors — Risks relating to our business and our industry — We face regulatory risks and uncertainties associated with our teachers’ lack of teacher licences or teacher qualifications” and “— Internal control and risk management — Internal control.”

In addition, as of the Latest Practicable Date, except in the case of new teachers of our three universities waiting to take the next available qualification exam or due to some other reasons, all the PRC teachers who teach courses in our universities possess valid teacher licences issued by the PRC education authorities and all foreign teachers who teach courses in our universities possess valid foreigner’s work permit (外國人工作就業證) issued by the PRC government. We will fully comply with the applicable PRC laws and regulations as well as local regulatory practices in relation to teacher licences and teacher qualifications when we recruit new teachers in the future. Where teacher licences or teacher qualifications are still mandatorily required, we will only employ new teachers with teacher licences or teacher qualifications, or, if being employed by a school is a prerequisite for taking the qualification exam, instruct the newly recruited teachers to take qualification exams within the prescribed period.

---

## BUSINESS

---

### **Teacher recruitment**

We recruit teachers based on the size of our current student enrolment and the number of newly admitted students at the beginning of each school year. We recruit teachers mainly from two channels: (i) recent graduates from graduate schools of top universities domestically and overseas, and (ii) candidates with rich practical knowledge and industry experience, in particular, overseas work experience. For candidates we recruit through the first channel, we primarily recruit graduates with a Ph.D. degree and demonstrate strong academic research and study capabilities and overall quality as a teacher. For candidates we recruit through the second channel, we primarily recruit candidates with a master degree or above, demonstrate a solid command of practical skills and rich industry experience that fit the objectives of our curricula, and are able to keep abreast of the latest cutting-edge technologies, as well as overall quality as a teacher. We generally conduct three rounds of interviews. The first round is conducted by the human resources department. The second round is conducted by corresponding schools and departments together with teaching quality control department of the relevant schools, which generally consists of a written exam and a simulated lecture testing the candidate's professional expertise. The third round is an interview conducted by the principal or vice principals of the relevant schools. The final hiring decision will be made after an overall assessment taking into consideration of the feedbacks of the interviews.

### **Teacher training**

We provide our teachers with several types of trainings to improve their capabilities. Newly hired teachers undergo mandatory training programmes that cover, among others, teaching skills and techniques, teacher management policies, and education theories. We also provide continuing training for our teachers so that they can stay abreast of the changes in student demands, new teaching theories and/or methodologies, changing testing standards and latest industry developments or trends. In addition, we have established a number of exchange programmes with universities, research institutes, enterprises and other educational institutions domestically and abroad so that our teachers can have the opportunity to study or conduct researches both in China and abroad. In order to give our teachers necessary exposure to the latest development of technologies in various industries, we periodically invite industry experts to provide trainings to our teachers and at the same time provide our teachers with the opportunity to train or work in enterprises and improve practical skills. We believe that our teaching staff can gain valuable knowledge and insights from these trainings.

### **Teaching performance evaluations**

To ensure the quality of our education services, we periodically monitor and evaluate our teachers' teaching quality. Each of our universities has established a school-level department responsible for the overall teaching quality supervision and evaluation and formulating a number of quality standards governing all aspects of our teaching activities. Each school also has a team of teaching supervisors. These supervisors periodically conduct teaching evaluations, which include in-class observations, evaluation of our teachers' class preparation and/or the effectiveness of their classroom instructions. The evaluations generally focus on teachers' moral qualities, teaching capabilities, work attitude, and teaching results in terms of various targets. As an important part of the evaluation process, we highly encourage our students to complete teacher evaluations and teaching satisfaction surveys at the end of each semester or school year. Such survey results are given a large weight in the

---

## BUSINESS

---

final evaluation result. We may take into consideration the performance of each teacher when making decisions regarding their compensation. We generally award teachers who receive outstanding performance reviews. For those teachers who fail to meet our rigorous standards, we generally talk to those teachers and help them make new plans, improve teaching methods, guide them to revise classroom instructions and improve their overall teaching ability. We allow them to improve their performance within a certain period of time. If they still cannot satisfy our rigorous requirements, we will move them to non-teaching positions or, in the worst case scenario, dismiss them. We believe we offer competitive compensation to our teachers as compared to that offered by public schools in the same areas where our universities are located. Compensation typically includes a base salary and a performance bonus, which is generally based on the teaching quality, scientific research achievements, work attendance and other factors.

### CAMPUS FACILITIES AND SERVICES

#### Campus facilities

The campus of Dalian University encompasses approximately 833,000 square metres. The university has a variety of campus facilities, such as modern classroom buildings, library, multimedia audio-visual centre, SOVO, apartment buildings, track and field facilities, gymnasiums, restaurants and café. A classroom building and a library building in the campus were awarded with China Construction Engineering Luban Prize (National Prime-quality Project), the highest honour in China in terms of the quality of the construction project, by the Ministry of Housing and Urban-Rural Development of the PRC and the China Construction Industry Association. Dalian University has a number of advanced experimental equipment and has built a number of laboratories of mainstream technologies that reflect the development trends, such as wearable technology laboratory, cloud computing and big data laboratory, industrial robot laboratory, and 3D printing laboratory. We strive to provide comfortable living conditions for our students. School dormitories are equipped with a variety of furniture and home appliances such as computer desk, wardrobe, and washing machines. Wireless network, banking services, supermarkets, restaurants and canteens, telecommunication services, express delivery services, and healthcare services, among others, are all available in the campus.

The campus of Chengdu University is located in the World Natural and Culture Heritage Site — Dujiangyan and Qingcheng Mountain National Quintuple A Grade Scenic Spot, encompassing approximately 527,000 square metres. The university has a variety of campus facilities, such as classroom buildings, library, apartment buildings, track and field, SOVO, student centres and restaurants. The campus has two lakes surrounded by lush green trees, which provide our students an enjoyable campus environment. Chengdu University has a number of advanced experimental equipment and has built a number of laboratories of mainstream technologies that reflect the development trends, such as smart hardware experiment and training studio, Internet of Things laboratory, digital sculpture laboratory, enterprise resource planning (ERP) simulation laboratory (ERP沙盤實驗室). We strive to provide comfortable living conditions for our students. School dormitories are equipped with a variety of furniture and home appliances such as computer desk, wardrobe, and washing machines. Wireless network, banking services, supermarkets, restaurants and canteens, telecommunication services, express delivery services, and healthcare services, among others, are all available in the campus.

---

## BUSINESS

---

The campus of Foshan University is located in the core area of High-tech Industrial Development Zone, Foshan City, near Guangzhou, encompassing approximately 336,670 square metres. The university has a variety of campus facilities, such as classroom buildings, laboratory buildings, library, multimedia audio-visual classrooms, SOVO, apartment buildings, track and field, gymnasiums and restaurants. The campus has a lake surrounded by lush green trees, which provide our students an enjoyable campus environment. The university has various laboratories in the campus that require students' substantial involvement in hands-on practices. We strive to provide comfortable living conditions for our students. School dormitories are equipped with a variety of furniture and home appliances such as computer desk, wardrobe, and washing machines. Wireless network, banking services, supermarkets, restaurants and canteens, café, telecommunication services, and express delivery services, among others, are all available in the campus.

### **Campus services**

To ensure that our students have a convenient living and study environment, we cooperated with third-party service providers to make available various types of services to meet students' daily needs. The campus service arrangements at our universities primarily include meal catering services and medical care services, as well as postal services, grocery stores, among others.

### ***Meal catering services***

As of the Latest Practicable Date, we had 13 canteens at our three universities. These canteens are outsourced to catering service providers who are Independent Third Parties. These canteens provide a variety of cuisines and dishes so as to cater to students from all parts of China. We typically enter into cooperation agreements with catering providers for a term ranging from one year to five years. We require all catering service providers to obtain relevant licences and permits required by applicable laws and regulations and all catering service providers have obtained required licences and permits to operate catering services. The catering providers are obliged to ensure the food quality and safety. To oversee the catering services, we conduct inspection of the daily operation of the canteens at each of our universities. For risks associated with meal catering services, see "Risk Factors — Risks relating to our business and our industry — We could be liable and suffer reputational harm if a third-party service provider provides inferior food or medical care services or harm our students, which may have a material adverse effect on our business and reputation."

### ***Medical care services***

Dalian University and Chengdu University offer general medical services to students and teachers by engaging qualified medical care providers who are Independent Third Parties. We require third-party medical care providers to hold all licences and permits required by laws and regulations and all of the medical staff and health care personnel engaged by us hold the required licences as required by laws and regulations. In serious and emergency medical situations, we promptly send our students to local hospitals for treatment. Foshan University does not have medical services available in the campus as there is a hospital conveniently located nearby.

## BUSINESS

### Upgrade and expansion plans

In order to provide a better education services to our students and continuously increase our student enrolment, we plan to upgrade our existing school facilities and expand our campus by acquiring additional land. We set out below details of our upgrade and expansion plans that require capital investments as of the end of 2021. We plan to finance our upgrade and expansion plans primarily by applying a portion of the proceeds from the Global Offering. To the extent that the proceeds applied to our upgrade and expansion plans are not sufficient, we will use our own funds and obtain additional funds through bank loans.

Upgrade and expansion plan	Expected completion date	Total construction cost* / capital expenditure	Estimated total cost as of the end of 2021	Amount spent as of 30 April 2020	Additional number of students expected to be accommodated by the end of 2021	Additional number of students expected to be accommodated upon completion	Estimated depreciation charges from 2020 to 2024	
Dalian University . . . .	Practical training base <sup>(1)</sup>	October 2021	RMB396.5 million	RMB378.2 million	RMB90.0 million	—	—	RMB37.7 million
	New campus construction on land recently acquired <sup>(2)</sup>	December 2022	RMB871.4 million	RMB610.0 million	—	5,046	8,014	RMB41.2 million
Chengdu University . .	Library and playground	July 2021	RMB83.1 million	RMB83.1 million	RMB48.7 million	—	—	RMB8.5 million
	New campus construction on land recently acquired	August 2023	RMB600.4 million	RMB220.8 million	RMB11.6 million	2,500	5,000	RMB22.1 million
Foshan University . . . .	Student dormitory building	September 2020	RMB59.3 million	RMB59.3 million	RMB25.7 million	1,572 (by September 2020)	1,572	RMB7.7 million
	Campus expansion project (one teaching and research building and two student dormitory buildings)	August 2022	RMB316.7 million	RMB193.5 million	—	1,500	3,800	RMB25.3 million

*Notes:*

\* For Dalian University, the estimated total amount of construction costs for the expansion plans is RMB1,267.8 million. We plan to finance the constructions by obtaining bank loans of RMB1,235.0 million and using our own funds for the remaining construction costs.

---

## BUSINESS

---

For Chengdu University, the estimated total amount of construction costs for the expansion plans is RMB683.5 million. We plan to finance the constructions by applying a proceed of RMB225.0 million from the Global Offering, obtaining bank loans of RMB440.0 million and using our own funds for the remaining construction costs.

For Foshan University, the estimated total amount of construction costs for the expansion plans is RMB376.0 million. We plan to finance the constructions by applying a proceed of RMB137.2 million from the Global Offering, obtaining bank loans of RMB145.0 million and using our own funds for the remaining construction costs.

- (1) The new practical training base will be used to offer practical training courses to students of our newly established healthcare related programmes. Such courses will be offered by cooperating with enterprises. For example, cooperating enterprises may provide equipment and facilities for the practical training and may also dispatch their employees to Dalian University to provide support and guidance for the practical trainings.
- (2) For more information on the land recently acquired, please see “— Properties — Owned properties — Land”.

Upon the completion of the above expansion plan, Dalian University is expected to accommodate an additional 8,014 students, Chengdu University is expected to accommodate an additional 5,000 students, and Foshan University is expected to accommodate an additional 5,372 students, representing an increase in school capacity of 47.6% for Dalian University, 46.0% for Chengdu University, and 51.5% for Foshan University, compared to the school capacity in each corresponding school for the 2019/2020 school year. Such increases in school capacity have not taken into account a new student dormitory building that Chengdu University established in August 2020. Such student dormitory building is able to accommodate 2,000 students. In addition to the above expansion plan, depending on the actual situation of our future development, we may have additional expansion plans in the future or may adjust our existing expansion plans in the future that are not yet completed by then. Our Directors are of the view that we will be able to obtain approval from the relevant authorities for admitting additional students in each of our three universities upon completion of the expansion plan, because (i) the relevant authorities of the provinces where our three universities are located at support the development of private higher education and our three universities are recognised by relevant government authorities and the society, which are conducive to our expansion in student admission in the future, (ii) government authorities are supporting higher education’s expansions in student admission, for example, according to the *2020 Report on the Work of the Government*, student enrolments in higher vocational colleges in China will increase by two million persons in 2020 and 2021, and (iii) our three universities focus on IT related majors and healthcare technology related majors, which fall within the category that the government authorities of the provinces where our universities are located at support student admission expansions.

We treat each construction or upgrade projects as a part of our overall expansion plan and assess the soundness and effectiveness of the construction or upgrade projects holistically on our overall school operations level. When we formulate expansion plans, we primarily consider the impacts of such investments in expansions on our overall business operations and financial performance. In terms of business operations, we do a necessity analysis before making investments in expansions. We primarily consider whether such investments are commensurate with the offering of new majors, conducive to our student enrolment, improvement of our education quality and talent cultivation system, and our compliance with relevant regulatory requirements. With respect to our financial performance, we consider the impact of the investments in expansions on our cash flows, our funding costs of financing for such expansion and the impact on depreciation and amortisation after completion of the construction or upgrade projects so that we will continue to be profitable as a whole in the future.



---

## BUSINESS

---

There is no assurance that our actual expansion will not deviate from our current expansion plans. For more information, please see “Risk Factors — Risks relating to our business and our industry — We are subject to uncertainties brought by the recent developments of PRC Laws relating to private education.” Our management will consider making various adjustments to our business plans, including but not limited to, delaying or suspending our expansion plans and increasing our debt and/or equity financing. In the event of any material change in circumstances or our business plans, to comply with Rule 13.09 of the Listing Rules, we will make announcements as and when appropriate if our business might be materially and adversely affected.

### **ACQUISITION OF TIANJIN RUIDAO**

#### **Overview of Tianjin Ruidao’s business operations**

In March 2020, we acquired 90.91% of the equity interests of Tianjin Ruidao and merged its businesses into our Group. Prior to the acquisition, Tianjin Ruidao primarily engaged in providing short-term training services to individual customers and practical training services to students of higher education institutions. Short-term training services provided to individual customers refer to short-term IT professional skill training services provided through seven training schools to individual customers such as college students, graduates and employees in the IT and IT related industries for purposes of improving their IT skills and strengthen their competitiveness in their career. Practical training services refer to IT professional education and vocational training services provided to students of other universities and colleges. Target customers of such services are universities and colleges. The objective of such services is to enhance students’ practical skills and application of theoretical knowledge through involving them in the full cycle of actual software development projects. In addition to the above two main businesses, Tianjin Ruidao provided innovation and entrepreneurial education services to higher education institutions and off-campus internship services.

#### **Background of Tianjin Ruidao’s training schools**

Tianjin Ruidao had seven training schools in Shenyang, Dalian, Nanjing, Qingdao, Guangzhou, Tianjin and Qinhuangdao. These schools were established in a period from September 2008 to March 2016. Three of these seven schools were established by a subsidiary of Dalian Kang Ruidao and were later transferred to Tianjin Ruidao. One of the seven schools was co-established by a subsidiary of Tianjin Ruidao (holding 90% of the sponsorship interest) and a subsidiary of the Qinhuangdao campus of the Northeastern University (holding the remaining 10% of sponsorship interest). The remaining three schools were established either by a subsidiary of Tianjin Ruidao or directly by Tianjin Ruidao. These training schools are managed by management teams with relevant experience in both IT related industries and IT education industry and experience in school management positions. All of these seven schools have obtained the private school operating licence.

## BUSINESS

The seven training schools offer short-term training programmes on topics such as JAVA, Python, User Interface and front-end development. These training programmes mainly target people working in the IT or IT related industries and students studying IT or IT related majors, as well as anyone interested in these IT skills. As of 31 March 2020, these seven schools had total assets of RMB51.7 million. The following table sets forth additional details of the seven training schools:

School name	Tuition fee <sup>(1)</sup> of different programmes in 2020	Number of student enrolments for the first half of 2020 <sup>(2)</sup>	Number of students dropped out for the first half of 2020
Shenyang Neusoft Software Talent Training Centre . . . . .	20,800 ~ 25,800	487	22
Dalian Neusoft Software Talent Training Centre . . . . .	20,800 ~ 25,800	169	8
Nanjing Neusoft Talent Training Centre . . . . .	20,800 ~ 25,800	77	0
Qingdao West Coast New District Neusoft Ruidao Software Talent Training School . . . . .	20,800 ~ 25,800	76	1
Guangzhou Neusoft Software Talent Vocational Training School . . . . .	20,800 ~ 25,800	121	9
Tianjin Binhai Newtown Neusoft Ruidao Software Talent Vocational Training School . . . . .	20,800 ~ 25,800	109	18
Qinhuangdao Neusoft Venture School . . . . .	20,800 ~ 25,800	0	0

(1) Represents tuition fee ranges of different training programmes offered by our training schools. The actual amount of tuition fees received may be lower than these amounts due to discounts we offered after considering, among other factors, COVID-19, local market competition and affordability of school students. For the first half of 2020, Tianjin Ruidao received total tuition fees of RMB15.8 million, of which approximately RMB1.0 million were refunded to students who dropped out.

(2) Represents the number of students who entered into a training contract with the corresponding training school. As we allow students to take courses in schools other than the school with which he/she enters into the training contract based on their location preference, the number of student enrolments in each training school does not necessarily equal to the actual number of students who take training courses at such training school.

Students drop out generally due to their personal reasons such as changes in their career development plans. They drop out usually before or shortly after the commencement of relevant courses. For the first half of 2020, part of the reason for the drop-out is due to our inability to provide face-to-face course instruction as a result of COVID-19.

Tianjin Ruidao solicits individual customers primarily through the following efforts or competitive advantages: (i) our experience and expertise in the IT education industry and our brand recognition, (ii) keep abreast of the development of technologies and adjust our programme offerings based on evolving customer demands and industry trends, (iii) further improve our overall business management, optimise our services to improve customer experience and strengthen our reputation, and (iv) diversified marketing approaches, such as information session or delivering sample lectures in universities and marketing efforts through social media.

---

## BUSINESS

---

### Timing of and expected benefits from the acquisition

The timing of the acquisition of Tianjin Ruidao was the result of a commercial decision decided among the parties involved. The opportunity for the acquisition of Tianjin Ruidao arose in around the end of 2019 and after taking into account the benefits that the acquisition would bring to us and our financial and business position, we considered it beneficial to us and our Shareholders as a whole to accept the opportunity when it arose and to not risk Tianjin Ruidao being acquired by a competitor in the future. Prior to this, the opportunity to acquire Tianjin Ruidao was not available and discussions with Tianjin Ruiyi Enterprise Management Consulting Center (Limited Partnership) (天津睿熠企業管理諮詢中心(有限合夥)) (“**Tianjin Ruiyi**”), the minority shareholder of Tianjin Ruidao, and Tianjin Ruiyi’s ultimate beneficial shareholders and general partner, had not reached a point where the Directors believed that it would be in the interests of our Group and our Shareholders to pursue the acquisition. Notably, the Directors were of the view that it was important for Tianjin Ruiyi (and its ultimate beneficial owners and general partner) to agree to the acquisition of Tianjin Ruidao and the change in control from Neusoft Holdings to our Company and granting an option to permit our Company to acquire the remaining minority interests in the future. See “History, Reorganisation and corporate structure — Corporate structure — Corporate developments following the Reorganisation” for further information on Tianjin Ruiyi and the share option agreement entered into between our Group and Tianjin Ruiyi with respect to the remaining 9.09% equity interest in Tianjin Ruidao.

In deciding to acquire Tianjin Ruidao, we considered, among other factors, the business of Tianjin Ruidao (and in particular, its seven training schools), how it would complement our business before the acquisition (the “**existing business**”), and how the enlarged Group would benefit from the symbiotic relationship between Tianjin Ruidao and the existing Group, such as: (i) it would better facilitate the development of our “continuing education services” business by providing short-term training services to a wider range of customers (from offering customised training services to institutional customers under the existing business, to also extending IT training services to any individual interested customers with the integration of Tianjin Ruidao); (ii) it would facilitate the growth of our existing education resources business as Tianjin Ruidao has an established sales network across China and has a team of over 100 experienced sales personnel with local client relationships; (iii) it would also supplement our existing teacher resources with a team of teachers with both IT industry experience and IT training experience; (iv) it would allow us to share our existing resources so as to better utilise our existing resources such as curriculum resources, intellectual property rights, brand recognition, better understanding of universities’ demand and physical premises of our three universities, which in turn benefit the enlarged Group; and (v) it would allow us to leverage the “Ruidao” brand in the training schools, bring us greater customer resources and market opportunities in the training education industry. As a result, we believe that Tianjin Ruidao’s business is complementary to our existing business.

In addition, Neusoft Holdings, one of our Controlling Shareholders, has given in favour of us a non-compete undertaking. See “Relationship with our Controlling Shareholders — Delineation of business from our Controlling Shareholders — Non-compete undertaking” for more information. Had Tianjin Ruidao remained controlled by Neusoft Holdings, pursuant to the non-compete undertaking, Tianjin Ruidao would have been prevented from developing its business, or offering services, in a way that would directly or indirectly compete with our existing business. Given this limitation on Tianjin Ruidao, had it remained controlled by Neusoft Holdings, considering that Tianjin Ruidao’s business is complementary to our existing business as explained

---

## BUSINESS

---

above, and taking into account the opportunity to combine and share many of the resources from Tianjin Ruidao and our existing business (as described below), the acquisition of Tianjin Ruidao was considered to be mutually beneficial to both Tianjin Ruidao and us, with the added benefit of eliminating one source of potential competition in the future should Neusoft Holdings decide to dispose of Tianjin Ruidao to a third party. Given the above, the Directors considered the acquisition of Tianjin Ruidao to be in our best interest and the best interest of our Shareholders.

### **Changes in our business strategies and focuses before and after the acquisition**

Our business strategies and focuses remain unchanged after the acquisition of Tianjin Ruidao. Offering full-time formal higher education services is still our fundamental business while continuing education services and education resources and apprenticeship programme are still our two strategic businesses. The primary purpose of acquiring Tianjin Ruidao is to supplement and further develop our continuing education services and education resources and apprenticeship programme. See “— Continuing education services — Short-term training programmes — Training services to individual customers”, “— Education resources and apprenticeship programme — Apprenticeship programme (數字工場)” and “Acquisition of Tianjin Ruidao — Timing of and expected benefits from the acquisition” for more information on how Tianjin Ruidao’s businesses are going to supplement and further develop our two strategic businesses. After the acquisition of Tianjin Ruidao, we will further expand our continuing education services, in particular, online continuing education services and further expand our education resources and apprenticeship programme under our “3+N” business model. See “— Our business strategies” for more information.

### **Integration of seven training schools after the acquisition**

In addition to the integration of business models and client base, as described above, the acquisition of Tianjin Ruidao integrates resources and manpower, including in the following manner:

- (a) Tianjin Ruidao and the existing Group plan to combine resources and have established a research and development centre, to research and develop products and intellectual property that would be shared between the two parties.
- (b) Tianjin Ruidao and the existing Group’s intellectual property resources (including brand recognition of our universities and training schools, teaching and learning materials, teaching methodology and course development resources) and engineering talent and capabilities would be pooled together in order to assist with the enlarged Group’s research and development and applied towards the enlarged Group’s business.
- (c) Tianjin Ruidao’s sales network would be combined and shared with our existing sales resources distribution network to create a more efficient and cost-effective way of promoting the enlarged Group’s business, services and products, and brand.
- (d) Property leases and tangible assets would be shared among the businesses within the enlarged Group, which would decrease expenses such as the expenses for hosting training schools and offering training facilities.

---

## BUSINESS

---

- (e) Customer and business know-how would be shared among the businesses (including schools) within the enlarged Group to create a symbiotic relationship between Tianjin Ruidao's and the existing Group's key business segments.

Following the acquisition of Tianjin Ruidao, Tianjin Ruidao's core management team would be based in Dalian, in close proximity to our management, and the enlarged Group would share certain key management personnel to ensure a smooth transition and enduring and stable integration of the businesses. Shared management personnel includes: (i) Dr. Wen, our executive Director and chief executive officer, who also oversees Tianjin Ruidao's business; (ii) Mr. LI Yingao, our vice-president and Tianjin Ruidao's president; and (iii) Mr. DENG Haibo, former vice president of Tianjin Ruidao, now serves as our skills training department's general manager.

### POTENTIAL IMPLICATIONS OF THE DECISION ON AMENDING THE LAW FOR PROMOTING PRIVATE EDUCATION OF THE PRC

#### Regulatory development

On 7 November 2016, the Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (《全國人民代表大會常務委員會關於修改〈中華人民共和國民辦教育促進法〉的決定》) (the "2016 Decision"), was signed into law by Order No. 55 of the President of the PRC and became effective on 1 September 2017. The most significant change made by the 2016 Decision was the re-classification of private schools as for-profit schools and non-profit schools. Future regulations on private schools will be based on such re-classification. Depending on whether private schools are established and operated for profit-making purposes, the 2016 Decision classifies private schools into non-profit schools and for-profit schools. There are the pros and cons of choosing to be either a for-profit school or a non-profit school. For example, the sponsors of a for-profit private school are able to obtain operating profits of the school and have a greater discretion in determining the types and amounts of fees charged to students based on its operating costs and market demand, but it may receive less benefits and supports from governments compared with a non-profit school, such as tax benefits, obtaining land use right from government by means of allocation, and various government grants. See "Regulations — Regulations relating to education — Regulations relating to private education" of this document for details of the pros and cons of choosing to be a for-profit school or a non-profit school. The sponsors of private schools, other than schools providing compulsory education, may at their own discretion choose to establish non-profit or for-profit private schools. For the existing private schools that were established before the 2016 Decision was published, the 2016 Decision only provides a few general principles in making for-profit/non-profit election when doing re-registration. For example, a private school electing to re-register as a for-profit school must carry out financial settlement procedures, clarify property ownership, pay relevant taxes and fees, and re-apply for registration. Other than those general principles, the 2016 Decision does not provide detailed rules to address various issues that may arise for school sponsors of existing private schools to choose to re-register as for-profit private schools or non-profit private schools. The 2016 Decision, instead, delegates the authority to formulate detailed rules to implement the 2016 Decision to the State Council, educational authorities under the State Council, provinces, municipalities directly under the central government, and autonomous regions of the PRC.

---

## BUSINESS

---

On 30 December 2016, the Implementation Rules on the Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the “**Classification Registration Rules**”) were promulgated by five departments under the State Council, including the MOE, to provide more details with respect to classification registration procedures. As of the Latest Practicable Date, except for Liaoning province, all provinces where our universities and training schools are located had issued their own rules on classification registration (“**Provincial Classification Registration Rules**”) in order to further implement the Classification Registration Rules locally. These rules, however, still do not provide sufficient details to guide the existing private schools in choosing to re-register as for-profit schools or non-profit schools. For further details of these rules, see “Regulations — Regulations relating to education” of this document.

All provinces where our three universities and training schools are located have promulgated local regulations (the “**Provincial Amendment Implementation Rules**”) to further implement the 2016 Decision. The Provincial Amendment Implementation Rules shed some light on the existing private school’s for-profit/non-profit election in doing re-registration, but are still not clear enough for the existing private schools to comprehensively and accurately assess the potential impact on their business after making for-profit/non-profit election in doing re-registration. We operate our universities in Liaoning, Guangdong and Sichuan provinces. The Provincial Amendment Implementation Rules promulgated by Liaoning province and Guangdong province do not set forth a deadline for making the election, nor did Liaoning and Guangdong province set a deadline for making the election as of the Latest Practicable Date. However, the implementation rules promulgated by Sichuan province provide that sponsors of the existing private schools should submit materials to relevant competent government authorities regarding the election of for-profit or non-profit status by 1 September 2020. Failure to do so will lose the opportunity to elect to be a for-profit school. Private schools that intend to elect as non-profit schools should complete relevant procedures by 1 September 2021. For private schools that provide higher education services and intend to elect as for-profit schools, relevant procedures should be completed by 1 September 2023. We have duly reported to the Education Department of Sichuan Province our decision to re-register Chengdu University as a for-profit private school and will complete the relevant procedures by 1 September 2023.

We operate our training schools in Liaoning, Guangdong, Tianjin, Hebei, Jiangsu and Shandong provinces. The Provincial Amendment Implementation Rules or Provincial Classification Registration Rules issued by some of these provinces set forth deadlines for making the for-profit or non-profit election including that, the deadline in Tianjin is 31 August 2020 and in Jiangsu is 31 December 2020. We are in the process of re-registering our Tianjin training school as a for-profit private school. As of the Latest Practicable Date, we have not reported to the relevant government authority on our election for the Jiangsu training school. See “Regulations — Regulations relating to education — Regulations relating to private education” of this document for details.

---

## BUSINESS

---

### **Factors we consider in making for-profit status / non-profit status election**

Subject to changes in relevant laws and regulations that may have a material effect on the education industry, in particular, the private higher education industry, after taking into account the following factors, we intend to register our three universities and training schools as for-profit private schools after the Global Offering:

#### ***School sponsors' rights to operating surplus and residual assets***

Pursuant to the 2016 Decision, sponsors of a for-profit private school are entitled to the distribution of operating surplus of such school and are entitled to the residual assets of such school in the case of liquidation, while sponsors of a non-profit private school are not allowed to receive any distribution of operating surplus or residual assets from such school. Considering from this perspective, we have a very strong incentive to elect for-profit status in re-registering our three universities and training schools.

#### ***Tax treatment***

Pursuant to the 2016 Decision, and the state council opinions, non-profit private schools enjoy the same preferential tax treatment as that applicable to public schools, i.e. exemption from the enterprise income tax. With respect to for-profit private schools, the Draft Amendment to the Implementation Regulation has delegated the authority to formulate tax treatment policies that are applicable to for-profit private schools to SAT. Although the detailed tax treatment policies applicable to for-profit private schools located in Liaoning province, Guangdong province and Sichuan province have not been formulated by SAT, we do not anticipate any major negative consequences from enterprise income tax perspective if we re-register our universities as for-profit private schools because our three universities have not been enjoying the preferential tax treatment applicable to public schools. As a result, we believe that there may not be major negative impacts on our net profit if we re-register our three universities as for-profit private schools. If we choose to re-register our three universities as non-profit private schools, without doubt, we will benefit, to the maximum extent, from preferential tax treatment policies. We also do not anticipate any major negative consequences from enterprise income tax perspective if we re-register our training schools as for-profit private schools because all of our training schools have not been enjoying the preferential tax treatment applicable to public schools, either.

#### ***Land use right***

Pursuant to the 2016 Decision, non-profit private schools may obtain land use right to a parcel of land by means of allocation by government for free or at a lower cost, while for-profit private schools may need to obtain land use right by means of acquisition from government with a cash consideration. In addition, private schools that obtained land use right by means of free allocation from government before making for-profit status / non-profit status election may be required to pay the cash consideration as if they obtained the land use right by means of acquisition if they choose to re-register as for-profit private schools. We do not expect any major negative consequences to our business and results of operations if we re-register our three universities as for-profit private schools because we obtained the land use right to all the land we own by means of acquisition with cash consideration. However, electing non-profit status may entitle our three universities to obtain land use right for free or at a lower cost in the future. All of our training schools lease properties as premises to operate their business, thus would not be affected by for-profit status / non-profit status election.



---

## BUSINESS

---

### *Fee charging regulations*

Pursuant to the 2016 Decision, depending on the relevant provincial policies, fees charged by non-profit private schools may be subject to government approval or regulatory restrictions, while for-profit schools are entitled to determine the level of tuition fees and boarding fees, as well as other fees, without government approval. All our universities and training schools are currently not subject to regulatory approval with respect to tuition fee levels. Electing to be for-profit schools would enable our universities and training schools to reserve their discretion in determining tuition fee and boarding fee rates.

### *Government support*

According to the 2016 Decision and its implementation rules, non-profit schools may enjoy more favourable government support than for-profit schools may be able to enjoy. For instance, the Draft Amendment to the Implementation Regulation provides that local governments could subsidise non-profit schools to a certain percentage of the average funding per student applicable to public schools.

### *Public image*

The general public in China may have a pre-existed negative connotation towards for-profit private schools and tend to view them as profit seekers rather than quality education services providers. Although we do not agree with such view and believe that being a for-profit private school does not mean that the quality of the education services will be compromised. On the contrary, for-profit private schools have a higher incentive to continuously improve the quality of the education services they offer so that they can survive and thrive in the competition. However, it takes time for the general public to change their pre-existed perception.

### *Re-registration procedures*

According to the 2016 Decision and the Classification Registration Rules, if an existing school chooses to re-register as a for-profit school, it will have to go through a series of procedures, including carrying out financial liquidation, clarifying the ownership of properties including lands, school buildings and accumulated operating profits with the relevant government authorities at or below provincial level and other relevant institutions, paying relevant taxes and fees, applying for a new permit for operating private school, and going through re-registration before starting to operate as a for-profit private school. The 2016 Decision and the Classification Registration Rules designated the provincial governments to formulate the detailed rules relating to the re-registration of an existing school as a for-profit or non-profit private school, however, as of the Latest Practicable Date, the governments of the provinces where our universities and training schools are located have not formulated detailed rules that could provide sufficient and concrete guidance on such re-registration. The 2016 Decision and the Classification Registration Rules require a financial liquidation in the case of re-registering an existing private school as for-profit, but no further implementation rules have been promulgated with respect to such financial liquidation.

*Draft Amendment to the Implementation Regulation*

On 10 August 2018, the MOJ published the Draft Amendment to the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (for Consultation) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) (the “**Draft Amendment to the Implementation Regulation**”) to solicit comments from the general public. In a nutshell, the Draft Amendment to the Implementation Regulation further promotes the development of private education by clarifying the preferential treatment in terms of tax and land acquisition enjoyed by private schools. The Draft Amendment to the Implementation Regulation also provides a more detailed regulation on private schools. For example, (i) transactions between a private school and its related parties should follow the principles of transparency, fair and justice; disclosure mechanisms for such transactions should be established and agreements between a non-profit private school and its connected parties involving material interests or relating to long-term and recurring transactions should be reviewed and audited by the relevant government authorities with respect to necessity, legitimacy and compliance, (ii) the registered capital of a for-profit private school providing formal higher education should be no less than RMB200 million; and (iii) “private education service providers that operate private schools as an education group” (“集團化辦學”) are not allowed to obtain control over non-profit private schools through merger and acquisition, franchise, and contractual arrangement.

If the Draft Amendment to the Implementation Regulation is promulgated by the State Council in its current form, it is highly likely that according to (i) above, our Contractual Arrangements will be regarded as connected transactions of our private schools and we may incur substantial compliance costs for establishing disclosure mechanisms and undergoing reviewing and audit by the relevant government authorities. In reviewing and auditing our agreements, government authorities may require us to modify our Contractual Arrangements in a way that adversely affect our school operations. Government authorities may also find that one or more agreements under our Contractual Arrangements do not comply with applicable PRC Laws and may subject us to severe penalties, resulting in material adverse impact on our operations and financial condition. Regarding (ii) above, we may be required to increase the registered capital of Foshan University from RMB158.40 million to RMB200 million or above if we choose to register Foshan University as a for-profit private school. Both Dalian University and Chengdu University have a registered capital of over RMB200.0 million. In terms of (iii) above, even if we are eventually regarded as “private education service providers that operate private schools as an education group” and are not grandfathered under the Draft Amendment to the Implementation Regulation, we do not expect that there will be non-compliance issues as we intend to, subject to changes in relevant laws and regulations that may have a material effect on the education industry, register our three universities as for-profit private schools. We do not believe our school operations will be materially and adversely affected by our intended election in the future to register our three universities as for-profit private schools, due to the reasons discussed above, i.e. our universities have been paying income tax at the rate of 25% and paid fees for the land we acquired from government. The relevant competent authorities confirmed in our interviews with them that our three universities can choose to re-register either as for-profit or non-profit schools at our own discretion. We are not aware of any conditions that may preclude any of our three universities from choosing to re-register as for-profit private schools. We also do not believe our school operations will be materially and adversely affected by our intended election to register our training schools established prior to 2016 Decision as for-profit private schools because our training schools have not been enjoying the preferential tax treatment applicable to public schools, nor did our training schools obtain allocated land from government authorities.

---

## BUSINESS

---

As of the Latest Practicable Date, the amendment to the Regulations on the Implementation of the Law for Promoting Private Education of the PRC has not been promulgated yet, nor is there a clear timetable for the promulgation. There are substantial uncertainties as to when it will be promulgated and whether it will be promulgated in the current form.

Since the 2016 Decision and all related implementation rules do not provide a sufficient guidance for potential issues we may encounter in making for-profit / non-profit election, we are unable to comprehensively and thoroughly assess the potential impacts of for-profit / non-profit election on our school operations. As a result, we had not yet made any decision in electing for-profit or non-profit status in the re-registration of our universities as of the Latest Practicable Date except in the case of Chengdu University where provincial rules require us to report our decision by 1 September 2020. We will closely monitor the promulgation of new regulations regarding the detailed guidance on for-profit / non-profit election and seek legal advice before making the decision on the election of for-profit or non-profit status for Dalian University and Foshan University after a thorough and detailed analysis on all potential issues associated with the re-registration. We have duly reported to the Education Department of Sichuan Province our decision to re-register Chengdu University as a for-profit private school and will complete the relevant procedures by 1 September 2023. We have decided to register all our training schools established prior to 2016 Decision as for-profit schools and will work actively to complete the re-registration procedures following timelines set by relevant provinces and under the instruction of relevant competent authorities. We will update our Shareholders and investors in this regard by way of disclosure in announcement and/or annual/ interim reports, as and when appropriate.

For risks relating to our business as a result of changes in laws and regulations, see “Risk Factors — Risks relating to our business and our industry — We are subject to uncertainties brought by the recent developments of PRC Laws relating to private education” of this document.

## COMPETITION

The education services market in China is rapidly evolving, highly fragmented and competitive. According to the Frost & Sullivan Report, the number of private higher education institutions in China was approximately 749 as of 31 December 2018. In 2018, students attending private higher education institutions accounted for approximately 21.0% of the total number of students enrolled in higher education institutions in China. Competition in the private higher education industry is primarily based on brand recognition, the scope and quality of education programmes, graduate employment rate, student quality, experience and skills of the management team, and the ability to attract and retain qualified teachers. We expect the competition in the private education market to persist and intensify. Some of our existing and potential competitors, especially public universities, have governmental support in the form of government subsidies and other payments or fee reductions. Our competitors may devote greater resources, financial or otherwise, than we can to student recruitment, campus development and brand promotion, and respond more quickly than we can to changes in student demands and market needs. See “Risk Factors — Risks relating to our business and our industry — We face intense competition in the PRC higher education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures” and “Industry Overview” in this document for more information.

---

## BUSINESS

---

### CUSTOMERS AND SUPPLIERS

#### Our customers

Our customers primarily are our students. For our education resources and apprenticeship programme, our customers primarily include universities/colleges, vocational schools, companies, and government agencies. In 2017, 2018, 2019 and the three months ended 31 March 2020, the percentage of revenue from sales of goods or rendering of services attributable to our five largest customers combined is less than 30% of our total revenue in each corresponding period.

#### Our suppliers

Our suppliers primarily comprise landlords that lease properties to us for our school operations, construction companies for building campus facilities, property management service providers, electronic equipment providers, and software developers. Some of them are our related parties. In 2017, 2018, 2019 and the three months ended 31 March 2020, purchases from our five largest suppliers amounted to RMB103.5 million, RMB90.9 million, RMB81.3 million and RMB21.2 million, respectively, which represented 35.9%, 34.7%, 17.3% and 25.1% of our total purchases from all suppliers in the respective periods. During the same periods, purchases from our single largest supplier amounted to RMB39.7 million, RMB38.8 million, RMB39.1 million and RMB9.6 million, respectively, which represented 13.8%, 14.8%, 8.3% and 11.4% of our total purchases from all suppliers in the respective periods. Our single largest supplier during the Track Record Period is a company that offers property leasing and property maintenance services. During the Track Record Period, this company leased properties and provided property maintenance services to Dalian University. These properties are used by Dalian University as student dormitories and student service centre.

The following tables set forth a summary of our top five suppliers during the Track Record Period.

**For the year ended 31 December 2017**

No.	Supplier	Principal business activities	Years of relationship	% total purchases
1.	A property leasing and property maintenance company (“ <b>Interested Supplier A</b> ”)	Computer software and hardware development and sales, technical services and system integration; computer information systems, communication technology, software development technology consulting; real estate development, property leasing and maintenance; property management; parking lot operation; among others	Since 2002	13.8%
2.	A steel structure engineering company in Shenyang	Civil engineering, building construction, decoration engineering design, steel structure design, manufacturing and engineering construction	Since 2017	9.6%

## BUSINESS

For the year ended 31 December 2017

No.	Supplier	Principal business activities	Years of relationship	% total purchases
3.	An education consulting company in Foshan	Education planning, education service consultation	Since 2014	4.6%
4.	A computer technology company in Dalian (“ <b>Interested Supplier B</b> ”)	Technology development and sales of computer software and auxiliary equipment; education consulting services; information technology consulting services; project investment; entrusted asset management; property management	Since 2016	4.0%
5.	A power supply company in Dalian	Power supply, power management; installation and maintenance of power facilities	Since 2001	3.9%

For the year ended 31 December 2018

No.	Supplier	Principal business activities	Years of relationship	% total purchases
1.	A property leasing and property maintenance company (Interested Supplier A)	Computer software and hardware development and sales, technical services and system integration; computer information systems, communication technology, software development technology consulting; real estate development, property leasing and maintenance; property management; parking lot operation; among others	Since 2002	14.8%
2.	An education consulting company in Foshan	Education planning, education service consultation	Since 2014	6.0%
3.	A property service company (“ <b>Interested Supplier C</b> ”)	Property management; parking management services; greening management, architectural decoration, engineering design and construction, among others	Since 2002	5.3%
4.	A construction company in Dalian	Civil engineering construction, indoor and outdoor decoration construction	Since 2005	4.4%
5.	A power supply company in Dalian	Power supply, power management; installation and maintenance of power facilities	Since 2001	4.3%

## BUSINESS

For the year ended 31 December 2019

No.	Supplier	Principal business activities	Years of relationship	% total purchases
1	A property leasing and property maintenance company (Interested Supplier A)	Computer software and hardware development and sales, technical services and system integration; computer information systems, communication technology, software development technology consulting; real estate development, property leasing and maintenance; property management; parking lot operation; among others	Since 2002	8.3%
2	A power supply company in Dalian	Power supply, power management; installation and maintenance of power facilities	Since 2001	2.6%
3	A property service company (Interested Supplier C)	Property management; parking management services; greening management, architectural decoration, engineering design and construction, among others	Since 2002	2.4%
4	An education consulting company in Foshan	Education planning, education service consultation	Since 2014	2.0%
5	A training centre in Foshan	Cultural art training (including self-taught examination counselling and adult education counselling)	Since 2018	1.9%

For the three months ended 31 March 2020

No	Supplier	Principal business activities	Years of relationship	% total purchases
1	A property leasing and property maintenance company (Interested Supplier A)	Computer software and hardware development and sales, technical services and system integration; computer information systems, communication technology, software development technology consulting; real estate development, property leasing and maintenance; property management; parking lot operation; among others	Since 2002	11.4%
2	A property service company (Interested Supplier C)	Property management; parking management services; greening management, architectural decoration, engineering design and construction, among others	Since 2002	4.4%

---

## BUSINESS

---

No	Supplier	Principal business activities	Years of relationship	% total purchases
3	A training centre in Foshan	Cultural art training (including self-taught examination counselling and adult education counselling)	Since 2018	3.6%
4	A power supply company in Dalian	Power supply, power management; installation and maintenance of power facilities	Since 2001	3.4%
5	A property service company in Guangdong	Property management	Since 2017	2.3%

From 2017 to 2019, except as disclosed in this paragraph, to the best of our knowledge and as at the Latest Practicable Date, none of our Directors, their respective close associates, or any Shareholders (which to the best of our Directors' knowledge held more than 5% of our Company's issued share capital), had any interest in our five largest suppliers: (a) Neusoft Holdings (a Controlling Shareholder) held a majority interest in one supplier (i.e. the Interested Supplier B identified in the tables above); (b) Dr. J. Liu (our Chairperson, Director and a core founding member of our Group) and his close associates held indirectly more than 30% interest in Neusoft Holdings, which in turn held a majority interest in one supplier (i.e. the Interested Supplier B identified in the tables above); (c) Dr. Wen and Mr. Rong was each interested in one supplier (i.e. the Interested Supplier B identified in the tables above) through their minority interest in the supplier's majority shareholder; (d) Alpine Electronics held an interest in one supplier (i.e. the Interested Supplier B identified in the tables above) through its minority interest in Neusoft Holdings; and (e) Century Bliss (a substantial shareholder under the SFO) and its ultimate controlling shareholders, collectively (i) held, through a trust arrangement (as well as through a minority indirect interest), an interest in a company that controlled the entire interest in two suppliers (i.e. the Interested Supplier A and the Interested Supplier C identified in the tables above), and (ii) an interest in one supplier (i.e. the Interested Supplier B identified in the tables above) through its minority interest in Neusoft Holdings.

For the three months ended 31 March 2020, except as disclosed in this paragraph, to the best of our knowledge and as at the Latest Practicable Date, none of our Directors, their respective close associates, or any Shareholders (which to the best of our Directors' knowledge held more than 5% of our Company's issued share capital), had any interest in our five largest suppliers: Century Bliss (a substantial shareholder under the SFO) and its ultimate controlling shareholders collectively held, through a trust arrangement (as well as through a minority indirect interest), an interest in a company that controlled the entire interest in two suppliers (i.e. the Interested Supplier A and the Interested Supplier C identified in the tables above).

The identity of the Interested Supplier B is Dalian Neusoft Ruichuang Technology Development Co., Ltd., a wholly-owned subsidiary of Tianjin Ruidao. This interested supplier became our subsidiary after our acquisition of Tianjin Ruidao in March 2020.

## INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 37 registered trademarks and eight trademark applications, 16 patents, 163 software copyright, one artwork copyright and 44 domain names in mainland China that are material



---

## BUSINESS

---

to our business operations. In addition, as of the Latest Practicable Date, we had nine trademarks registered in Hong Kong. The registered owner of the trademark “Neusoft” or “東軟” is Neusoft Corporation. We are authorised by Neusoft Corporation to operate our business under the name of “Neusoft” or “東軟” on a royalty free basis. See “Statutory and general information” in Appendix V to this document for more information.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims that had any material impact on our business. See “Risk Factors — Risks relating to our business and our industry — We may face disputes from time to time relating to the intellectual property rights of third parties” in this document.

### AWARDS AND RECOGNITION

We have received many awards and recognition since our establishment in recognition of the quality of education we provide and the outstanding achievements of our students. The following table sets forth some of the awards and recognition we received:

Year	Award / Accreditation	Awarded entity	Awarding organisation
2003	First Batch of 35 Model Software Vocational Technical Institutes in China (全國首批35 所示範性軟件職業技術學院)	Dalian University	MOE
2003	First Batch of 35 Model Software Vocational Technical Institutes in China (全國首批35 所示範性軟件職業技術學院)	Chengdu University	MOE
2004	First Batch of Model Software Institutes in Guangdong Province (廣東省首批示範性軟件學院)	Foshan University	Department of Education of Guangdong Province
2005	First prize of “National Teaching Achievement Award” (國家級教學成果獎)	Dalian University	MOE
2005	National Base for Nurturing Skill-Oriented Professionals in Short Supply on Computer Application and Software Technology (國家計算機應用與軟件技術專業技能型緊缺人才培訓基地)	Foshan University	Department of Education of Guangdong Province
2009	Second prize of “National Teaching Achievement Award” (國家級教學成果獎)	Dalian University	MOE
2013	National Vocational College Employment Competitiveness Demonstration School (全國職業院校就業競爭力示範校)	Foshan University	China Youth Daily
2012-2014	Seven majors were ranked among top three in the evaluation of major offerings among all undergraduate universities in Liaoning province (遼寧省面向所有本科高校開展的專業評價中七個專業排名前三)	Dalian University	The Educational Department of Liaoning Province

---

**BUSINESS**

---

Year	Award / Accreditation	Awarded entity	Awarding organisation
2016	Pilot University in Sichuan Province in the Reform of the Overall Transformation and Development of Undergraduate Colleges (四川省本科院校整體轉型發展改革試點)	Chengdu University	The Education Department of Sichuan Province
2016	First Batch of 50 Colleges and Universities in China with Exemplary Experience in Innovation and Entrepreneurship (全國首批50所創新創業典型經驗高校)	Dalian University	MOE
2017	First Batch of Model Universities in Liaoning Province Transforming to be Universities of Applied Science (遼寧省首批向應用型轉變示範高校)	Dalian University	The Educational Department of Liaoning Province
2017	First 99 Model Universities Nationwide that Deepen the Reform of Innovation and Entrepreneurship Education (全國首批99所深化創新創業教育改革示範高校)	Dalian University	MOE
2016-2019	Ranked No.7 in 2016, No.8 in 2017, and No.5 in 2018 and 2019 in Wushulian China Private Universities in Comprehensive Strength (武書連中國民辦大學綜合實力排行榜)	Dalian University	Chinese University Ranking Research Group of Chinese Academy of Management Science (中國管理科學研究院《中國大學評價》課題組)
2019	Ranked No.1 in the “Teachers Teaching Development Index” (民辦及獨立學院教師教學發展指數) among all private universities (inclusive of independent colleges) in China	Dalian University	China Association of Higher Education (中國高等教育學會)
2019	Nine majors were recognised as provincial-level first-class undergraduate education demonstration programmes (省級一流本科教育示範專業)	Dalian University	The Educational Department of Liaoning Province
2019	Three bachelor degree programmes were included in the list of national-level first-class bachelor degree programmes and another six bachelor degree programmes were included in the list of provincial-level first-class bachelor degree programmes in 2019 (2019年度國家級和省級一流本科專業建設點), ranking No. 1 among all private universities (inclusive of independent colleges) in China in terms of the number of majors included in the list of national-level first-class bachelor degree programmes	Dalian University	MOE

## BUSINESS

Year	Award / Accreditation	Awarded entity	Awarding organisation
2019	Three bachelor degree programmes were included in the list of provincial-level first-class bachelor degree programmes	Chengdu University	MOE
2019	Provincial-level University Science Park (省級大學科技園), being the first provincial-level university science park constructed by a private university in Liaoning province	Dalian University	Department of Science & Technology of Liaoning Province, The Educational Department of Liaoning Province
2019	Most Beautiful Campus of Liaoning Province (遼寧最美校園)	Dalian University	The Educational Department of Liaoning Province
2019	Neusoft Education Technology Group was recognised by Xinhuanet (新華網) as “Comprehensive Strength Education Group”	Our Group	Xinhuanet (新華網)
2020	Ranked No.1 according to “Analysis Report on National Teachers’ Teaching Contests (2012-2019)” (全國普通高校教師教學競賽分析報告(2012-2019)) among all private universities (inclusive of independent colleges) in China for three consecutive years from 2017 to 2019	Dalian University	China Association of Higher Education (中國高等教育學會)
2020	Our three universities were included as top 100 private universities among all universities in China by Ruanke (軟科) in 2020 and Dalian University ranked fifth among all private universities in China	Our three universities	Ruanke (軟科)

## EMPLOYEES

As of 31 December 2017, 2018, 2019 and 31 March 2020, we had 2,263, 3,169, 2,381 and 2,894 employees, respectively. As of 31 March 2020, 1,304 of our employees were based in Liaoning province, 604 of our employees were based in Sichuan province, 613 of our employees were based in Guangdong province and the rest were based in other provinces. The following table sets forth the total number of employees by function as of 31 March 2020:

Function	Number of employees	% of total
Full-time teachers <sup>(1)</sup> .....	1,416	48.9
Engineers <sup>(2)</sup> .....	472	16.3
Research and development <sup>(2)</sup> .....	126	4.4
Management and administrative staff <sup>(2)</sup> .....	755	26.1
Sales and marketing .....	125	4.3
<b>Total</b>	<b><u>2,894</u></b>	<b><u>100.0</u></b>

---

## BUSINESS

---

*Notes:*

- (1) Include 1,318 full-time teachers in our three universities and 98 full-time teachers in Tianjin Ruidao.
- (2) 295 of our engineers, research and development staff, and management and administrative staff also serve as part-time teachers in our schools. In addition, we have an additional 557 part-time teachers.

Each of our three universities has established a labour union. Employees of each school may join the labour union voluntarily. During the Track Record Period, we did not experience any material labour disputes.

We believe the quality of our education is strongly tied to the quality of our teachers. We have implemented training and recruitment policies in order to uphold the quality of our teachers. See “— Our teachers” for details of our training and recruitment policies for our teachers and other educational staff.

As required by PRC Laws, we participate in the employee social security plan administered by local governments. Such plan consists of housing provident fund and social insurances comprising pension, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance. In addition, we provide additional benefit to our employees by making voluntary contributions to annuity for our employees.

As advised by our PRC Legal Adviser, employers in China are required under the Interim Measures for Participation in the Social Insurance System by Foreigners Working within the Territory of China (在中國境內就業的外國人參加社會保險暫行辦法) to participate in and make contributions to the social insurance plan for their foreign employees. Historically, we failed to make contributions to the social insurances for our foreign employees. As of 31 March 2020, the aggregate amount of contribution that we had not made for our foreign employees was RMB3.3 million. We started to make contributions for our foreign employees in early 2019. Our PRC Legal Adviser advises us that relevant authorities may require us to pay, within a prescribed period of time, the overdue contributions and the late payment penalty at the daily rate of 0.05%, and if we fail to make the overdue contributions within the prescribed period of time, a fine ranging from one to three times as much as the amount of overdue contributions may be imposed. As of 31 March 2020, the maximum amount of penalties in relation to our failure to make contributions to the social insurances for our foreign employees was a late payment penalty of RMB1.7 million. If we are required to pay the overdue contributions within a prescribed period of time and we fail to do so, we will be subject to a fine ranging from RMB3.3 million to RMB9.8 million on top of the late payment penalty aforementioned. As of the Latest Practicable Date, we were not required by relevant competent authorities to pay the overdue contributions and the late payment penalty. As of 31 March 2020, we had made provisions for the overdue social insurances contributions and late payment penalty of RMB5.0 million so that we would be able to meet the competent authorities’ request for payments just in case we are required to do so in the future.

---

## BUSINESS

---

### PROPERTIES

#### Owned properties

##### *Land*

As of the Latest Practicable Date, we had obtained the land use right to 41 parcels of land in the PRC with a total gross site area of approximately 1,484,812.73 square metres. The following table sets forth a summary of the land use right owned by us as of the Latest Practicable Date:

No.	Land use right owner	Location	Gross site area (sq.m.)	Permitted use	Expiry date
1.	Dalian University	Ganjingzi District, Dalian	62,190.7	Education	27 May 2051
2.	Dalian University	Ganjingzi District, Dalian	125,806.9	Education	27 May 2051
3.	Dalian University	Ganjingzi District, Dalian	60,018.8	Education	19 July 2052
4.	Dalian University	Ganjingzi District, Dalian	85,422	Education	27 May 2051
5.	Dalian University	Ganjingzi District, Dalian	24,665.8	Science and education	27 May 2051
6.	Dalian University	Ganjingzi District, Dalian	31,992	Science and education	27 May 2051
7.	Dalian University	Lvshunkou District, Dalian	76,936.10	Science and education	26 November 2068
8.	Dalian University	Lvshunkou District, Dalian	152,622.80	Science and education	26 November 2068
9.	Chengdu University	Qingchengshan Town, Dujiangyan	395,056.50	Scientific research and design, education	1 January 2053
10.	Chengdu University	Qingchengshan Town, Dujiangyan	132,158.33	Commerce	4 December 2059
11.	Chengdu University	Qingchengshan Town, Dujiangyan	63	Residence	1 August 2075
12.	Chengdu University	Qingchengshan Town, Dujiangyan	62.83	Residence	1 August 2075
13.	Chengdu University	Qingchengshan Town, Dujiangyan	62.88	Residence	31 July 2075
14.	Chengdu University	Qingchengshan Town, Dujiangyan	62.91	Residence	1 August 2075
15.	Chengdu University	Qingchengshan Town, Dujiangyan	62.83	Residence	1 August 2075

---

**BUSINESS**

---

No.	Land use right owner	Location	Gross site area (sq.m.)	Permitted use	Expiry date
16.	Chengdu University	Qingchengshan Town, Dujiangyan	62.83	Residence	1 August 2075
17.	Chengdu University	Qingchengshan Town, Dujiangyan	62.83	Residence	1 August 2075
18.	Chengdu University	Qingchengshan Town, Dujiangyan	62.85	Residence	1 August 2075
19.	Chengdu University	Qingchengshan Town, Dujiangyan	62.83	Residence	1 August 2075
20.	Chengdu University	Qingchengshan Town, Dujiangyan	69.31	Residence	1 August 2075
21.	Chengdu University	Qingchengshan Town, Dujiangyan	62.85	Residence	1 August 2075
22.	Chengdu University	Qingchengshan Town, Dujiangyan	63.14	Residence	1 August 2075
23.	Chengdu University	Qingchengshan Town, Dujiangyan	63.14	Residence	1 August 2075
24.	Chengdu University	Qingchengshan Town, Dujiangyan	69.31	Residence	1 August 2075
25.	Chengdu University	Qingchengshan Town, Dujiangyan	69.87	Residence	1 August 2075
26.	Chengdu University	Qingchengshan Town, Dujiangyan	63.11	Residence	1 August 2075
27.	Chengdu University	Qingchengshan Town, Dujiangyan	62.91	Residence	1 August 2075
28.	Chengdu University	Qingchengshan Town, Dujiangyan	62.88	Residence	1 August 2075
29.	Chengdu University	Qingchengshan Town, Dujiangyan	62.88	Residence	1 August 2075
30.	Chengdu University	Qingchengshan Town, Dujiangyan	63.21	Residence	1 August 2075
31.	Foshan University	Nanhai District, Foshan	33,333.4	Research facility	11 December 2052
32.	Foshan University	Nanhai District, Foshan	14,351.7	Scientific research and design	19 July 2050
33.	Foshan University	Nanhai District, Foshan	49,804.4	Science and Education	11 November 2062
34.	Foshan University	Nanhai District, Foshan	116,576.5	Science and Education	14 August 2056
35.	Foshan University	Nanhai District, Foshan	12,448.2	Research facility	11 June 2052

---

## BUSINESS

---

No.	Land use right owner	Location	Gross site area (sq.m.)	Permitted use	Expiry date
36.	Foshan University	Nanhai District, Foshan	3,609.2	Research facility	11 June 2052
37.	Foshan University	Nanhai District, Foshan	17,026.4	Research facility	11 June 2052
38.	Foshan University	Nanhai District, Foshan	2,494.3	Science and education	2 December 2063
39.	Foshan University	Nanhai District, Foshan	14,000	Science and education	23 September 2052
40.	Foshan University	Nanhai District, Foshan	68,089.5	Research facility	11 June 2052
41.	Foshan University	Nanhai District, Foshan	4,930.8	Research facility	11 June 2052

### *Potential idle land issue*

Foshan University acquired five parcels of land with a total site area of 49,929.80 square metres adjacent to different parts of the existing campus from October 2006 to December 2013. The five parcels of land were acquired to expand the campus size and to better connect different parts of the campus so that our students and teachers are able to study and live in the campus more conveniently. We have not yet constructed any buildings on the five parcels of land mainly because the general conditions of the five parcels of land such as irregular shape are not ideal for development, but we have formulated a plan to establish a teaching and research building on one of the five parcels of land that is relatively more suitable for development together with the land adjacent to it. We have applied for approval from government authorities to start the construction and expect to obtain the construction permit in early 2021.

As advised by our PRC Legal Adviser, pursuant to Measures for Disposal of Idle Land promulgated by the Ministry of Land and Resources in 2012, a parcel of land may be regarded as idle land by relevant government authorities if the land use right owner of the land fails to commence land development within one year after the land development date set forth in the land use right transfer agreement. Local land and resources authorities are required to go through a series of procedures, such as issuing a written investigation notice before starting the investigation, issuing a written decision if the relevant authorities consider that a parcel of land should be regarded as idle land, and issuing a written decision if relevant government authorities are of the view that idle land fee should be charged to the land use right owner after going through relevant approval procedures. The idle land fee to be charged equals to 20% of the price paid by the initial purchaser acquiring land from government. If the idle land remains undeveloped for two years, local land and resources authorities may confiscate the land use right without compensating the land use right owner after going through relevant approval procedures and issuing a written decision in relation to the confiscation.

As of the Latest Practicable Date, we had not received any investigation notification and, to the best of the knowledge of our Directors, local land and resources authorities having jurisdiction over Foshan University had



---

## BUSINESS

---

not started any investigation procedure, nor did relevant land and resources authorities, either orally or in writing, require us to commence the development forthwith, pay idle land fee, or confiscate the land. In June 2019, we received a certification letter issued by the competent local government authority having jurisdiction over Foshan University certifying that Foshan University had not been penalised by local land resources authorities due to a violation of relevant laws and regulations relating to land resources administration since 1 January 2014. In September 2019, the same government authority further issued a letter to Foshan University certifying that the four parcels of land which we currently have no plan to develop are not ready for development. Based on the above, our PRC Legal Adviser is of the view that the risk of these four parcels of land being regarded as idle land and thus being subject to idle land fees or land confiscation is relatively low. Our Controlling Shareholder, Neusoft Holdings, has also agreed to provide an indemnity in favour of us with respect to any loss we may suffer in connection with such idle land fees and/or confiscation of the land. Our Directors are satisfied that Neusoft Holdings is financially capable of honouring such indemnity. Based on (i) our PRC Legal Adviser's view above, (ii) the certification letters we received from the competent government authority, (iii) the fact that the amount of idle land fee that would be charged based on our estimation is approximately RMB0.2 million, representing only 0.02% of our total revenue in 2019, and (iv) the fact that we have obtained an indemnity from our Controlling Shareholder, our Directors are of the view that the risk that the five parcels of land are regarded as idle land is low and Foshan University's business operations and results of operations would not be materially and adversely affected even if the five parcels of land were to be regarded as idle land by the relevant government authorities.

In order to prevent similar situation from happening again, we have put in place an internal policy, the main provisions of which are summarised as follows:

- (i) At the university level: if it is necessary to acquire additional land based on each university's development plan, extensive discussions and analysis shall be performed among logistics department, finance department, legal department, among other departments, at each university, regarding the location, site area, total costs, and future development plans, as well as other important factors in relation to the acquisition. After the discussion and analysis, a report of feasibility study shall be formulated by the financial director, logistic department director and the director of the principal's office and approved by the principal of each university. The proposed acquisition may then be submitted to the Group level for approval.
- (ii) At the Group level: the Group shall organise meetings among the chief financial officer of the Group and the directors of various functional departments including the finance department, the general management department, the legal department, and the industrial management department to review the acquisition plan.
  - The industrial management department of the Group shall (a) review the acquisition plan from a professional view regarding the particulars of the land to be acquired, future development plan and the construction plan, (b) conduct an onsite inspection, and (c) put forward opinions or suggestions regarding the acquisition;
  - The finance department of the Group shall conduct an analysis on the budget of the acquisition, acquisition price, total costs, payment schedule, funding sources, potential financing activities, among other important factors;

---

## BUSINESS

---

- The legal department of the Group shall review the acquisition plan from legal and compliance perspective, join the negotiation of the contract terms and seek legal advice from outside counsel when necessary.
- (iii) The chairperson of the Board and the president of the Group will decide whether to approve the acquisition plan based on the above analysis and opinions of various departments and submit to the Board or shareholders meeting for further approval depending on the total amount of consideration for such acquisition plan. The acquisition shall not proceed before the Group's approval.

### ***Buildings***

As of the Latest Practicable Date, we owned 105 buildings with a total gross floor area of 595,806.02 square metres on the 41 parcels of land mentioned above. All of these buildings have been designed for education-related purposes such as classroom building, dormitory, research and development, and recreational facilities for students and teachers.

All of the above owned properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. See "Property valuation report" in Appendix III to this document for more information.

### **Leased properties**

As of the Latest Practicable Date, we had leased 86 properties with an aggregate gross floor area of approximately 302,235.7 square metres for our business operations, consisting of 68 properties leased from Independent Third Parties and 18 inter-group leases.

As of the Latest Practicable Date, the lease agreements for 32 leased properties have expired. We are negotiating with the relevant landlords on the renewal of the lease of such properties, pending which the relevant landlords allow us to continue occupying and using these properties. Based on the good cooperation relationship between the landlords and us, we believe that there is no impediment to the renewal of such leases.

Two properties with a total floor area of 1,553.79 sq.m., representing 0.51% of the aggregate gross floor area of our leased properties, leased by our subsidiaries from Independent Third Parties as classrooms and offices for our short-term training services are subject to fire control filing procedure requirements, have completed the fire control filings at the construction stage, but did not complete such procedures at the renovation stage. Pursuant to relevant laws and regulations, renovation is subject to fire control filing procedures if both the floor area and the renovation cost exceed the relevant thresholds, and where a property is put into use without completing fire control filing procedures, we may be ordered to make rectifications within a specified time limit and be imposed a fine of no more than RMB5,000.

Before leasing these properties, the relevant members of the Tianjin Ruidao group, as tenants ("**Tenants**"), had deployed employees with construction expertise to inspect the properties, to ensure that the premises are safe for use by students and teachers and there is no safety risk. No fire control filings for the renovation of these properties were made because the management of the relevant Tenants were not familiar with the relevant regulatory requirements and mistakenly believed that fire control filings are only required to be made in the construction stage.

---

## BUSINESS

---

Following the acquisition of Tianjin Ruidao in March 2020, we engaged an independent third-party professional institution to conduct a fire control assessment and such professional third-party concluded that these properties comply with relevant fire control requirements required by PRC laws and regulations and are suitable, from fire control perspective, for being used to carry out teaching activities. The third-party professional institution engaged by us is a company with fire control testing and fire control safety assessment as its principal business and holds a qualification certificate of inspection and testing agencies issued by Liaoning Bureau of Quality and Technical Supervision. According to the Administrative Measures on the Accreditation of Inspection and Testing Institutions (《檢驗檢測機構資質認定管理辦法》), which became effective on 1 August 2015, a provincial (instead of national) bureau of quality and technical supervision shall be responsible for the accreditation of inspection and testing institutions. Our PRC Legal Adviser confirms that the independent third-party professional institution has obtained the requisite approvals for conducting fire control assessment and is the competent institution to give the above-mentioned conclusion.

Given the measures we have taken above, our Directors believe that the risk that relevant schools are not allowed to use the affected properties and have to relocate to other premises is remote. However, if in the event that the relevant leased property is not allowed to be used by the relevant school and relocation is required, operations of that particular school would be negatively affected to a certain extent. Nevertheless, if any relocation is required, our Directors believe that the affected schools will be able to lease and relocate to other premises without significant disruptions. As such, failure to make fire control filings for certain leased properties at the renovation stage would not have any material adverse impact on our overall operations.

In response to the non-compliances, we have formulated and issued a set of management measures on property leasing, which stipulates the specific legal requirements in respect of fire control in the case of leased properties and aims to prevent the reoccurrence of the non-compliances in relation to fire control safety of leased properties. See “— Internal control and risk management — Internal control.”

With respect to three properties with a total floor area of 1,248 sq.m. leased by our subsidiaries, representing 0.41% of the aggregate gross floor area of our leased properties, the landlords of these properties are unable to provide relevant documents proving that they have the right to lease these properties to us. All of these properties are leased from Independent Third Parties. As advised by our PRC Legal Adviser, there is uncertainty with respect to the validity of the lease agreements with respect to these properties. If our landlords have no right to lease such properties to us, our use of these properties may be challenged by third parties who have the actual right to lease these properties. In addition, as the landlords of these properties did not provide relevant title-related documents, we are unable to confirm that our current use of these properties are in line with their prescribed usage. In either case, we may not be able to continue to use these leased properties and have to relocate to other premises. These properties are used as teachers' apartments, dormitories or storage facilities. Should our use of such leased properties be adversely affected, our Directors believe that we will be able to lease and relocate to alternative premises without significant disruption. Based on the above, our Directors are of the view that the defect of the leased properties discussed under this paragraph would not have any material adverse impact on our operations as a whole.

The lease agreements with respect to all of the properties we leased for our business operations have not been registered with the relevant PRC government authorities. As advised by our PRC Legal Adviser, failure to

---

## BUSINESS

---

register such lease agreements with relevant PRC government authorities does not affect the effectiveness of those lease agreements, but the relevant PRC government authorities may order us to, within a prescribed time limit, register the lease agreements. Failure to do so may subject us to a fine ranging from RMB1,000 to RMB10,000 for each lease agreement. As of the Latest Practicable Date, we had not been ordered by any government authorities to register any lease agreements. If we were ordered to do so in the future, our PRC Legal Adviser is of the view that the relevant PRC government authorities will not impose penalties on us if we complete the registration procedure within the prescribed time limit.

### **Regulatory requirements relating to the ratio of school site area/building area to the number of students**

As advised by our PRC Legal Adviser, our universities are subject to certain requirements in relation to the prescribed ratio of school site area/building area to the number of students enrolled. According to the Basic Conditions for Operating Higher Education Institutions (Trial) promulgated by the MOE in 2004, for an engineering higher education institution (工科類高等教育機構), the ratio of teaching and administrative building area to the number of students enrolled should not be lower than 9 sq.m. per student (the yellow card line). As advised by our PRC Legal Adviser, such ratio is one of the basic school operating condition indicators (基本辦學條件指標), and in the event that one of the basic school operating condition indicators of a university does not meet the relevant regulatory requirement, the university may receive a yellow card issued by a competent authority and its student admission may be subject to certain restrictions. As advised by our PRC Legal Adviser, the ratio of school site area to the number of students enrolled is one of the monitoring school operating condition indicators (監測辦學條件指標) under such regulation, and such ratio applicable to an engineering higher educational institution should not be lower than 59 sq.m. per student. Failure to meet such indicator will not subject a university to any penalty.

The following table sets forth the (i) ratio of teaching and administrative building area to the number of students enrolled; and (ii) ratio of site area to the number of students enrolled, for each of our universities as of the dates indicated:

	School year			
	2016/2017*	2017/2018*	2018/2019*	2019/2020*
<b>Teaching and administrative building area to number of students</b>				
Dalian University .....	11.91	11.81	14.20	13.48
Chengdu University .....	13.24	13.21	15.36	14.61
Foshan University .....	12.71	12.11	12.35	11.58
<b>Site area to number of students</b>				
Dalian University .....	41.58	41.23	57.21	54.31
Chengdu University .....	37.09	37.00	37.75	47.91
Foshan University .....	38.03	36.22	36.91	34.62

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

---

## BUSINESS

---

As illustrated in the table above, our Dalian University, Chengdu University and Foshan University did not comply with the ratio of site area to number of students enrolled for each of the school year presented. With a view to confirm that this would not result in any adverse effect on our university operations, under the assistance of our PRC Legal Adviser, we consulted the Development Planning Offices (發展規劃處) of the Educational Department of Liaoning Province, the Education Department of Sichuan Province and the Department of Education of Guangdong Province on 22 May 2019, 17 June 2019, and 5 March 2019, respectively. During such consultation, we were given to understand that such situation, to a certain extent, is common in private higher education institutions, and the ratio of site area to number of students is a monitoring school operating condition indicator, failure to meet which would not give rise to any penalty or limitations on student enrolment or school operations. During such consultation, the education authorities confirmed that our universities had passed all annual inspections conducted by the relevant education authorities during the Track Record Period and as of the date of such consultation in each province. Each of our universities has also obtained a confirmation from competent education authorities confirming that there was no record of administrative penalty imposed on these universities by such education authorities due to any breach of laws. As advised by our PRC Legal Adviser, each of the Development Planning Offices of the Educational Department of Liaoning Province, the Education Department of Sichuan Province and the Department of Education of Guangdong Province is the competent authority to give the relevant confirmation. Based on the foregoing, our PRC Legal Adviser is of the view that our universities' failure to meet the ratio of site area to number of students does not constitute a non-compliance incident.

We endeavour to continuously improve the quality of our education and the ratio of site area to number of students. We will monitor and adjust this ratio as necessary and where practicable based on the needs of our increasing student enrolments and our universities' education plans and activities without compromising the quality of our existing teaching activities or profitability. We have also taken these ratios into account when formulating our expansion plans as set out in “— Campus facilities and services — Upgrade and expansion plans”. We expect that these ratios will be improved as a result of our upgrade and expansion plans in the future.

## INSURANCE

Our three universities are covered by school liability insurance, property all risks insurance, and public liability insurance to safeguard against certain risks and unexpected events in our school operations. Our school liability insurance generally covers liabilities that shall be borne by the school in accordance with the PRC Laws if a student suffers personal injury (or property loss in some cases) caused by accidents on campus or during activities held by or arranged by the school, due to the schools' failure to fulfil its education and management duties. Our school liability insurance also covers liabilities that shall be borne by the university in accordance with the PRC Laws if a student suffers personal injury by a third party on campus or during activities held by or arranged by the university due to the university's failure to fulfil its management duties. Property all risks insurance generally covers all damages and losses of our school properties due to the natural disaster or accidents except for certain circumstances as specified in the insurance policy. Public liability insurance generally covers liabilities that shall be borne by the university in accordance with the PRC Laws if a third party suffers personal injury or property loss within our three universities. In addition, Tianjin Ruidao maintains property all risks insurance.

## BUSINESS

Our Directors believe that our insurance coverage is generally consistent with the industry practise and provides adequate protection for our assets and school operations. Nevertheless, we cannot assure you that we will not be exposed to other claims or liabilities not covered by our insurance. See “Risk Factors — Risks relating to our business and our industry — Our insurance coverage may not be sufficient” for more information.

### LICENCES AND PERMITS

Our PRC Legal Adviser has advised us that during the Track Record Period and up to the Latest Practicable Date, except certain non-compliance matter disclosed in this document, we had obtained all material licences, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licences, permits, approvals and certificates remained in full effect for all the universities we operate currently.

The table below sets forth details of our material licences and permits:

<u>Licences/Permit</u>	<u>Holder</u>	<u>Granting authority</u>	<u>Grant date</u>	<u>Expiry date</u>
Private school operating licence	Dalian University	MOE	2017	2021
Private school operating licence	Foshan University	MOE	December 2019	December 2023
Private school operating licence	Chengdu University	The Education Department of Sichuan Province	September 2019	September 2023
Private school operating licence	Neusoft Training School	Bureau of Education, Culture and Sports of Dalian High-Tech Industrial Zone	12 December 2019	11 December 2022
Private school operating licence	Tianjin Binhai Newtown Neusoft Ruidao Software Talent Vocational Training School	Administrative committee of Tianjin Airport Economic Area	14 August 2019	13 August 2022
Private school operating licence	Shenyang Neusoft Software Talent Training Centre	Shenyang Hunnan District Human Resources and Social Security Bureau	1 January 2020	31 December 2022
Private school operating licence	Dalian Neusoft Software Talent Training Centre	Bureau of Education, Culture and Sports of Dalian High-Tech Industrial Zone	8 June 2020	7 June 2023
Private school operating licence	Nanjing Neusoft Talent Training Centre	Nanjing Yuhuatai District Education Bureau	12 June 2019	11 June 2023

---

## BUSINESS

---

Licences/Permit	Holder	Granting authority	Grant date	Expiry date
Private school operating licence	Qingdao West Coast	Administrative	24 July 2020	30 April 2023
	New District Neusoft	Vetting Service		
	Ruidao Software	Bureau of Qingdao		
	Talent Training School	Huangdao District		
Private school operating licence	Guangzhou Neusoft	Human Resources and	9 August 2019	8 August 2021
	Software Talent	Social Security		
	Vocational Training School	Bureau of Guangzhou Huangpu District		
Private school operating licence	Qinhuangdao Neusoft	Administrative	3 June 2020	2 June 2021
	Venture School (秦皇島東軟創業大學)	Vetting Bureau of Qinhuangdao		

Qingdao West Coast New District Neusoft Ruidao Software Talent Training School (“**Qingdao Training School**”) did not pass the annual inspection for 2017 conducted by the Bureau of Education and Sports of Qingdao West Coast New District (“**Qingdao Education Bureau**”) due to a safety risk. Consequently, Qingdao Training School did not pass the annual inspection conducted by the Qingdao West Coast New District Civil Affair Bureau (“**Qingdao Civil Affair Bureau**”) for 2017 and was unable to renew its registration certificate of private non-enterprise entities when it expired on 30 April 2018. However, Qingdao Training School has successfully passed the annual inspection conducted by Qingdao Education Bureau and Qingdao Civil Affair Bureau for 2018 and successfully renewed its registration certificate of private non-enterprise entities in December 2019. On 7 May 2020, Qingdao Education Bureau issued a certificate to us confirming that Qingdao Training School’s failure to pass the annual inspection it conducted and the underlying safety risk do not constitute a material non-compliance or result in an administrative penalty. Qingdao Education Bureau further confirmed that Qingdao Training School has resolved the safety issue and it will not impose penalties or hold Qingdao Training School accountable otherwise. On 30 April 2020, Qingdao Civil Affair Bureau issued a certificate to us confirming that Qingdao Training School’s failure to pass the educational inspection for 2017 was the reason that it did not pass the annual civil affair inspection for the same year, and confirming that no penalties was ever imposed by it on Qingdao Training School.

### HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. We have on-site medical staff or health care personnel at each of our universities to handle routine medical situations involving our students except for Foshan University where there is a hospital nearby. In serious and emergency medical situations, we send our students to local hospitals for treatment. For details of medical care services we provide, see “— Campus facilities and services — Campus services — Medical care services”. With respect to school safety, we have in place a set of school safety and security measures and a team of security staff at each of our universities. In addition, we hire third-party property management companies to provide campus security. During the Track Record Period and up to the Latest Practicable Date, we did not experience any accident, medical situation or safety issue that would have a material adverse effect on our school operations.



---

## BUSINESS

---

As of the Latest Practicable Date, our universities had been reopened. We have put in place a series of precautionary measures to prevent the spread of COVID-19 for our school reopening. Each of our universities has set up a special pandemic response committee headed by the principal to oversee the overall implementation of the disease prevention measures. Before entering campus, temperature needs to be checked and a registration form needs to be filled in. Students' health profiles need to be recorded and students are requested to report on whether they were exposed to the virus and they are in good health. Each of our universities has increased the frequency of disinfection and ventilation at all of the school facilities. In addition to frequent disinfections, canteens in our campuses are required to implement staggered lunch times and strictly maintain physical distancing and hygiene standards. Students and teachers are also encouraged to order take away, as opposed to dine in. Our universities have also stocked up personal protection equipment and other medical stuff for the purpose of disease prevention. Temporary quarantine facilities have also been set up. We will closely monitor the development of the pandemic and dynamically adjust our disease prevention and control measures. Starting from end of June, our training schools gradually resumed offering courses offline. As of the Latest Practicable Date, our training schools had also implemented similar preventive measures.

As of 30 June 2020, we had incurred approximately RMB1.1 million for taking precautionary measures to prevent the spread of the COVID-19. As of the Latest Practicable Date, we were not aware of any incidents where our employees, including our teachers, failed to perform their reporting duty in relation to COVID-19.

If there are any COVID-19 resurgences in the places where we have business operations, we will follow government's instructions and resume, when necessary, our previous business arrangements during the spread of COVID-19 earlier this year, which include, without limitation, (i) offering face-to-face instruction through online by using our proprietary "Neusoft Blended Teaching Platform", "Neusoft MOOC Platform" and "Neusoft Practical Training Project Platform" as well as other third-party products, and our employees may also have to follow remote working arrangements; and (ii) communicating with our suppliers, clients and other business partners to find out feasible alternatives to ensure that existing business cooperation can be continued. In addition, our business contingency plan includes a set of precautionary measures as mentioned above to maintain a hygiene working, teaching and living environment. For risks relating to COVID-19 pandemic, see the section headed "Risk Factors — Risks relating to our business and our industry — Accidents or injuries suffered by our students or our employees on or outside our school campuses or by other personnel on our school campuses may adversely affect our reputation and subject us to liabilities" in this document.

## ENVIRONMENTAL PROTECTION

Engaging in construction activities in China is subject to environmental protection laws and regulations. We have been devoting operating and financial resources to environmental compliance in accordance with relevant PRC Laws. During the Track Record Period and as of the Latest Practicable Date, we complied with the relevant environmental laws and regulations in China in all material respects and we did not have any incidents or complaints which had a material adverse effect on our business, financial condition or results of operations during the same period. During the same period, no material administrative sanctions or penalties were imposed upon us for the violation of environmental laws or regulations which had an adverse impact on our operations.

---

## BUSINESS

---

### LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or systemic non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, are likely to have a material adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of our Company, the Directors or our senior management, to operate our business in a compliant manner. Our PRC Legal Adviser is of the opinion that we had complied with all relevant PRC Laws in all material respects during the Track Record Period and up to the Latest Practicable Date.

From time to time, we are subject to legal proceedings, investigations and claims incidental to the conduct of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our Directors, could have a material adverse effect on our operations or financial condition. Our Directors have confirmed that no member of our Group is currently engaged in any material litigation, arbitration or administrative proceeding.

### INTERNAL CONTROL AND RISK MANAGEMENT

#### Internal Control

We have engaged an independent internal control consultant to conduct an assessment of our internal control system. The internal control consultant has conducted long-form review procedures on our internal control system within the scope agreed between us, the Sole Sponsor, and the internal control consultant, including revenue, purchase, fixed assets management, human resources, financial management and information technology (the “**Internal Control Review**”). The internal control consultant conducted its work in 2019 and provided several specific findings and recommendations in its report. These findings and recommendations primarily suggest us adopt certain internal control policies and improve our daily operations by strictly following our existing internal control procedures. The internal control consultant then performed follow-up review (the “**Follow-up Review**”) in April 2020 to review the status of the management actions taken by us to address the findings of the Internal Control Review. The internal control consultant did not have any further recommendation in the Follow-up Review. We have considered the internal control findings identified by the internal control consultant and have subsequently taken remedial actions in response to such findings and recommendations. We consider that the internal control findings did not result in any material misstatement to our consolidated financial information prepared in accordance with IFRS during the Track Record Period as set out in Appendix I after certain appropriate rectifications. As of the Latest Practicable Date, we confirm that there were no material internal control findings outstanding.

We have established an internal control system. Each of our universities has designated the relevant personnel to be responsible for monitoring our on-going compliance with the relevant PRC Laws that govern our

---

## BUSINESS

---

business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the principals and vice principals of our universities) and employees involved with continuing training programmes and/or updates regarding the relevant PRC Laws on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance.

In particular, we have adopted, and will continue to adopt, certain internal control measures to ensure the quality of our teachers and teaching staff and the safety of our buildings, including: (a) to ensure that our teachers and teaching staff are qualified: establishing clear and consistent guidelines and standard operating procedures for the hiring of personnel including teachers and teaching staff; implementing stringent background checks on potential candidates; when recruiting teaching staff for the Group's training schools, the relevant human resources department will review the qualifications required in accordance with local laws and regulations before candidates are contacted for further tests and interviews; and (b) with respect to our buildings: establishing clear and consistent guidelines and operating procedures when leasing properties; requiring at least three property proposals for future rental leases; requiring all property agreements to be internally reviewed from a legal and financial perspective; and having business departments, functional departments and the Group's management to assess and review the property lease proposals and monitor and ensure compliance with the terms of the leases. Based on the above, the Directors are of the view that the enhanced internal control measures are adequate and appropriate to prevent a recurrence of the non-compliances going forward, and the Sole Sponsor concurs with the views of our Directors.

### **Risk Management**

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC education industry, our ability to offer quality education to our students, our ability to increase student enrolment and/or raising tuition rates, our potential expansion into other regions, availability of financing to fund our expansion and business operations, and competition from other school operators that offer similar quality of education and have similar scale. See "Risk Factors" for disclosures on various risks we face.

To properly manage these risks, we have established the following risk management structures and measures:

- our Board is responsible and has the general power to manage the operations of our schools, and is in charge of managing the overall risks in our business operations. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our school network into new geographic areas;
- board of directors of each university is responsible for managing the overall risks in its operations. Detailed risk management function in the university's daily operations is carried out by each functional departments of the school and the schools/departments under the university;

---

## BUSINESS

---

- we maintain insurance coverage, including school liability insurance, which we believe is in line with customary practise in the education industry in China; and
- we have formulated a comprehensive set of rules and standards in each of our schools covering all major aspects of our school operations to ensure that relevant activities in the daily operations of our schools are carried out orderly and minimise potential risks.

As a leader in the private higher IT education industry, we are committed to taking social responsibilities and cultivate a compliance culture among our employees. Through our employee handbook, various cultural activities and employee training activities, we continuously reinforce our corporate culture and compliance requirements among our employees. In addition, we have formulated employee code of conduct and ethics, which requires our employees to abide relevant laws and regulations, follow our internal rules and policies, be diligent and dedicated to work, observe professional ethics, and be honest and trustworthy, among other requirements. We have also formulated a comprehensive set of rules and standards in each of our schools covering all major aspects of our school operations, including specific reward and punishment mechanism, and channels of communication, appeals, petitions and complaints, to ensure that the daily operations of our schools are carried out orderly and minimise potential risks. We believe these efforts are conducive to the formulation of a consistent compliance culture and behaviour standards among our employees.