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Neuedu

東軟教育科技有限公司

Neusoft Education Technology Co. Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9616)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 13.25% EQUITY INTEREST IN THE TARGET COMPANY

BACKGROUND

Reference is made to the announcement of the Company dated 19 November 2020 in relation to the potential acquisition of certain equity interest in the Target Company.

The Board announces that on 25 February 2021 (after trading hours), Dalian Sidi and Dalian Xindi entered into the SPA I and SPA II with PICC Life and PICC Health, respectively, in relation to the Acquisition. The principal terms of the SPA I and SPA II are set out below.

LISTING RULES IMPLICATIONS

As each of PICC Life and PICC Health is majority-controlled by PICC Group, the PICC Group is a substantial shareholder of the Target Company, which is a non-wholly-owned subsidiary of the Company. PICC Group is a connected person at the subsidiary level of the Company. Therefore, both SPA I and SPA II constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, since (i) the Board has approved SPA I and SPA II; and (ii) the independent non-executive Directors have confirmed that the terms of the SPA I and SPA II are on normal commercial terms and are fair and reasonable and the SPA I and SPA II are in the interests of the Company and its shareholders as a whole, the SPA I and SPA II are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement.

As the SPA I and SPA II involve the acquisition of equity interest in the Target Company and were entered into with parties connected and within a 12-month period, the SPA I and II are required to be aggregated for the purpose of calculating the applicable percentage ratios (as defined under the Listing Rules). As one or more of such applicable percentage ratios of the SPA I and SPA II in aggregate exceed 5% but all are below 25%, the SPA I and SPA II in aggregate constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 19 November 2020 in relation to the potential acquisition of certain equity interest in the Target Company.

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SPA I

Date

25 February 2021

Parties

- (a) Dalian Sidi (as purchaser); and
- (b) PICC Life (as vendor).

Subject Matter

Pursuant to and subject to the terms and conditions of the SPA I, Dalian Sidi has agreed to purchase and PICC Life has agreed to sell Sale Shares I (representing 8.40% of the total issued share capital of the Target Company).

Consideration and Payment Terms

Pursuant to the SPA I, the Consideration I for the Sale Shares I is RMB263,770,035. The Consideration I is payable by Dalian Sidi to PICC Life as follows:

- (a) 30% of the Consideration I shall be payable in cash by Dalian Sidi to PICC Life within 30 days after signing the SPA I. However, if the relevant industrial and commercial registration of change in relation to the Sale Shares I is completed within 30 days after the signing date of the SPA I, the aforementioned 30% of the Consideration I shall be payable in the next day immediately after the completion of the relevant industrial and commercial registration of change; and

- (b) 70% of the Consideration I shall be payable in cash by Dalian Sidi to PICC Life within 30 days after the completion of the relevant industrial and commercial registration of change. However, if the relevant industrial and commercial registration of change is not completed within 60 days after signing the SPA I, the 70% of the Consideration I shall be payable no later than 120 day after signing the SPA I.

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

SPA II

Date

25 February 2021

Parties

- (a) Dalian Xindi (as purchaser); and
- (b) PICC Health (as vendor).

Subject Matter

Pursuant to SPA II and subject to the terms and conditions of the SPA II, Dalian Xindi has agreed to purchase and PICC Health has agreed to sell Sale Shares II (representing 4.85% of the total issued share capital of the Target Company).

Consideration and Payment Terms

Pursuant to the SPA II, the Consideration II is RMB152,295,794. The Consideration II is payable by Dalian Xindi to PICC Life as follows:

- (a) 30% of the Consideration II shall be payable in cash by Dalian Xindi to PICC Health within 30 days after signing the SPA II. However, if the relevant industrial and commercial registration of change in relation to the Sale Shares II is completed within 30 days after the signing date of the SPA II, the aforementioned 30% of the Consideration II shall be payable in the next day immediately after the completion of the relevant industrial and commercial registration of change; and

- (b) 70% of the Consideration II shall be payable in cash by Dalian Xindi to PICC Health within 30 days after the completion of the relevant industrial and commercial registration of change. However, if the relevant industrial and commercial registration of change is not completed within 60 days after signing the SPA II, the 70% of the Consideration II shall be payable no later than 120 day after signing the SPA II.

The Consideration II was determined based on normal commercial terms and after arm's length negotiation between the parties to the SPA II, with reference to (i) the initial bidding price calculated according to a specific formula with reference to the Company's average trading share price pursuant to the share purchase agreement dated 6 May 2019, the supplement agreement I dated 13 March 2020 and the supplemental agreement II dated 18 February 2021 entered into between PICC Life, PICC Health and Neusoft Holdings; and (ii) the Valuation Report. It is intended that the Consideration II will be financed by internal resources of the Group.

Each of PICC Life (which holds approximately 8.40% interest in the Target Company) and PICC Health (which holds approximately 4.85% interest in the Target Company) is majority-controlled by The People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司) ("PICC Group"). As such, PICC Group holds 13.25% equity interest in the Target Company, an indirectly non-wholly owned subsidiary of the Company, and is therefore a connected person of the Company at the subsidiary level.

Completion

Completion will take place on the date on which (i) payment of the Consideration I and II are made by Dalian Sidi and Dalian Xindi, respectively or (ii) the relevant industrial and commercial registration in relation to Sale Share I and Sale Share II is completed, whichever is earlier.

Upon Completion of SPA I and SPA II, the Target Company will be indirectly owned as to 94.07% by Company and its financial results will continue to be consolidated into the consolidated financial statements of the Group.

INFORMATION OF THE GROUP

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

Both Dalian Sidi and Dalian Xindi, which are both indirectly wholly-owned subsidiaries of the Company, are investment holdings companies.

INFORMATION OF THE VENDORS

PICC Life is a company established under the laws of the PRC with limited liability and is principally engaged in the business of life insurance, accident insurance and other insurance. PICC Health is a company established under the laws of the PRC with limited liability and is principally engaged in the business of health insurance. Both of PICC Life and PICC Health are majority-controlled by PICC Group, which is majority-controlled by Ministry of Finance of the People's Republic of China (中華人民共和國財政部).

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability, which is principally engaged in the business of development and sales of education software and education consulting services. As at the date of this announcement, it is held as to 80.82% by the Company, 13.25% by PICC Shareholders and 5.93% by Northeastern University Group. Based on the financial statements of the Target Company prepared in accordance with the PRC Accounting Standards, the consolidated financial information of the Target Company for the two years ended 31 December 2019 and 31 December 2020 was as follows:

	For the year ended 31 December	
	2019 <i>(audited)</i> RMB\$'000	2020 <i>(unaudited)</i> RMB\$'000
Net profit before taxation	203,206	179,827
Net profit after taxation	177,820	142,518

The unaudited consolidated net asset value of the Target Company as at 31 December 2020 was approximately RMB952,929,000 (equivalent to approximately HK\$1,143,437,046).

VALUATION

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

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

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE SPA I AND SPA II

The Directors consider that the Acquisition under the SPA I and SPA II will enable the Group to increase its interest in the Target Company to 94.07%, thereby enhancing control and influence over the management and operation of the operating entities of the Group, and offering greater flexibility in business strategy to the Group.

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

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

LISTING RULES IMPLICATIONS

As each of PICC Life and PICC Health is majority-controlled by PICC Group, the PICC Group is a substantial shareholder of the Target Company, which is a non-wholly-owned subsidiary of the Company. PICC Group is a connected person at the subsidiary level of the Company. Therefore, both SPA I and SPA II constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, since (i) the Board has approved SPA I and SPA II; and (ii) the independent non-executive Directors have confirmed that the terms of the SPA I and SPA II are on normal commercial terms and are fair and reasonable and the SPA I and SPA II are in the interests of the Company and its shareholders as a whole, the SPA I and SPA II are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement.

As the SPA I and SPA II involve the acquisition of equity interest in the Target Company and were entered into with parties connected and within a 12-month period, the SPA I and II are required to be aggregated for the purpose of calculating the applicable percentage ratios (as defined under the Listing Rules). As one or more of such applicable percentage ratios of the SPA I and SPA II in aggregate exceed 5% but all are below 25%, the SPA I and SPA II in aggregate constitute a discloseable transaction of the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares I and Sale Shares II by the Purchaser pursuant to the SPA I and SPA II
“Board”	the board of Directors

“Company”	Neusoft Education Technology Co. Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 9616)
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the SPA I and SPA II
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration I”	the total consideration for the Sale Shares I under the SPA I
“Consideration II”	the total consideration for the Sale Shares II under the SPA II
“Dalian Sidi”	Dalian Sidi Technology Development Co., Ltd.* (大連思迪科技有限公司), a company incorporated under the PRC laws on 23 September, 2020 and an indirectly wholly-owned subsidiary of the Company
“Dalian Xindi”	Dalian Xindi Technology Development Co., Ltd.* (大連新迪科技有限公司), a company incorporated under the PRC laws on 23 September, 2020 and an indirectly wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Neusoft Holdings”	Dalian Neusoft Holdings Co., Ltd. (大連東軟控股有限公司), a company incorporated under the PRC laws on 15 November 2011, a controlling shareholder of the Company
“Northeastern University Group”	Northeastern University Science & Technology Industry Group Co., Ltd.* (東北大學科技產業集團有限公司), a shareholder of the Target Company
“PICC Health”	PICC Health Insurance Company Limited (中國人民健康保險股份有限公司), a shareholder of the Target Company

“PICC Life”	PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司), a shareholder of the Target Company
“PICC Shareholders”	PICC Health and PICC Life
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Purchaser”	Dalian Sidi and Dalian Xindi
“RMB”	Renminbi, the lawful currency of PRC
“Sale Shares I”	8.40% equity interest in the Target Company
“Sale Shares II”	4.85% equity interest in the Target Company
“SPA I”	a sale and purchase agreement dated 25 February 2021 entered into between Dalian Sidi and PICC Life in relation to the acquisition of the Sale Shares I
“SPA II”	a sale and purchase agreement dated 25 February 2021 entered into between Dalian Xindi and PICC Health in relation to the acquisition of the Sale Shares II
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Dalian Neusoft Ruixin Technology Development Co. Limited (大連東軟睿新科技發展有限公司), a company incorporated under PRC laws with limited liability
“Universities”	Dalian Neusoft University of Information, Chengdu Neusoft University and Neusoft Institute of Guangdong
“%”	per cent

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

Hong Kong, 25 February 2021

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

* *For identification purposes only*