Neuedu

東軟教育科技有限公司

Neusoft Education Technology Co. Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9616)

Financial Adviser to the Company

浦銀國際

SPDB INTERNATIONAL

CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF NEUSOFT HEALTHCARE

THE ACQUISITION

On 26 March 2024 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendor and the Target Company, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 100% equity interest in the Target Company, at a total consideration of RMB81 million.

Considering that (i) the Hospital A and the Hospital B, each an indirect wholly-owned subsidiary of the Target Company, are principally engaged in the provision of medical services, and (ii) the Company, as a foreign entity, shall not directly or indirectly hold more than 70% equity interest in any medical institution in the PRC, on 26 March 2024, as a step of intra-group reorganization, Kangdao Medical entered into (i) the Capital Contribution Agreement I with Cardiovascular Management, pursuant to which Kangdao Medical has conditionally agreed to make capital contribution, by way of cash, to Cardiovascular Management in the amount of RMB5,142,857; and (ii) the Capital Contribution Agreement II with Shanghai Xietong, pursuant to which Kangdao Medical has conditionally agreed to make capital contribution, by way of cash, to Shanghai Xietong in the amount of RMB21,428,571.

Immediately upon Completion, the Target Company (along with its subsidiaries, except for the OPCOs) will be held as to 100% by the Purchaser and each of the OPCOs will be held (directly or indirectly) as to 70% by the Purchaser and 30% by Kangdao Medical.

The Purchaser, Kangdao Medical and Ms. Zhang will thereafter enter into the New Contractual Agreements in respect of the 30% equity interest in the OPCOs to be held by Kangdao Medical upon Completion. As a result, the OPCOs will become indirect wholly-owned subsidiaries of the Company and 100% of the financial results of the OPCOs will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Neusoft Holdings is a Controlling Shareholder of the Company holding approximately 39.29% of the total issued Shares of the Company. Therefore, pursuant to Chapter 14A of the Listing Rules, Neusoft Holdings is a connected person of the Company, and the Acquisition constitutes a connected transaction of the Company.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is only subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As of the date of this announcement, each of Ms. Zhang and Kangdao Medical is an Independent Third Party. Accordingly, the transactions contemplated under the New Contractual Arrangements do not constitute continuing connected transactions of the Company.

As the Completion is subject to the satisfaction and/or waiver, where applicable, of the conditions precedent in the Share Transfer Agreement, the Acquisition may or may not proceed to Completion. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

I. INTRODUCTION

The Board is pleased to announce that on 26 March 2024 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendor and the Target Company, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 100% equity interest in the Target Company, at a total consideration of RMB81 million.

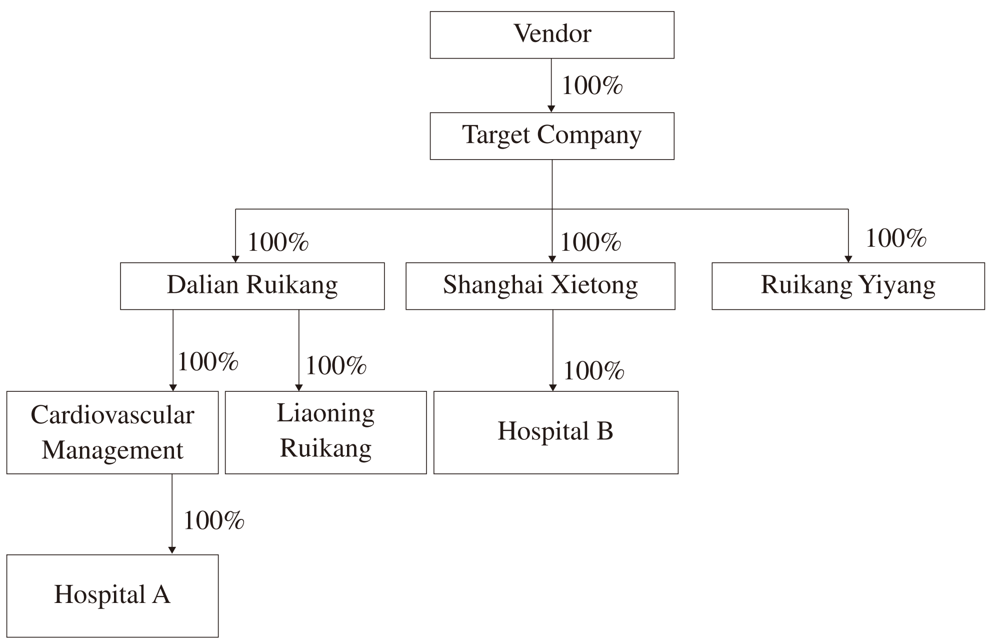
Considering that (i) the Hospital A and the Hospital B, each an indirect wholly-owned subsidiary of the Target Company, are principally engaged in the provision of medical services, and (ii) the Company, as a foreign entity, shall not directly or indirectly hold more than 70% equity interest in any medical institution in the PRC (the "**Foreign Ownership Restriction**") as further illustrated in the section headed "Reasons for Use of the New Contractual Arrangements" below, on 26 March 2024, as a step of intra-group reorganization, Kangdao Medical entered into (i) the Capital Contribution Agreement I with Cardiovascular Management, pursuant to which Kangdao Medical has conditionally agreed to make capital contribution, by way of cash, to Cardiovascular Management in the amount of RMB5,142,857; and (ii) the Capital Contribution Agreement II with Shanghai Xietong, pursuant to which Kangdao Medical has conditionally agreed to make capital contribution, by way of cash, to Shanghai Xietong in the amount of RMB21,428,571.

Immediately upon Completion, the Target Company (along with its subsidiaries, except for the OPCOs) will be held as to 100% by the Purchaser and each of the OPCOs will be held (directly or indirectly) as to 70% by the Purchaser and 30% by Kangdao Medical.

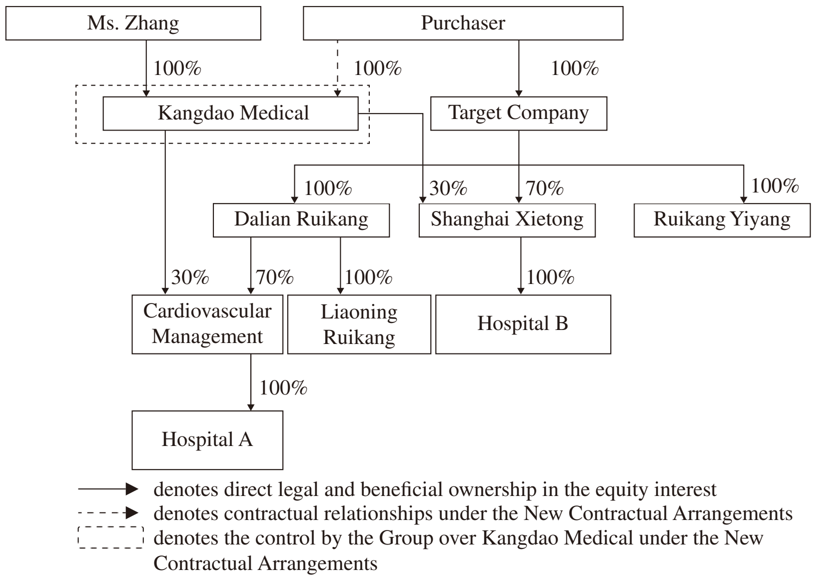
The Purchaser, Kangdao Medical and Ms. Zhang will thereafter enter into the New Contractual Agreements in respect of the 30% equity interest in the OPCOs to be held by Kangdao Medical upon Completion. For details of the New Contractual Arrangements, please refer to the section headed "The New Contractual Arrangements" below. As a result, the OPCOs will become indirect wholly-owned subsidiaries of the Company and 100% of the financial results of the OPCOs will be consolidated into the financial statements of the Group.

The charts below set out the shareholding structure of the Target Group as of the date of this announcement and immediately upon Completion:

1. Shareholding structure of the Target Group as of the date of this announcement



2. Shareholding structure of the Target Group immediately upon Completion



II. THE ACQUISITION

1. Share Transfer Agreement

The principal terms of the Share Transfer Agreement are summarized below:

(a) Date

26 March 2024

(b) Parties

(i) Neusoft Ruixin, an indirect wholly-owned subsidiary of the Company, as the Purchaser;

(ii) Neusoft Holdings as the Vendor; and

(iii) Neusoft Healthcare as the Target Company.

(c) Equity interest to be acquired

Pursuant to the Share Transfer Agreement, the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 100% equity interest in the Target Company.

(d) Consideration

The consideration for the Acquisition shall be RMB81 million and shall be satisfied by cash. The consideration for the Acquisition will be funded by the internal resources of the Group and external bank loans (if any).

(e) Payment terms and the respective conditions precedent

The consideration for the Acquisition shall be satisfied by cash in the following manners:

(i) the first installment of RMB40.5 million (the "**First Installment**") shall be payable by the Purchaser to the Vendor within ten (10) Business Days upon fulfillment (or partly being waived by the Purchaser) of the following conditions precedent (the "**First Installment CP Satisfaction Date**"):

(1) the Share Transfer Agreement, the Capital Contribution Agreement I and the Capital Contribution Agreement II having been duly executed and taken effect;

(2) the conditions precedent for the payment of the Capital Contribution I and the Capital Contribution II under the Capital Contribution Agreements having been satisfied;

(3) the Target Company having obtained approval by its shareholder for the execution of the Share Transfer Agreement and the Acquisition, and for making the corresponding amendments to its articles of association;

(4) the Purchaser having obtained all necessary approvals, consents and authorizations for the Acquisition, including but not limited to the approval by the Board of the Company for the Acquisition;

(5) up to the First Installment CP Satisfaction Date, the representations and warranties and undertakings made by the Vendor and the Target Company under the Share Transfer Agreement being true, accurate and complete in all material respects with no misrepresentation, misleading or material omission, and there being no breach of the representations and warranties, undertakings or other obligations of the Vendor or the Target Company under the Share Transfer Agreement;

(6) up to the First Installment CP Satisfaction Date, there being no laws, judgement, award, ruling or injunction by any court or government authority which shall restrict, prohibit or terminate the transactions contemplated under the Share Transfer Agreement, and there being no pending or potential litigation, arbitration, judgement, award, ruling or injunction which shall have material adverse impact on the Target Company, any of its subsidiaries and/or the transactions contemplated under the Share Transfer Agreement; and

(7) up to the First Installment CP Satisfaction Date, there being no material adverse change in the Target Group in respect of assets, business operations, financial position or applicable laws.

(ii) the second installment of RMB40.5 million (the "**Second Installment**") shall be payable by the Purchaser to the Vendor within ten (10) Business Days upon fulfillment of (or partly being waived by the Purchaser) the following conditions precedent (the "**Second Installment CP Satisfaction Date**"):

(1) the Target Company having completed all necessary registrations and fillings with the relevant market supervision and administration authority in relation to the conditions precedent numbered (3) for the First Installment; and

(2) up to the Second Installment CP Satisfaction Date, the conditions precedent numbered (5) to (7) for the First Installment.

As of the date of this announcement, save as the conditions precedent numbered (1) and (4) for the First Installment, none of the other conditions precedent for the First Installment or the Second Installment has been fulfilled.

2. Basis of Determination of consideration for the Acquisition

The consideration for the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the valuation of the Sale Shares as of the Valuation Benchmark Date (being 31 October 2023) of RMB81 million, as appraised by the Independent Valuer by way of income approach, details of which are set out in the Valuation Report.

Valuation Report

The Valuation Report is issued by the Independent Valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, on 26 March 2024. The Valuation Report is prepared in accordance with the International Valuation Standards.

Valuation methodology

The methodology adopted for preparation of the Valuation Report regarding the Acquisition is income approach. Given the nature of the Target Group, there are substantial limitations for the Market Approach and the Asset-based Approach for valuing the underlying assets. Firstly, the financial performance and financial position of the Target Group as of the Valuation Benchmark Date do not allow the Market Approach to generate any meaningful and reliable valuation result. Secondly, the Market Approach and the Asset-based Approach do not fully and directly incorporate information about the future economic benefits contributed by the business of the Target Group. In view of the above, the income approach was adopted for the valuation of the market value of the Sale Shares. Under the income approach, the value of the equity interest can be measured by the present worth of future economic benefits to be received over the asset life of the Target Group, which estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate which is appropriate for all risks associated with realizing those benefits.

A summary of the Valuation Report containing, among other things, the key assumptions, valuation model and input parameters for preparation of the valuation of the Sale Shares is set out in Appendix I to this announcement.

Profit forecast

As the valuation of the Sale Shares that formed the basis of determining the consideration for the Acquisition was prepared under the income approach, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The Financial Adviser to the Company is satisfied that the profit forecast contained in the Valuation Report was made by the Board after due and careful enquiry.

PricewaterhouseCoopers, the Reporting Accountant, has reported on the arithmetical calculations of the discounted future estimated cash flows upon which the valuation prepared by the Independent Valuer were based.

The letter from the Financial Adviser and letter from the Reporting Accountant regarding the profit forecast in the Valuation Report are set out in Appendix II and Appendix III to this announcement, respectively, for the purpose of Rule 14.62 of the Listing Rules.

Experts and consents

The followings are the qualifications of the experts who have given their opinions or advices in this announcement:

Name	Qualification	Date of Opinion
SPDB International Capital Limited	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO	26 March 2024
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong	26 March 2024
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent Valuer	26 March 2024

As of the date of this announcement, none of the above experts has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for securities in any member of the Group.

As of the date of this announcement, each of the above experts has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its letter and references to its name and letter, where applicable, in the form and context in which they respectively appear.

3. Capital Contribution Agreements

Capital Contribution Agreement I

The principal terms of the Capital Contribution Agreement I are summarized below:

(a) Date

26 March 2024

(b) Parties

(i) Kangdao Medical; and

(ii) Cardiovascular Management.

(c) Subject of transaction

Pursuant to the Capital Contribution Agreement I, Kangdao Medical has conditionally agreed to make capital contribution, by way of cash, to Cardiovascular Management in the amount of RMB5,142,857.

(d) Consideration

The aggregate amount of capital contribution to be made to Cardiovascular Management by Kangdao Medical shall be RMB5,142,857, which will be credited to the registered capital of Cardiovascular Management.

As the Capital Contribution I is only a step of intra-group reorganization due to the Foreign Ownership Restriction, the consideration for the Capital Contribution I will be funded by a loan to be provided by the Purchaser to Kangdao Medical pursuant to the Loan Agreement (as defined below) under the New Contractual Arrangements.

(e) Payment terms and relevant conditions precedent

The capital contribution under the Capital Contribution I shall be paid by Kangdao Medical to Cardiovascular Management according to the articles of association of Cardiovascular Management, subject to fulfillment of the following conditions precedent:

(i) the Capital Contribution Agreement I and the Share Transfer Agreement having been duly executed and taken effect;

(ii) the conditions precedent to the First Installment (excluding the condition precedent for the payment of the Capital Contribution I and the Capital Contribution II under the Capital Contribution Agreements having been satisfied) having been satisfied or partly waived by the Purchaser;

(iii) the shareholder/shareholders of Cardiovascular Management having approved (a) the execution of the Capital Contribution Agreement I and the Capital Contribution I; (b) to waive the pre-emptive rights in relation to the Capital Contribution I; and (c) to make corresponding amendments to the articles of association of Cardiovascular Management;

(iv) Kangdao Medical having obtained all necessary approvals, consents and authorizations for the Capital Contribution I;

(v) the Contractual Arrangements having been duly executed and taken effect on the Completion Date;

(vi) the representations and warranties and undertakings made by Cardiovascular Management under the Capital Contribution Agreement I being true, accurate and complete in all material respects, with no misrepresentation, misleading or material omission, and there being no breach of the representations and warranties, undertakings or other obligations of Cardiovascular Management under the Capital Contribution Agreement I;

(vii) there being no laws, judgement, award, ruling or injunction by any court or government authority which shall restrict, prohibit or terminate the transactions contemplated under the Capital Contribution Agreement I, and there being no pending or potential litigation, arbitration, judgement, award, ruling or injunction which shall have material adverse impact on Cardiovascular Management and/or the transactions contemplated under the Capital Contribution Agreement I; and

(viii) there being no material adverse change in Cardiovascular Management in respect of assets, business operations, financial position or applicable laws.

Capital Contribution Agreement II

The principal terms of the Capital Contribution Agreement II are summarized below:

(a) Date

26 March 2024

(b) Parties

(i) Kangdao Medical; and

(ii) Shanghai Xietong.

(c) Subject of transaction

Pursuant to the Capital Contribution Agreement II, Kangdao Medical has conditionally agreed to make capital contribution, by way of cash, to Shanghai Xietong in the amount of RMB21,428,571.

(d) ***Consideration***

The aggregate amount of capital contribution to be made to Shanghai Xietong by Kangdao Medical shall be RMB21,428,571, which will be credited to the registered capital of Shanghai Xietong.

As the Capital Contribution II is only a step of intra-group reorganization due to the Foreign Ownership Restriction, the consideration for the Capital Contribution II will be funded by a loan to be provided by the Purchaser to Kangdao Medical pursuant to the Loan Agreement (as defined below) under the New Contractual Arrangements.

(e) ***Payment terms and relevant conditions precedent***

The capital contribution under the Capital Contribution II shall be paid by Kangdao Medical to Shanghai Xietong according to the articles of association of Shanghai Xietong, subject to fulfillment of the following conditions precedent:

(i) the Capital Contribution Agreement II and the Share Transfer Agreement having duly executed and taken effect;

(ii) the conditions precedent to the First Installment (excluding the condition precedent for the payment of the Capital Contribution I and the Capital Contribution II under the Capital Contribution Agreements having been satisfied) having been satisfied or partly waived by the Purchaser;

(iii) the shareholder/shareholders of Shanghai Xietong having approved (a) the execution of the Capital Contribution Agreement II and the Capital Contribution II; (b) to waive the pre-emptive rights in relation to the Capital Contribution II; and (c) to make corresponding amendments to the articles of association of Shanghai Xietong;

(iv) Kangdao Medical having obtained all necessary approvals, consents and authorizations for the Capital Contribution II;

(v) the Contractual Arrangements having been duly executed and taken effect on the Completion Date;

(vi) the representations and warranties and undertakings made by Shanghai Xietong under the Capital Contribution Agreement II being true, accurate and complete in all material respects, with no misrepresentation, misleading or material omission, and there being no breach of the representations and warranties, undertakings or other obligations of Shanghai Xietong under the Capital Contribution Agreement II;

(vii) there being no laws, judgement, award, ruling or injunction by any court or government authority which shall restrict, prohibit or terminate the transactions contemplated under the Capital Contribution Agreement II, and there being no pending or potential litigation, arbitration, judgement, award, ruling or injunction which shall have material adverse impact on Shanghai Xietong and/or the transactions contemplated under the Capital Contribution Agreement II; and

(viii) there being no material adverse change in Shanghai Xietong in respect of assets, business operations, financial position or applicable laws.

4. Completion

Completion of the Acquisition shall take place on the date of registration of the Purchaser as a shareholder on the register of members of the Target Company.

Completion of the Capital Contribution I and the Capital Contribution II shall take place on the date of registration of Kangdao Medical as a shareholder on the register of members of Cardiovascular Management and Shanghai Xietong, respectively.

Completion of the Acquisition, the Capital Contribution I and the Capital Contribution II shall take place simultaneously on the Completion Date.

Immediately upon Completion, the Target Company (along with its subsidiaries, except for the OPCOs) will be held as to 100% by the Purchaser and each of the OPCOs will be held as to 70% by the Purchaser and 30% by Kangdao Medical.

The Purchaser, Kangdao Medical and Ms. Zhang will thereafter enter into the New Contractual Agreements in respect of the 30% equity interest in the OPCOs to be held by Kangdao Medical upon Completion. For details of the New Contractual Arrangements, please refer to the section headed "The New Contractual Arrangements" below. As a result, the OPCOs will become indirect wholly-owned subsidiaries of the Company and 100% of the financial results of the OPCOs will be consolidated into the financial statements of the Group.

5. Reasons for and Benefits of the Acquisition

In response to the opportunities and challenges posed by the "aging" society in China, we are strategically positioning ourselves in the development of elderly education. Leveraging our existing business framework, we plan to establish a full-cycle and continuous system catering to the needs of the contemporary senior population. Our longstanding commitment to lifelong education has endowed us with profound insights into the unique requirements of the elderly demographic. We are convinced that in serving the contemporary senior population, it is imperative to offer more than just educational services that cater to their enduring intellectual aspirations, indeed the provision of healthcare and eldercare services that safeguard their physical and mental well-being are equally vital. These elements are not standalone; instead, they are deeply intertwined with the educational needs of seniors.

The Acquisition therefore serves as our cornerstone for stepping into the elderly education sector. While we are simultaneously developing our elderly education business, the expansion into elderly healthcare services thereby laying the foundation for our further expansion into the elderly market. This strategic move will help us to unlock a second growth curve beyond our existing business, serving as an additional revenue stream contributing to our overall business development and growth.

Hospital A under the Target Group has established a deep collaboration with the Second Hospital of Dalian Medical University Cardiovascular Hospital (大連醫科大學附屬第二醫院), enabling it to provide professional diagnosis and treatment services to patients. Considering the current situation of the high demand for cardiovascular departments in top hospitals in Dalian and Hospital A's continuous expansion of its medical service capabilities, Hospital A will be able to effectively capture diverse cardiovascular-related diagnosis and treatment demands in the market.

Furthermore, the social welfare fund of basic medical insurance (醫保統籌支付) begins to provide support for a wider range of dental treatment projects in Dalian since 2023. As a result, the market share of dental treatment in Dalian is gradually shifting from private dental clinics to secondary or above dental hospitals that are eligible for payment through the social welfare fund of basic medical insurance. Therefore, Hospital B, which is a secondary specialized dental hospital under the Target Group and has been well-recognized for its excellent dental treatment capabilities in Dalian, is well-positioned to seize this market opportunity.

Based on the above, the Board believes that the Acquisition aligns with the Company's expansion strategy and will therefore help the Group establish diversified sources of income and bring sustainable cash flow.

In addition, the Acquisition will also assist our existing business to new heights: (i) the Group plans to introduce courses in healthcare and eldercare, and the Acquisition will facilitate the optimization of the Group's academic disciplines; (ii) the hospitals and nursing home under the Target Group will serve as training bases for students, providing opportunities for practical trainings and internships, which aligns with the Group's TOPCARES integrated talent training model; and (iii) the Acquisition will open up channels for talent exchange, allowing medical professionals from hospitals to offer specialized courses at the Three Universities while the Three Universities can supply the Target Group with skilled professionals possessing expertise in medical, nursing and eldercare fields.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Acquisition, the Share Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and the terms thereunder are fair and reasonable, while not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

III. THE NEW CONTRACTUAL ARRANGEMENTS

1. Reasons for Use of the New Contractual Arrangements

Foreign investment activities in the PRC are mainly governed by the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單) (2021版)》) (the "**Negative List**") and the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Encouraging Catalog**"), which were promulgated and are amended from time to time jointly by the MOFCOM and the NDRC. The Negative List and the Encouraging Catalog divide industries into three categories with regard to foreign investment: "encouraged", "restricted" and "prohibited". Industries not listed in the Encouraging Catalog and the Negative List are generally deemed as falling into a fourth category "permitted".

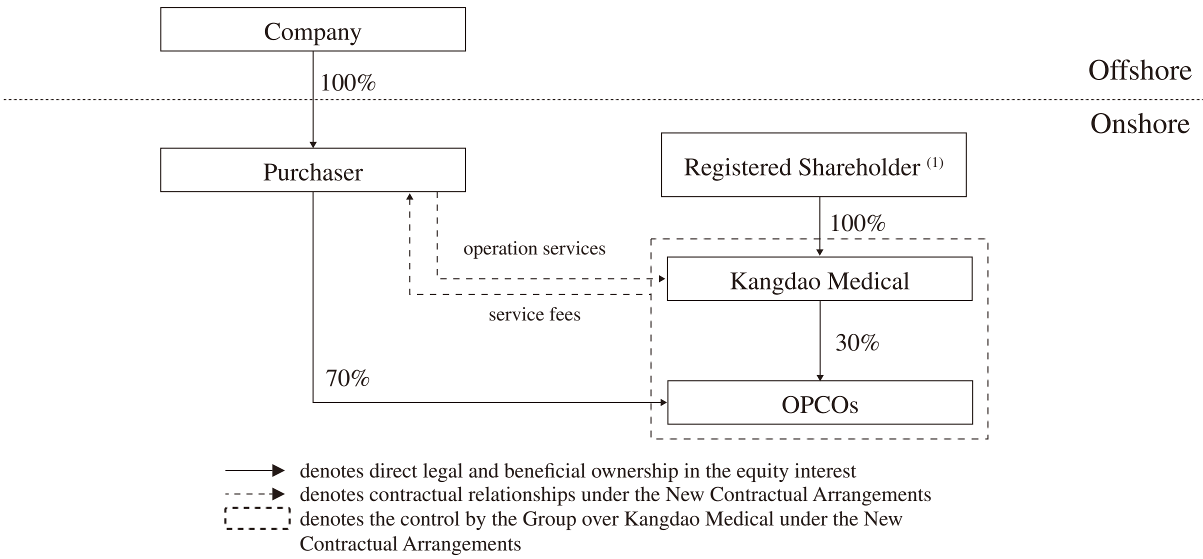
As advised by the PRC Legal Advisors, operation of "medical institution" falls within the "restricted category" for foreign investment under the PRC laws. Further, according to the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》), foreign investors are not allowed to hold more than 70% equity interest in a "medical institution".

The PRC Legal Advisors also conducted verbal consultations with the Health Commission of Dalian (大連市衛生健康委員會) ("**Dalian Health Commission**") and the Department of Commerce of Liaoning Province (遼寧省商務廳) ("**Liaoning MOFCOM**"). The officer in the Administrative Approval Office of Dalian Health Commission (大連市衛生健康委員會行政審批辦公室)verbally confirmed that, (i) foreign investors are not allowed to hold more than 70% equity interest in a medical institution; and (ii) the proposed adoption of the New Contractual Arrangements does not require any approval from relevant health administrations. The officer in the Foreign Investment Administrative Office of Liaoning MOFCOM (遼寧省商務廳外國投資管理處)verbally confirmed that indirectly foreign-owned enterprises are subject to the same foreign investment restrictions as applicable to directly foreign-owned enterprises. The PRC Legal Advisors are of the view that the Dalian Health Commission and Liaoning MOFCOM are the competent authority and the two officers consulted are competent to represent the Dalian Health Commission and Liaoning MOFCOM, respectively, to give such confirmations in respect of foreign investments and based on such confirmations, foreign investors are not allowed to hold, either directly or indirectly, more than 70% equity interest in a medical institution.

As advised by the PRC Legal Advisors, Hospital A and Hospital B are principally engaged in the provision of medical services and are considered as "medical institutions", are therefore subject to the Foreign Ownership Restriction. In order to control the OPCOs to prevent leakages of equity and values to the minority shareholders of the OPCOs and to obtain 30% economic benefits of the OPCOs to be attributable to Kangdao Medical, the Purchaser, Kangdao Medical and Ms. Zhang will enter into the New Contractual Arrangements upon Completion.

2. Details of the New Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from the VIE Target Companies to the Group under the New Contractual Arrangements:



Note:

(1) The registered shareholder of Kangdao Medical is Ms. Zhang.

The principal terms of the New Contractual Arrangements to be entered into upon Completion are summarized as follows:

(a) Exclusive Management Consultancy and Business Cooperation Agreement

The Purchaser, Kangdao Medical and Ms. Zhang will enter into the exclusive management consultancy and business cooperation agreement (the "**Exclusive Management Consultancy and Business Cooperation Agreement**") upon Completion, pursuant to which the Purchaser has the exclusive right to provide, or the right to designate a third party to provide Kangdao Medical and its subsidiaries with corporate management consulting services, intellectual property licensing services as well as technical and business support services. Such services include:

(i) the provision of advisory services and recommendations on corporate management, medical healthcare (excluding medical diagnosis), asset and business operation, debt disposal, material contracts (including negotiations, execution and performance of the same), mergers and acquisitions, the development, maintenance and research services on computer system, software and products, employee management training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resources and internal informatization management, network development, upgrade and ordinary maintenance services, sales of propriety products, licensing software, trademark, domain name and know-how and/or the use of related intellectual property rights, and

(ii) other additional services as the parties may mutually agree from time to time.

Without the Purchaser's prior written consent, Kangdao Medical and its subsidiaries shall not accept from, or establish any cooperation with, a third party in relation to any services covered by the Exclusive Management Consultancy and Business Cooperation Agreement. The Purchaser owns all intellectual property rights arising out of the performance of the Exclusive Management Consultancy and Business Cooperation Agreement.

In exchange, Kangdao Medical agrees to pay the entirety of their total income (net of costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld except the enterprise income tax) to the Purchaser as the service fee.

Under the Exclusive Management Consultancy and Business Cooperation Agreement, without prior written approval from the Purchaser, Kangdao Medical and its subsidiaries shall not enter into any transaction (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to (i) the provision of any security or guarantee in favour of any third party with a value higher than RMB30 million in respect of the debt obligations of Kangdao Medical and its subsidiaries; (ii) the provision of any security or guarantee in favour of any third party not arising from the debt obligations of Kangdao Medical and its subsidiaries; (iii) the entry into of any loan or debt obligations in favour of any third party; and (iv) in relation to any third party the disposal, acquisition or otherwise dealing of any assets (including but not limited to intellectual properties) with a value higher than RMB500,000.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreement, without prior written consent of the Purchaser, neither Kangdao Medical nor any of its subsidiaries can change or remove the members of its board of directors who are appointed by the Purchaser in accordance with its articles of association. The Purchaser also has the right to appoint the directors, general managers, financial controllers and other senior managers of Kangdao Medical and its subsidiaries. The Purchaser has absolute control over the distribution of dividends or any other amounts to the shareholders of Kangdao Medical as Kangdao Medical and its shareholder have undertaken not to make any distribution without the Purchaser's prior written consent.

(b) Exclusive Call Option Agreement

The Purchaser, Kangdao Medical and Ms. Zhang will enter into the exclusive call option agreement (the "**Exclusive Call Option Agreement**") upon Completion, pursuant to which Ms. Zhang unconditionally and irrevocably agrees to grant the Purchaser an exclusive option to purchase all or part of the equity interest in Kangdao Medical held by Ms. Zhang, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws, under circumstances in which the Purchaser or its designated third party is permitted under PRC laws to acquire all or part of the equity interest in Kangdao Medical.

Where the purchase price is required by relevant PRC laws to be an amount other than nil consideration, Ms. Zhang undertakes to return the amount of purchase price it has received to the Purchaser or any of its designated third party.

To prevent the flow of the assets and value of Kangdao Medical to its shareholders, pursuant to the Exclusive Call Option Agreement, none of the assets of Kangdao Medical are to be transferred or otherwise disposed of without the prior written consent of the Purchaser. In addition, under the Exclusive Call Option Agreement, no transfer of, or encumbrance over, the equity interest in Kangdao Medical is permitted without the Purchaser's prior written consent.

In the event that Ms. Zhang receives any profit distribution or dividend from Kangdao Medical, Ms. Zhang shall immediately pay such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to the Purchaser. If the Purchaser exercises this option, all or any part of the equity interest in Kangdao Medical acquired would be transferred to the Purchaser and the benefits of equity ownership would flow to the Purchaser and its shareholders.

(c) Equity Pledge Agreement

The Purchaser, Kangdao Medical and Ms. Zhang will enter into the equity pledge agreement (the "**Equity Pledge Agreement**") upon Completion, pursuant to which Ms. Zhang unconditionally and irrevocably agrees to pledge all of the equity interest in Kangdao Medical in favor of the Purchaser in order to guarantee the performance of obligations of Kangdao Medical and Ms. Zhang under the New Contractual Arrangements.

The pledge in respect of Kangdao Medical takes effect upon completion of registration with the relevant administration for market regulation and shall remain valid until (i) the satisfaction of all contractual obligations of Kangdao Medical and Ms. Zhang in full under the New Contractual Arrangements, or (ii) the nullification or termination of the New Contractual Arrangements, whichever is later.

Kangdao Medical and Ms. Zhang will register the pledge contemplated under the Equity Pledge Agreement with the relevant administration for market regulation pursuant to the PRC laws.

To further enhance the Group's control over Kangdao Medical, the Company has taken measures to ensure that the register of shareholders of Kangdao Medical and share certificate of Ms. Zhang are properly secured, within full control of the Purchaser, and cannot be used by Kangdao Medical except for the registration and change of registration procedure necessary for the operation of Kangdao Medical.

(d) Power of Attorney

Ms. Zhang will execute a power of attorney (the "**Power of Attorney**") upon Completion, pursuant to which Ms. Zhang irrevocably appoints the Purchaser (or any person designated by the Purchaser, provided that this person does not have a conflict of interest with the Purchaser or its parent companies) as its exclusive agent and attorney to act on its behalf on all matters concerning Kangdao Medical and to exercise all of its rights as a registered shareholder of Kangdao Medical. These rights include: (i) the right to exercise all the shareholder's rights, including but not limited to the signing of minutes, sale and transfer of any or all of the equity interest in Kangdao Medical; (ii) the right to file documents with the relevant regulatory authorities; and (iii) the right to nominate and appoint the directors of Kangdao Medical.

Further, pursuant to the Power of Attorney and to ensure that it does not give rise to a conflict of interest, Ms. Zhang irrevocably undertakes that:

(i) the authorizations under the Power of Attorney will not lead to any potential conflict of interests between the Purchaser and Ms. Zhang; and

(ii) if any conflict of interest occurs during the performance of the New Contractual Arrangements, the Purchaser's interest shall take priority.

Through the Power of Attorney, the Company and the Purchaser can exercise effective control over Kangdao Medical through shareholder votes, which allows the Company and the Purchaser to control the composition of the board of directors of Kangdao Medical.

(e) Loan Agreement

The Purchaser, Kangdao Medical and Ms. Zhang will enter into a loan agreement (the "**Loan Agreement**") upon Completion, pursuant to which the Purchaser will provide an interest-free loan with an amount not exceeding RMB26,571,428 to Kangdao Medical, which can be drawn under several tranches, will be used for the capital contribution to be made by Kangdao Medical under the Capital Contribution Agreements.

Pursuant to the Loan Agreement, upon repayment of the loan, Ms. Zhang shall transfer her equity interest in Kangdao Medical to the Purchaser or its designated third party at a consideration equivalent to the amount of the loan being repaid. The term of the loan commences from the drawdown date of the loan and expires on (i) the expiration date of the operation period of the Purchaser; or (ii) the expiration date of the operation period of Kangdao Medical, whichever is earlier. The term of the loan may be extended with the consent of all parties. The loan must be repaid immediately under certain circumstances, including, among others, 30 days after receiving a written notice from the Purchaser requesting repayment of part or all of the loan.

(f) *Spouse Undertakings*

The spouse of Ms. Zhang will sign a letter of undertaking (the "**Spouse Undertaking**") in respect of the New Contractual Arrangements to the effect, among others, that:

(i) he has full knowledge of the Purchaser, and has consented to the entry into of the New Contractual Arrangements by the Purchaser, Ms. Zhang and Kangdao Medical;

(ii) he will enter into all necessary documents and take all necessary actions to ensure the due performance of New Contractual Arrangements as amended from time to time; and

(iii) he unconditionally and irrevocably waives any right or benefits on such equity interest and assets in accordance with applicable laws and confirms that he will not have any claim on such equity interest and assets; and he has not and does not intend to participate in the operation and management or other voting matters of Kangdao Medical.

(g) *Other key terms of the New Contractual Arrangements*

Dispute resolution

In the event of any dispute with respect to the interpretation or performance of the provisions, each of the New Contractual Arrangements stipulates: (i) that the parties shall negotiate in good faith to resolve the dispute, and (ii) in the event the parties fail to reach an agreement on the resolution of the dispute, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The seat of arbitration is Beijing. The arbitration award shall be final and binding on all parties.

The dispute resolution clause of each of the New Contractual Arrangements also provides that, subject to the relevant laws of the PRC, (i) the arbitrator may award remedies over the shares or assets of Kangdao Medical, injunctive relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding up of Kangdao Medical, and (ii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company), the PRC (being the place of incorporation of Kangdao Medical) and the place where the principal assets of the Company or Kangdao Medical are located, have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases.

However, the PRC Legal Advisors have advised that the tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Kangdao Medical pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws.

As a result of the above, if Kangdao Medical or Ms. Zhang breach any of the New Contractual Arrangements, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over Kangdao Medical and conduct business could be materially and adversely affected.

Succession

Pursuant to the New Contractual Arrangements, the provisions set out in the New Contractual Arrangements are also binding on any successor(s) of Ms. Zhang, and any successor(s) of Ms. Zhang shall assume any and all rights and obligations of Ms. Zhang under the New Contractual Arrangements as a result of her death, loss of civil capacity, bankruptcy, divorce, or under any other circumstance which would affect her exercise of equity interest in Kangdao Medical and shall cooperate with the signing parties to the New Contractual Arrangements to make all necessary arrangements so as to ensure that the successor(s) will not interrupt the operation of the New Contractual Arrangements.

Conflicts of interests

Ms. Zhang has given its irrevocable undertaking in the Power of Attorney to address potential conflicts of interests that may arise in connection with the New Contractual Arrangements. For further details, please refer to section headed "Power of Attorney."

Loss sharing

Under relevant PRC laws and regulations, neither the Company nor the Purchaser is legally required to share the losses of, or provide financial support to, Kangdao Medical. Further, Kangdao Medical is a limited liability company and shall be solely liable for its own debts and losses with assets owned by it.

Nevertheless, the Purchaser intends to provide continuous assistance to Kangdao Medical in obtaining financial support when deemed necessary. In addition, given that the Group conducts certain business operations through Kangdao Medical, whose subsidiaries hold relevant PRC operational licenses and approvals, and its financial position and results of operations will consolidate into the Group's financial statements under applicable accounting principles upon Completion, the Company's business, financial position and results of operations would be adversely affected if Kangdao Medical suffers losses.

However, the provisions in the agreements underlying the New Contractual Arrangements are tailored to limit, to the greatest extent possible, the potential adverse effect on the Purchaser and the Company as a result of any loss suffered by Kangdao Medical, for instance:

(i) under the Exclusive Call Option Agreement, the assets of Kangdao Medical are not to be transferred or otherwise disposed of without the prior written consent of the Purchaser;

(ii) under the Exclusive Call Option Agreement, no transfer of, or encumbrance over, the equity interest in Kangdao Medical is permitted without the Purchaser's prior written consent;

(iii) under the Exclusive Management Consultancy and Business Cooperation Agreement and Power of Attorney, (i) without prior written consent of the Purchaser, neither Kangdao Medical nor any of its subsidiaries can change or remove the members of its board of directors who are appointed by the Purchaser in accordance with its articles of association; (ii) the Purchaser has the right to appoint the directors, general managers, financial controllers and other senior managers of Kangdao Medical and its subsidiaries; (iii) the Purchaser has absolute control over the distribution of dividends or any other amounts to the shareholders of Kangdao Medical; and (iv) without the prior written approval of the Purchaser, Kangdao Medical and its subsidiaries shall not enter into, among other things, an acquisition, disposal or dealings in any assets (including but not limited to intellectual properties), with a third party, that has a value higher than RMB500,000.

Liquidation

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreement and the Exclusive Call Option Agreement, a committee designated by the Purchaser will be appointed as the liquidation committee upon the winding-up of Kangdao Medical to manage its assets. In the event of a liquidation or dissolution, all of the remaining assets and residual interests of Kangdao Medical will be transferred to the Purchaser to the maximum extent permissible under PRC Laws.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the New Contractual Arrangements.

3. Legality of the New Contractual Arrangements

The PRC Legal Advisors of the Company, following completion of reasonable due diligence steps, are of the following legal opinion:

(a) each of the Purchaser and Kangdao Medical is a duly incorporated and validly existing company, and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations; Ms. Zhang is a natural person with full civil and legal capacity;

(b) the parties to each of the New Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder;

(c) none of the New Contractual Arrangements violates any provisions of the articles of association of each of the Purchaser or Kangdao Medical;

(d) pursuant to Articles 146, 153 and 154 of the PRC Civil Code, a contract is void if the civil juristic act: (i) is performed by a person and another person based on a false expression of intent; (ii) is in violation of the mandatory provisions of laws or administrative regulations, unless such mandatory provisions do not lead to invalidity of such a civil juristic act; (iii) offends the public order or good morals; or (iv) is conducted through malicious collusion between a person who performs the act and a counterparty thereof and thus harms the lawful rights and interests of another person. The execution and performance of the New Contractual Arrangements does not fall within any of the circumstances under which a contract may become null and void pursuant to the PRC Civil Code;

(e) the parties to each of the New Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that:

(i) the exercise of the option by the Purchaser or its designee of its rights under the Exclusive Call Option Agreement to acquire all or part of the equity interest in Kangdao Medical is subject to the approvals of and/or registration with the PRC regulatory authorities;

(ii) any share pledge contemplated under the Equity Pledge Agreement is subject to the registration with local administration bureau for market regulation; and

(iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the New Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement; and

(f) each of the New Contractual Arrangements is valid, legal and binding under PRC laws, except for the following provisions regarding dispute resolution and the liquidation committee:

(i) the New Contractual Arrangements provide that any dispute shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The seat of arbitration is Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of Kangdao Medical or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding-up of Kangdao Medical; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company), the PRC (being the place of incorporation of Kangdao Medical) and the place where the principal assets of the Company or Kangdao Medical are located, have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. However, the PRC Legal Advisors have advised that interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and

(ii) the New Contractual Arrangements provide that a committee designated by the Purchaser will be appointed as the liquidation committee upon the winding-up of Kangdao Medical to manage its assets. However, in the event of a liquidation or dissolution, these provisions may not be enforceable under PRC Laws.

However, the PRC Legal Advisors also advised that the interpretation and application of current and future PRC laws and regulations are subject to changes from time to time. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of the PRC Legal Advisors.

4. The Board's View on the New Contractual Arrangements

Based on the above and the advice from the PRC Legal Advisors, the Board is of the view that (i) the New Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in industries that are subject to the Foreign Ownership Restriction in the PRC; and (ii) save as disclosed in the section headed "Risks relating to the New Contractual Arrangements", the New Contractual Arrangements are enforceable under the relevant laws and regulations, and will provide a mechanism that enables the Group to exercise effective control over the OPCOs. Upon Completion, the Company will indirectly own 70% equity interest in the OPCOs and as a result of the New Contractual Arrangements, the Company will obtain control of the remaining 30% equity interest in the OPCOs through the Purchaser. As such, the Company can receive all of the economic interest returns generated by the OPCOs.

The Directors (including the independent non-executive Directors) are of the view that the New Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations, will be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole, and the terms thereunder are on normal commercial terms and are fair and reasonable.

The New Contractual Arrangements also provide that the Group could adjust or partially unwind (as the case maybe) the New Contractual Arrangements and hold (directly or indirectly) equity interest in the OPCOs up to the maximum percentage as permitted under PRC laws, or fully unwind the New Contractual Arrangements and directly hold 100% equity interest in the OPCOs if there is no prescribed limit on the percentage of equity interest permitted to be held by foreign investors.

As of the date of this announcement, to the best of the knowledge, information and belief of the Directors, after making all reasonable enquiries, the Directors were not aware of any factors that has led or would lead to any interference or encumbrance from any PRC governing bodies on the Group's operating the businesses of the OPCOs under the New Contractual Arrangements.

5. **Compliance with the New Contractual Arrangements**

The Group will adopt the following measures to ensure its effective implementation, operation of, and compliance with, the New Contractual Arrangements:

(a) the Group will submit any major issues arising from implementing or complying with the New Contractual Arrangements to the Board for discussion and review;

(b) the Board will review the overall performance of, and compliance with, the New Contractual Arrangements at least annually;

(c) the Company will disclose the overall performance of, and compliance with, the New Contractual Arrangements in the annual reports; and

(d) the Company will engage legal advisers and other professional advisers (if necessary) to assist the Board with reviewing the implementation of the New Contractual Arrangements, and to deal with specific issues or matters arising out of the New Contractual Arrangements.

6. **Risks relating to the New Contractual Arrangements**

If the PRC government finds that the New Contractual Arrangements do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the New Contractual Arrangements and the relinquishment of its interest in Kangdao Medical.

Current PRC laws and regulations impose certain restrictions on foreign ownership of companies that engage in the provision of medical services. The Company is an exempted company incorporated under the laws of the Cayman Islands, and the Purchaser is considered a foreign-invested enterprise.

To comply with PRC laws and regulations, the Group, through the Purchaser, will enter into the New Contractual Arrangements with Kangdao Medical and Ms. Zhang upon Completion. For details of the New Contractual Arrangements, please refer to the section headed "New Contractual Arrangements."

The PRC Legal Advisors are of the opinion that (i) the ownership structure of Kangdao Medical and its subsidiaries upon Completion does not violate mandatory provisions of PRC laws and administrative regulations promulgated by the State Counsel currently in effect, (ii) except for certain clauses regarding the liquidation committee and the dispute resolution, see "– Certain of the terms of the New Contractual Arrangements may not be enforceable under PRC laws" below, the New Contractual Arrangements, taken individually or collectively, are valid, legally binding and enforceable against each party of such agreements in accordance with their terms, and (iii) the New Contractual Arrangements does not violate mandatory provisions of the Civil Code of the PRC (《中華人民共和國民法典》) or fall within any of the circumstances under which a contract may become null and void pursuant to the Civil Code of the PRC. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of the PRC Legal Advisors stated above. If the PRC government determines that the New Contractual Arrangements are in violation of PRC laws or regulations or the Group lacks the necessary permits or licenses to operate its business, the relevant PRC regulatory authorities would have a certain degree of discretion within their scope of authority in dealing with such violations or failures, including, but not limited to:

- revoking the business and operating licenses of Hospital A or Hospital B;
- discontinuing or restricting the OPCOs' operations;
- imposing fines or confiscating any of the Group's income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which the Group or the VIE Target Companies may not be able to comply;
- requiring the Group or the VIE Target Companies to restructure the relevant ownership structure or operations;
- restricting or prohibiting the Group's financing activities to finance the business and operations of Kangdao Medical and its subsidiaries; or
- taking other regulatory or enforcement actions that could be harmful to the Group's business.

Any of these actions could cause significant disruption to the Group's business operations, and may materially and adversely affect the Group's business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on the Group and on its ability to consolidate the financial results of the VIE Target Companies in its consolidated financial statements, if the PRC governmental authorities find the Group's legal structure and the New Contractual Arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in the Group's inability to direct the activities of the VIE Target Companies that most significantly impact their economic performance and/or the Group's failure to receive the economic benefits from the VIE Target Companies, the Group may not be able to consolidate the VIE Target Companies into its consolidated financial statements in accordance with the International Financial Reporting Standards.

On February 17, 2023, the China Securities Regulatory Commission (中國證券監督管理委員會) (the "**CSRC**") released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "**Trial Measures**") and five supporting guidelines, which came into effect on 31 March 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC, and in the event of subsequent offering and occurrence of certain major events, domestic companies shall also fulfill relevant filing procedures and report information to the CSRC. The Trial Measures provides that if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China.

If the Group is subject to the filing procedure under the Trial Measures for its future fund raising activities and other major events, and the Group fails to complete the filing with the CSRC in a timely manner, or at all, due to its adoption of the New Contractual Arrangements, the Group may need to restructure its corporate structure and unwind the New Contractual Arrangements for the purpose of fulfilling the filing requirement, which may cause additional costs and is time-consuming, and could materially and adversely affect the Group's business, financial condition, results of operations, its ability to raise funds and prospects. If the Group is determined not in compliance with the requirements under the Trial Measures, and thus are unable to complete the filing with the CSRC, the Group may need to postpone or terminate its future fund raising activities, if any. However, given that the Trial Measures were recently promulgated, their interpretation, application, and enforcement and how they will affect the Group's operations and future financing are subject to further clarification and interpretation.

The New Contractual Arrangements may not be as effective in providing operational control as direct ownership, and Ms. Zhang and Kangdao Medical may fail to perform their obligations under the New Contractual Arrangements.

The New Contractual Arrangements may not be as effective in providing control over the VIE Target Companies as direct ownership. If Ms. Zhang or Kangdao Medical fails to perform their respective obligations under the New Contractual Arrangements, the Group may incur substantial costs and expend substantial resources to enforce its rights. All of the New Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from the New Contractual Arrangements will be resolved through arbitration or litigation in China. However, there are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC laws. There remain uncertainties regarding the outcome of arbitration or litigation. Such uncertainties could limit the Group's ability to enforce the New Contractual Arrangements. In the event that the Group is unable to enforce the New Contractual Arrangements or it experiences significant delays or other obstacles in the process of enforcing the New Contractual Arrangements, the Group may not be able to exert effective control over the VIE Target Companies and may lose control over the assets owned by the VIE Target Companies. As a result, the Group may be unable to consolidate the VIE Target Companies in its consolidated financial statements, and its ability to conduct business may be adversely affected.

The Group may lose the ability to use and enjoy assets held by Kangdao Medical that are material to its business operations if Kangdao Medical declares bankruptcy or become subject to a dissolution or liquidation proceeding.

Kangdao Medical will hold 30% equity interest in the OPCOs upon Completion. The Group does not have priority pledges and liens against the assets of Kangdao Medical. If Kangdao Medical undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and the Group may not have priority against such third-party creditors on the assets of Kangdao Medical. If Kangdao Medical liquidates, the Group may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and recover any outstanding liabilities owed by Kangdao Medical to Ms. Zhang under the Exclusive Management Consultancy and Business Cooperation Agreement. Under the New Contractual Arrangements, Ms. Zhang covenants that she shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Kangdao Medical, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement without the prior written consent of the Purchaser. In addition, Ms. Zhang covenants that she shall not request Kangdao Medical to, in any manner, distribute profit or dividends, raise such relevant shareholders' resolution or vote in favor of any such relevant shareholders' resolution without the prior written consent of the Purchaser. In the event that Kangdao Medical receives any income, profit distribution or dividend, except as otherwise determined by the Group, Kangdao Medical shall promptly transfer or pay, as part of the services fee under the Exclusive Management Consultancy and Business Cooperation Agreement, such income, profit distribution or dividend to the Purchaser or any other person designated by it to the extent permitted under applicable PRC laws. In the event that Ms. Zhang breaches the relevant covenants, the Group may need to resort to legal proceedings to enforce the terms of the New Contractual Arrangements. Any such legal proceeding may be costly and may divert management's time and attention away from the operation of the Group's business, and the outcome of such legal proceeding is uncertain.

The interests of Ms. Zhang may not align with the interests of the Shareholders, which may materially and adversely affect the Group's business.

Although that pursuant to the Exclusive Call Option Agreement, Ms. Zhang unconditionally and irrevocably agrees to grant the Purchaser an exclusive option to purchase all or part of the equity interest in Kangdao Medical, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws, under circumstances in which the Purchaser or its designated third party is permitted under PRC laws to acquire all or part of the equity interest of in Kangdao Medical, the Group cannot assure that when conflicts arise, Ms. Zhang will act in the best interest of the Shareholders or that conflicts will be resolved in favor of the Group. As such, the interests of Ms. Zhang may not align with the interests of the Shareholders in the Company and it is possible that Ms. Zhang may breach or cause Kangdao Medical to breach the New Contractual Arrangements. If the Group cannot resolve any conflicts of interest or disputes between itself and Ms. Zhang, it would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to its operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

In addition, although the Equity Pledge Agreement to be entered into upon Completion provides that the pledged equity interest in Kangdao Medical shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under the Exclusive Management Consultancy and Business Cooperation Agreement, it is possible that a PRC court could take the position that the amounts listed on the equity pledge registration forms or estimated in the Equity Pledge Agreement represent the full amounts of the collateral that have been registered and perfected. If this were to happen, the obligations that are supposed to be secured in the Equity Pledge Agreement in excess of the amounts listed on the equity pledge registration forms or estimated in the Equity Pledge Agreement could be deemed unsecured debts by the PRC court, which take the last priority among creditors.

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

All the agreements which constitute the New Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. In the event that the Group is unable to enforce the New Contractual Arrangements, or if the Group suffers significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the VIE Target Companies, and the Group's ability to conduct its business and its financial condition and results of operations may be materially and adversely affected.

The New Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interests, assets or properties of Kangdao Medical, injunctive relief (for example, for the conduct of business or to compel the transfer of assets) or order the winding up of Kangdao Medical. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim relief to a party when requested for the purpose of preserving the assets and properties or enforcement measures, subject to the requirements under the PRC laws. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interest in Kangdao Medical in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws do allow the arbitral body to grant an award of transfer of assets of or equity interests in Kangdao Medical in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. The court will decide whether to take enforcement measures according to applicable laws and regulations. Therefore, in the event of breach of any agreements constituting the New Contractual Arrangements by Kangdao Medical and/or Ms. Zhang, and if the Group is unable to enforce the New Contractual Arrangements, the Group may not be able to exert effective control over Kangdao Medical, which could materially and adversely affect the Group's ability to conduct its business.

If the Group exercises the option to acquire equity ownership and assets of Kangdao Medical, the ownership or asset transfer may subject the Group to certain limitations and substantial costs.

Pursuant to the New Contractual Arrangements, the Purchaser or its designated person(s) has the irrevocable and exclusive right to purchase all or any part of the equity interests in Kangdao Medical from its shareholder at any time and from time to time in the Purchaser's absolute discretion to the extent permitted by PRC laws. The consideration shall be the higher of a nominal price or the lowest price as permitted under applicable PRC laws, provided that such transfer does not violate the PRC laws.

The equity transfer may be subject to the approvals from, or filings with, the relevant authorities. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authorities. Ms. Zhang should return the equity transfer price amount to the Purchaser under the New Contractual Arrangements, if such amount is above a nominal price. The amount to be received by the Purchaser under the New Contractual Arrangements may also be subject to enterprise income tax, and such tax amounts could be substantial.

The Group's current corporate structure and business operations may be affected by the Foreign Investment Law.

On 15 March 2019, the National People's Congress promulgated the Foreign Investment Law, which took effect on 1 January 2020. The Foreign Investment Law does not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately "controlled" by foreign investors. However, it has a catch-all provision under definition of "foreign investment" that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, until when it remains uncertain whether the New Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how the New Contractual Arrangements should be dealt with.

The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either "restricted" or "prohibited" from foreign investment in the Negative List. The Foreign Investment Law provides that foreign-invested entities are not allowed to operate in "prohibited" industries and their operating in "restricted" industries shall satisfy certain conditions and will require market entry clearance and other approvals from relevant PRC government authorities. On 26 December 2019, the Supreme People's Court issued the Interpretations on Certain Issues Regarding the Applicable of Foreign Investment Law (the "**FIL Interpretation**"), which came into effect on 1 January 2020. In accordance with the FIL Interpretations, any claim to invalidate an investment agreement will be supported by courts if such agreement is found to be entered into for purposes of making investments in the "prohibited industries" under the negative list or for purposes of investing in "restricted industries" while failing to satisfy the conditions set out in the negative list. If the Group's control over the VIE Target Companies through contractual arrangements are deemed as foreign investment in the future, and any business of the VIE Target Companies is "restricted" from foreign investment under the "negative list" effective at the time, the Group may be deemed to be in violation of the Foreign Investment Law, the New contractual Arrangements that allow the Group to have control over the VIE Target Companies may be deemed as invalid and illegal, and the Group may be required to unwind such New Contractual Arrangements and/or restructure its business operations, any of which may have a material adverse effect on the Group's business operations.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, the Group may face substantial uncertainties as to whether it can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect the Group's current corporate structure and business operations.

New Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that the Group owes additional taxes could substantially reduce its consolidated net income and the value of the Shareholder's investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Group could face material and adverse tax consequences if the PRC tax authorities determine that the New Contractual Arrangements do not represent an arms-length price and adjust the VIE Target Companies' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by the VIE Target Companies, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to the VIE Target Companies for under-paid taxes. The Group's results of operations may be materially and adversely affected if the VIE Target Companies' tax liabilities increase or if the Group is found to be subject to late payment fees or other penalties.

IV. GENERAL INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated under PRC laws on 21 April 2020. As of the date of this announcement, the Target Company was wholly owned by the Vendor. The Target Company is principally engaged in medical enterprise management, enterprise management consulting, medical equipment leasing, hospital management consulting, medical management, medical technology research and development and other business activities.

Set out below are the principal businesses of the subsidiaries of the Target Company as of the date of this announcement:

No.	Name of subsidiary of the Target Company	Principal business
1.	Dalian Ruikang	provision of medical equipment, office equipment and IT equipment
2.	Shanghai Xietong	the founder of Hospital B
3.	Cardiovascular Management	the founder of Hospital A
4.	Liaoning Ruikang	provision of medical supplies, medical equipment leasing and logistics services for hospitals
5.	Ruikang Yiyang	provision of eldercare services
6.	Hospital A	a private not-for-profit Class III cardiovascular hospital providing comprehensive life-cycle medical care services featuring cardiology
7.	Hospital B	a private for-profit Class II stomatological hospital providing service including general dentistry, implantology, orthodontics, pediatric dentistry and VIP treatment

Set out below is the unaudited consolidated net loss (both before and after taxation) of the Target Group for the two years ended 31 December 2022 and 2023:

	For the year ended 31 December	
	2022	**2023**
	(RMB million)	*(RMB million)*
Net loss before taxation	90	90
Net loss after taxation	84	75

As of 31 December 2023, the unaudited consolidated net liabilities of the Target Group were approximately RMB135 million.

The original capital contribution paid by the Vendor for the Target Company was RMB50 million.

Management Service Agreement

On 26 March 2024, Cardiovascular Management entered into a management service agreement (the "**Management Service Agreement**") with Hospital A with an indefinite service period commencing from 1 January, 2024, to renew the transaction in relation to the provision of management services under the previous management service agreement entered into between Cardiovascular Management and Hospital A. Pursuant to the Management Service Agreement, Cardiovascular Management has the exclusive right to provide, or the right to designate a third party to provide Hospital A with operational management services (including but not limited to management support, intellectual property licensing, comprehensive information technology support, market promotion support, academic and scientific research support, training support, compliance and internal control support, leasing logistics, channel expansion support, supply chain service support and cultivation of medical and elderly care services) for an indefinite term. Without Cardiovascular Management's prior written consent, Hospital A shall not accept from, or establish any cooperation with, a third party in relation to any services covered by the Management Service Agreement.

Pursuant to the Management Service Agreement, the services fees shall be charged to Hospital A on a yearly basis (proportionately for period less than one year) based on certain percentage of the audited revenue of Hospital A, provided that the services fees charged shall not result in an operating loss for Hospital A.

As Cardiovascular Management has the practical capability to direct Hospital A's relevant activities unilaterally through its sponsorship rights over Hospital A and the Management Service Agreement, Cardiovascular Management can exercise effective control over Hospital A, and hence Hospital A is and will continue to be consolidated into the financial statements of Cardiovascular Management. As a result, Hospital A will be consolidated into the Group's financial statements upon Completion.

V. GENERAL INFORMATION OF THE PARTIES

Information on the Group

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

Information on the Purchaser

The Purchaser is a company incorporated under PRC laws on 17 May 2019 and is an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in the business of development and sales of education software and education consulting services.

Information on the Vendor

Vendor is an investment holding company incorporated under PRC laws on 15 November 2011 and a Controlling Shareholder of the Company. Vendor invests and has operations in four primary industries: including education, IT services, medical devices and healthcare services.

As of the date of this announcement, Dr. Liu, a non-executive Director and a Controlling Shareholder of the Company, indirectly controls Dalian Kang Ruidao Management Consulting Centre (Limited Partnership) (大連康睿道管理諮詢中心（有限合夥）) and Dalian Neusoft Siwei Technology Development Co., Ltd.* (大連東軟思維科技發展有限公司), which collectively hold approximately 40.47% interest in Vendor, and is therefore the single largest ultimate controlling shareholder of Vendor. Save as disclosed above, no other shareholder of Vendor holds 30% or more of the interest in Vendor.

Information on Kangdao Medical

Kangdao Medical is an investment holding company incorporated under PRC laws on 6 February 2024 and is wholly owned by Ms. Zhang as of the date of this announcement.

As of the date of this announcement, Ms. Zhang serves as a director and the chief financial officer of Neusoft Holdings, the chief financial officer of Shanghai Xietong, as well as a supervisor of Dalian Ruikang. To the best of the knowledge, information and belief of the Directors, after making all reasonable enquiries, Ms. Zhang is not a connected person (as defined under Chapter 14A of the Listing Rules) of the Company and is an Independent Third Party as of the date of this announcement.

VI. LISTING RULES IMPLICATIONS

As of the date of this announcement, Neusoft Holdings is a Controlling Shareholder of the Company holding approximately 39.29% of the total issued Shares of the Company. Therefore, pursuant to Chapter 14A of the Listing Rules, Neusoft Holdings is a connected person of the Company, and the Acquisition constitutes a connected transaction of the Company.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is only subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since (i) Dr. Liu holds office in the Vendor, and (ii) each of Dr. Wen Tao and Mr. Sun Yinhuan, holds office in the Vendor, they are deemed to have material interests in the Acquisition and have abstained from voting on the relevant Board resolution. Save as disclosed above, none of the other Directors has a material interest in the Acquisition and is required to abstain from voting on the relevant Board resolution.

As of the date of this announcement, each of Ms. Zhang and Kangdao Medical is an Independent Third Party. Accordingly, the transactions contemplated under the New Contractual Arrangements do not constitute continuing connected transactions of the Company.

As the Completion is subject to the satisfaction and/or waiver, where applicable, of the conditions precedent in the Share Transfer Agreement, the Acquisition may or may not proceed to Completion. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

VII. DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the Sale Shares by the Company from the Vendor pursuant to the Share Transfer Agreement
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of directors of the Company
"Business Day"	the statutory working days in the PRC, i.e. weekdays excluding weekends and public holidays
"Capital Contribution Agreements"	Capital Contribution Agreement I and Capital Contribution Agreement II
"Capital Contribution I"	the capital contribution to be made by Kangdao Medical to Cardiovascular Management under the Capital Contribution Agreement I
"Capital Contribution II"	the capital contribution to be made by Kangdao Medical to Shanghai Xietong under the Capital Contribution Agreement II
"Capital Contribution Agreement I"	the capital contribution agreement dated 26 March 2024 entered into between Kangdao Medical and Cardiovascular Management in relation to the Capital Contribution I
"Capital Contribution Agreement II"	the capital contribution agreement dated 26 March 2024 entered into between Kangdao Medical and Shanghai Xietong in relation to the Capital Contribution II
"Cardiovascular Management"	Dalian Ruikang Cardiovascular Hospital Management Co., Ltd.* (大連睿康心血管醫院管理有限公司), a company incorporated under the PRC laws on 4 February 2021 and an indirect wholly-owned subsidiary of the Target Company as of the date of this announcement
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Company"	Neusoft Education Technology Co. Limited (東軟教育科技有限公司), a company incorporated in the Cayman Islands on 20 August 2018 as an exempted company with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 9616)

"Completion"	completion of the Acquisition, the Capital Contribution I and the Capital Contribution II, details of which are described in the section headed "Completion" in this announcement
"Completion Date"	the date on which the Completion takes place
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, namely Dr. Liu and Neusoft Holdings
"Dalian Ruikang"	Dalian Dongkong Ruikang Medical Management Co., Ltd.* (大連東控睿康醫療管理有限公司), a company incorporated under the PRC laws on 21 July 2019 and a direct wholly-owned subsidiary of the Target Company
"Director(s)"	the director(s) of the Company
"Dr. Liu"	LIU Jiren (劉積仁), a non-executive Director and core founding member of the Group
"Financial Adviser"	SPDB International Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hospital A"	Dalian Ruikang Cardiovascular Hospital* (大連睿康心血管病醫院), a private non-enterprise organization and specialized cardiovascular hospital incorporated under the PRC laws on 31 December 2021 and an indirect wholly-owned subsidiary of the Target Company as of the date of this announcement
"Hospital B"	Dalian Ruikang Zhuomei Stomatological Hospital Co., Ltd.* (大連睿康卓美口腔醫院有限公司), a company incorporated under the PRC laws on 30 November 2022, a specialized stomatological hospital and an indirect wholly-owned subsidiary of the Target Company as of the date of this announcement

"Independent Third Party(ies)"	person(s) who is(are) third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
"Independent Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer engaged by the Company
"Kangdao Medical"	Dalian Kangdao Medical Management Co., Ltd. (大連康道醫療管理有限公司), a company incorporated under PRC laws on 6 February 2024 and is wholly owned by Ms. Zhang as of the date of this announcement
"Liaoning Ruikang"	Liaoning Ruikang Medical Management Service Co., Ltd.* (遼寧睿康醫療管理服務有限公司), a company incorporated under the PRC laws on 4 February 2021 and an indirect wholly-owned subsidiary of the Target Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)
"Ms. Zhang"	Ms. ZHANG Hong (張紅)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Neusoft Healthcare" or the "Target Company"	Neusoft Healthcare Management Co., Ltd.* (東軟健康醫療管理有限公司), a company incorporated under PRC laws on 21 April 2020 and a wholly-owned subsidiary of the Vendor as of the date of this announcement
"Neusoft Holdings" or the "Vendor"	Dalian Neusoft Holdings Co., Ltd.* (大連東軟控股有限公司), a company incorporated under PRC laws, a Controlling Shareholder of the Company
"Neusoft Ruixin" or the "Purchaser"	Dalian Neusoft Ruixin Technology Development Co. Limited* (大連東軟睿新科技發展有限公司), a company incorporated under PRC laws on 17 May 2019 and a wholly-owned subsidiary of the Company

"New Contractual Arrangements"	a series of contractual arrangements to be entered into by and among each of the Purchaser, Kangdao Medical and Ms. Zhang upon Completion, details of which are described in the section headed "The New Contractual Arrangements" in this announcement
"NHC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"OPCOs"	Cardiovascular Management, Shanghai Xietong, Hospital A and Hospital B
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"PRC Legal Advisors"	Tian Yuan Law Firm, the legal advisors to the Company as to the laws of the PRC
"Reporting Accountant"	PricewaterhouseCoopers
"RMB"	Renminbi, the lawful currency of the PRC
"Ruikang Yiyang"	Ruikang Zhijia (Dalian) Yiyang Co., Ltd.* (睿康之家(大連)頤養有限公司), a company incorporated under PRC laws on 11 August 2023 and a direct wholly-owned subsidiary of the Target Company
"Sale Shares"	100% equity interest in the Target Company
"SFO"	the Securities and Futures Ordinance of Hong Kong, (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shanghai Xietong"	Shanghai Ruikang Xietong Medical Service Co., Ltd.* (上海睿康協同醫療服務有限公司), a company incorporated under PRC laws on 18 November 2022 and a direct wholly-owned subsidiary of the Target Company as of the date of this announcement
"Share(s)"	the ordinary share(s) of HK$0.0002 each in the share capital of the Company
"Share Transfer Agreement"	the share transfer agreement dated 26 March 2024 entered into among the Purchaser, the Vendor and the Target Company in relation to the Acquisition

"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed thereto under the Listing Rules
"Target Group"	Target Company and its subsidiaries, including Cardiovascular Management, Shanghai Xietong, Hospital A and Hospital B
"Valuation Benchmark Date"	31 October 2023, being the date on which the appraised value of the Sale Shares was determined as set out in the Valuation Report
"Valuation Report"	the valuation report dated 26 March 2024 prepared by the Independent Valuer in respect of the Sale Shares
"VIE Target Companies"	entities to be controlled by the Company and the financial results of which will be consolidated and accounted for as subsidiaries of the Company, through the New Contractual Arrangements, being Kangdao Medical and the OPCOs
"%"	per cent

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

Hong Kong, 26 March 2024

As at the date of this announcement, the Board comprises Dr. LIU Jiren as Chairperson and non-executive director; Dr. WEN Tao as executive director; Mr. RONG Xinjie, Dr. ZHANG Xia, Dr. ZHANG Yinghui and Mr. SUN Yinhuan as non-executive directors (aside from our Chairperson); and Dr. LIU Shulian, Dr. QU Daokui and Dr. WANG Weiping as independent non-executive directors.

* *for identification purposes only*

Key Assumptions

In determining the market value of the Sale Shares, the following key assumptions have been made:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions from present and/or from what is expected, which might adversely affect the business of the Target Company;

- The operational and contractual terms stipulated in the contracts and agreements associated with the Target Company will be honored;

- The Independent Valuer has been provided with copies of the business licenses and company incorporation documents. The Independent Valuer has assumed such information to be reliable and legitimate. The Independent Valuer has relied to a considerable extent on such information provided in arriving at its opinion of value;

- It is assumed the accuracy of the financial and operational information provided to it by the Target Company and relied to a considerable extent on such information in arriving at its opinion on the market value of the Sale Shares;

- There will be no material change in the capital structure and core operations of the Target Company from what is present and/or expected;

- All relevant laws, statutes, ordinances and regulations pertaining to the Target Company are complied with and where applicable, renewable upon expiry; and

- It is assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, the Independent Valuer assumes no responsibility for changes in market conditions after the Valuation Benchmark Date.

Valuation Model and Input Parameters

Financial forecast

The market value of the Sale Shares was calculated using the financial forecast prepared by the management of the Target Company. The Independent Valuer was given to understand that the financial forecast was prepared with reference to the market research reports prepared by China Insights Industry Consultancy Limited and that China Insights Industry Consultancy Limited confirmed that the key parameters in the financial forecast were within reasonable range. Such financial forecast was adopted in the valuation without any adjustments. The financial forecast is projected till 31 December 2028. Key parameters of the financial forecast and relevant analysis are summarized below:

Date Beginning	1 November 2023	1 January 2024	1 January 2025	1 January 2026	1 January 2027	1 January 2028
Date Ending	**31 December 2023**	**31 December 2024**	**31 December 2025**	**31 December 2026**	**31 December 2027**	**31 December 2028**
			RMB million			
Total inpatient revenue – Cardiovascular Hospital	7.1	62.9	100.4	148.3	199.4	244.8
Total outpatient revenue – Cardiovascular Hospital	3.4	15.5	21.4	27.4	32.6	39.1
Total outpatient revenue – Stomatological Hospital	2.0	21.8	37.4	52.7	66.0	74.2
Other income – Target Company Corporate Level	0.2	2.2	3.0	4.0	5.0	5.9
Total Revenue	12.8	102.5	162.2	232.3	303.0	364.1
Labor costs – Cardiovascular Hospital	(6.8)	(49.3)	(52.4)	(55.8)	(63.2)	(66.5)
Labor costs – Stomatological Hospital	(1.2)	(14.2)	(15.8)	(20.6)	(24.9)	(27.6)
Labor costs – Target Company Corporate Level	(5.6)	(18.4)	(19.3)	(20.3)	(21.3)	(22.4)
Costs of pharmaceutical and medical consumables – Target Company Corporate Level	(5.1)	(32.9)	(52.9)	(75.2)	(97.5)	(117.5)
Other Operating Expenses	(2.8)	(19.9)	(22.7)	(27.0)	(29.4)	(30.1)
EBITDA	(8.6)	(32.3)	(1.0)	33.5	66.7	100.0

Discounted rate

Weighted Average Cost of Capital ("**WACC**") is the total cost of capital of a company calculated on a weighted average basis for each type of capital. All sources of capital included in WACC are: common share, preferred share, bonds and other long-term debt. The concept of WACC is to incorporate the different costs of capital for all sources of the Target Company's capital and weight by their proportionate share of total capital to determine the Target Company's overall cost of capital. The equation of WACC is shown as follows:

$$WACC = Ke \times \frac{E}{(D + E)} + Kd \times (1 - T) \times \frac{D}{(D + E)}$$

Which:

Ke = Cost of equity of required return on equity
Kd = Required return on debt
E = Fair value of the firm's equity
D = Fair value of the firm's debt
T = Corporate tax rate

Required return on equity

The Capital Assets Pricing Model ("**CAPM**") is used to estimate the required return on equity of the Target Company. The CAPM is a fundamental tenet of modern portfolio theory which is a generally accepted basis for marketplace valuations of equity capital. The CAPM is widely accepted in the investment and financial analysis communities for the purpose of estimating a company's required return on equity capital.

The equation of CAPM is shown as follows:

$$Ke = R_f + \beta \times ERP + Rc + Rs + \varepsilon$$

Which:

Rf = Risk free rate
ERP = Equity market risk premium
β = Relevered beta
Rc = Country market risk premium
Rs = Size premium
ε = Specific risk premium

The CAPM is often used to calculate the required rate of return on equity investments between publicly traded companies.

In determining the WACC of the Sale Shares, the following parameters have been used:

Parameter	**As at 31 October 2023**	**Remark**	**Source**
Risk-free Rate	2.48%	Based on 10-year China fixed rate government bond	S&P CapitalIQ
Relevered Beta	0.98	Based on relevered 3-year beta of the comparable companies	S&P CapitalIQ
China Market Risk Premium	6.07%	Based on long term market risk premium of China	Damodaran, Equity Risk Premium
Country Risk Premium	0.00%	Based on differential in country risk premium of the United States and China	Damodaran, Country Risk Premium
Size Premium	3.02%	Based on size of the Target Company	Duff & Phelps Costs of Capital Navigator
Company – specific Risk Premium	5.50%	Estimated to reflect combined risk premium for operation and financial uncertainties involved in the Target Company as compared to the comparable companies	Not Applicable
Cost of Equity	16.93%	Calculated according to the equation of CAPM as stated above	Not Applicable
Debt-to-equity Ratio	14.38%	Based on 3-year debt-to-equity ratio of the comparable companies	S&P CapitalIQ
Cost of Debt	3.15%	Above 5-year best lending rate of China, tax adjusted	People's Bank of China
WACC	15.19%	Calculated according to the equation of WACC as stated above	Not Applicable

Comparable Companies

Comparable companies are selected for: (i) establishing the discount rate which reflects the most similar degrees of systematic risk (represented by beta) among the Target Company and the comparable companies. It gives a benchmark in measuring the systematic risk between the industry (that the Target Company belongs to) and the overall market; and (ii) conducting the sanity check on the reasonableness of some of the financial ratios on the financial forecast of the Target Company such as gross margin ratios and profit margin ratios.

The selection criteria in identifying the comparable companies includes the followings:

- The companies derive most, if not all, of their revenues from the same industry of the Target Group, i.e. hospital services;
- The comparable companies are searchable in S&P CapitalIQ;
- The comparable companies are publicly listed; and
- Sufficient data as of the Valuation Benchmark Date of the comparable companies is available.

Sensitivity Analysis

A sensitivity analysis was prepared to project the results based on the changes of discount rate.

The following table summarizes the resulting values of the Sale Shares based on changes of discount rate:

Discount Rate *(%)*	**Market Value of the Sale Shares** *(RMB)*
14.2	111,000,000
15.2	81,000,000
16.2	54,000,000

APPENDIX II: LETTER FROM THE FINANCIAL ADVISER

The following is the full text of the report from the Financial Adviser, for the purpose of among other things, incorporation into this announcement.

The Board of Directors
Neusoft Education Technology Co. Limited
Suite 903, 9th Floor, Great Eagle Center
No. 23 Harbour Road
Wanchai
Hong Kong

26 March 2024

Ladies and Gentlemen:

We refer to the announcement of Neusoft Education Technology Co. Limited (the "**Company**") dated 26 March 2024 (the "**Announcement**") in relation to the proposed acquisition of 100% equity interest in Neusoft Healthcare Management Co., Ltd. (東軟健康醫療管理有限公司, the "**Target Company**") by the Company from Dalian Neusoft Holdings Co., Ltd. (大連東軟控股有限公司, the "**Vendor**") (the "**Acquisition**"). Unless otherwise defined or if the context otherwise requires, all terms defined in the Announcement shall have the same meaning when used in this letter.

The Announcement refers to the valuation of the Sale Shares by an independent valuer, namely Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Independent Valuer**"), which are contained in the valuation report dated 26 March 2024 (the "**Valuation Report**") prepared by the Independent Valuer for the purpose of the Acquisition. We understand that the Valuation Report and certain other documents relevant to the Acquisition have been provided to you as Directors of the Company in connection with your consideration of the Acquisition. We understand that the Independent Valuer has adopted income approach for valuation of the Sale Shares in the Valuation Report, which is regarded as profit forecast (the "**Profit Forecast**") under Rule 14.61 of the Listing Rules.

For the purpose of this letter, we have (1) reviewed the Profit Forecast included in the Valuation Report and disclosed in the Announcement, for which you as the Directors are solely responsible, (2) made enquiries with you, the management of the Company and the Independent Valuer regarding the qualifications, bases and assumptions upon which the Profit Forecast in the Valuation Report has been made, and (3) reviewed the reports to the Directors from PricewaterhouseCoopers dated 26 March 2024, as set forth in Appendix III to the Announcement regarding the calculations of discounted future cash flows on which the Profit Forecast is based. The Profit Forecast is based on a number of bases and assumptions. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the business of the Target Company may or may not achieve as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the Independent Valuer and the Company, for which the Independent Valuer and the Company are solely responsible, we are of the opinion that the Profit Forecast disclosed in the Announcement have been made after due and careful enquiry by you. The Directors are responsible for such Profit Forecast, including the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation Report. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation Report and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances. For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein.

The work undertaken by us is for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose. We have not independently verified the assumptions or computations leading to the valuation as set out in the Valuation Report. We have had no role or involvement and have not provided and will not provide any assessment of the valuation as set out in the Valuation Report. We have assumed that all information, materials and representations provided to us by the Company and the Independent Valuer, including all information, materials, and representations referred to or contained in the Announcement were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of this letter and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truthfulness or completeness of such information, materials or representations. Accordingly, we accept no responsibility, whether expressly or implicitly, on the valuation as set out in the Valuation Report.

Yours faithfully,

For and on behalf of

SPDB International Capital Limited
Mabel Lam
Managing Director

The following is the full text of the report from the Company's reporting accountant, PricewaterhouseCoopers, for inclusion in this announcement.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF NEUSOFT HEALTHCARE MANAGEMENT CO., LTD.

TO THE BOARD OF DIRECTORS OF NEUSOFT EDUCATION TECHNOLOGY CO. LIMITED

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the valuation (the "**Valuation**") dated 26 March 2024 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in respect of the appraisal of the fair value of the 100% equity interests in Neusoft Healthcare Management Co., Ltd. (the "**Target Company**") is based. The Valuation is set out in the announcement of Neusoft Education Technology Co. Limited (the "**Company**") dated 26 March 2024 (the "**Announcement**") in connection with the proposed acquisition by the Company of 100% equity interest in the Target Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows, including the bases and assumptions set out in Appendix I of the Announcement on which the discounted future estimated cash flows are based. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 (HKSQM), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility, pursuant to paragraph 14.62(2) of the Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows, and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions set out on Appendix I of the Announcement. The extent of procedures selected depends on the Reporting Accountant's judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

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

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the directors of the Company as set out in Appendix I of the Announcement.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 March 2024