

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

# 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)**

### **SUPPLEMENTAL ANNOUNCEMENT CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF NEUSOFT HEALTHCARE**

Reference is made to the announcement of Neusoft Education Technology Co. Limited (the “**Company**”) dated 26 March 2024 (the “**Announcement**”) regarding the connected transaction in relation to the acquisition of Neusoft Healthcare. Unless the context otherwise requires, capitalized terms used in this supplemental announcement shall have the same meanings as those defined in the Announcement.

The Company would like to provide the Shareholders and potential investors of the Company with supplemental information as follows:

#### **ADDITIONAL INFORMATION ON THE VALUATION**

The Target Group is in the early-stage of operation and is therefore in the process of building its brand name and attract patient visits. In particular, Hospital A and Hospital B started operation in 2022 and 2023, respectively. Further, the market value of the Sale Shares was calculated using the financial forecast prepared by the management of the Target Company, which was projected for the two months ended 31 December 2023 and the five years ending 31 December 2028 (the “**Forecast Period**”).

## Projected Revenue

The projected revenue of the Target Group during the Forecast Period, which was calculated by multiplying (a) the forecasted number of patient visits times (b) the forecasted average patients expenses (excluding tax), was provided by the management of the Target Group based on its business plan and with reference to the industry report issued by China Insights Consultancy (the “**Industry Report**”) after considering the following:

- (1) **Forecasted number of patient visits** – The forecasted number of patient visits was determined primarily based on (i) the disciplinary expansion and development plan of each hospital; (ii) the Target Group’s collaboration with top-tier medical associations in PRC; (iii) the Target Group’s brand building and revenue channel expansion activities; (iv) spillover of unmet market demand from hospitals operating at full capacity which offer similar disciplinary settings; and (v) doctors’ revenue target set by hospital management each year.
- (2) **Forecasted average patients expenses** – The forecast average patients expenses was determined primarily based on (i) the regulated pricing set by the diagnosis-related group payment system in Dalian; and (ii) the increasing proportion of patients receiving surgeries during the Forecast Period.
- (3) **The historical trend of the revenue growth of the Target Group** – The Target Group recorded an increase in total revenue by approximately 162.1% from approximately RMB24.3 million for the year ended 31 December 2022 to RMB63.7 million for the year ended 31 December 2023, while the projected revenue growth of the Target Group for each of the five years ending December 31, 2028 is estimated to be in the range of approximately 20.1% to 60.8%, which is below the historical trend of the Target Group.

In addition, the projected EBITDA margin of the Target Group fall within the range of the EBITDA margin of the comparable companies selected by the Independent Valuer. As disclosed in the Announcement, comparable companies were selected by the Independent Valuer for the purposes of establishing discount rate and conducting sanity check on the reasonableness of some of the financial ratios on the financial forecast of the Target Group. The EBITDA margin of such comparable companies was in the range of approximately 2.1% to 29.9%, while the projected EBITDA margin of the Target Group for the years ending 31 December 2026, 2027 and 2028 is estimated to be approximately 14.4%, 22.0% and 27.5% (the projected EBITDA margin is not applicable for the years ending 31 December 2024 and 2025 as the projected EBITDA of the Target Group is negative), thus fall within the range of the EBITDA margin of the above-mentioned comparable companies.

## Industry Background Information of the Target Group

### *Cardiovascular hospital industry in Dalian city*

First, according to the Industry Report, leading cardiovascular departments in Dalian routinely operate at their maximum capacity, particularly during high-demand seasons (i.e., autumn and winter) when the scarcity of beds is markedly exacerbated. This situation underscores a significant gap between the demand and the provision of top-tier cardiovascular healthcare services within the region on one hand and a considerable market potential on the other hand.

Second, according to the Industry Report, Dalian Ruikang can benefit from its strategic alliance with the Second Hospital of Dalian Medical University Cardiovascular Hospital (大連醫科大學附屬第二醫院), which has one of leading cardiovascular departments in Dalian. The alliance affords substantial advantages in terms of resources and patient referrals, therefore fostering an environment conducive to accelerated revenue expansion.

#### *Dental services industry in Dalian city*

Dalian has officially implemented the mutual-aid mechanism for covering outpatient bills under its basic medical insurance system for the employed population on January 1, 2023. A wider range of dental services in Dalian are therefore eligible for reimbursement through the basic medical insurance system. As such, the out-of-pocket costs for insured dental services at stomatology hospitals that accept payments through the basic medical insurance system have seen a significant reduction.

According to the Industry Report, the policy change has therefore substantially transformed the competitive landscape of Dalian's dental service industry, where the market share of stomatology hospitals in Dalian that accept payments through the basic medical insurance system is expected to increase rapidly in the near future. The rapid increase in market share presents a substantial business opportunity for stomatology hospitals that accept payments through the basic medical insurance system. Since Hospital B is positioned as a stomatology hospital that supports payments through the basic medical insurance system, it is highly likely for Hospital B to leverage on the market shift and be poised for the accelerated growth.

#### **INFORMATION ON THE VENDOR**

As of the date of this announcement, (i) 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; (ii) The People's Insurance Company (Group) of China Limited (a company listed on the Stock Exchange (stock code: 1339) and the Shanghai Stock Exchange (stock code: 601319)) directly controls PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司) and PICC Health Insurance Company Limited (中國人民健康保險股份有限公司), which collectively hold approximately 22.08% interest in Vendor; (iii) Yida Holdings Co., Ltd. (億達控股有限公司), which is ultimately owned by Mr. Sun Yinhuan (a non-executive Director) as to 40%, Mr. Sun Tongmin (孫桐民) (son of Mr. Sun Yinhuan) as to 30% and Ms. Cheng Huiyan (程慧艷) (spouse of Mr. Sun Yinhuan) as to 30%, holds approximately 17.51% interest in Vendor; (iv) Northeastern University Science & Technology Industry Group Co., Ltd. (東北大學科技產業集團有限公司), which is a wholly-owned subsidiary of Northeastern University (東北大學) and is ultimately controlled by the Ministry of Education, holds approximately 9.88% interest in Vendor; (v) Alpine Electronics (China) Co., Ltd. (阿爾派電子(中國)有限公司), which is an indirect subsidiary of Alps Alpine Co., Ltd. (a company listed on the Tokyo stock exchange (stock code: TSE-67700)), holds approximately 7.57% interest in Vendor; and (vi) Mr. LIU Ming (劉明) (an Independent Third Party) holds approximately 2.47% interest in Vendor.

This announcement is supplemental to and should be read in conjunction with the Announcement. The above additional information does not affect other information and content set out in the Announcement. Save as disclosed herein, the contents of the Announcement remain unchanged and shall continue to be valid for all purposes.

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

Hong Kong, 16 May 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 Yinjuan as non-executive Directors (aside from our Chairperson); and Dr. LIU Shulian, Dr. QU Daokui and Dr. WANG Weiping as independent non-executive Directors.*