THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **NetDragon Websoft Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NetDragon

NetDragon Websoft Holdings Limited
網龍網絡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 777)

(1) MAJOR TRANSACTION IN RELATION TO THE MERGER
(2) MAJOR DISPOSAL AND PROPOSED SPIN-OFF OF ELMTREE
(3) DISTRIBUTION IN SPECIE
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Shareholders

Gram Capital Limited
嘉林資本有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 12 to 50 of this circular and a letter of recommendation from the Independent Board Committee to the Shareholders is set out on pages 51 to 52 of this circular. A letter of advice from Gram Capital to the Independent Board Committee and the Shareholders is set out on pages 53 to 81 of this circular.

A notice convening the EGM of the Company to be held at 3:00 p.m. on Friday, 14 July 2023 at Boardroom 3-4, M/F, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible or in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

This circular together with the form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.nd.com.cn).

References to time and dates in this circular are to Hong Kong time and dates.

26 June 2023

CONTENTS

		Page
DEFINITIONS		1
LETTER FROM THE BOARD		12
LETTER FROM THE INDEPENDENT BOARD COMMITTEE		51
LETTER FROM GRAM CAPITAL		53
APPENDIX I	– FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II	– FINANCIAL INFORMATION OF GEHI'S SINGAPORE OPERATIONS	II-1
APPENDIX III	– UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	III-1
APPENDIX IV	– MANAGEMENT DISCUSSION AND ANALYSIS OF GEHI'S SINGAPORE OPERATIONS	IV-1
APPENDIX V	– GENERAL INFORMATION	V-1
NOTICE OF EGM		EGM-1

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"ACP Investor"	Nurture Education (Cayman) Limited, an exempted company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of ACP Fund II, the general partner of which is Ascendent Capital Partners II GP, L.P., whose general partner is in turn Ascendent Capital Partners II GP Limited;
"ADS"	American depositary shares;
"AI"	has the meaning ascribed to it under the section headed "*Basis for Determination of Considerations*" in the letter from the Board;
"Alternative Disclosures"	has the meaning ascribed to it under the section headed "*Waiver from Strict Compliance with the Listing Rules*" in the letter from the Board;
"Announcement"	the announcement of the Company dated 18 April 2023 in relation to, among other things, the Merger, the Proposed Spin-off and the Distribution in Specie;
"Best Assistant"	Best Assistant Education Online Limited, an exempted company incorporated in the Cayman Islands with limited liability, indirectly owned as to approximately 69.79% (on fully diluted basis assuming all series A and B shareholdings have been converted and the existing employee share award pool has been granted) by the Company as at the Latest Practicable Date;
"Best Assistant Redemption"	after the eLMTree Restructuring and immediately prior to Closing, (a) the granting of all shares reserved by Best Assistant under the share award scheme of Best Assistant, (b) the cancellation of certain inter-company loans from the Company or ND (BVI) (a wholly-owned subsidiary of the Company), on the one hand, to Best Assistant or any subsidiary thereof, on the other hand, in the aggregate amount of RMB561,000,000 in exchange for the issuance of certain ordinary shares of Best Assistant to ND (BVI), and (c) the repurchase of the interests in Best Assistant held by all existing shareholders of Best Assistant (other than one ordinary share of Best Assistant held by ND (BVI)) in exchange for ordinary shares of eLMTree in a manner permitted by applicable law, after which Best Assistant will become an indirect wholly-owned subsidiary of the Company;

"Board"	the board of Directors;
"BVI"	British Virgin Islands;
"Cash Requirement"	with respect to: (i) eLMTree, means that the working capital of eLMTree equals or exceeds US$25,000,000; and (ii) GEHI, means that the net cash of GEHI equals or exceeds US$15,000,000;
"Closing"	consummation of the Merger and the other transactions contemplated thereunder in accordance with the terms of the Merger Agreement;
"Closing Date"	the date on which the Merger takes place, being the tenth (10th) business days after satisfaction or waiver of the conditions set forth in the Merger Agreement, or such other date as GEHI and Best Assistant may mutually agree in writing;
"Company"	NetDragon Websoft Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00777);
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules;
"CVTE"	Guangzhou Shiyuan Electronic Technology Company Limited, a company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002841.SZ);
"Deed of Amendment, Conditional Waiver and Redemption"	the deed of amendment, conditional waiver and redemption in relation to the Existing ACP Bonds dated 18 April 2023 entered into by and among the Company, Best Assistant, ND (BVI), the ACP Investor and other parties to the purchase agreement of the Existing ACP Bonds dated 10 November 2019;
"Deloitte"	Deloitte Touche Tohmatsu, the reporting accountant to the Company;
"Director(s)"	the director(s) of the Company;

"Dissenting eLMTree Shares"	eLMTree ordinary shares issued and outstanding immediately prior to the Effective Time held by holders who have validly exercised, or have not otherwise lost, their dissenters' rights for such eLMTree ordinary shares in accordance with the Merger Agreement and the Companies Act of the Cayman Islands;
"Distribution in Specie"	the special dividend to the Shareholders by way of the distribution in specie of certain GEHI Ordinary Shares to be held by the Company (indirectly through ND (BVI)) after Closing (or cash alternative under certain circumstances with reference to the closing price of GEHI's shares on the Closing Date, subject to a cap of US$1.7464 per GEHI Ordinary Share and the relevant requirements under U.S. law), in proportion to their respective shareholdings in the Company;
"Divestiture Purchaser"	Rainbow Companion, Inc., an exempted company incorporated in the Cayman Islands with limited liability;
"DJM"	DJM Holding Ltd., a company incorporated in the BVI with limited liability and a substantial shareholder of the Company holding approximately 35.74% of the Shares as at the Latest Practicable Date;
"EBITDA"	has the meaning ascribed to it under the section headed "*Basis for Determination of Considerations*" in the letter from the Board;
"Edmodo"	Edmodo, LLC, a limited liability company incorporated under the laws of the State of Delaware of the United States and a wholly-owned subsidiary of Promethean, which is principally engaged in developing and operating an online education platform under the brand Edmodo World as part of the Spin-off Business;
"Effective Time"	the time at which the plan of merger is duly filed with and registered by the Registrar of Companies of the Cayman Islands, which is expected to occur on the Closing Date, or such later date agreed by the parties pursuant to the Merger Agreement;

"EGM"	the extraordinary general meeting of the Company to be held at Boardroom 3-4, M/F, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Friday, 14 July 2023 at 3:00 p.m. for the purpose of considering and, if thought fit, approving the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie;
"Elernity Thailand"	Elernity (Thailand) Co., Ltd., a company incorporated in Thailand and a wholly-owned subsidiary of Best Assistant, which is principally engaged in the sale of Promethean's interactive displays and Edmodo's platform in the Kingdom of Thailand as part of the Spin-off Business;
"eLMTree"	an exempted company to be incorporated in the Cayman Islands as soon as reasonably practicable after the date of the Merger Agreement, as a direct or indirect wholly-owned subsidiary of Best Assistant and an indirect non wholly-owned subsidiary of the Company. As at the Latest Practicable Date, eLMTree is still in the process of being incorporated;
"eLMTree Parties"	has the meaning ascribed to it under the section headed "*Merger and Proposed Spin-off*" in the letter from the Board;
"eLMTree Restructuring"	incorporation by Best Assistant of eLMTree as its wholly-owned subsidiary and transfer of the Spin-off Business by Best Assistant to eLMTree prior to Closing pursuant to the terms and conditions of the Merger Agreement;
"Enlarged Group"	the Group upon Closing;
"EV/EBITDA"	has the meaning ascribed to it under the section headed "*Basis for Determination of Considerations*" in the letter from the Board;
"Excluded eLMTree Shares"	all eLMTree ordinary shares that are owned by GEHI, eLMTree, Merger Sub or any wholly-owned subsidiary of eLMTree immediately prior to the Effective Time;

"Existing ACP Bonds"	the secured convertible and exchangeable redeemable bonds due on the fifth (5th) anniversary from the bond issue date in the principal amount of US$150 million (equivalent to approximately HK$1,177.5 million) issued by Best Assistant to the ACP Investor on 9 March 2020 pursuant to the Bond and Warrant Purchase Agreement dated 10 November 2019 (as amended from time to time) entered into by the Company, Best Assistant, the ACP Investor and the other parties named therein and the terms and conditions governing such bonds;
"Existing GEHI ESOPs"	has the meaning ascribed to it under the section headed "*Termination of the Existing GEHI ESOPs and Adoption of the New ESOP*" in the letter from the Board;
"GEHI"	Gravitas Education Holdings, Inc., an exempted company incorporated in the Cayman Islands with limited liability listed on the NYSE (NYSE: GEHI);
"GEHI Board"	the board of directors of GEHI;
"GEHI Class A Shares"	class A ordinary shares of GEHI at par value of US$0.001 per share;
"GEHI Class B Share Conversion"	the conversion of GEHI Class B Shares to GEHI Class A Shares pursuant to the Merger Agreement;
"GEHI Class B Shares"	class B ordinary shares of GEHI at par value of US$0.001 per share;
"GEHI Consideration Shares"	has the meaning ascribed to it under the section headed "*Considerations*" in the letter from the Board;
"GEHI Divestiture"	the divestiture of GEHI's education businesses in the PRC pursuant to the terms of the GEHI Divestiture Agreement;
"GEHI Divestiture Agreement"	the share purchase agreement dated 18 April 2023, entered into by and between GEHI and the Divestiture Purchaser;

"GEHI Ordinary Shares"	ordinary shares of GEHI at par value of US$0.001 per share, with the rights and privileges as set forth in the memorandum and articles of association of GEHI to be amended and restated, effective on the Closing Date pursuant to the Merger Agreement;
"GEHI Parties"	has the meaning ascribed to it under the section headed "*Merger and Proposed Spin-off*" in the letter from the Board;
"GEHI Share Purchase Agreement"	the share purchase agreement dated 18 April 2023, entered into by and among the Secondary Sellers and ND (BVI);
"GEHI Shareholder Approval"	has the meaning ascribed to it under the section headed "*Merger and Proposed Spin-off*" in the letter from Board;
"GEHI Voting Agreement"	has the meaning ascribed to it under the section headed "*Voting Undertakings*" in the letter from Board;
"GEHI Voting Agreement Signatories"	Ascendent Rainbow (Cayman) Limited, Joy Year Limited, Trump Creation Limited, Bloom Star Limited and RYB Education Limited;
"GEHI's Singapore Operations"	the operations of GEHI excluding GEHI's education business in the PRC which will be divested by GEHI pursuant to the GEHI Divestiture;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"HKFRS"	has the meaning ascribed to it under the section headed "*Waiver from Strict Compliance with the Listing Rules*" in the letter from the Board;
"HKSAE 3000"	has the meaning ascribed to it under the section headed "*Waiver from Strict Compliance with the Listing Rules*" in the letter from the Board;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"Independent Board Committee"	an independent committee of the Board comprising all its independent non-executive Directors, established for the purpose of advising the Shareholders in relation to the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie;
"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie;
"Insider Lock-up Agreement"	the lock-up agreement dated 18 April 2023, entered into by and between GEHI and ND (BVI);
"IP"	intellectual property;
"Latest Practicable Date"	23 June 2023, being the latest practicable date for the purpose of ascertaining certain information referred to in this circular prior to its printing;
"LEA Global"	has the meaning ascribed to it under the section headed "*Waiver from Strict Compliance with the Listing Rules*" in the letter from the Board;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Marcum Asia"	Marcum Asia CPAs LLP, the reporting accountant to GEHI;
"Merger"	on the Closing Date, the merger of Merger Sub with and into eLMTree, with eLMTree surviving as a direct wholly-owned subsidiary of GEHI, pursuant to the terms and conditions set forth in the Merger Agreement;
"Merger Agreement"	the agreement and plan of merger dated 18 April 2023, entered into by and among Best Assistant, GEHI, Merger Sub and the Company. eLMTree will become a party to the Merger Agreement by executing a joinder after its incorporation;

"Merger Sub"	Bright Sunlight Limited, an exempted company incorporated in the Cayman Islands with limited liability and a direct wholly-owned subsidiary of GEHI;
"ND (BVI)"	NetDragon Websoft Inc., a BVI business company incorporated in the BVI with limited liability, a direct wholly-owned subsidiary of the Company;
"New ACP Bond Purchase Agreement"	the senior secured convertible note purchase agreement dated 18 April 2023, entered into between Best Assistant, the ACP Investor and GEHI;
"New ACP Bonds"	the senior secured convertible promissory note in the principal amount of US$65 million (equivalent to approximately HK$510.25 million) to be issued by GEHI to the ACP Investor prior to Closing;
"New ESOP"	has the meaning ascribed to it under the section headed "*Termination of the Existing GEHI ESOPs and Adoption of the New ESOP*" in the letter from the Board;
"NYSE"	The New York Stock Exchange;
"Outside Date"	the date that is six (6) months after the date of the Merger Agreement;
"P/B"	has the meaning ascribed to it under the section headed "*Basis for Determination of Considerations*" in the letter from the Board;
"P/E"	has the meaning ascribed to it under the section headed "*Basis for Determination of Considerations*" in the letter from the Board;
"PAO"	has the meaning ascribed to it under the section headed "*Waiver from Strict Compliance with the Listing Rules*" in the letter from the Board;
"PCAOB"	has the meaning ascribed to it under the section headed "*Waiver from Strict Compliance with the Listing Rules*" in the letter from the Board;
"PIPE Investment"	has the meaning ascribed to it under the section headed "*Potential PIPE Investments*" in the letter from the Board;

"PIPE Investors"	has the meaning ascribed to it under the section headed "*Potential PIPE Investments*" in the letter from the Board;
"PN15"	Practice Note 15 of the Listing Rules;
"PN15 Application"	the application to the Stock Exchange with respect to the Proposed Spin-off pursuant to PN15;
"PRC"	the People's Republic of China, and solely for the purpose of this circular, excluding Taiwan, Hong Kong, and Macau Special Administrative Region;
"Promethean"	Promethean World Limited, a company incorporated in England and Wales with limited liability and a wholly-owned subsidiary of Best Assistant, which is principally engaged in developing and manufacturing interactive displays for education and interactive boards for schools and local governments in the U.S. and other countries as part of the Spin-off Business;
"Proposed Spin-off"	the proposed disposal of eLMTree and the Spin-off Business by way of the Merger pursuant to the terms of the Merger Agreement;
"Remaining Group"	businesses that the Group will continue to operate upon Closing, including: (i) the gaming business; (ii) the education business in the PRC; and (iii) other non-education businesses including mobile solution, products and marketing business and property project business of the Group;
"RMB"	Renminbi, the lawful currency of the PRC;
"SEC"	the U.S. Securities and Exchange Commission;
"Secondary Sale"	the acquisition of the Secondary Sale Shares by ND (BVI) from the Secondary Sellers pursuant to the GEHI Share Purchase Agreement;
"Secondary Sale Closing"	consummation of the Secondary Sale and the other transactions contemplated thereunder in accordance with the terms of the GEHI Share Purchase Agreement;

"Secondary Sale Shares"	the 8,588,960 GEHI Class A Shares (representing approximately 30% of the issued share capital of GEHI as at the Latest Practicable Date) to be acquired by ND (BVI) pursuant to the GEHI Share Purchase Agreement;
"Secondary Sellers"	Joy Year Limited, Bloom Star Limited, Ascendent Rainbow (Cayman) Limited, Trump Creation Limited and China Growth Capital Limited;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	the ordinary share(s) of US$0.01 each in the capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Sky Knight"	Sky Knight Investments Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Best Assistant, which holds 57.0% of the equity interests in Promethean Middle East And Africa Limited as at the Latest Practicable Date, a joint venture established in the Cayman Islands for the purpose of selling products and services of Promethean and Edmodo, among others, in the Arab Republic of Egypt as part of the Spin-off Business;
"Spin-off Business"	the education business of the Group outside of the PRC, comprising the businesses operated by Promethean, Edmodo, Elernity Thailand and Sky Knight;
"Stock Connect"	Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect;
"Stock Connect Investors"	the PRC southbound trading investor(s) holding the Company's securities through the Stock Connect;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"TEV/Revenue"	has the meaning ascribed to it under the section headed "*Basis for Determination of Considerations*" in the letter from the Board;

"U.S. GAAP"	has the meaning ascribed to it under the section headed "*Waiver from Strict Compliance with the Listing Rules*" in the letter from the Board;
"United States" or "U.S."	the United States of America;
"US$"	US dollars, the lawful currency of the United States; and
"%"	per cent.

For the purposes of this circular, the exchange rates of US$1.00 = HK$7.85 and US$1.00 = RMB6.94 have been used for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

Certain amounts and percentage figures included in this circular have been subject to rounding.

NetDragon Websoft Holdings Limited
網龍網絡控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 777)

Executive Directors:
Mr. Liu Dejian *(Chairman)*
Dr. Leung Lim Kin, Simon *(Vice Chairman)*
Mr. Liu Luyuan *(Chief Executive Officer)*
Mr. Chen Hongzhan

Non-Executive Director:
Mr. Lin Dongliang

Independent Non-Executive Directors:
Mr. Li Sing Chung Matthias
Mr. Lee Kwan Hung, Eddie
Mr. Liu Sai Keung, Thomas

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarter and Principal Place of Business in Hong Kong:
Units 2001-05 & 11
20/F Harbour Centre
25 Harbour Road
Wan Chai
Hong Kong

26 June 2023

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE MERGER
(2) MAJOR DISPOSAL AND PROPOSED SPIN-OFF OF ELMTREE
AND
(3) DISTRIBUTION IN SPECIE

INTRODUCTION

Reference is made to the Announcement in which it was disclosed that on 18 April 2023 (after trading hours), the Company, Best Assistant (an indirect non wholly-owned subsidiary of the Company), GEHI and Merger Sub (a direct wholly-owned subsidiary of GEHI) entered into the Merger Agreement in relation to the Merger.

The transactions contemplated under the Merger Agreement involve, among other things: (i) the eLMTree Restructuring, namely the incorporation of eLMTree as a wholly-owned subsidiary of Best Assistant and Best Assistant transferring the Spin-off Business to eLMTree; (ii) the Best Assistant Redemption, namely all shares reserved by Best Assistant under the share award scheme of Best Assistant being granted, certain inter-company loans from the Company or ND (BVI) (a wholly-owned subsidiary of the Company), on the one hand, to Best Assistant or any subsidiary thereof, on the other hand, being cancelled in exchange for the issuance of certain ordinary shares of Best Assistant to ND (BVI), and interests in Best Assistant held by all existing shareholders of Best Assistant (except for one ordinary share of Best assistant held by ND (BVI), a direct wholly-owned subsidiary of the Company) being repurchased in exchange for ordinary shares of eLMTree, or otherwise being procured that such shares of the Company are exchanged for newly-issued ordinary shares of eLMTree in any other manner permitted by applicable law; and (iii) the Merger, namely Merger Sub merging with and into eLMTree with eLMTree surviving after the Merger. Following Closing, eLMTree will become a direct wholly-owned subsidiary of GEHI, a company listed on the NYSE (NYSE ticker: GEHI).

The purpose of this circular is to provide you with, among other things, (i) further details of (a) the major transaction in connection with the Merger, (b) the major disposal in connection with the Proposed Spin-off, and (c) the Distribution in Specie; (ii) other information as required under the Listing Rules; and (iii) notice of EGM.

MERGER AND PROPOSED SPIN-OFF

Merger Agreement

The principal terms of the Merger Agreement are summarised as follows:

Date: 18 April 2023 (after trading hours)

Parties:

(1) Best Assistant

(2) the Company

(3) GEHI

(4) Merger Sub

((3) and (4), collectively, the "**GEHI Parties**")

eLMTree will become a party to the Merger Agreement by executing a joinder after its incorporation as soon as reasonably practicable after the date of the Merger Agreement.

(Best Assistant and eLMTree, collectively, the "**eLMTree Parties**")

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the GEHI Parties and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. As at the Latest Practicable Date, an affiliate of the ACP Investor (being holder of the Existing ACP Bonds) is also a shareholder of GEHI, holding approximately 29.8% of the equity interests in GEHI.

Subject Matters:

(1) **eLMTree Restructuring**: As soon as reasonably practicable after the date of the Merger Agreement, Best Assistant will incorporate eLMTree as its wholly-owned subsidiary, and transfer the Spin-off Business to eLMTree;

(2) **Best Assistant Redemption**: Immediately prior to Closing, (a) all shares reserved by Best Assistant under the employee share award scheme of Best Assistant will be granted, (b) certain inter-company loans from the Company or ND (BVI) (a wholly-owned subsidiary of the Company), on the one hand, to Best Assistant or any subsidiary thereof, on the other hand, in the aggregate amount of RMB561,000,000 will be cancelled in exchange for the issuance of certain ordinary shares of Best Assistant to ND (BVI), and (c) the interests in Best Assistant held by all existing shareholders of Best Assistant (other than one ordinary share of Best Assistant held by ND (BVI)) will be repurchased in exchange for ordinary shares of eLMTree, or it will be otherwise procured that such shares of Best Assistant are exchanged for newly-issued ordinary shares of eLMTree in any other manner permitted by applicable law; and

(3) **Merger**: At the Effective Time, pursuant to the terms and subject to the conditions of the Merger Agreement, Merger Sub will merge with and into eLMTree with eLMTree surviving after the Merger.

Immediately upon Closing,

(i) GEHI will own 100% of the equity interests in eLMTree, which wholly-owns the Spin-off Business;

(ii) ND (BVI), a direct wholly-owned subsidiary of the Company, will hold approximately 72.9% equity interests of GEHI upon completion of the Merger (after the Distribution in Specie but assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted, the share awards under the New ESOP are not granted and there is no PIPE Investment involved); and

(iii) GEHI and its subsidiaries (including eLMTree) will be consolidated into the consolidated financial statements of the Company. The Company will account GEHI in the accounts of the Company as a subsidiary.

It is intended that immediately before Closing, all GEHI Class A Shares and GEHI Class B Shares shall be re-designated as GEHI Ordinary Shares, and GEHI will be renamed as "Mynd.ai, Inc." or such other name as determined by the eLMTree Parties and trade on the NYSE under a new ticker symbol as designated by Best Assistant.

The Company anticipates that Closing will take place by the end of the third quarter of 2023.

Considerations: The total consideration payable by GEHI to eLMTree's shareholders (including ND (BVI)) in connection with GEHI acquiring eLMTree (which operates the Spin-off Business) will be in the form of newly issued GEHI Ordinary Shares (the "**GEHI Consideration Shares**"). Pursuant to the Merger Agreement, each ordinary share of eLMTree issued and outstanding immediately prior to the Effective Time (excluding the Dissenting eLMTree Shares and the Excluded eLMTree Shares) will be cancelled in exchange for the right to receive a number of validly issued, fully paid and non-assessable GEHI Ordinary Shares equal to (a) the eLMTree per share value (which is in turn calculated by (i) the eLMTree equity value of US$750,000,000 *divided by* (ii) the number of ordinary shares of eLMTree that are outstanding immediately prior to Closing but after completion of the Best Assistant Redemption), *divided by* (b) the GEHI per share value (which is in turn calculated by (i) the GEHI equity value of US$50,000,000, *divided by* (ii) the number of all GEHI Class A Shares that are outstanding immediately prior to Closing on an as-converted and fully-diluted basis). The Dissenting eLMTree Shares and the Excluded eLMTree Shares shall be cancelled and cease to exist at the Effective Time. No GEHI Ordinary Share or other consideration shall be delivered or deliverable in exchange for the Excluded eLMTree Shares. The holders of the Dissenting eLMTree Shares shall not be entitled to receive the GEHI Consideration Shares, but instead shall be entitled to only to receive the payment of the fair value of such Dissenting eLMTree Shares held by them determined in accordance with the Companies Act of the Cayman Islands. The consideration of US$750 million payable by GEHI under the Merger Agreement in relation to its acquisition of eLMTree (comprising the Spin-off Business) represents an excess of US$675.8 million over the net book value of the Spin-off Business as at 31 December 2022 of RMB515.3 million (equivalent to approximately US$74.3 million).

Upon Closing, the Company, through ND (BVI), shall receive GEHI Ordinary Shares representing (i) approximately 72.9% equity interests of GEHI (after the Distribution in Specie but assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted, the share awards under the New ESOP are not granted and there is no PIPE Investment involved), (ii) approximately 58.7% equity interests of GEHI (after the Distribution in Specie and assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted, all share awards under the New ESOP are granted and there is no PIPE Investment involved), or (iii) approximately 55.4% equity interests of GEHI (after the Distribution in Specie and assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted, all share awards under the New ESOP are granted and the PIPE Investors hold 5.0% of the aggregate number of GEHI Ordinary Shares upon Closing). The equity value of the GEHI Consideration Shares to be received by Best Assistant upon Closing was determined after arm's length negotiations between the parties with reference to, among other things: (a) the current business operations of the Spin-off Business; and (b) future development plans of the Spin-off Business.

Basis for Determination of Considerations

Equity Value of eLMTree

The equity value of eLMTree is US$750,000,000 (calculated on a fully-diluted basis), assuming normalised levels of working capital. This valuation was arrived at after arm's length negotiations between the parties with reference to, among other things: (a) the current business operations of the Spin-off Business; and (b) future development plans of the Spin-off Business.

In arriving at the equity value of eLMTree, the Company did not engage a professional valuer to perform independent valuation on eLMTree. The equity value of eLMTree was assessed by the management of the Company based on available market information in addition to the management's understanding of the Spin-off Business. The management of the Company considers the market approach is fair and reasonable as they are able to identify companies that are comparable to eLMTree and are listed on major stock exchanges; and given the growth profile of such comparable companies to eLMTree, they are typically not traded on based on the book value of their equity or net assets, but rather based on multiples of their revenue or profit instead. In addition, the market approach is well-accepted amongst the investment community, and was also proposed by various investment banks and potential counterparties when the Company explored other alternative transaction structures for the spin-off listing of eLMTree.

Throughout the past twelve months while the Company was exploring different alternatives for the spin-off listing of eLMTree, various sets of comparable companies were proposed by multiple investment banks and potential counterparties as basis for eLMTree's valuation. The management of the Company incorporated these comparable companies into their own analysis in determining the equity value of eLMTree, details of which are set out below:

(a) six listed education technology companies which primarily serve non-PRC markets. Such comparable companies are selected based on the following criteria: (i) they serve the same primary end markets as eLMTree, and (ii) they have recorded revenues that are similar in scale to that of eLMTree – the average revenue for the year ended 31 December 2022 recorded by the six selected companies was approximately US$446 million, which is comparable to eLMTree which recorded revenue of approximately US$590 million for the year ended 31 December 2022;

(b) four listed internet-of-things hardware companies that have market leadership or brand awareness within their respective industries. Such comparable companies are selected based on the following criteria: (i) they have a brand leadership within their respective markets, similar to Promethean's brand leadership within the market of interactive displays for education, and (ii) they have similar business model as eLMTree's current hardware-centric revenue model, supported by differentiated software and internet-connected applications. Within these four comparable companies, the management of the Company notes that one company, CVTE, has similar product offering as eLMTree, in that it is a leading interactive display brand in the PRC and at the same time also a contract manufacturer for other overseas brands; and

(c) six listed artificial intelligence ("**AI**") companies – these companies are comparable to eLMTree as they utilise AI technology to offer differentiated products and solutions for their respective markets, and eLMTree's strategy for future growth includes further developments and investments into AI technology. Such comparable companies are selected based on the following criteria: (i) they are listed on major stock exchanges, and (ii) their competitive strengths within their respective markets are notably driven by their AI technology.

Taking into account the high-growth profile of eLMTree as exhibited by its 37% annualised revenue growth during the three years ended 31 December 2022, and eLMTree's investment into research and development as well as technology development which currently limits eLMTree's earnings and net assets, the management of the Company believes that total enterprise value to revenue ratio ("**TEV/Revenue**") is the best metric for valuation based on market approach and eLMTree's comparable companies. The following table sets out the details of the comparable companies identified:

(US$'000)	Principal Activities	Total Enterprise Value	Fiscal Year 2022 Revenue	2022 TEV/ Revenue
(a) Education Technology Companies				
Chegg, Inc. (NYSE: CHGG)	Operating a direct-to-student learning platform that supports students starting with their academic journey and extending into their careers with products and services to support learner with their academic course materials	1,894	764	2.5x
Coursera, Inc. (NYSE: COUR)	Operating an online educational content platform that connects learners, educators, organisations and institutions	1,183	519	2.3x
Docebo Inc. (TSX: DCBO)	Operating as a learning management software company that provides an AI-powered learning platform in North America, Europe and the Asia-Pacific region	977	143	6.8x
Instructure Holdings, Inc. (NYSE: INST)	Provision of cloud-based learning, assessment, development and engagement systems worldwide. The company also offers Canvas Learning Management System (LMS) for content creation, management and delivery of face-to-face, blended and online instruction	3,540	472	7.5x
Kahoot! ASA (OB: KAHOT)	Operating a learning and engagement platform in the U.S., Canada, Europe, the Asia-Pacific region, Latin America and the Caribbean, Africa, the Middle East and India	1,193	146	8.2x
PowerSchool Holdings, Inc. (NYSE: PWSC)	Offer of a cloud-based software to the K-12 education market. The company's solution is embedded in school workflows and is used on a daily basis by educators, students, administrators and parents in schools and districts	4,200	632	6.6x
Average		/	/	5.6x

(US$'000)	Principal Activities	Total Enterprise Value	Fiscal Year 2022 Revenue	2022 TEV/ Revenue
(b) Internet-of-things Hardware Companies				
Garmin Ltd. (NYSE: GRMN)	Design, development, manufacturing, marketing and distribution of a range of wireless devices in the U.S., the Asia-Pacific region, the Australian continent, Europe, the Middle East and Africa	17,636	4,876	3.6x
Guangzhou Shiyuan Electronic Technology Company Limited (SZSE: 002841)	Engaged in the research, development, and sale of liquid crystal display main control boards and interactive smart tablets in the PRC. The company is involved in the import and export of technology and goods	5,786	3,243	1.8x
Roku, Inc. (NasdaqGS: ROKU)	Operating in two segments, platform and devices. The company's streaming platform allows users to find and access TV shows, movies, news, sports and others	8,740	3,060	2.9x
VIZIO Holding Corp. (NYSE: VZIO)	Provision of smart televisions, sound bars and accessories in the U.S. The company also operates Platform+ that comprises SmartCast, a smart TV operating system, enabling integrated home entertainment solution, and data intelligence and services products through Inscape	1,026	1,832	0.6x
Average		/	/	2.2x
(c) AI Companies				
Cerence Inc. (NasdaqGS: CRNC)	Provision of AI powered virtual assistants for the mobility/transportation market worldwide	1,401	326	4.3x
Five9, Inc. (NasdaqGM: FIVN)	Provision of intelligent cloud software for contact centers in the U.S. and internationally	5,333	775	6.9x
Microsoft Corporation (NasdaqGS: MSFT)	Development, license and support of software, services, devices and solutions worldwide. The company operates in three segments: productivity and business processes, intelligent cloud and more personal computing	2,393,360	198,562	12.1x
Palantir Technologies Inc. (NYSE: PLTR)	Building and deployment of software platforms for the intelligence community in the U.S. to assist in counterterrorism investigations and operations	29,614	1,902	15.6x
SoundHound AI, Inc. (NasdaqGM: SOUN)	Development of an independent voice AI platform that enables businesses across industries to deliver high-quality conversational experiences to their customers	627	31	20.5x

(US$'000)	Principal Activities	Total Enterprise Value	Fiscal Year 2022 Revenue	2022 TEV/ Revenue
UiPath Inc. (NYSE: PATH)	Provision of an end-to-end automation platform that offers a range of robotic process automation solutions primarily in the U.S., Romania and Japan	8,530	886	9.6x
Average		/	/	11.5x

Source: Capital IQ, with comparable company data as at 8 June 2023

Within and across the aforementioned three sets of comparable companies, the valuation multiples vary widely: (i) the TEV/Revenue of the comparable companies referred to in paragraph (a) above ranged from approximately 2.3 times to 8.2 times, with an average of approximately 5.6 times; (ii) the TEV/Revenue of the comparable companies referred to in paragraph (b) above ranged from approximately 0.6 times to 3.6 times, with an average of approximately 2.2 times; and (iii) the TEV/Revenue of the comparable companies referred to in paragraph (c) above ranged from approximately 4.3 times to 20.5 times, with an average of approximately 11.5 times.

Given that eLMTree's revenue is still currently primarily driven by hardware, the comparable companies referred to in paragraph (b) above are most comparable to eLMTree's current business model and financial profile, as the revenue and gross profits of such comparable companies are derived primarily from hardware as opposed to software and services. In addition, based on past discussions with potential counterparties for the spin-off listing of eLMTree, the management of the Company believes that the capital markets tend to apply valuation multiples from similar hardware companies in determining the valuation of eLMTree based on its existing business. Based on the above, the management of the Company is of the view that the focus for the current valuation basis should center around the comparable companies referred to in paragraph (b) above.

On this basis, taking into account the revenue recorded by eLMTree for the year ended 31 December 2022 of approximately US$590 million and the TEV/Revenue adopted for the valuation of eLMTree of approximately 1.3 times, eLMTree's equity value is US$750,000,000. The TEV/Revenue adopted for the valuation of eLMTree of approximately 1.3 times is within the range of 0.6 times to 3.6 times from the TEV/Revenue of the comparable companies referred to in paragraph (b) above. The Company is of the view that the Shenzhen-listed CVTE has a product offering and financial profile (in terms of gross margins and earnings before interest, taxes, depreciation, and amortisation ("**EBITDA**") margins) that are closest to eLMTree's, but CVTE had a higher revenue of approximately US$2.9 billion for the year ended 31 December 2022, compared with the revenue recorded by eLMTree of approximately US$590 million during the same period, and CVTE has highly liquid shares traded on the A-share market. In addition, the TEV/Revenue of approximately 1.3 times for eLMTree is also consistent with the average TEV/Revenue multiple of CVTE and VIZIO Holding Corp. (being the two companies with a financial profile and product offering that are most comparable to eLMTree's business) based on available data as at 8 June 2023 (being 1.2 times). In view of the above, the management of the Company concludes that the equity value of eLMTree of US$750,000,000, based on a TEV/Revenue multiple of approximately 1.3 times, reflects a fair value based on the current business profile, with opportunity for upside as the Spin-off Business progresses to execute on its AI and software-driven strategy.

Equity Value of GEHI's Singapore Operations

The equity value of GEHI's Singapore Operations is US$50,000,000 (calculated on a fully-diluted basis), assuming that GEHI has net cash of US$15,000,000 at Closing. Based on this, the implied enterprise value of GEHI's Singapore Operations is US$35,000,000 (calculated by adding the equity value and total amount of debt and then subtracting the amount of all cash and cash equivalents). This valuation was arrived at after arm's length negotiations between the parties with reference to, among other things: (a) the current business operations of GEHI's Singapore Operations; and (b) future development plans of GEHI's Singapore Operations.

In arriving at the enterprise value of GEHI's Singapore Operations, the Company did not engage a professional valuer to perform independent valuation on GEHI's Singapore Operations. The enterprise value of GEHI's Singapore Operations was assessed by the management of the Company based on available market information in addition to the management's understanding of GEHI's Singapore Operations. The management of the Company considers the market approach is fair and reasonable as they are able to identify companies that are comparable to GEHI's Singapore Operations and are listed on major stock exchanges, which provide the management of the Company with guidance regarding the current value of GEHI's Singapore Operations relative to its publicly traded peers.

The price-to-earnings ratio ("**P/E**"), the price-to-book ratio ("**P/B**"), the price-to-sales ratio and the total enterprise value to earnings before interest, taxes, depreciation, and amortisation ratio ("**EV/EBITDA**") are the four most commonly used benchmarks in valuing a company. The management of the Company considers EV/EBITDA as the most appropriate metric, given that GEHI's Singapore Operations have historically been generating positive operating cash flows (despite the net loss attributable to ordinary shareholders in 2022), and that EBITDA is widely accepted by the investor community as a proxy for operating cash flows. In addition, the EV/EBITDA metric also allows the management of the Company to take into account the earning potential of GEHI's Singapore Operations in the form of operating profit, and both equity and net debt values of GEHI's Singapore Operations as embedded in the enterprise value. Moreover, the variances in the capital structure, accounting policies on depreciation and amortisation and other non-cash items such as impairment losses on goodwill and long-live assets will distort the net asset value (i.e., P/B) but will not distort the comparability of EV/EBITDA among GEHI's Singapore Operations and the comparable companies, as EBITDA in the EV/EBITDA multiple screens out the impact of finance costs, depreciation and amortisation and other non-operating items, and focuses on the operating performance of the core businesses of relevant companies.

The management of the Company has identified six listed companies operating in early learning education and child day care services in non-PRC markets. Such comparable companies are selected based on the following criteria: (a) they are listed companies in Asia (excluding the PRC), Australia and New Zealand that operate early learning and kindergarten centres and, in some cases, primary/K-12 schools, and (b) their business model is directly comparable to that of GEHI's Singapore Operations. The management of the Company did not include comparable companies with operations in the PRC as given the regulatory changes in the PRC in this segment, such companies operate under a more stringent regulatory environment which may not be strictly comparable to those in Singapore for the education segment.

The following table sets out the details of the comparable companies identified:

RMB million	Principal Activities	Total Enterprise Value	Fiscal Year 2022 EBITDA	EV/ EBITDA
Apax Holdings Joint Stock Company (HOSE: IBC)	Provision of educational services via its system of kindergartens, elementary schools, secondary schools, high schools and language schools in Vietnam	584.2	54.2	10.8x
Benesse Holdings, Inc. (TSE: 9783)	Provision of educational services to a range of age groups from toddlers to high-school students in Japan, and operations of English language schools and senior care homes	9,521.0	2,042	4.7x
Embark Education Group Limited (NZSE: EVO)	Provision of early childhood education services via its 125+ centres under multiple brands in New Zealand and Australia	638.3	40.3	15.8x
G8 Education Limited (ASX: GEM)	Provision of early childhood education services via its 425+ centres under multiple brands in Australia	7,637.8	610.8	12.5x
Kids Smile Holdings Inc. (TSE: 7084)	Japan-based company mainly engaged in early childhood education business	245.7	32.7	7.5x
Zee Learn Limited (BSE: 533287)	India's leading company in education segment with the fastest growing chain of K-12 schools	572.4	34.2	16.7x
Average		/	/	11.3x

Source: Capital IQ, with comparable company data as at 27 April 2023

Within and across the aforementioned set of comparable companies, the valuation multiples vary widely – the EV/ EBITDA of the comparable companies referred to above ranged from approximately 4.7 times to 16.7 times, with an average of approximately 11.3 times.

Given the direct impact of the COVID-19 pandemic on early learning centres globally, the management of the Company relied on the average EBITDA of GEHI's Singapore Operations for the years ended 31 December 2020, 2021 and 2022 (rather than for the year ended 31 December 2022 alone), which was approximately US$3,300,000.

Based on the above and using the EV/EBITDA multiples across the comparable companies listed above, the implied enterprise value range for GEHI's Singapore Operations would be between US$15,000,000 and US$55,000,000.

As the average EBITDA of GEHI's Singapore Operations for the years ended 31 December 2020, 2021 and 2022 was approximately US$3,300,000 and the EV/EBITDA multiple adopted for valuation of GEHI's Singapore Operations is approximately 10.6 times, the enterprise value for GEHI's Singapore Operations is US$35,000,000.

The management of the Company concludes that for GEHI's Singapore Operations, the enterprise value of US$ 35,000,000 and the equity value of US$50,000,000 (assuming that GEHI has net cash of US$15,000,000 at the Closing) reflects a fair and reasonable value which implies an EV/EBITDA multiple that is within the range of the EV/EBITDA multiples of the comparable companies.

Conditions Precedent: The respective obligations of each party to the Merger Agreement to effect the transactions contemplated thereunder shall be subject to the satisfaction of the following conditions as at the Closing Date:

(a) at the extraordinary general meeting of the shareholders of GEHI, the necessary shareholders' approvals for the following matters shall have been obtained and shall remain in full force and effect: (i) the adoption of the Merger Agreement and the transactions contemplated thereunder; (ii) the issuance of GEHI Consideration Shares; (iii) the adoption of the amended and restated memorandum and articles of association of GEHI (and the re-designation of share capital and the change of name as mentioned above); and (iv) any other proposals that the parties to the Merger Agreement deem necessary or desirable to consummate the transactions contemplated thereunder (collectively, the "**GEHI Shareholder Approval**");

(b) at the EGM, the necessary shareholders' approvals for the adoption of the Merger Agreement and the transactions contemplated thereunder shall have been obtained and shall remain in full force and effect;

(c) (i) all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) will have expired or otherwise been terminated; (ii) the review process by the Committee on Foreign Investment in the United States shall have been completed without unresolved national securities concerns; and (iii) the Stock Exchange's clearance on this circular to be despatched by the Company in connection with the Merger, the Proposed Spin-off and the Distribution in Specie shall have been obtained and the Stock Exchange's approval in respect of PN15 with respect to the transactions contemplated under the Merger Agreement shall have been obtained and remain effective;

(d) no provision of any applicable legal requirement prohibiting, enjoining, restricting or making illegal the consummation of the transactions contemplated under the Merger Agreement shall be in effect, and no temporary, preliminary or permanent order enjoining, restricting or making illegal the consummation of the transactions contemplated under the Merger Agreement shall be in effect;

(e) the NYSE shall have approved the listing application submitted by GEHI in connection with the GEHI Consideration Shares being approved for listing on the NYSE on a tier no lower than the GEHI Class A Shares traded through ADSs of GEHI on the date of the Merger Agreement;

(f) no general suspension or material limitation of trading in the ADSs of GEHI has been imposed or threatened by the SEC or the NYSE (except for the threatened suspension as disclosed on the Form 6-K filed with the SEC on 20 April 2022, or in connection with the Holding Foreign Companies Accountable Act);

(g) the conditions for the closing of the transactions under the New ACP Bond Purchase Agreement shall have been satisfied or waived, and such closing shall have occurred concurrently at Closing;

(h) the conditions for the closing of the transactions under the GEHI Divestiture Agreement shall have been satisfied or waived, and such closing shall have occurred immediately prior to Closing;

(i) the conditions for the closing of the transactions under the GEHI Share Purchase Agreement shall have been satisfied or waived, and such closing shall have occurred immediately prior to Closing; and

(j) the GEHI Board shall consist of four (4) independent directors and three (3) directors, in each case to be designated in writing by Best Assistant as contemplated under section headed "*GEHI Board Composition*", immediately after the Effective Time.

As at the Latest Practicable Date, the conditions set out in paragraphs (c)(i) and (c)(iii) above have been satisfied.

Additional Conditions Precedent for the eLMTree Parties

The obligations of the eLMTree Parties to consummate and effect the Merger and the other transactions as contemplated under the Merger Agreement shall be subject to the satisfaction or waiver exclusively by Best Assistant in writing of the following conditions as at the Closing Date:

(a) the representations and warranties of each GEHI Party shall be true and correct in all respects as at the Closing Date, except that, for the representations and warranties of each GEHI Party other than customary fundamental representations and warranties, in the case where any failures of certain non-fundamental representations and warranties to be true and correct in all respects, individually and in the aggregate, has not had and is not reasonably likely to have a material adverse effect on GEHI;

(b) each GEHI Party shall have performed or complied in all material respects with all agreements and covenants as required under the Merger Agreement and the other transaction agreements to be performed or complied by it on or prior to the applicable Closing Date;

(c) no material adverse effect on GEHI shall have occurred since the date of the Merger Agreement;

(d) the Cash Requirement with respect to GEHI is satisfied on the Closing Date;

(e) GEHI shall have delivered to eLMTree and Best Assistant a certificate signed by a duly authorised officer dated as at the Closing Date, certifying as to the matters set forth in (a) to (d) above;

(f) the memorandum and articles of association of GEHI shall have been amended and restated in its entirety in the form specified under the Merger Agreement and the GEHI Class B Share Conversion shall have occurred;

(g) GEHI shall have delivered the registration rights agreement, duly executed by GEHI; and

(h) GEHI shall have delivered to Best Assistant a PRC law legal opinion that the GEHI Divestiture complies with the legal requirements of the PRC, in form and substance reasonably satisfactory to eLMTree and Best Assistant.

Additional Conditions Precedent for the GEHI Parties

The obligations of the GEHI Parties to consummate and effect the Merger and the other transactions as contemplated under the Merger Agreement shall be subject to the satisfaction or waiver exclusively by GEHI in writing of the following conditions as at the Closing Date:

(a) the representations and warranties of each eLMTree Party shall be true and correct in all respects as at the applicable date, based on the assumption that the eLMTree Restructuring shall have been completed pursuant to the terms of the Merger Agreement, except that, for the representations and warranties of each eLMTree Party other than customary fundamental representations and warranties, in the case where any failures of certain non-fundamental representations and warranties to be true and correct in all respects, individually and in the aggregate, has not had and is not reasonably likely to have a material adverse effect on eLMTree;

(b) each eLMTree Party shall have performed or complied in all material respects with all agreements and covenants as required under the Merger Agreement and the other transaction agreements to be performed or complied with by it on or prior to the applicable Closing Date;

(c) no material adverse effect on eLMTree shall have occurred since the date of the Merger Agreement;

(d) the Cash Requirement with respect to eLMTree is satisfied on the Closing Date;

(e) the eLMTree Restructuring shall have been completed pursuant to the Merger Agreement; and

(f) Best Assistant shall have delivered to GEHI a certificate signed by a duly authorised officer dated as at the applicable Closing Date, certifying as to the matters set forth in (a) to (e) above.

GEHI Board Composition: Immediately after the Effective Time, the GEHI Board shall consist of seven (7) directors, of which: (i) three (3) directors will be designated in writing by Best Assistant, with one (1) of such directors being the chairman of the GEHI Board; and (ii) the remaining four (4) directors will be independent directors to be designated in writing by Best Assistant.

Termination of the Existing GEHI ESOPs and Adoption of the New ESOP: Concurrently with Closing, the existing share incentive plans of GEHI (the "**Existing GEHI ESOPs**") will be terminated.

Each equity award (except for the restricted share units) under any Existing GEHI ESOPs that is outstanding and unexercised, whether or not vested or exercisable, shall be cancelled as of the Effective Time for no consideration. Each restricted share unit granted under the Existing GEHI ESOPs that is outstanding, vested and unexercised immediately prior to the Effective Time shall be cancelled as of the Effective Time and immediately converted into the right to receive in exchange therefor such number of GEHI Ordinary Shares equal to the number of GEHI Class A Shares underlying such restricted share unit. Each restricted share unit granted under the Existing GEHI ESOPs that is outstanding and unvested immediately prior to the Effective Time shall be cancelled as of the Effective Time for no consideration.

After Closing, GEHI plans to adopt a new equity compensation plan providing for a total pool of awards of GEHI Ordinary Shares not exceeding 10% of the aggregate number of GEHI Ordinary Shares then outstanding (the "**New ESOP**").

Termination: The Merger Agreement may be terminated at any time prior to Closing:

(a) by mutual written agreement of GEHI and Best Assistant;

(b) by either GEHI or Best Assistant, if Closing shall not have occurred by the Outside Date, unless failure of Closing to occur on or before such date is mainly due to the action or failure to act of GEHI (including any GEHI Parties) or Best Assistant (including any eLMTree Parties) respectively, which constitutes a breach of the Merger Agreement;

(c) by either GEHI or Best Assistant, if a governmental entity shall have issued an order or taken any other action with the effect of permanently restraining, enjoining or otherwise prohibiting the transactions contemplated under the Merger Agreement, including the Merger, which order or other action is final and non-appealable;

(d) by Best Assistant, upon a breach of any covenant or agreement set forth in the Merger Agreement on the part of any GEHI Party, or if any representation or warranty of any GEHI Party shall have become untrue, in a manner that would cause the failure of a mutual condition to closing or condition to eLMTree Parties' obligation to close under the Merger Agreement and such breach is not cured until the earlier of: (i) thirty (30) days after delivery of written notice from Best Assistant to GEHI of such breach; and (ii) the Outside Date;

(e) by GEHI, upon a breach of any covenant or agreement set forth in the Merger Agreement on the part of any eLMTree Party, or if any representation or warranty of any eLMTree Party shall have become untrue, in a manner that would cause the failure of a mutual condition to closing or condition to GEHI's obligation to close under the Merger Agreement and such breach remains uncured on the earlier of: (i) thirty (30) days after delivery of written notice from Best Assistant to GEHI of such breach; and (ii) the Outside Date;

(f) by either GEHI or Best Assistant, if, at the extraordinary general meeting of the shareholders of GEHI, the GEHI Shareholder Approval is not obtained;

(g) by either GEHI or Best Assistant, if, at the EGM, the necessary shareholders' approvals for the adoption of the Merger Agreement and the transactions contemplated thereunder are not obtained; or

(h) by either GEHI or Best Assistant, if the New ACP Bond Purchase Agreement, the GEHI Divestiture Agreement or the GEHI Share Purchase Agreement is terminated in accordance with its terms; provided, that neither GEHI nor Best Assistant may terminate the Merger Agreement on such ground if it shall have materially breached the Merger Agreement or if it or any of its affiliates shall have materially breached the New ACP Bond Purchase Agreement, the GEHI Divestiture Agreement or the GEHI Share Purchase Agreement, and, in each case such breach has not been cured.

Insider Lock-up Agreement

Contemporaneously with the execution of the Merger Agreement, ND (BVI) entered into the Insider Lock-up Agreement with GEHI with respect to the GEHI Consideration Shares to be received by ND (BVI). Pursuant to the Insider Lock-up Agreement, ND (BVI) will be subject to a 12-month lock-up with respect to 50% of its GEHI Consideration Shares and a 24-month lock-up with respect to the remaining 50% of its GEHI Consideration Shares, subject to early release in 20% of its GEHI Consideration Shares to the extent the per share closing price for GEHI Ordinary Shares is greater than 150% of the GEHI per share value calculated according to the section headed "*Considerations*" in this letter from the Board over any 20 trading days within any consecutive 30 trading day period commencing at least 150 days after the Closing Date.

Voting Undertakings

Contemporaneously with the execution of the Merger Agreement, DJM entered into a voting undertaking, under which DJM has agreed to, among other things, vote at the EGM in favour of the resolutions proposed at the EGM approving the Merger and the Proposed Spin-off.

Contemporaneously with the execution of the Merger Agreement, each of the GEHI Voting Agreement Signatories also entered into a voting undertaking (the "**GEHI Voting Agreement**"), under which each GEHI Voting Agreement Signatory has agreed to vote in favour of, among other things, (i) the approval and adoption of the Merger Agreement and the transactions contemplated thereby, and (ii) any other matter in connection with the Merger or the transactions contemplated under the Merger Agreement to the extent considered and voted upon by the shareholders of GEHI.

GEHI Share Purchase Agreement

Contemporaneously with the execution of the Merger Agreement, the Secondary Sellers and ND (BVI), a direct wholly-owned subsidiary of the Company, entered into the GEHI Share Purchase Agreement, pursuant to which ND (BVI) has agreed to purchase from the Secondary Sellers the Secondary Sale Shares (being 8,588,960 GEHI Class A Shares, representing approximately 30% of the issued share capital of GEHI as at the Latest Practicable Date) at an aggregate consideration of US$15 million.

The Secondary Sale Closing shall take place no later than the 10th business day following the fulfilment of the conditions set forth in the GEHI Share Purchase Agreement and immediately prior to Closing.

The obligation of the Secondary Sellers and ND (BVI) to consummate the Secondary Sale are subject to the satisfaction or waiver of the following conditions:

(a) the closing with respect to all the Secondary Sale Shares shall have occurred substantially simultaneously;

(b) the conditions for the closing of the transactions under the Merger Agreement shall have been satisfied or waived and Closing shall have occurred substantially simultaneously with the Secondary Sale Closing;

(c) the conditions for the closing of the transactions under the New ACP Bond Purchase Agreement shall have been satisfied or waived and the closing contemplated thereunder shall have occurred substantially simultaneously with the Secondary Sale Closing;

(d) the conditions for the closing of the transactions contemplated under the Deed of Amendment, Conditional Waiver and Redemption in this letter from the Board shall have been satisfied or waived and the closing thereunder shall have occurred simultaneously with the Secondary Sale Closing;

(e) the transactions contemplated under the GEHI Divestiture Agreement shall have been completed;

(f) no authority shall have enacted, issued, promulgated, enforced or entered any law or order that is in effect and would (i) make the Secondary Sale Closing illegal or (ii) otherwise prohibit or enjoin consummation of the transactions contemplated by the GEHI Share Purchase Agreement;

(g) no action shall be pending or threatened by any authority against any of the Secondary Sellers or ND (BVI) seeking to prohibit or enjoin consummation of the transactions contemplated by the GEHI Share Purchase Agreement; and

(h) all consents of any authority required in connection with the transactions contemplated by the GEHI Share Purchase Agreement shall have been obtained.

As at the Latest Practicable Date, in respect of the condition set out in paragraph (h) above, other than the regulatory consents, approvals or clearances by the authorities listed below (which are also conditions to Closing under the Merger Agreement), the parties to the GEHI Share Purchase Agreement are not aware of any consents of any authority required in connection with the transactions contemplated by the GEHI Share Purchase Agreement:

(a) all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) will have expired or otherwise been terminated;

(b) the review process by the Committee on Foreign Investment in the United States shall have been completed without unresolved national securities concerns;

(c) the Stock Exchange's clearance on this circular to be despatched by the Company in connection with the Merger, the Proposed Spin-off and the Distribution in Specie shall have been obtained and the Stock Exchange's approval in respect of PN15 with respect to the transactions contemplated under the Merger Agreement shall have been obtained and remain effective; and

(d) the NYSE shall have approved the listing application submitted by GEHI in connection with the GEHI Consideration Shares being approved for listing on the NYSE on a tier no lower than the GEHI Class A Shares traded through ADSs of GEHI on the date of the Merger Agreement.

As at the Latest Practicable Date, the regulatory consents, approvals or clearances by the authorities set out in paragraphs (a) and (c) above have been satisfied.

The obligations of each Secondary Seller to consummate the Secondary Sale are subject to the satisfaction or waiver of the following conditions:

(a) all of the representations and warranties of the ND (BVI) contained in the GEHI Share Purchaser Agreement shall be true and correct in all material respects (other than certain fundamental representations and warranties which shall be true and correct in all respects except for *de minimis* inaccuracies); and

(b) ND (BVI) shall have performed all of its obligations contained in the GEHI Share Purchase Agreement (to be performed prior to the Secondary Sale Closing) in all material respects.

The obligations of ND (BVI) to consummate the Secondary Sale are subject to the satisfaction or waiver of the following conditions:

(a) all of the representations and warranties of the Secondary Sellers contained in the GEHI Share Purchase Agreement shall be true and correct in all material respects (other than certain fundamental representations and warranties of the Secondary Sellers which shall be true and correct in all respects except for *de minimis* inaccuracies);

(b) the Secondary Sellers shall have performed all of their obligations contained in the GEHI Share Purchase Agreement (to be performed prior to the Secondary Sale Closing) in all material respects;

(c) no material adverse effect on GEHI and its subsidiaries shall have occurred;

(d) trading in the ADSs of GEHI has not been, or been threatened to be, suspended by the SEC or the NYSE;

(e) the GEHI Class B Share Conversion shall have been completed; and

(f) there shall have been no actual violation of anti-corruption laws by GEHI or its subsidiaries or the Secondary Sellers in connection with GEHI or its subsidiaries that would reasonably likely cause a material loss to GEHI and its subsidiaries, taken as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Secondary Sellers and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. The consideration payable under the GEHI Share Purchase Agreement has been arrived at after arm's length negotiation between the parties with reference to GEHI's equity valuation of US$50,000,000.

GEHI Divestiture Agreement

Contemporaneously with the execution of the Merger Agreement, GEHI and the Divestiture Purchaser entered into the GEHI Divestiture Agreement, pursuant to which the Divestiture Purchaser has agreed to purchase from GEHI its education businesses in the PRC at an aggregate consideration of US$15 million. The consideration has been arrived at based on the fair value of GEHI's education business in the PRC, and may be settled by the proceeds to be received by the Secondary Sellers under the GEHI Share Purchase Agreement.

Upon completion of the GEHI Divestiture as contemplated under the GEHI Divestiture Agreement, GEHI will cease to conduct any education business in the PRC, and will only engage in education business in Singapore. Accordingly, upon completion of the GEHI Divestiture, GEHI will cease to generate any revenue from its PRC education business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Divestiture Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Redemption of the Existing ACP Bonds

References are made to the announcements of the Company dated 10 November 2019 and 10 March 2020 in connection with, among other things, the issuance of the Existing ACP Bonds by Best Assistant to the ACP Investor.

Contemporaneously with the execution of the Merger Agreement, the Company, Best Assistant, ND (BVI), the ACP Investor and other parties to the purchase agreement of the Existing ACP Bonds dated 10 November 2019 and certain other subsidiaries of the Company entered into the Deed of Amendment, Conditional Waiver and Redemption, pursuant to which Best Assistant will redeem US$125 million of the principal amount of the Existing ACP Bonds at Closing. It is contemplated that, prior to Closing, the Company, through ND (BVI), will make a capital injection of US$120 million to Best Assistant in exchange for the issuance of 475,940,111 ordinary shares of Best Assistant to ND (BVI) and Best Assistant will use the proceeds from such capital injection and other existing cash at Best Assistant for the redemption of US$125 million in the principal amount of the Existing ACP Bonds. The remaining US$25 million of the principal amount of the Existing ACP Bonds will remain outstanding.

New ACP Bond Purchase Agreement

Contemporaneously with the execution of the Merger Agreement, the ACP Investor, GEHI and Best Assistant entered into the New ACP Bond Purchase Agreement, pursuant to which, concurrently with Closing, the ACP Investor will purchase the New ACP Bonds.

Potential PIPE Investments

It is contemplated that the Company and GEHI will seek to obtain binding commitments of private investments in public equity financing (the "**PIPE Investment**" and the investors of the PIPE Investment, the "**PIPE Investors**") between signing of the Merger Agreement and Closing. It is currently expected that the PIPE Investors will hold no more than 5.0% of the aggregate number of GEHI Ordinary Shares upon Closing.

As at the Latest Practicable Date, the Company and GEHI are in discussions with potential PIPE Investors that are third parties independent of the Company and its connected persons. As at the Latest Practicable Date, no definitive agreement has been entered into by the Company or GEHI in relation to the PIPE Investment. All terms and conditions of the PIPE Investment, including the identities of the PIPE Investors, remain subject to further consideration, negotiation, and agreement. If any definitive agreement is entered into by the Company or GEHI in relation to the PIPE Investment prior to Closing, the Company will make further announcement(s) on the PIPE Investment as and when appropriate. For the avoidance of doubt, Closing is not contingent upon the success of the PIPE Investment, and will proceed even if there is no PIPE Investment.

GENERAL INFORMATION

Information of the Company

The Company is incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in online and mobile games development, including games design, programming and graphics and online and mobile games operation, education business, mobile solution, products and marketing business and property project business.

Information of the eLMTree Parties

Best Assistant, a company incorporated in the Cayman Islands with limited liability, and is an indirect non wholly-owned subsidiary of the Company principally engaged in education business.

eLMTree is an exempted company to be incorporated in the Cayman Islands as soon as reasonably practicable after the date of the Merger Agreement, as a direct wholly-owned subsidiary of Best Assistant and an indirect non wholly-owned subsidiary of the Company. The principal activity of eLMTree is intended to be investment holding.

As at the Latest Practicable Date, Best Assistant owns the Spin-off Business mainly through its four wholly-owned subsidiaries, namely Promethean, Edmodo, Elernity Thailand and Sky Knight. Prior to Closing, Best Assistant will transfer the Spin-off Business to eLMTree as contemplated under the eLMTree Restructuring.

Set out below is the unaudited financial information of the Spin-off Business for the years ended 31 December 2021 and 2022:

	For the year ended 31 December 2021	For the year ended 31 December 2022
Net profit (loss) (before tax)	RMB49,002,650	RMB(35,556,662)
Net profit (after tax)	RMB114,468,816	RMB171,804,253
Net assets	RMB321,817,193	RMB515,283,233

Information of the GEHI Parties

GEHI is a company listed on the NYSE (NYSE: GEHI). GEHI, previously known as RYB Education Inc., is primarily engaged in the education business in the PRC and Singapore. Upon the GEHI Divestiture, GEHI will cease to conduct any business in the PRC, and will continue to operate its education business in Singapore. GEHI's Singapore Operations offer kindergarten services and student care services in Singapore. As at 31 December 2022, GEHI's Singapore Operations had 17 directly-operated and 12 franchised kindergartens in operation in Singapore, and 38 directly-operated and 5 franchised student care centres in operation in Singapore. Total student enrolment and total teaching staff at the directly-operated kindergartens and directly-operated student care centres in Singapore was 6,170 and 774 as at 31 December 2022, respectively.

Set out below is the audited financial information of GEHI's Singapore Operations under U.S. GAAP for the years ended 31 December 2020, 2021 and 2022:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Net profit/loss (before tax)	US$3,280,000	US$2,492,000	US$(25,431,000)
Net profit/loss (after tax)	US$2,959,000	US$2,049,000	US$(24,642,000)
Net assets	US$58,772,000	US$58,545,000	US$25,087,000

Please refer to Appendix II for further information on the financial information of GEHI's Singapore Operations.

Merger Sub is an exempted company incorporated in the Cayman Islands with limited liability and a direct wholly-owned subsidiary of GEHI. The principal activity of Merger Sub is investment holding. Merger Sub has been formed solely to enter into the Merger Agreement and perform its obligations thereunder.

Information of the Secondary Sellers

Joy Year Limited is an exempted company incorporated in the BVI with limited liability and principally engaged in investment holding. Joy Year Limited is ultimately held by The Top Genius Trust, a trust established with the laws of Guernsey and managed by Credit Suisse Trust Limited as the trustee. Mr. Chimin Cao is the settlor of The Top Genius Trust, and Mr. Cao and his family members are the trust's beneficiaries. Under the terms of this trust, Mr. Cao has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to the shares held by Joy Year Limited in GEHI.

Bloom Star Limited is an exempted company incorporated in the BVI with limited liability and principally engaged in investment holding. Bloom Star Limited is ultimately held by The Noble Hero Trust, a trust established with the laws of Guernsey and managed by Credit Suisse Trust Limited as the trustee. Ms. Yanlai Shi is the settlor of The Noble Hero Trust, and Ms. Shi and her family members are the trust's beneficiaries. Under the terms of this trust, Ms. Shi has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to the shares held by Bloom Star Limited in GEHI.

Ascendent Rainbow (Cayman) Limited is an exempted company incorporated in the Cayman Islands with limited liability and an affiliate of the ACP Investor. The principal activity of Ascendent Rainbow (Cayman) Limited is investment holding. Ascendent Rainbow (Cayman) Limited is wholly owned by Ascendent Capital Partners II, L.P., a Cayman Islands limited partnership with a wide investor base, whose general partner is Ascendent Capital Partners II GP, L.P., another Cayman Islands limited partnership. The general partner of Ascendent Capital Partners II GP., L.P. is Ascendent Capital Partners II GP Limited, a Cayman Islands company, which is wholly owned by Mr. Liang Meng.

Trump Creation Limited is an exempted company incorporated in the BVI with limited liability and principally engaged in investment holding. The ultimate beneficial owner of Trump Creation Limited is Mr. Wen Hu, who holds approximately 34% equity interest in Trump Creation Limited.

China Growth Capital Limited is an exempted company incorporated in the BVI with limited liability and principally engaged in investment holding. China Growth Capital Limited is wholly owned by Mr. Ning Tang.

Information of the Divestiture Purchaser

Rainbow Companion, Inc. is an exempted company incorporated in the Cayman Islands with limited liability and is a special purpose vehicle formed by the Secondary Sellers and their affiliates. The principal activity of the Divestiture Purchaser is investment holding.

Information of the ACP Investor

Nurture Education (Cayman) Limited is an exempted company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of ACP Fund II, the general partner of which is Ascendent Capital Partners II GP, L.P, whose general partner is in turn Ascendent Capital Partners II GP Limited. The principal activity of the ACP Investor is investment holding. ACP Fund II is a fund with a wide investor base.

REASONS FOR AND BENEFITS OF THE MERGER AND THE PROPOSED SPIN-OFF

The Company considers that the Merger and the Proposed Spin-off come with the following benefits:

(i) the Spin-off Business has always been operated on a stand-alone basis from the Group's gaming business and PRC education business. The Merger will allow the Group to unlock and realise the fair value of the Spin-off Business via the value of the Company's shareholding in GEHI, which is expected to create significant value to the Shareholders, as well as to unlock and realise the fair value of the Remaining Group;

(ii) the Merger includes a business combination of the Spin-off Business with GEHI's Singapore Operations, which is expected to provide business synergies. eLMTree regularly pursues large-scale projects with school systems and ministries of education around the world, and Singapore is a market in which eLMTree would like to further expand. Many of the business opportunities in relation to classroom technology in Singapore are contracted at the level of the Ministry of Education of Singapore, and the procurement processes administered by the Ministry of Education of Singapore tend to favour suppliers who have an established local presence. As at 31 December 2022, GEHI's Singapore Operations employed 834 people in Singapore and had 17 directly-operated and 12 franchised kindergartens in operation in Singapore, and 38 directly-operated and 5 franchised student care centres in operation in Singapore, amongst which there are 39 directly operated student care centres and franchised kindergartens serve the schools operated by the Ministry of Education of Singapore. Therefore, eLMTree, after merger with GEHI's Singapore Operations upon Closing, is expected to be viewed more favourably when competing for the tenders from the Ministry of Education of Singapore;

(iii) the Merger will provide the Group with an independent fundraising platform and enlarged shareholder base for eLMTree under GEHI to target global education investors, thereby enhancing the fundraising capability of the Spin-off Business to drive business growth;

(iv) the Merger will provide investors, financial institutions, and rating agencies with greater transparency on the operations and financial condition of the Remaining Group and eLMTree on a stand-alone basis, which would help investors form their investment decisions with a better understanding of the operating results, financial condition, management, strategies, risks and returns of the Remaining Group and eLMTree, respectively;

(v) the Merger will allow the Remaining Group to focus on its gaming business and PRC education business;

(vi) the Merger will enable the Remaining Group and eLMTree to build separate corporate profiles, thereby increasing their ability to attract investors, partners, and employees for the further development of their respective businesses; and

(vii) the NYSE is a well-known and reputable stock exchange globally. The merger of eLMTree with a NYSE-listed company will strengthen the reputation of eLMTree and in turn support eLMTree's future business growth and fundraising capabilities within the U.S. and globally.

GEHI's Singapore Operations were directly impacted by the school closures in Singapore due to the COVID-19 pandemic, which directly resulted in the decrease in operating profitability of GEHI's Singapore Operations in 2020 and 2021. Additionally, the one-off impairment loss on goodwill and long-live assets which was non-recurring in nature also contributed to the net loss of US$24.6 million recorded for GEHI's Singapore Operations in 2022. Despite the decrease in operating profitability, GEHI's Singapore Operations maintained positive operating cash flows for the three years ended 31 December 2022. The Directors believe that the impact of COVID-19 has largely been mitigated since the end of 2022. Moreover, the management of GEHI continued to focus on marketing efforts to boost enrolment, which already led to the increase in student enrolment for the 2022-2023 academic year, while keeping a strong focus on expenses and optimising costs, as appropriate.

Having considered the above, the Directors (including the members of the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee on pages 51 to 52 of this circular) are of the view that the Merger (including the Secondary Sale) and the Proposed Spin-off are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE MERGER AND THE PROPOSED SPIN-OFF

Immediately after Closing, (a) the Company, through ND (BVI), will hold (i) approximately 72.9% of the issued share capital of GEHI (after the Distribution in Specie but assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted, the share awards under the New ESOP are not granted and there is no PIPE Investment involved), (ii) approximately 58.7% of the issued share capital of GEHI on a fully-diluted basis (after the Distribution in Specie and assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted, all share awards under the New ESOP are granted and there is no PIPE Investment involved), or (iii) approximately 55.4% of the issued share capital of GEHI on a fully-diluted basis (after the Distribution in Specie and assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted, all share awards under the New ESOP are granted and the PIPE Investors hold 5.0% of the aggregate number of GEHI Ordinary Shares upon Closing); and (b) eLMTree will be directly wholly-owned by GEHI.

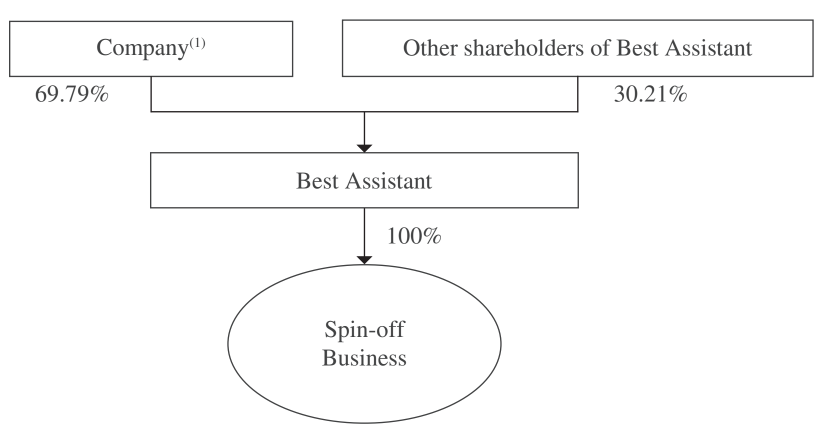
As GEHI and its subsidiaries (including eLMTree) will be accounted into the accounts of the Company as subsidiaries of the Company, it is expected that the Company will not record any gain or loss in the consolidated statement of profit or loss and other comprehensive income in respect of the Merger and the Proposed Spin-off, subject to audit.

Shareholders should note that the financial effects set out above are for illustrative purpose only, which will have to be ascertained at the time of preparation of the Company's consolidated financial statements upon Closing with reference to, among other things, the actual costs and expenses associated with the Merger and Proposed Spin-off, and is subject to audit.

Details of the financial effect of the Merger and the Proposed Spin-off on the financial position together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out in Appendix III to this circular.

CORPORATE STRUCTURE OF THE GROUP

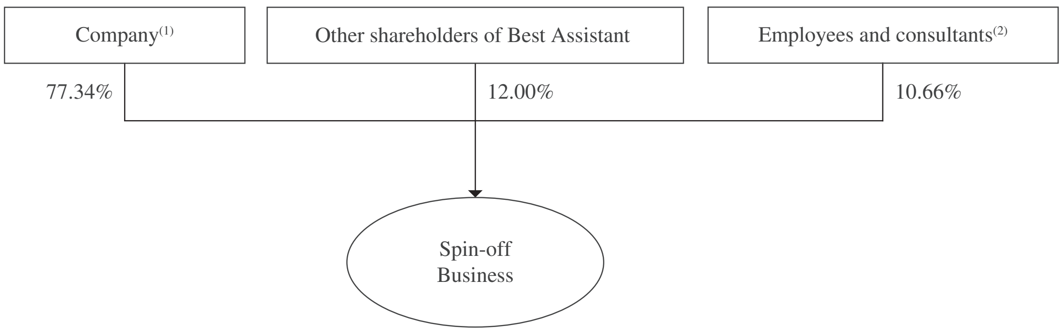
The following diagram is a simplified illustration of the corporate structure of the Group and the Spin-off Business as at the Latest Practicable Date:



Note:

1. The Company, indirectly through ND (BVI), holds Best Assistant as to 69.79% on fully diluted basis assuming all series A and B shareholdings have been converted and the existing employee share award pool has been granted.

The following diagram is a simplified illustration of the corporate structure of the Group and the Spin-off Business immediately upon completion of the eLMTree Restructuring and the Best Assistant Redemption and prior to the Merger:

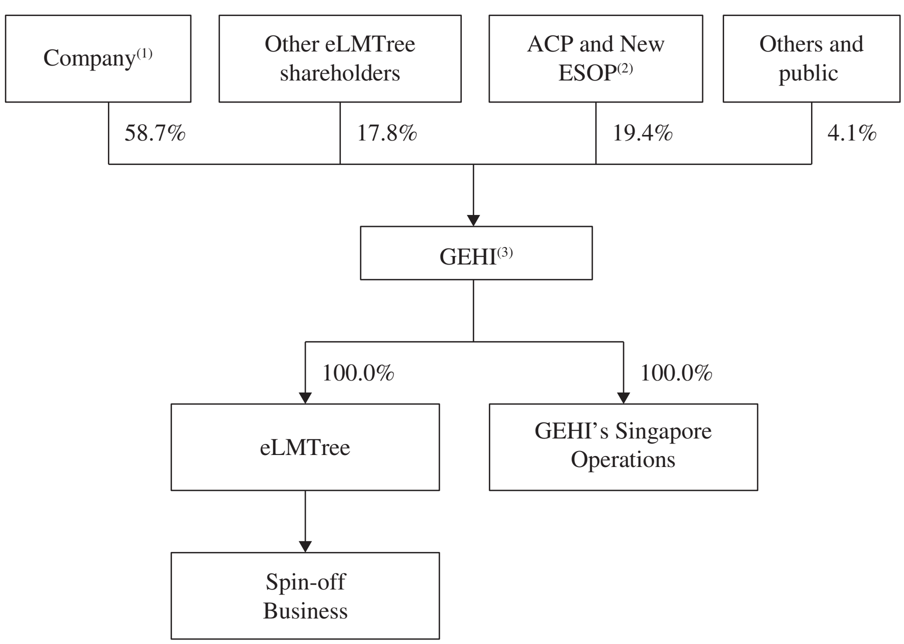


Notes:

1. The Company will indirectly hold approximately 77.34% shares in eLMTree through ND (BVI) after the Best Assistant Redemption.

2. Best Assistant has granted certain share awards, or reserved certain share awards to be granted, to certain employees and consultants of Best Assistant in recognition to their contribution to the development of Best Assistant and its subsidiaries. The reserved share awards will be fully utilised and granted as part of the Best Assistant Redemption.

The following diagram is a simplified illustration of the corporate structure of the Group and the Spin-off Business immediately upon Closing assuming there is no PIPE Investment involved:



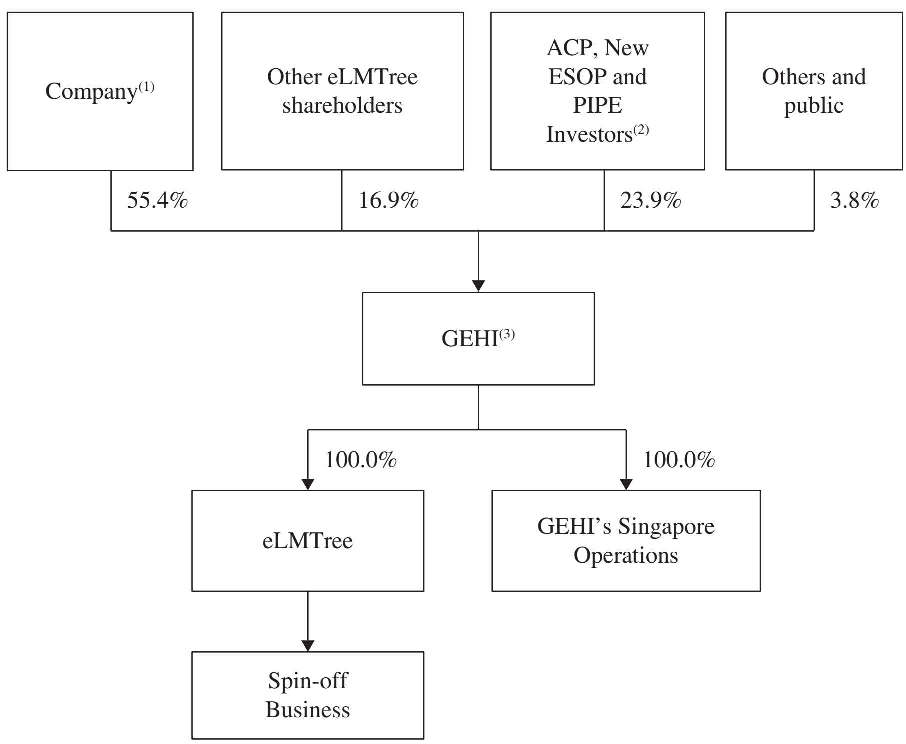
Notes:

1. The Company will indirectly hold approximately 58.7% equity interests in GEHI through ND (BVI) (after the Distribution in Specie and assuming (i) the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted, (ii) all share awards under the New ESOP are granted and (iii) there is no PIPE Investment involved).

2. The ACP Investor and the New ESOP of 19.4% comprise (i) 10.0% to be held by holders of the share awards granted by GEHI under the New ESOP; (ii) 5.9% to be held by the ACP Investor upon the New ACP Bonds being fully converted; (iii) 2.6% to be held by the ACP Investor upon the remaining US$25 million Existing ACP Bonds being fully converted; and (iv) 0.9% to be held by Ascendent Rainbow (Cayman) Limited (an affiliate of the ACP Investor) as a direct shareholder.

3. GEHI will be renamed as "Mynd.ai, Inc." or such other name as determined by the eLMTree Parties and trade on the NYSE under a new ticker symbol as designated by Best Assistant.

The following diagram is a simplified illustration of the corporate structure of the Group and the Spin-off Business immediately upon Closing assuming the PIPE Investors will hold 5.0% of the aggregate number of GEHI Ordinary Shares upon Closing:



Notes:

1. The Company will indirectly hold approximately 55.4% equity interests in GEHI through ND (BVI) (immediately after the Distribution in Species and assuming (i) the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted; (ii) all share awards under the New ESOP are granted; and (iii) the PIPE Investors hold 5.0% of the aggregate number of GEHI Ordinary Shares upon Closing).

2. This comprises (i) 10.0% to be held by holders of the share awards granted by GEHI under the New ESOP; (ii) 5.6% to be held by the ACP Investor upon the New ACP Bonds being fully converted; (iii) 2.5% to be held by the ACP Investor upon the remaining US$25 million Existing ACP Bonds being fully converted; (iv) 0.8% to be held by Ascendent Rainbow (Cayman) Limited (an affiliate of the ACP Investor) as a direct shareholder; and (v) 5.0% to be held by the PIPE Investors upon Closing.

3. GEHI will be renamed as "Mynd.ai, Inc." or such other name as determined by the eLMTree Parties and trade on the NYSE under a new ticker symbol as designated by Best Assistant.

ASSURED ENTITLEMENT AND DISTRIBUTION IN SPECIE

To give due regard to the interests of the Shareholders, conditional upon Closing, the Directors propose to declare a special dividend to the Shareholders by way of the Distribution in Specie of certain GEHI Ordinary Shares to be held by the Company (indirectly through ND (BVI)) after Closing (or cash alternative under certain circumstances with reference to the closing price of GEHI's shares on the Closing Date, subject to a cap of US$1.7464 per GEHI Ordinary Share and the relevant requirements under U.S. law), in proportion to their respective shareholdings in the Company.

Based on the Board's preliminary estimate and expectation, it is proposed that all the Shareholders will in aggregate be entitled to the Distribution in Specie of a total of not more than 2% of GEHI Ordinary Shares to be indirectly held by the Company after Closing, representing a maximum of:

(a) approximately 1.49% of the equity interests in GEHI after Closing (assuming (i) the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted; (ii) no share awards under the New ESOP are granted; and (iii) there is no PIPE Investment involved); and

(b) approximately 1.18% of the equity interests in GEHI after Closing (assuming (i) the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted; (ii) all share awards under the New ESOP are granted; and (iii) the PIPE Investors hold 5.0% of the aggregate number of GEHI Ordinary Shares upon Closing).

It is currently contemplated that the Distribution in Specie will be offered to Shareholders on the following basis:

(a) a qualifying shareholder holding a whole multiple of a qualifying lot will be entitled to one GEHI Ordinary Share for every whole multiple of a qualifying lot held. Such qualifying shareholder may elect to receive the GEHI Ordinary Shares to which he/she/it is entitled, or, in lieu of such GEHI Ordinary Shares, a cash payment with reference to the closing price of GEHI's shares on the Closing Date (subject to a cap of US$1.7464 per GEHI Ordinary Share and the relevant requirements under U.S. law);

(b) a qualifying shareholder who holds Shares in excess of a whole multiple of a qualifying lot will be treated in accordance with paragraph (a) above, except that such shareholder will only receive cash payment for such number of Shares held by him/her/it that is over and above a whole multiple of a qualifying lot;

(c) a qualifying shareholder holding less than a qualifying lot will be entitled to a cash payment based on the number of Shares held by him/her/it. Such shareholder will not be able to choose to receive GEHI Ordinary Shares; and

(d) non-qualifying shareholders will not be entitled to elect to receive GEHI Ordinary Shares, but will instead receive a cash payment based on the number of the respective Shares held by them.

Terms of the Distribution in Specie have not been finalised and are subject to change. The Company will make further announcement in relation to detailed arrangement of the distribution as and when appropriate.

Under Rule 13.36(2) of the Listing Rules, where a listed issuer proposes to distribute securities to its shareholders, it may exclude relevant overseas shareholders in circumstances where the directors consider the exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Accordingly, subject to the Company obtaining relevant legal advice, Shareholders located in certain jurisdictions may be excluded from the right to receive GEHI Ordinary Shares and could only receive cash instead. Shareholders holding less than a specified minimum number of Shares are expected to only receive cash (to avoid odd lots and fractions). Any Shareholder wanting to receive GEHI Ordinary Shares would need to establish an appropriate securities account from which the Shareholder could receive and trade those securities.

As at the Latest Practicable Date, pursuant to Article 24 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland-Hong Kong Stock Markets Connect Programme (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), if the Stock Connect Investors receive any securities not listed on the Stock Exchange, they will not be allowed to buy or sell such securities through the Stock Connect. Considering the practical difficulty of the Stock Connect Investors in realising the benefit of the distribution of GEHI Ordinary Shares, the Stock Connect Investors will not be able to elect to receive GEHI Ordinary Shares and so will only receive the cash distribution instead, the amount of which is subject to finalised distribution arrangement determined by the Company. This arrangement is in accordance with Question No. 4 of the Frequently Asked Questions Series 29 released by the Stock Exchange on 17 November 2014 and last updated on 13 July 2018.

The exact scale and detailed terms of the Distribution in Specie have not been finalised at this stage as the number of the GEHI Consideration Shares to be received by the Company (through ND (BVI)) could not be ascertained until Closing. Further details of the Distribution in Specie will be announced by the Company in due course.

LISTING RULES IMPLICATIONS

As eLMTree will become a wholly-owned subsidiary of GEHI, a company listed on the NYSE, the Merger will constitute a spin-off of eLMTree by the Company which is subject to the applicable requirements under PN15. The Company has submitted to the Stock Exchange the PN15 Application in connection with the Proposed Spin-off and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

The Proposed Spin-off will constitute a disposal of the Spin-off Business by the Company. As one or more applicable percentage ratios under the Listing Rules in respect of the Proposed Spin-off exceed 25%, and all applicable percentage ratios under the Listing Rules in respect of the Proposed Spin-off are below 75%, the Proposed Spin-off constitutes a major disposal for the Company under Chapter 14 of the Listing Rules.

The Merger, together with the Secondary Sale, will constitute the acquisitions of (i) approximately 72.9% interests (after the Distribution in Specie but assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted, the share awards under the New ESOP are not granted and there is no PIPE Investment involved), (ii) approximately 58.7% interests (after the Distribution in Specie and assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted, all share awards under the New ESOP are granted and there is no PIPE Investment involved), or (iii) approximately 55.4% interests (after the Distribution in Specie and assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted, all share awards under the New ESOP are granted and the PIPE Investors hold 5.0% of the aggregate number of GEHI Ordinary Shares upon Closing) in GEHI by the Company. As one or more applicable percentage ratios under the Listing Rules in respect of the Merger exceed 25% and all applicable percentage ratios under the Listing Rules in respect of the Merger are below 100%, the Merger constitute a major transaction for the Company under Chapter 14 of the Listing Rules.

Accordingly, the Merger and the Proposed Spin-off are subject to the reporting, announcement, circular and the shareholders' approval requirements under PN15 and Chapter 14 of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on GEHI's Singapore Operations prepared in accordance with Chapter 4 of the Listing Rules. The accountants' report must include the financial information of GEHI's Singapore Operations for the years ended 31 December 2020, 2021 and 2022, prepared by a firm of practicing accountants that is qualified under the Professional Accountants Ordinance (Cap. 50) ("**PAO**") using accounting policies which should be materially consistent with those adopted by the Company, being Hong Kong Financial Reporting Standards ("**HKFRS**").

Reasons and Basis for the Waiver

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules based on the following reasons:

Waiver for presenting financial information of GEHI's Singapore Operations in this circular prepared under HKFRS

(a) GEHI is required by the SEC or the NYSE to include in its SEC filing the financial information of GEHI's Singapore Operations prepared under the generally accepted accounting principles in the United States ("**U.S. GAAP**"), instead of HKFRS. Such SEC filing has been published by GEHI before the Company publishes this circular on the Stock Exchange. The conversion of the financial information of GEHI's Singapore Operations from U.S. GAAP to HKFRS for this circular will result in two sets of financial information of different accounting standards for the same financial period being published on two different stock exchanges, which will give rise to unnecessary confusion to shareholders and potential investors;

(b) the accounting standards under U.S. GAAP and HKFRS are materially consistent;

(c) GEHI, as a NYSE-listed company, has historically published at the SEC its financial statements in accordance with U.S. GAAP, audited by KPMG Huazhen LLP, Friedman LLP (now its Asian practice has been merged with Marcum Asia) and Marcum Asia in accordance with the standards of the Public Company Accounting Oversight Board (United States);

(d) the accounting records of GEHI's Singapore Operations were not maintained under HKFRS, therefore, there would be practical difficulties in changing the accounting standards of GEHI's Singapore Operations to conform with HKFRS in order to prepare the financial statements of GEHI's Singapore Operations under HKFRS. This will also cause unnecessary delay to Closing;

(e) although GEHI has changed its reporting accountants during the years ended 31 December 2020, 2021 and 2022, and GEHI's Singapore Operations have only been part of GEHI's overall business operations, this does not mean that Marcum Asia would need to conduct a fresh audit for GEHI's Singapore Operations. This is because (i) GEHI's Singapore Operations, as a sub-group of GEHI, have prepared their own financial statements, including profits and loss statement and balance sheet, under U.S. GAAP for the years ended 31 December 2020, 2021 and 2022; (ii) the accounting records of GEHI's Singapore Operations can be easily extracted from GEHI's existing accounting records; (iii) Marcum Asia has the underlying audit papers prepared under U.S. GAAP for the years ended 31 December 2021 and 2022, which can be readily used by Marcum Asia in completing the requisite audit work for GEHI's Singapore Operations; and (iv) while Marcum Asia did not act as GEHI's reporting accountants for the year ended 31 December 2020 and will need to perform the requisite audit work with respect to GEHI's Singapore Operations for the year ended 31 December 2020, such audit work will be based on existing accounting records of GEHI's Singapore Operations from GEHI, and GEHI has reflected the adjustments proposed by KPMG Huazhen LLP in the accounting records of GEHI's Singapore Operations when performing their 2020 audit. Accordingly, the Company considers that for Marcum Asia to conduct fresh audit under HKFRS or IFRS instead of U.S. GAAP would be unduly burdensome; and

(f) the Company will include in this circular a line-by-line reconciliation of the financials of GEHI's Singapore Operations under U.S. GAAP and the Company's accounting policies (being HKFRS) in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("**HKSAE 3000**"). The Company's reporting accountant, Deloitte, will report on the reconciliation information in arriving at the financial information of GEHI's Singapore Operations under HKFRS using the HKSAE 3000. The Company considers that such line-by-line reconciliations will facilitate Shareholders' assessment of the financial performance of GEHI's Singapore Operations by allowing informed comparisons to be made between the relevant financial information between HKFRS and U.S. GAAP, which is also in line with market practice;

Waiver for preparing financial information of GEHI's Singapore Operations by a firm of practising accountants that is qualified under the PAO

(g) while Marcum Asia, the reporting accountant of GEHI, is not registered under the PAO as required by Rule 4.03 of the Listing Rules, the background and qualification of Marcum Asia would meet the requirements as stated in HKEx-LD28-2012 as Marcum Asia is a firm of accountants with international name and reputation and registered with a recognised body of accountants. Marcum Asia is registered with the Public Company Accounting Oversight Board ("**PCAOB**"). Marcum Asia is the registered independent accountant of GEHI within the meaning of the United States Securities Act, and complies with the PCAOB requirements (including the independence requirement under Rule 3520 of the Rules of the PCAOB). Marcum Asia is subject to inspection by the PCAOB every three years, and Marcum Asia is a joint venture between Marcum LLP and Bernstein & Pinchuk LLP. Marcum LLP, a founding member of LEA Global/Leading Edge Alliance ("**LEA Global**"), is a national association comprised primarily of the largest top 100 independently-owned CPA firms in the United States. LEA Global is one of the largest associations of independent accounting firms worldwide and represented in more than 100 countries with more than 430 offices. Furthermore, Marcum Asia, through Marcum LLP, can access ECOVIS International's global accounting and advisory network in 80 countries on six continents. ECOVIS International is a member of the International Federation of Accountants (IFAC). Marcum Asia is also a member of the American Institute of Certified Public Accountants (AICPA);

(h) as a register public accounting firm, Marcum Asia is subject to the independent oversight of the PCAOB. The PCAOB is in turn subject to oversight by the SEC, and the SEC is a full signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information. Marcum Asia is also subject to the independence requirements under S-X Rule 2-01 of the SEC, and the requirements of the PCAOB (including compliance with Rule 3520) for its audit of GEHI's financial statements for the year ended December 31, 2022; and

(i) Marcum Asia is an accounting and advisory services firm with offices located in Beijing, Tianjin, Shanghai, Hangzhou, Guangzhou, Singapore and New York. It has an aggregate of more than 16 partners and 152 professional staff. Marcum Asia is a joint venture between Marcum LLP and Bernstein & Pinchuk LLP. Marcum LLP is an accounting and advisory services firm with 37 offices globally, including locations in the United States, the Cayman Islands and Ireland. Marcum LLP has over 370 partners and 4,100 professional staff, and has the fifth highest number of listed audit clients in the United States. Marcum LLP has provided services to more than 300 SEC registrants and has extensive experience in the audit of internal controls practices pursuant to Section 404 of the Sarbanes Oxley Act of 2002 and frequent interactions with the SEC staff. It has involved in numerous IPOs and SPAC transactions, more than 175 reverse mergers and other types of alternative public offerings. Marcum LLP ranked first in terms of the amount of IPO audits performed during the years ended December 31, 2020 and 2021. It is also ranked first by Audit Analytics in terms of "Non-Big 4 SEC Audit Practice".

Alternative Disclosures

The following disclosures in relation to the financial information of GEHI's Singapore Operations (the "**Alternative Disclosures**") have been included in this circular:

(a) financial statements of GEHI's Singapore Operations prepared on a combined basis, covering the years ended 31 December 2020, 2021 and 2022 audited by Marcum Asia and prepared under U.S. GAAP, the text of which is set out in Appendix II to this circular. For the avoidance of doubt, the financial statements of GEHI included in this circular do not contain the financial information with respect to GEHI's education business in the PRC, which will be disposed of by GEHI prior to Closing pursuant to the GEHI Divestiture;

(b) a line-by-line reconciliation of the financials of GEHI's Singapore Operations under U.S. GAAP and the Company's accounting policies (being HKFRS) in accordance with HKSAE 3000, the text of which is set out in Appendix II to this circular. The Company's reporting accountant, Deloitte, reported on the reconciliation information in arriving at the financial information of GEHI's Singapore Operations under HKFRS using the HKSAE 3000, the text of which is set out in Appendix II to this circular; and

(c) the Company has made sure that the accountants' report on GEHI's Singapore Operations included in this circular complies with the Listing Rules.

The Directors consider that the Alternative Disclosures shall contain sufficient and appropriate financial information of GEHI's Singapore Operations in this circular to allow the Shareholders to make a properly informed decision on voting on the Merger. Under the Alternative Disclosures, the Shareholders will be fully-informed by the financial information of GEHI's Singapore Operations under the same reconciled accounting standard and will be able to make informed comparisons between the relevant financial information between HKFRS and U.S. GAAP.

Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules.

EGM

The notice convening the EGM to be held at 3:00 p.m. on Friday, 14 July 2023 at Boardroom 3-4, M/F, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong for the Shareholders to consider and, if thought fit, approve, among other things, the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie, is set out on pages EGM-1 to EGM-2 of this circular.

In compliance with the Listing Rules, the resolution will be voted on by way of a poll at the EGM. On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for each Share registered in his/her/its name in the register. A Shareholder entitled to more than one vote is under no obligation to cast all his/her/its votes in the same way.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has a material interest in the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie. As such, no Shareholder is required to abstain from voting in the EGM.

RECOMMENDATION

The Company has established the Independent Board Committee comprising all three independent non-executive Directors, namely Mr. Lee Kwan Hung, Eddie, Mr. Liu Sai Keung, Thomas and Mr. Li Sing Chung Matthias, to advise the Shareholders on the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie. None of the members of the Independent Board Committee has any interest or involvement in the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie.

Gram Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Shareholders on the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie.

The Directors (including the members of the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee on pages 51 to 52 of this circular) are of the opinion that the terms of the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM in connection with the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie.

The text of the letter from Independent Board Committee is set out on pages 51 to 52 of this circular and the text of the letter from Gram Capital containing its advice is set out on pages 53 to 81 of this circular.

ADDITIONAL INFORMATION

This circular is being distributed to the Shareholders. This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation. Neither this circular nor anything contained herein shall form the basis of any contract or commitment whatsoever.

Your attention is drawn to other sections of and appendices to this circular.

Yours faithfully,
By order of the Board
NetDragon Websoft Holdings Limited
Liu Dejian
Chairman

NetDragon Websoft Holdings Limited
網龍網絡控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 777)

To the Shareholders

26 June 2023

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE MERGER
(2) MAJOR DISPOSAL AND PROPOSED SPIN-OFF OF ELMTREE
AND
(3) DISTRIBUTION IN SPECIE

We refer to the circular issued by the Company to the Shareholders dated 26 June 2023 (the "**Circular**") of which this letter forms part. Unless the context otherwise defines terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Shareholders on whether the terms of the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 12 to 50 and the letter from the Independent Financial Adviser as set out on pages 53 to 81 of the Circular respectively.

Gram Capital has been appointed as the Independent Financial Adviser to advise us and the Shareholders in this respect. We wish to draw your attention to the letter of advice issued by Gram Capital which is set out on pages 53 to 81 of the Circular.

Having considered the principal factors and reasons considered by, and the advice of Gram Capital as set out in its letter of advice, we consider that the terms of the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie are fair and reasonable and in the interests of the Company and the Shareholders as a whole and therefore advise the Shareholders to vote in favour of the resolution in relation to the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie as set out in the notice of EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee
NetDragon Websoft Holdings Limited
Mr. Li Sing Chung Matthias **Mr. Lee Kwan Hung, Eddie** **Mr. Liu Sai Keung, Thomas**
Independent non-executive Directors

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the Transactions for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

26 June 2023

To: The independent board committee and the shareholders of NetDragon Websoft Holdings Limited

Dear Sir/Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE MERGER
(2) MAJOR DISPOSAL AND PROPOSED SPIN-OFF OF ELMTREE
AND
(3) DISTRIBUTION IN SPECIE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie (collectively, the "**Transactions**"), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 26 June 2023 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 18 April 2023 (after trading hours), the Company, Best Assistant (an indirect non wholly-owned subsidiary of the Company), GEHI (NYSE ticker: GEHI) and Merger Sub (a direct wholly-owned subsidiary of GEHI) entered into the Merger Agreement in relation to the Merger. With reference to the Board Letter, immediately upon Closing:

(i) GEHI will own 100% of the equity interests in eLMTree, which wholly-owns the Spin-off Business;

(ii) ND (BVI), a direct wholly-owned subsidiary of the Company, will hold approximately 72.9% equity interests of GEHI (after the Distribution in Specie but assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted, share awards under the New ESOP are not granted and there is no PIPE Investment involved); and

(iii) GEHI and its subsidiaries (including eLMTree) will be consolidated into the consolidated financial statements of the Company. The Company will account GEHI in the accounts of the Company as a subsidiary.

With reference to the Board Letter, as eLMTree will become a wholly-owned subsidiary of GEHI, a company listed on the NYSE, the Merger will constitute a spin-off of eLMTree by the Company which is subject to the applicable requirements under PN15. The Company submitted to the Stock Exchange the PN15 Application in connection with the Proposed Spin-off and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

With reference to the Board Letter:

(a) the Proposed Spin-off constitutes a disposal of the Spin-off Business by the Company and a major disposal for the Company under Chapter 14 of the Listing Rules; and

(b) the Merger, together with the Secondary Sale, will constitute an acquisition of (i) approximately 72.9% equity interests (after the Distribution in Specie but assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted, share awards under the New ESOP are not granted and there is no PIPE Investment involved); (ii) approximately 58.7% equity interests (after the Distribution in Specie and assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted, all share awards under the New ESOP are granted and there is no PIPE Investment involved); or (iii) approximately 55.4% equity interest (after the Distribution in Specie and assuming New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted, all share awards under the New ESOP are granted and the PIPE Investors hold 5.0% of the aggregate number of GEHI Ordinary Shares upon Closing) in GEHI by the Company. The Merger constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

Accordingly, the Merger and the Proposed Spin-off are subject to the reporting, announcement, circular and the shareholders' approval requirements under PN15 and Chapter 14 of the Listing Rules.

The Independent Board Committee comprising Mr. Lee Kwan Hung, Eddie, Mr. Liu Sai Keung, Thomas and Mr. Li Sing Chung Matthias (all being independent non-executive Directors) has been established to advise the Shareholders on (i) whether the terms of the Transactions are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole; and (iii) how the Shareholders should vote in respect of the resolution to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this respect.

INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Company, GEHI and the Merger Sub during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser. As none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we consider that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Best Assistant, eLMTree, GEHI, Merger Sub, the Secondary Sellers or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and the Shareholders will be notified of any material changes as soon as possible up to the date of EGM. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information of the Group

With reference to the Board Letter, the Company is incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in online and mobile games development, including games design, programming and graphics and online and mobile games operation, education business, mobile solution, products and marketing business and property project business.

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2022 as extracted from the Company's annual report for the year ended 31 December 2022 (the "**2022 Annual Report**"):

	For the year ended 31 December 2022 *RMB million*	**For the year ended 31 December 2021** *RMB million*	**Year-on-year change** *%*
Revenue	7,866	7,036	11.80
– Online and mobile games	*3,430*	*3,642*	*(5.82)*
– Education (including sales of education equipment and related goods and educational services)	*4,336*	*3,231*	*34.20*
– Others	*100*	*163*	*(38.65)*
Gross profit	4,315	4,523	(4.60)
Profit for the year	764	983	(22.28)

As shown in the above table, the Group's revenue was RMB7,866 million for the year ended 31 December 2022 ("**FY2022**"), representing an increase of approximately 11.80% as compared to that for the year ended 31 December 2021 ("**FY2021**"). The Group's revenue from online and mobile games segment was RMB3,430 million, representing a decrease of approximately 5.82% as compared to the for FY2021, while the Group's revenue from education segment was RMB4,336 million, representing an increase of approximately 34.20% as compared to that for FY2021. With reference to the 2022 Annual Report, (i) the aforesaid decrease in revenue from the Group's online and mobile games segment was primarily due to slowdown of domestic economy in the PRC as impacted by the COVID-19 pandemic; and (ii) the aforesaid increase in revenue from education segment was primarily due to the fact that the Group continued to build on its global market leadership position with the Group's commitment to providing educators the ability to transform learning and collaboration.

Despite the aforesaid increase in the Group's revenue for FY2022, the Group's gross profit for FY2022 decreased by approximately 4.60% as compared to that for FY2021. With reference to the 2022 Annual Report, such decrease was primarily due to (i) decrease in revenue from the Group's gaming segment; and (ii) decrease in gross margin of the Group's education segment.

The Group's profit for FY2022 was RMB764 million, representing a decrease of approximately 22.28% as compared to that for FY2021. With reference to the 2022 Annual Report, such decrease in the Group's profit was primarily due to (i) the aforesaid decrease in gross profit; and (ii) increase in research and development costs, as partially offset by the decrease in taxation expenses.

Information of the eLMTree Parties

Best Assistant

With reference to the Board Letter, Best Assistant is a company incorporated in the Cayman Islands with limited liability and is an indirect non wholly-owned subsidiary of the Company principally engaged in education business.

eLMTree

With reference to the Board Letter, eLMTree is an exempted company to be incorporated in the Cayman Islands as soon as reasonably practicable after the date of the Merger Agreement, as a direct wholly-owned subsidiary of Best Assistant and an indirect non wholly-owned subsidiary of the Company. The principal activity of eLMTree is intended to be investment holding.

With reference to the Board Letter, as at the Latest Practicable Date, Best Assistant owns the Spin-off Business mainly through its four wholly-owned subsidiaries, namely Promethean, Edmodo, Elernity Thailand and Sky Knight. Prior to Closing, Best Assistant will transfer the Spin-off Business to eLMTree as contemplated under the eLMTree Restructuring.

Set out below are the unaudited financial information of the Spin-off Business for the two years ended 31 December 2022, as extracted from the Board Letter:

	For the year ended 31 December 2022	For the year ended 31 December 2021	Year-on-year change
	RMB	*RMB*	*%*
Net (loss)/profit before tax	(35,556,662)	49,002,650	N/A
Net profit after tax	171,804,253	114,468,816	50.09

According to the Board Letter, as at 31 December 2021 and 31 December 2022, the unaudited net assets of the Spin-off Business were approximately RMB321.8 million and RMB515.3 million respectively.

Information of the GEHI Parties

GEHI

With reference to the Board Letter, GEHI (previously known as RYB Education Inc.) is a company listed on the NYSE (NYSE ticker: GEHI) and is primarily engaged in the education business in the PRC and Singapore. Upon the GEHI Divestiture, GEHI will cease to conduct any business in the PRC, and will continue to operate its education business in Singapore. GEHI's Singapore Operations offer kindergarten services and student care services in Singapore. As at 31 December 2022, GEHI's Singapore Operations had 17 directly operated and 12 franchised kindergartens in operation in Singapore, and 38 directly operated and 5 franchised student care centres in operation in Singapore. Total student enrolment and total teaching staff at the directly-operated kindergartens and directly-operated student care centers in Singapore was 6,170 and 774 as at 31 December 2022, respectively.

Set out below are the audited financial information of GEHI's Singapore Operations under U.S. GAAP for the three years ended 31 December 2022, as extracted from the accountants' report on GEHI's Singapore Operations as contained in Appendix II to the Circular ("**Accountants' Report**"):

	For the year ended 31 December 2022	**For the year ended 31 December 2021**	**For the year ended 31 December 2020 ("FY2020")**	**Changes from FY2021 to FY2022**	**Changes from FY2020 to FY2021**
	US$'000	*US$'000*	*US$'000*	*%*	*%*
Total net revenues	30,752	31,007	25,964	(0.82)	19.42
(Loss)/income before income tax	(25,431)	2,492	3,280	N/A	(24.02)
Net (loss)/income	(24,642)	2,049	2,959	N/A	(30.75)

According to the Accountants' Report, the audited net assets of GEHI's Singapore Operations was approximately US$25.1 million as at 31 December 2022.

Merger Sub

With reference to the Board Letter, Merger Sub is an exempted company incorporated in the Cayman Islands with limited liability and a direct wholly-owned subsidiary of GEHI. The principal activity of Merger Sub is investment holding. Merger Sub has been formed solely to enter into the Merger Agreement and perform its obligations thereunder.

Information of the Secondary Sellers, the Divestiture Purchaser and the ACP Investor

As noted from the Board Letter:

- The Secondary Sellers are Joy Year Limited, Bloom Star Limited, Ascendent Rainbow (Cayman) Limited, Trump Creation Limited and China Growth Capital Limited.

- The Divestiture Purchaser is Rainbow Companion, Inc.

- The ACP Investor is Nurture Education (Cayman) Limited.

Details of each of the Secondary Sellers, the Divestiture Purchaser and the ACP Investor are set out under the respective sections headed "Information of the Secondary Sellers", "Information of the Divestiture Purchaser" and "Information of the ACP Investor" of the Board Letter.

Reasons for and benefits of the Merger and the Proposed Spin-off

With reference to the Board Letter, the Company considers that the Merger and the Proposed Spin-off come with the following benefits:

(i) the Spin-off Business has always been operated on a stand-alone basis from the Group's gaming business and PRC education business. The Merger will allow the Group to unlock and realise the fair value of the Spin-off Business via the value of the Company's shareholding in GEHI, which is expected to create significant value to the Shareholders, as well as to unlock and realise the fair value of the Remaining Group;

(ii) the Merger includes a business combination of the Spin-off Business with GEHI's Singapore Operations, which is expected to provide business synergies. eLMTree regularly pursues large-scale projects with school systems and ministries of education around the world, and Singapore is a market in which eLMTree would like to further expand. Many of the business opportunities in relation to classroom technology in Singapore are contracted at the level of the Ministry of Education of Singapore, and the procurement process administered by the Ministry of Education of Singapore tend to favour suppliers who have an established local presence. As at 31 December 2022, GEHI's Singapore Operations employed 834 people in Singapore and had 17 directly-operated and 12 franchised kindergartens in operation in Singapore, and 38 directly-operated and 5 franchised student care centres in operation in Singapore, amongst which there are 39 directly operated student care centres and franchised kindergartens serving the schools operated by the Ministry of Education of Singapore. Therefore, eLMTree, after merger with GEHI's Singapore Operations upon Closing, is expected to be viewed more favourably when competing for the tenders from the Ministry of Education of Singapore;

(iii) the Merger will provide the Group with an independent fundraising platform and enlarged shareholder base for eLMTree under GEHI to target global education investors, thereby enhancing the fundraising capability of the Spin-off Business to drive business growth;

(iv) the Merger will provide investors, financial institutions, and rating agencies with greater transparency on the operations and financial condition of the Remaining Group and eLMTree on a stand-alone basis, which would help investors form their investment decisions with a better understanding of the operating results, financial condition, management, strategies, risks and returns of the Remaining Group and eLMTree, respectively;

(v) the Merger will allow the Remaining Group to focus on its gaming business and PRC education business;

(vi) the Merger will enable the Remaining Group and eLMTree to build separate corporate profiles, thereby increasing their ability to attract investors, partners, and employees for the further development of their respective businesses; and

(vii) the NYSE is a well-known and reputable stock exchange globally. The merger of eLMTree with a NYSE-listed company will strengthen the reputation of eLMTree and in turn support eLMTree's future business growth and fundraising capabilities within the U.S. and globally.

Upon Closing, the Remaining Group will continue to operate (i) the gaming business (revenue mainly generated from the PRC); (ii) the education business in the PRC; and (iii) other non-education business, with gaming business contributed over 80% of its revenue for each of the three years ended 31 December 2022, based the financial information provided by the Company, while the Spin-off Business is engaged in the education technology ("**EdTech**") industry. In this regard, we conducted the following market researches on the PRC gaming market and the EdTech industry.

PRC gaming market

With reference to the 2022 Annual Report, gaming industry in the PRC went through unprecedented challenges throughout FY2022 as a result of slowdown of domestic economy due to the COVID-19 impact. Although the Group's revenue from gaming segment for FY2022 decreased by 5.82% as compared to that for FY2021, due to the macro impact, the Group's mobile gaming revenue remained stable with a slight year-on-year decrease, outperforming the domestic mobile gaming market which had a market decline of 14.4% during FY2022.

According to the 2022 China Gaming Industry Report (the "**2022 Gaming Report**") published by the Gaming Publishing Committee of the China Audio-video and Digital Publishing Association: (i) market size of the gaming market worldwide was approximately US$200 billion with approximately 3.2 billion gamers for 2022; (ii) market size of the PRC gaming market was approximately RMB265.9 billion with approximately 664 million gamers for 2022; (iii) the PRC's gaming market accounted for approximately 20% of the world's gaming industry in terms of number of gamers and approximately 14% of the world's gaming industry in terms of market size for 2022.

Revenue of PRC self-developed games

Set out below are the statistics regarding revenue of PRC self-developed games from domestic markets and overseas markets for the five years ended 31 December 2022, as extracted from the 2022 Gaming Report:

	2018	**2019**	**2020**	**2021**	**2022**
Revenue of PRC-developed games from domestic markets					
(RMB billion)	164.39	189.51	240.19	255.82	222.38
Growth (%)		*15.28*	*26.74*	*6.51*	*(13.07)*
Revenue of PRC-developed games from overseas markets					
(US$ million)	9,586	11,595	15,450	18,013	17,346
Growth (%)		*20.96*	*33.25*	*16.59*	*(3.70)*

As shown in the above table, there was year-on-year increase in revenue of PRC-developed games from domestic markets and overseas markets for each of 2019, 2020 and 2021. Revenue of PRC-developed games from domestic markets for 2022 decreased by approximately 13.07% as compared to that for 2021 and revenue of PRC-developed games from overseas markets for 2022 decreased by approximately 3.70% as compared to that for 2021.

As noted from the 2022 Gaming Report, (i) decrease in revenue of PRC-developed games from domestic markets for 2022 was primarily due to the lack of new games in the market where revenue was driven by long-term operating leading games in the markets; and (ii) decrease in revenue of PRC-developed from overseas markets for 2022 was primarily due to the general downturn of the world's gaming market under influence of the COVID-19 pandemic, fluctuation of the RMB exchange rates and increasing competition from overseas gaming markets.

Number of gamers in the PRC

Set out below are the statistics regarding number of gamers in the PRC for the five years ended 31 December 2022, as extracted from the 2022 Gaming Report:

	2018	2019	2020	2021	2022
Number of gamers in the PRC *(million)*	625.66	641.08	664.79	666.24	664.07
Growth (%)		*2.46*	*3.70*	*0.22*	*(0.33)*

As shown in the above table, there was year-on-year increase in number of gamers in the PRC for each of 2019, 2020 and 2021, with a slight year-on-year decrease for 2022. With reference to the 2022 Gaming Report, such year-on-year decrease for 2022 was the first year-on-year decrease recorded in the past ten years, and primarily due to the impact of COVID-19 pandemic and lack of new products. The number of gamers in the PRC increased from 625.66 million for 2018 to 664.07 million for 2022, representing a compound annual growth rate of approximately 1.50%.

Mobile gaming market in the PRC

As noted from the 2022 Gaming Report, for 2022, the PRC gaming market was segregated (in terms of revenue) as to (i) 72.61% by mobile games; (ii) 23.08% by online games; (iii) 1.99% by web games; and (iv) 2.32% by other games. Revenue from mobile games contributed to majority of the PRC gaming market's revenue.

Set out below are the statistics regarding revenue of the mobile gaming market in the PRC and the number of mobile gamers in the PRC for the five years ended 31 December 2022, as extracted from the 2022 Gaming Report:

	2018	2019	2020	2021	2022
Revenue of mobile gaming market in the PRC *(RMB billion)*	133.96	158.11	209.68	225.54	193.06
Growth (%)		*18.03*	*32.62*	*7.56*	*(14.40)*
Number of mobile gamers in the PRC *(million)*	604.95	624.15	654.35	655.88	654.38
Growth (%)		*3.17*	*4.84*	*0.23*	*(0.23)*

As shown in the above table, there was year-on-year increase in revenue of mobile gaming market in the PRC and number of mobile gamers in the PRC for each of 2019, 2020 and 2021. Revenue of mobile gaming market in the PRC for 2022 decreased by 14.40% and number of mobile gamers in the PRC for 2022 slightly decreased by 0.23%, as compared to those for 2021. With reference to the 2022 Gaming Report, such decreases in revenue of mobile gaming market in the PRC was primarily due to (i) influence of COVID-19 pandemic; (ii) decrease in mobile gamers; and (iii) the lack of new games in the market.

With reference to the 2022 Gaming Report, revenue of mobile gaming market in the PRC accounted for 72.61% of the PRC gaming market (in terms of revenue). Such proportion was lower than that for 2021 (approximately 76.06%) and had its first decline in the past five years.

With reference to the 2022 Annual Report, notwithstanding the decrease in the Group's revenue from gaming segment for FY2022, the Group's mobile gaming revenue remained stable with a slight year-on-year decrease of approximately 0.2%, outperforming the mobile gaming market in the PRC. The Group's flagship mobile game continued to deliver strong performance with year-on-year increase of approximately 6.2% in terms of revenue.

Based on the above statistics, the PRC gaming market generally deteriorated in 2022. Nevertheless, the Group's mobile gaming revenue for FY2022 outperformed the market.

EdTech industry

We noted from the report "Education technology. Coronavirus and beyond" published by Credit Suisse on 8 April 2020 that the accelerated adoption of EdTech solutions and opportunities for innovation in the education sector are explored as a result of the COVID-19 pandemic. The pandemic caused widespread school closures in affected regions around the world and such measure created challenges for traditional education system. To address these challenges, many schools and universities transitioned to remote learning, which requires adoption of digital tools and platforms that enable remote learning, such as video conferencing, online courseware and virtual reality simulations. It is expected that many schools and universities will continue to use EdTech solution in post-pandemic era which could lead to development of new and innovative solutions that could enhance the quality of education and improve learning outcome.

We noted from the article "The Future of EdTech" dated 26 December 2022 published by Forbes that the value of the global EdTech market in 2021 was US$106.46 billion. The global EdTech market is expected to experience annual growth of 16.5% from 2020 to 2030 and is expected to expand 2.5 times from 2019 to 2025. The biggest market of the global EdTech market belongs to North America. This region received 35% of the global revenue because of its significant investments in EdTech; while the Asia Pacific region has been growing, with expected compound annual growth rate of 19% from 2022 to 2030, partly due to the increasing number of smart devices in developing countries. The number of EdTech unicorns is increasing at high speed. As at 29 July 2022, there were 36 EdTech unicorns globally, together they raised more than US$30 billion over the last decade; and their total market value of these companies reached US$105 billion. There were 8 EdTech unicorns in the PRC; 16 in the U.S. and 7 in India.

Based on the above, we consider the prospects of EdTech industry is generally positive.

Having considered the conditions of the PRC gaming market and the EdTech industry as mentioned above, and the reasons for and benefits of the Merger and the Proposed Spin-off, in particular, the Merger will allow the Remaining Group to focus on its gaming business and the PRC education business, while the value of the Spin-off Business can be unlocked and realise by the Remaining Group through the Company's shareholding in GEHI, we are of the view that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Merger and the Proposed Spin-off

Set out below are the principal terms of the Merger Agreement, details of which are set out in the section headed "Merger Agreement" of the Board Letter.

Date

18 April 2023 (after trading hours)

Parties

Best Assistant, the Company, GEHI and the Merger Sub

With reference to the Board Letter, eLMTree will become a party to the Merger Agreement by executing a joinder after its incorporation as soon as reasonably practicable after the date of the Merger Agreement.

Subject matters

(1) **eLMTree Restructuring:** As soon as reasonably practicable after the date of the Merger Agreement, Best Assistant will incorporate eLMTree as its wholly-owned subsidiary, and transfer the Spin-off Business to eLMTree;

(2) **Best Assistant Redemption:** Immediately prior to Closing, (a) all shares reserved by Best Assistant under the employee share award scheme of Best Assistant will be granted; (b) certain inter-company loans from the Company or ND (BVI) (a wholly-owned subsidiary of the Company), on the one hand, to Best Assistant or any subsidiary thereof, on the other hand, in the aggregate amount of RMB561,000,000 (the "**Shareholder's Loan**") will be cancelled in exchange for the issuance of certain ordinary shares of Best Assistant to ND (BVI) (the "**Capitalisation**"); and (c) the interests in Best Assistant held by all existing shareholders of Best Assistant (other than one ordinary share of Best Assistant held by ND (BVI)) will be repurchased in exchange for ordinary shares of eLMTree, or it will be otherwise procured that such shares of Best Assistant are exchanged for newly-issued ordinary shares of eLMTree in any other manner permitted by applicable law; and

(3) **Merger:** At the Effective Time, pursuant to the terms and subject to the conditions of the Merger Agreement, Merger Sub will merge with and into eLMTree with eLMTree surviving after the Merger.

Immediately upon Closing:

(i) GEHI will own 100% of the equity interests in eLMTree, which wholly-owns the Spin-off Business;

(ii) ND (BVI), a direct wholly-owned subsidiary of the Company, will hold approximately 72.9% equity interests of GEHI upon completion of the Merger (after the Distribution in Specie but assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted, the share awards under the New ESOP are not granted and there is no PIPE Investment involved); and

(iii) GEHI and its subsidiaries (including eLMTree) will be consolidated into the consolidated financial statements of the Company. The Company will account GEHI in the accounts of the Company as a subsidiary.

Consideration

The total consideration payable by GEHI to eLMTree's shareholders (including ND (BVI)) in connection with GEHI acquiring eLMTree (which will operate the Spin-off Business) will be in the form of newly issued GEHI Ordinary Share (i.e. GEHI Consideration Shares). Pursuant to the Merger Agreement, each ordinary shares of eLMTree issued and outstanding immediately prior to the Effective Time (excluding the Dissenting eLMTree Shares and the Excluded eLMTree Shares) will be cancelled in exchange for the right to receive a number of validly issued, fully paid and non-assessable GEHI Ordinary Shares equal to the eLMTree per share value divided by the GEHI per share value. The Dissenting eLMTree Shares and the Excluded eLMTree Shares shall be cancelled and cease to exist at the Effective Time. No GEHI Ordinary Share or other consideration shall be delivered or deliverable in exchange for the Excluded eLMTree Shares. The holders of the Dissenting eLMTree Shares shall not be entitled to receive the GEHI Consideration Shares, but instead shall be entitled to only to receive the payment of the fair value of such Dissenting eLMTree Shares held by them determined in accordance with the Companies Act of the Cayman Islands.

The eLMTree per share value is calculated by the eLMTree's equity value of US$750 million divided by the number of ordinary shares of eLMTree that are outstanding immediately prior to Closing but after completion of the Best Assistant Redemption; and the GEHI per share value is calculated by the GEHI's equity value of US$50 million divided by the number of all GEHI Class A Shares that are outstanding immediately prior to Closing on an as-converted and fully diluted basis.

With reference to the Board Letter and as advised by the Directors, upon Closing, the Company, through ND (BVI), shall receive GEHI Ordinary Shares representing (i) approximately 74.4% equity interest of GEHI (before Distribution in Specie and assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted, share awards under the New ESOP are not granted and there is no PIPE Investment involved); (ii) approximately 72.9% equity interests of GEHI (after the Distribution in Specie but assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted, share awards under the New ESOP are not granted and there is no PIPE Investment involved); (iii) approximately 58.7% equity interests of GEHI (after the Distribution in Specie and assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted, all share awards under the New ESOP are granted and there is no PIPE Investment involved); or (iv) approximately 55.4% equity interests (after the Distribution in Specie and assuming New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted, all share awards under the New ESOP are granted and the PIPE Investors hold 5.0% of the aggregate number of GEHI Ordinary Shares upon Closing).

With reference to the Board Letter, contemporaneously with the execution of the Merger Agreement:

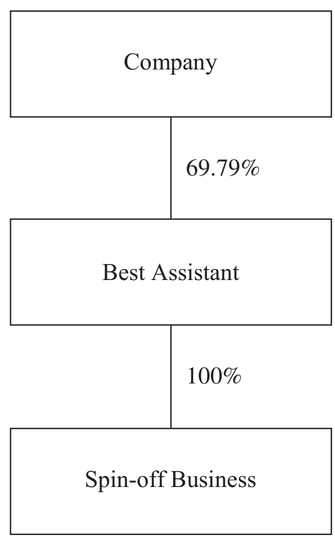
- The Secondary Sellers and ND (BVI) entered into the GEHI Share Purchase Agreement, pursuant to which ND (BVI) has agreed to purchase from the Secondary Sellers the Secondary Sale Shares (being 8,588,960 GEHI Class A Shares, representing approximately 30% of the issued share capital of GEHI as at the Latest Practicable Date) at an aggregate consideration of US$15 million (i.e. the Secondary Sale).

- GEHI and the Divestiture Purchaser entered into the GEHI Divestiture Agreement, pursuant to which the Divestiture Purchaser has agreed to purchase from GEHI its education businesses in the PRC at an aggregate consideration of US$15 million (i.e. the GEHI Divestiture). The consideration has been arrived at based on the fair value of GEHI's education business in the PRC, and may be settled by the proceeds to be received by the Secondary Sellers under the GEHI Share Purchase Agreement.

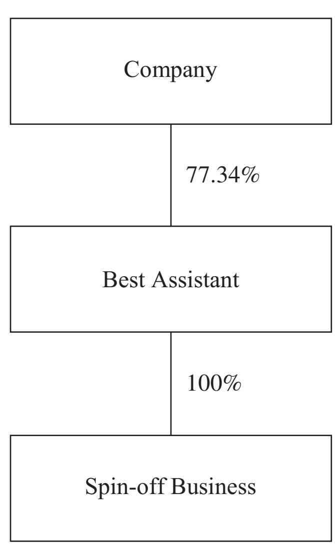
- The Company, Best Assistant, ND (BVI), the ACP Investor and other parties to the purchase agreement of the Existing ACP Bonds dated 10 November 2019 and certain other subsidiaries of the Company entered into a deed of amendment, conditional waiver and redemption in relation to the Existing ACP Bonds, pursuant to which Best Assistant will redeem US$125 million of the principal amount of the Existing ACP Bonds at Closing. It is contemplated that, prior to Closing, the Company, through ND (BVI), will make a capital injection of US$120 million to Best Assistant in exchange for the issuance of 475,940,111 ordinary shares of Best Assistant to ND (BVI) (the "**Capital Injection**") and Best Assistant will use the proceeds from such capital injection and other existing cash at Best Assistant for the redemption of US$125 million in the principal amount of the Existing ACP Bonds.

Set out below are the simplified corporate structure of the Group (i) as at the Latest Practicable Date; (ii) upon completion of the Capital Injection and the Capitalisation; (iii) upon completion of the eLMTree Restructuring and the Best Assistant Redemption; and (iv) upon Closing (before the Distribution in Specie and assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted, share awards are not granted under the New ESOP and there is no PIPE Investment involved), to demonstrate the change in structure of the Group throughout the Merger:

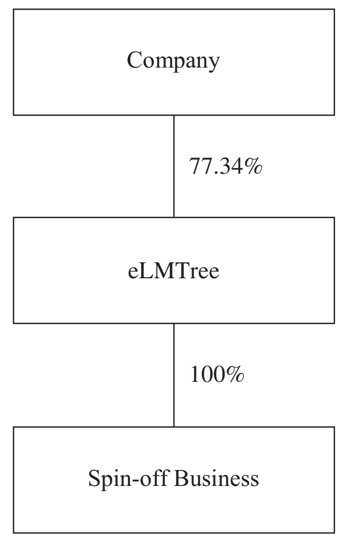
(i) As at the Latest Practicable Date



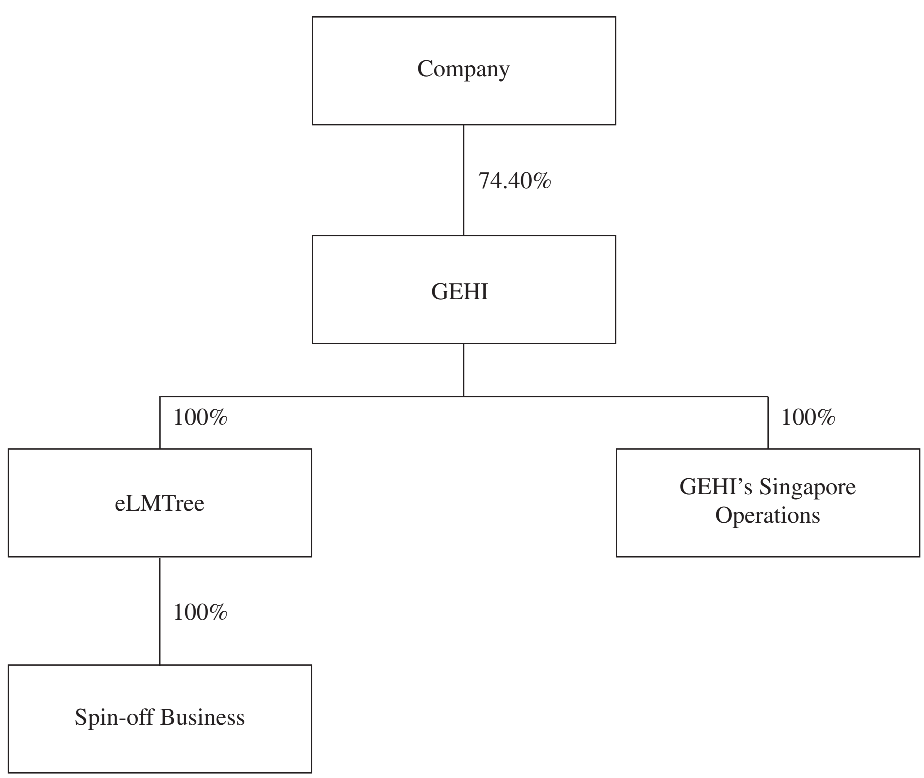
(ii) Upon completion of the Capital Injection and the Capitalisation



(iii) Upon completion of the eLMTree Restructuring and the Best Assistant Redemption



(iv) Upon Closing (before the Distribution in Specie and assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted, share awards under the New ESOP are not granted and there in no PIPE Investment involved)



The Capitalisation and Capital Injection

As illustrated above, the Capital Injection and the Capitalisation will result in the increase in the ND (BVI)'s shareholding in Best Assistant by approximately 7.55 percentage points in aggregate.

For our due diligence purpose, we obtained a calculation from the Company showing the basis for determining the increase in the ND (BVI)'s shareholding in Best Assistant as a result of the Capitalisation and the Capital Injection. We noted from the aforesaid calculation that the corresponding increase in shareholding was determined based on (i) the equity value of eLMTree of US$750 million; (ii) the number of Best Assistant's ordinary shares outstanding prior to the Capitalisation and the Capital Injection; and (iii) the Shareholder's Loan of RMB561 million (equivalent to approximately US$80 million) and the Capital Injection of US$120 million. As (i) Best Assistant operates its education business through the Spin-off Business before the eLMTree Structuring; and (ii) the equity value of eLMTree represents the equity value of the Spin-off Business, we consider the adoption of the equity value of eLMTree to determine the number of Best Assistant's ordinary shares to be issued (and the corresponding percentage increase in the Company's shareholding in Best Assistant) as a result of the Capitalisation and the Capital Injection to be reasonable.

Based on the aforesaid calculation, we noted that:

(i) the implied value of Best Assistant was approximately US$0.34 per share based on the equity value of eLMTree of US$750 million and the number of Best Assistant's ordinary shares outstanding prior to the Capitalisation and the Capital Injection;

(ii) the implied consideration for Best Assistant's ordinary shares under the Capitalisation was approximately US$0.30 per share, calculated based on the Shareholder's Loan of RMB561 million (equivalent to approximately US$80 million) and the 267,002,402 ordinary shares of Best Assistant to be issued; and

(iii) the implied consideration for Best Assistant's ordinary shares under the Capital Injection was approximately US$0.25 per share, calculated based on the Capital Injection of US$120 million and the 475,940,111 ordinary shares of Best Assistant to be issued.

Given that the implied consideration for Best Assistant's ordinary shares under both of the Capitalisation and the Capital Injection are less than the implied value of Best Assistant of approximately US$0.34 per share prior to the Capitalisation and the Capital Injection, we consider the Capitalisation and the Capital Injection to be justifiable.

Secondary Sale

As aforementioned, under the Secondary Sale, ND (BVI) will purchase the Secondary Sale Shares (representing approximately 30% of the issued share capital of GEHI as at the Latest Practicable Date (i.e. before the issuance of the GEHI Consideration Shares)) from the Secondary Sellers at an aggregate consideration of US$15 million (the "**Secondary Sale Consideration**").

We understood from the Directors that the Secondary Sale Consideration was determined with reference to the equity value of GEHI's Singapore Operations of US$50 million, as represented by the value of GEHI's Singapore Operations of US$35 million and the consideration for the GEHI Divestiture of US$15 million to be received. As contemporaneously with the Secondary Sale, GEHI also entered into the GHEI Divestiture Agreement for its PRC education business, we consider the share prices of GEHI may not reflect the value of GEHI's Singapore Operations and thus we did not compare the historical share price of GEHI to the Secondary Sale Consideration.

With reference to the Board Letter, the equity value of GEHI's Singapore Operations was assessed by the Company's management by adopting the trading multiple analysis of EV/EBITDA under market approach, with selected companies listed on major stock exchanges that are engaged in early learning education and child day care services in non-PRC markets.

We noted from:

(i) The article "Valuation" published and updated by Corporate Finance Institute (according to the website of Corporate Finance Institute, Corporate Finance Institute is the leading global provider of training and productivity tools for finance and banking professionals. Corporate Finance Institute delivers the skills, certifications continuing professional education credits, and resources to help anyone from beginner to seasoned pro to drive their career in finance and banking) on 28 May 2023 that asset approach (which consider the fair market value of individual assets), income approach (which consider the future unlevered free cash flow and discount it back to today at the firm's weighted average cost of capital) and market approach (which consider the value of a business of an asset based on comparable companies or precedent transactions) are the three approaches a firm can use to assess the value of a business or an asset.

(ii) The article "Enterprise Multiple (EV/EBITDA): Definition, Formula, Examples" published and updated by Investopedia (according to the website of Investopedia, Investopedia was founded in 1999 with the mission of simplifying financial decisions and information to give readers the confidence to manage every aspect of their financial life) on 9 April 2022 that EV/EBITDA is a ratio used to determine the value of a company and enterprise value is a measure of the economic value of a company that is frequently used to determine the value of the business if it is acquired.

Based on the aforesaid, we consider the uses of market approach and EV/EBITDA are commonly adopted methodologies in assessing value of a business or an asset, thus, the adoption of market approach and EV/EBITDA for assessment of the value of GEHI's Singapore Operations is reasonable.

To assess the fairness and reasonableness of the Secondary Sale Consideration (which was determined with reference to the value of GEHI's Singapore Operations of US$35 million and the consideration for the GEHI Divestiture of US$15 million), we also attempted to perform trading multiples analysis including P/E, P/B and price-to-sales-ratio ("**P/S**") (which are also commonly adopted trading multiples) on the equity value of the GEHI's Singapore Operations. Nevertheless, as GEHI's Singapore Operations recorded net loss attributable to ordinary shareholders of GEHI for FY2022, P/E analysis is impracticable. We searched for companies listed on major stock exchanges (such as the Stock Exchange, NYSE, the Nasdaq Stock Market, Shanghai Stock Exchange, Shenzhen Stock Exchange, Euronext, London Stock Exchange etc.) that engage in similar businesses as the GEHI's Singapore Operations (i.e. provision of early childhood, primary and/or secondary education services, which we consider to be comparable to that of the GEHI's Singapore Operations as they engage in the same industry and influenced by similar market factors, despite that their businesses and operations may not be exactly the same among one another) in Asia-Pacific region (excluding China) based on their respective latest published audited financial statements, with market capitalization of US$10 million to US$100 million as at the date of the Merger Agreement (such range was set based on the value of GEHI's Singapore Operations of US$35 million to include sufficient comparables with values proximate to GEHI's Singapore Operations). To the best of our knowledge and as far as we are aware of, we found 12 companies which met our selection criteria and they are exhaustive (the "**GEHI Comparable Companies**").

Company name (Stock code/ticker)	**Stock exchange**	**Principal business**	**Market capitalization as at the date of the Merger Agreement** *approximately US$ million*	**P/B** *(Note 1)*	**P/S** *(Note 2)*
Embark Education Group Limited (EVO)	New Zealand's Stock Exchange and Australian Securities Exchange	Invest in the provision and management of high-quality early childhood education centres	56.7	1.12	1.54
Genius Group Limited (GNS)	NYSE American	Develop an entrepreneur education system that spans from early learning, primary and secondary school, to university, adult education and corporate training	39.3	0.86	3.08
Johnan Academic Preparatory Institute, Inc. (4720)	Tokyo Stock Exchange, Inc.	Operate a network of cram schools	23.7	1.53	0.50
Kids Smile Holdings Inc. (7084)	Tokyo Stock Exchange, Inc.	Offer childcare and early childhood education services	26.6	0.57	0.33

Company name (Stock code/ticker)	Stock exchange	Principal business	Market capitalization as at the date of the Merger Agreement *approximately US$ million*	P/B *(Note 1)*	P/S *(Note 2)*
MindChamps PreSchool Limited (CNE)	Singapore Exchange	Engage in childcare services and investment holding	29.1	0.56	0.63
Overseas Education Limited (RQ1)	Singapore Exchange	Operate a foreign system school	76.3	0.75	1.33
Seigakusya Co., Ltd. (2179)	Tokyo Stock Exchange, Inc.	Operate junior secondary schools	31.3	1.32	0.34
SHUEI YOBIKO Co., Ltd. (4678)	Tokyo Stock Exchange, Inc.	Provide elementary and junior high school services, distributes educational video lectures and operates cram and preparatory schools	20.6	0.59	0.25
Subaru Co., Ltd. (9778)	Tokyo Stock Exchange, Inc.	Provide learning and examination instruction services	24.0	0.89	0.91
With us Corporation (9696)	Tokyo Stock Exchange, Inc.	Operate cram schools	56.4	1.24	0.43
Youji Corporation (2152)	Tokyo Stock Exchange, Inc.	Provide physical education services for kindergarten and elementary school students	96.3	1.51	1.94
Zee Learn Limited (ZEELEARN.NSE & 533287.BSE)	National Stock Exchange of India Limited and BSE Limited	Deliver learning solutions and training through its multiple products	16.3	0.81	0.54
		Maximum		1.53	3.08
		Minimum		0.56	0.25
		Average		0.98	0.99
		Median		0.87	0.59
GEHI's Singapore Operations *(Note 3)*				**1.49**	**1.14**

Source: the website of the relevant stock exchanges and the financial statements of the GEHI Comparable Companies

Notes:

1. The P/B of the GEHI Comparable Companies were calculated based on their respective then latest published net assets attributable to the shareholders, their respective closing prices as quoted on the relevant stock exchange and the total outstanding shares as at the date of the Merger Agreement.

2. The P/S of the GEHI Comparable Companies were calculated based on their respective then latest published audited revenue for the year, their respective closing prices as quoted on the relevant stock exchange and the total outstanding shares as at the date of the Merger Agreement.

3. The implied P/B and P/S of GEHI's Singapore Operations was calculated based on the value of GEHI's Singapore Operations of US$35 million, the shareholders' equity of GEHI's Singapore Operations as at 31 December 2022; and the revenue of GEHI's Singapore Operations for FY2022.

As depicted from the above table, the P/B of the GEHI Comparable Companies ranged from approximately 0.56 times to 1.53 times, with average of approximately 0.98 times and median of approximately 0.87 times; and the P/S of the GEHI Comparable Companies ranged from approximately 0.25 times to 3.08 times, with average of approximately 0.99 times and median of approximately 0.59 times. The implied P/B of GEHI's Singapore Operations is within the P/B range of the GEHI Comparable Companies and the implied P/S of GEHI's Singapore Operations is within the P/S range of the GEHI Comparable Companies.

In light of the above, we are of the view the the value of GEHI's Singapore Operations of US$35 million is not over-valued as compared to the GEHI Comparable Companies from P/B and P/S perspective.

Given that the Secondary Sale Consideration was determined with reference to (i) the value of GEHI's Singapore Operations of US$35 million; and (ii) the consideration of US$15 million to be received upon completion of the GEHI Divestiture, we consider the Secondary Sale Consideration, which equal to approximately 30% of the aggregation of points (i) and (ii), to be fair and reasonable.

The Merger

As aforementioned, pursuant to the Merger, the Merger Sub will merge with and into eLMTree (which wholly-owns the Spin-off Business) with eLMTree surviving after the Merger. Upon Closing, the Company, through ND (BVI), shall receive GEHI Consideration Shares representing approximately 74.4% equity interest of GEHI (before Distribution in Specie and assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted, share awards are not granted under the New ESOP and there is no PIPE Investment involved) in exchange for 77.34% equity interest of eLMTree. The consideration for the Merger is effectively the 74.4% equity interest of GEHI, the equity value of which comprise of (i) the equity value of eLMTree of US$750 million; (ii) the value of GEHI's Singapore Operations of US$35 million; and (iii) the consideration of US$15 million to be received by GEHI upon completion of the GEHI Divestiture.

With reference to the Board Letter, the equity value of eLMTree was assessed by the Company's management by adopting the trading multiple analysis of TEV/Revenue under market approach, with three sets of selected companies listed on major stock exchanges that are (i) EdTech companies which primarily serve non-PRC markets; (ii) internet-of-things hardware companies that have market leadership or brand awareness within their respective industries; and (iii) AI companies.

We noted from the article "Enterprise-Value-to-Revenue Multiple (EV/R): Definition" published and updated by Investopedia on 27 February 2021 that the enterprise value-to-revenue looks at a company's revenue-generating ability and it can be used for companies that do not generate income or profits.

Based on the aforesaid and our findings set out in the sub-section headed "Secondary Sale" above, we consider the uses of market approach and TEV/Revenue are commonly adopted methodologies in assessing value of a business or an asset, thus, the adoption of market approach and TEV/Revenue for assessment of the equity value of eLMTree is reasonable.

To assess the fairness and reasonableness of the consideration for the Merger, we also attempted to perform trading multiples analysis including P/E, P/B and P/S on the equity value of eLMTree (based on the financial information of the Spin-off Business).

Nevertheless, the Spin-off Business recorded net loss before tax of approximately RMB36 million for FY2022 and net profit after tax of approximately RMB172 million for FY2022, as a result of the tax credit of approximately RMB207 million which was mainly due to the deferred tax assets recognised from the previous unrecognized operating loss carried forward in Promethean's subsidiaries and these subsidiaries became profitable for the year and is not expected to be recurring as confirmed by the Directors. Accordingly, we did not perform P/E analysis on the equity value of eLMTree (based on the financial information of the Spin-off Business).

We searched for companies listed on major stock exchanges (such as the Stock Exchange, NYSE, the Nasdaq Stock Market, Shanghai Stock Exchange, Shenzhen Stock Exchange, Euronext, London Stock Exchange etc.) that engage in similar businesses as the Spin-off Business (i.e. engage in the EdTech business) based on their respective latest published audited financial statements, with market capitalization of US$100 million to US$3,000 million as at the date of the Merger Agreement (such range was set based on the equity value of eLMTree of US$750 million to include sufficient comparables with values proximate to the equity value of eLMTree). To the best of our knowledge and as far as we are aware of, we found 7 companies which met our selection criteria and they are exhaustive (the "**eLMTree Comparable Companies**").

Company name (Stock ticker)	**Stock exchange**	**Principal business**	**Market capitalization as at the date of the Merger Agreement** *approximately US$ million*	**P/B** *(Note 1)*	**P/S** *(Note 2)*
2U, Inc. (TWOU)	Nasdaq Stock Market	Provide people with access to online education in partnership with colleges, universities, and corporations	396.4	0.79	0.41
Chegg, Inc. (CHGG)	NYSE	Provide tools and services that support students throughout their educational journey	2,069.6	1.85	2.70
Coursera, Inc. (COUR)	NYSE	Offer a broad catalog of content and credentials, including courses, specializations, professional certificates, guided projects, and bachelor's and master's degrees in partnership with leading universities and industry partners	1,578.4	2.27	3.01

Company name (Stock ticker)	**Stock exchange**	**Principal business**	**Market capitalization as at the date of the Merger Agreement** *approximately US$ million*	**P/B** *(Note 1)*	**P/S** *(Note 2)*
Docebo Inc. (DCBO)	Toronto Stock Exchange and Nasdaq Stock Market	Provide cloud-based learning management systems	1,242.0	6.46	8.69 *(Note 3)*
D2L Inc. (DTOL)	Toronto Stock Exchange	Provide cloud-based learning software for higher education institutions, kindergarten to grade 12 (K-12) schools and districts, and private sector enterprises	424.1	7.84	2.52
Nerdy, Inc. (NRDY)	NYSE	Operate a platform for live online learning	389.5	8.30	2.39
Stride, Inc. (LRN)	NYSE	Offer a wide range of individual products and services, as well as customized solutions which supports the clients in operating full-time virtual or blended schools	1,638.2	1.95	0.97
		Maximum (excluding outlier, if applicable)		8.30	3.01
		Minimum (excluding outlier, if applicable)		0.79	0.41
		Average (excluding outlier, if applicable)		4.21	2.00
		Median (excluding outlier, if applicable)		2.27	2.46
eLMTree *(Note 4)*				**10.10**	**1.33**

Source: the website of the relevant stock exchanges and the financial statements of the eLMTree Comparable Companies

Notes:

1. The P/B of the eLMTree Comparable Companies were calculated based on their respective then latest published net asset attributable to the shareholders, their respective closing prices as quoted on the relevant stock exchange and the total outstanding shares as at the date of the Merger Agreement.

2. The P/S of the eLMTree Comparable Companies were calculated based on their respective then latest published audited revenue for the year, their respective closing prices as quoted on the relevant stock exchange and the total outstanding shares as at the date of the Merger Agreement.

3. The P/S of the relevant company was exceptionally high and was considered to be an outlier.

4. The implied P/B and P/S of eLMTree was calculated based on the equity value of eLMTree of US$750 million, the net asset value of the Spin-off Business as at 31 December 2022 and the revenue of the Spin-off Business for FY2022.

As depicted from the above table, the P/B of the eLMTree Comparable Companies ranged from approximately 0.79 times to 8.30 times, with average of approximately 4.21 times and median of approximately 2.27 times; and the P/S of the eLMTree Comparable Companies (excluding outlier) ranged from approximately 0.41 times to 3.01 times, with average of approximately 2.00 times and median of approximately 2.46 times. The implied P/B of eLMTree is above the P/B range of the eLMTree Comparable Companies and the implied P/S of eLMTree is within the P/S range of the eLMTree Comparable Companies (excluding outlier).

In light of the above, we are of the view the equity value of eLMTree of US$750 million is not under-valued as compared to the eLMTree Comparable Companies from P/B and P/S perspective.

The Merger, if proceed, is effectively the disposal of the 77.34% equity interest in eLMTree (which wholly-owns the Spin-off Business) by the Group to GEHI in exchange for the 74.40% equity interest in GEHI (as enlarged by the Merger). Given that the aggregate value of (i) the 77.34% equity interest in eLMTree (i.e. approximately US$580.1 million based on the equity value of eLMTree of US$750 million); and (ii) the Secondary Sale Consideration of US$15 million, approximates to the value of the 74.40% equity interest in GEHI (as enlarged by the Merger) (i.e. approximately US$595.2 million based on the equity value of eLMTree and the equity value of GEHI's Singapore Operations), we consider the consideration for the Merger to be fair and reasonable.

Assured entitlement

With reference to the Board Letter, to give due regard to the interests of the Shareholders, conditional upon Closing, the Directors propose to declare a special dividend to the Shareholders by way of the Distribution in Specie of certain GEHI Ordinary Shares to be held by the Company (indirectly held through ND (BVI)) after Closing (or cash alternative under certain circumstances), in proportion to their respective shareholdings in the Company. It is proposed that all the Shareholders will in aggregate be entitled to the Distribution in Specie of a total of not more than 2% of GEHI Ordinary Shares to be indirectly held by the Company after Closing, representing a maximum of: (a) approximately 1.49% of the equity interests in GEHI after Closing (assuming (i) the New ACP Bonds and the remaining US$25 million. Existing ACP Bonds are not converted; (ii) no share awards under the New ESOP are granted; and (iii) there is no PIPE Investment involved); and (b) approximately 1.18% of the equity interests in GEHI after Closing (assuming (i) the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted; (ii) all share awards under the New ESOP are granted; and (iii) the PIPE Investors hold 5.0% of the aggregate number of GEHI Ordinary Shares upon Closing ("**Distribution Percentage**")). We consider the assured entitlement as stated above is in the interest of the Shareholders.

We identified the following spin-off transactions by listed companies in Hong Kong where the spin-off company was listed during the period from 19 April 2022 to the date of the Merger Agreement (being one year prior to the date of the Merger Agreement, excluding spin-off transactions where the spin-off company is listed on the PRC stock exchanges) (the "**Spin-off Cases**"):

- KRP Development Holdings Limited (stock code: 2421) spin-off by Karrie International Holdings Limited (stock code: 1050): Listing document date – 3 March 2023; Parent company's interest in spin-off company before spin-off company's listing – 100%; Distribution percentage: 100%

- Super Hi International Holding Ltd. (stock code: 9658) spin-off by Haidilao International Holding Ltd. (stock code: 6862): Listing document date – 19 December 2022; Parent company's interest in spin-off company before spin-off company's listing – 90%; Distribution percentage: 90%

- Shandong Boan Biotechnology Co., Ltd. (stock code: 6955) spin-off by Luye Pharma Group Ltd. (stock code: 2186): Listing document date – 19 December 2022; Parent company's interest in spin-off company before spin-off company's listing – 72.32%; Distribution percentage: 5%

- Onewo Inc. (stock code: 2602) spin-off by China Vanke Co., Ltd.* (stock code: 2202): Listing document date – 19 September 2022; Parent company's interest in spin-off company before spin-off company's listing – 57.12%; Distribution percentage: 10%

- MicroPort NeuroTech Limited (stock code: 2172) spin-off by MicroPort Scientific Corporation (stock code: 853): Listing document date – 29 June 2022; Parent company's interest in spin-off company before spin-off company's listing – 54.64%; Distribution percentage: 5%

Source: the website of the Stock Exchange

Note: the distribution percentages of the Spin-off Cases represent percentages of issued shares of the respective spin-off company after the relevant spin-off transaction

The Proposed Spin-off involves listing of the Spin-off Business on the NYSE through the Merger, however the Spin-off Cases do not involve the spin-off of spin-off company to be listed on stock exchanges in the United States. Therefore, for more relevant comparison, we also identified the following spin-off transactions by listed companies in Hong Kong where the spin-off company was listed on the NYSE or Nasdaq Stock Market during the period from 19 April 2018 to the date of the Merger Agreement (being five years prior to the date of the Merger Agreement) (the "**U.S. Spin-off Cases**"):

- Jackson Financial Inc. (NYSE: JXN) spin-off by Prudential Plc. (stock code: 2378): Listing document date – 5 August 2021; Parent company's interest in spin-off company before spin-off company's listing – 88.9%; Distribution percentage: 69.2%

- Legend Biotech Corporation (NASDAQ: LEGN) spin-off by Genscript Biotech Corporation (stock code: 1548): Listing document date – 5 June 2020; Parent company's interest in spin-off company before spin-off company's listing – 76.9%; Distribution percentage: 0.50%

- Kingsoft Cloud Holdings Limited (NASDAQ: KC) spin-off by Kingsoft Corporation Limited (stock code: 3888): Listing document date – 7 May 2020; Parent company's interest in spin-off company before spin-off company's listing – 46.3%; Distribution percentage: 0.51%

- Tencent Music Entertainment Group (NYSE: TME) spin-off by Tencent Holding Limited (stock code: 700): Listing document date – 11 December 2018; Parent company's interest in spin-off company before spin-off company's listing – 57.6%; Distribution percentage: 0.15%

- Studio City International Holdings Limited (NYSE: MSC) spin-off by Melco International Development Limited (stock code: 200): Listing document date – 17 October 2018; Parent company's interest in spin-off company before spin-off company's listing – 60%; Distribution percentage: 0.27%

Source: the website of the Stock Exchange and the SEC

Note: the distribution percentages of the U.S. Spin-off Cases represent percentages of issued shares of the respective spin-off company after the relevant spin-off transaction

As illustrated above, the distribution percentages of the Spin-off Cases and the U.S. Spin-off Cases also vary. Nevertheless, the Distribution Percentage is not abnormal as compared to the Spin-off Cases and the U.S. Spin-off Cases. Accordingly, we consider the assured entitlement as stated above can safeguard the Shareholders' interests in respect of the Proposed Spin-off.

With reference to the Board Letter, terms of the Distribution in Specie have not been finalised and are subject to change. The Company will make further announcement(s) as and when appropriate in accordance with the Listing Rules.

Taking into account the principal factors as discussed above, including:

(i) the Capitalisation and the Capital Injection are justifiable as concluded under the sub-section headed "The Capitalisation and Capital Injection" above;

(ii) the value of GEHI's Singapore Operations of US$35 million is not over-valued and the Secondary Sale Consideration is fair and reasonable as concluded under the sub-section headed "Secondary Sale" above;

(iii) the equity value of eLMTree of US$750 million is not under-valued and the consideration for the Merger is fair and reasonable as concluded under the sub-section headed "The Merger" above; and

(iv) the assured entitlement can safeguard the Shareholders' interests in respect of the Proposed Spin-off as concluded under the sub-section headed "Assured entitlement" above,

we consider that the terms of the Transactions are fair and reasonable.

Possible financial effects

With reference to the Board Letter, immediately after Closing, (a) the Company, through ND (BVI), will be interested in (i) approximately 72.9% of the issued share capital of GEHI (after the Distribution in Specie but assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are not converted, the share awards under the New ESOP are not granted and there is no PIPE Investment involved); (ii) approximately 58.7% of the issued share capital of GEHI on a fully-diluted basis (after the Distribution in Specie and assuming the New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted, all share awards under the New ESOP are granted and there is no PIPE Investment involved); or (iii) approximately 55.4% of the issued share capital of GEHI on a fully-diluted basis (after the Distribution in Specie and assuming New ACP Bonds and the remaining US$25 million Existing ACP Bonds are fully converted, all share awards under the New ESOP are granted and the PIPE Investors hold 5.0% of the aggregate number of GEHI Ordinary Shares upon Closing); and (b) eLMTree will be directly wholly-owned by GEHI. As the Company will hold approximately 55.4% of the issued share capital of GEHI on a fully diluted basis upon Closing, GEHI and its subsidiaries (including eLMTree) will account into the accounts of the Company as subsidiaries of the Company. It is expected that the Company will not record any gain or loss in the consolidated statement of profit or loss and other comprehensive income in respect of the Merger and the Proposed Spin-off, subject to audit.

The unaudited pro forma financial information of the Enlarged Group (the "**Pro Forma Information**") is included in Appendix III to the Circular.

As extracted from the 2022 Annual Report, the audited consolidated total assets and total liabilities of the Group were approximately RMB11,031 million and RMB4,432 million as at 31 December 2022, respectively. According to the Pro Forma Information, the unaudited consolidated total assets and total liabilities of the Enlarged Group would be approximately RMB10,770 million and RMB3,991 million respectively as if the Merger and the Proposed Spin-off had taken place on 31 December 2022.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Closing.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are fair and reasonable; and (ii) the Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transactions and we recommend the Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *for identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2020, 2021 and 2022 is disclosed in the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022, respectively, which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.nd.com.cn).

- Annual report for the year ended 31 December 2020 (pages 111 to 294):

  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900667.pdf

- Annual report for the year ended 31 December 2021 (pages 124 to 304):

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042500579.pdf

- Annual report for the year ended 31 December 2022 (pages 132 to 304):

  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042500483.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of the business on 30 April 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding indebtedness of RMB2,519.8 million, consisting of:

(a) bank and other borrowings of RMB1,010.4 million, comprising of:

(i) secured and unguaranteed bank and other borrowings of RMB164.9 million secured by the pledge over certain assets of the Group, including property, plant and equipment and intangible assets;

(ii) secured and guaranteed bank borrowings of RMB763.9 million secured by the pledge over certain assets of the Group, including property, plant and equipment and trade receivables;

(iii) unsecured and guaranteed bank borrowings of RMB78.8 million; and

(iv) unsecured and unguaranteed bank borrowings of RMB2.8 million;

(b) convertible and exchangeable bonds of RMB1,370.8 million, which was secured by shares of a subsidiary of the Company and guaranteed by the Company;

(c) lease liabilities of RMB138.6 million, among which RMB104.6 million was secured by rental deposits and unguaranteed, RMB2.0 million was secured by rental deposits and guaranteed by bank, while the remaining RMB32.0 million was unsecured and unguaranteed.

As at 30 April 2023, there was no litigation or arbitration proceeding pending or threatened against the Enlarged Group which could have a material adverse effect on the business, financial conditions or result of operations.

Save as disclosed above, and apart from intra-group liabilities and normal trade payables, at the close of business on 30 April 2023, the Enlarged Group did not have any outstanding debts securities, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, lease liabilities or hire purchase commitments, mortgages or charges, contingent liabilities or guarantees.

3. WORKING CAPITAL

The Directors, after due and careful inquiries, are of the opinion that, after taking into account of the internal resources of the Enlarged Group and currently available loan facilities, the Enlarged Group will have sufficient working capital to satisfy its present requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial and trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

Upon Closing, the Enlarged Group will continue to be principally engaged in online and mobile games development, including games design, programming and graphics and online and mobile games operation, and education business.

As disclosed in the annual report of the Company for the year ended 31 December 2022, the Group managed to successfully deliver a resilient overall performance with 11.8% revenue growth, reaching RMB7.9 billion in total revenue of the Group. Although the Group's gaming revenue decreased by 5.8% year over year to RMB3.4 billion due to the macro impact of the COVID-19 pandemic which led to a slowdown of the domestic economy, the Group's mobile gaming revenue remained stable with a slight year over year decrease of 0.2%, outperforming the domestic mobile gaming market. Revenue from education business of the Group achieved a record high of RMB4.3 billion in 2022, representing a year over year increase of 34.2% as the Group continued to lead the market in delivering best-in-class products to its customers.

Set out below are the business strategy and trading prospects of the Enlarged Group's, which covers the existing two businesses of the Group that accounted for approximately 98.7% of the Group's revenue for the year ended 31 December 2022:

Game Business

PC gaming revenue saw short-term impacts from the COVID-19 pandemic related economic slowdown on spending of the Enlarged Group's core players in the PRC market. The Enlarged Group has stepped up its effort in making enhancements to the in-game spending mechanisms in its flagship game, *Eudemons Online*, to optimise its player base. In addition, the Enlarged Group has enhanced playability on the mobile platform to drive user engagement and stickiness in *Eudemons Online* cross-platform version. The Group's overseas gaming revenue as a percentage of the Group's total gaming revenue also increased consecutively over the past five years, with the growth mainly driven by the Group's solid execution capabilities. The Enlarged Group will continue to replicate its successful business model in Egypt into new markets in the Middle East and Asia and launch new language versions for different overseas markets.

The Enlarged Group's growth strategy is to remain very focused on significantly expanding its pipeline of new games while driving revenue growth from its existing games. To achieve this goal, the Group has increased its gaming R&D headcount by over 300 throughout 2022, and the management of the Company believes a stronger and larger team will enable the Enlarged Group to enhance the quality and quantity of new games. The Enlarged Group is expecting a total of 5 new games under the *Eudemons* IP to be launched in 2023 and 2024, the first of which is *Eudemons Mobile II*, which was successfully launched in March 2023. The Enlarged Group also has new games in the pipeline under its *Under Oath and Heroes Evolved* IP, as well as new IPs to be announced. In addition, the Enlarged Group expects to actively explore acquisition opportunities in order to further expand its market reach and core competencies.

Education Business

The Enlarged Group continued to maintain its global ex-PRC market leadership position in terms of shipment volume of interactive flat panels in 2022 and the Enlarged Group delivered strong performance across all major markets. In addition to expanding penetration of the hardware installed base, the Enlarged Group will continue to leverage the unique position of being the classroom education technology hub by stepping up efforts in pursuing strategic partnership with aim to tap into concrete software monetisation opportunities.

According to Futuresource Consulting LTD, in 2022, market penetration of interactive flat panels reached a new high over 20% of global K-12 classrooms, which in the view of the management of the Company represents a critical scale that will enable future scaling of value-added applications. The Enlarged Group will continue to scale its Promethean installed base with the goal to turn the Promethean platform for software and SAAS monetisation. To that end, the Enlarged Group's direction to pursue the transformation of education with AI will allow it to offer AI-enabled applications in the future on its platform that leads to recurring monetisation opportunities.

The following is the text of a report received from the GEHI's reporting accountant, Marcum Asia CPAs LLP, for the purpose of incorporation in this circular.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Gravitas Education Holdings Inc.

Opinion on the Combined Carve-out Financial Statements

We have audited the accompanying combined carve-out balance sheets of Gravitas Education Holdings Inc.'s ("GEHI", or the "Company") Singapore Operations as of December 31, 2020, 2021 and 2022, the related combined carve-out statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "combined carve-out financial statements"). In our opinion, the combined carve-out financial statements present fairly, in all material respects, the financial position of GEHI's Singapore Operations as of December 31, 2020, 2021 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These combined carve-out financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's combined carve-out financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined carve-out financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the combined carve-out financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the combined carve-out financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined carve-out financial statements. We believe that our audits provide a reasonable basis for our opinion.

Emphasis of Matter

As discussed in Note 2 the combined carve-out financial statements for the years ended December 31, 2020, 2021 and 2022 have been derived from the financial statements of Gravitas Education Holdings, Inc. to reflect of the assets, liabilities, revenues, expenses, and cash flows of GEHI's Singapore Operations that will be merged with NetDragon Websoft Holdings Limited. The assumptions underlying the combined carve-out financial statements, including the assumptions regarding allocated expenses, reasonably reflect the utilization of services provided to or the benefit received by GEHI's Singapore Operations that will be merged with NetDragon Websoft Holdings Limited during the periods presented. However, due to the inherent limitations of carving out the operations, these combined carve-out financial statements may not necessarily reflect the company's financial position, results of operations and cash flow for future periods, nor do they necessarily reflect the financial position, results of operations and cash flow that would have been realized had the company been a stand-alone entity during the periods presented. Our Opinion is not modified with respect to this matter.

Critical Audit Matter

The critical audit matter communicated below is matter arising from the current period audit of the combined carve-out financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the combined carve-out financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the combined carve-out financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

Impairment assessment on goodwill

Critical Audit Matter Description

As described in Note 2 and Note 7 to the combined carve-out financial statements, for the years ended December 31, 2020, 2021 and 2022, the Company recorded nil, nil and $19.2 million impairment loss, respectively, to reduce the fair value of goodwill for the reporting unit of Global Eduhub Holding Limited. Goodwill is tested for impairment at least annually at the reporting unit level. The Company used a discounted cash flow methodology when determining the fair value of the reporting unit. The discounted cash flow analysis requires significant estimates, including projections of future operating results and cash flows of the reporting unit that are based on internal budgets and strategic plans, expected long-term growth rates, terminal values, weighted average cost of capital and the effects of external factors and market conditions. Changes in these assumptions could have a significant impact on either the fair value of the reporting unit, the amount of any goodwill impairment charge, or both, which could be material to the Company's Singapore Operations' financial position and results of operations.

Performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the projected future cash flows and the selection of the discount rate required a high degree of auditor judgment and an increased extent of effort, including the need to involve fair value specialists. We identified the goodwill impairment assessment as a critical audit matter.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to the projected future cash flows and selection of the discount rate used by management to estimate the fair value of the reporting unit included the following, among others:

- We made inquiries of management to understand significant assumptions used in the projected future cash flows, and we evaluated management's ability to accurately project future cash flows by comparing actual results to management's historical projections.

- We evaluated the reasonableness of management's projected future cash flows by comparing the projections to actual results, for respective net revenue, cost of revenues and other elements, which comprise projected future cash flows of the reporting unit.

- We evaluated the reasonableness of management's significant assumptions including but not limited to the revenue growth rate, which could have a significant impact on the fair value of the reporting unit, by comparing the revenue growth rates to expected market growth rate based on industry information.

- With the assistance of our fair value specialists, we evaluated the reasonableness of the valuation methodology and selected discount rate by:

  – Examining whether the valuation methodology used, including the one to determine the discount rate was consistent with existing valuation practices that are both generally accepted in practice and recognized as appropriate in similar circumstances.

  – Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation.

  – Developing a range of independent estimates and comparing those to the discount rate selected by management.

Marcum Asia CPAs LLP

We have served as the Company's auditor since 2021 (Such date takes into account the acquisition of certain assets of Friedman LLP by Marcum Asia CPAs LLP effective September 1, 2022).

New York, New York
June 22, 2023

COMBINED CARVE-OUT BALANCE SHEETS
(In thousands of U.S. dollars, except share and per share data, or otherwise noted)

	As of December 31,		
	2020	**2021**	**2022**
ASSETS			
Current assets			
Cash and cash equivalents	29,383	30,272	20,510
Accounts receivable (net of allowance for doubtful accounts of $361, $433 and $402 as of December 31, 2020,2021 and 2022, respectively)	651	778	658
Amount due from related parties	1,107	421	504
Inventories	69	116	96
Prepaid expenses and other current assets	615	666	691
Total current assets	31,825	32,253	22,459
Non-current assets			
Property, plant and equipment, net	3,435	4,052	4,780
Goodwill	19,203	19,177	–
Intangible assets, net	11,477	10,320	5,647
Deferred tax assets	32	22	34
Prepayments to related parties	–	910	1,009
Other non-current assets	2,579	1,873	1,354
Operating lease right-of-use assets	9,684	7,395	5,559
TOTAL ASSETS	78,235	76,002	40,842
LIABILITIES			
Current liabilities			
Prepayments from customers	–	–	53
Accrued expenses and other current liabilities – third parties	3,420	3,304	3,670
Accrued expenses and other current liabilities – related parties	–	16	232
Income tax payable	826	1,254	949
Operating lease liabilities, current portion	3,522	3,092	2,928
Deferred revenue	559	802	892
Long-term debt – current	7	–	–
Total current liabilities	8,334	8,468	8,724

	As of December 31,		
	2020	2021	2022
Non-current liabilities			
Other non-current liabilities	3,212	3,126	3,604
Deferred tax liabilities	1,949	1,754	959
Operating lease liabilities, non-current portion	5,968	4,109	2,468
TOTAL LIABILITIES	19,463	17,457	15,755
EQUITY			
Ordinary shares (par value of $0.001 per share; 990,000,000 shares authorized; 29,213,801 shares issued and 27,812,754 shares outstanding as of December 31, 2020; 29,213,801 shares issued and 28,035,934 shares outstanding as of December 31, 2021; 29,213,801 shares issued and 28,200,755 shares outstanding as of December 31, 2022)	29	29	29
Treasury stock	(10,321)	(8,667)	(7,445)
Additional paid-in capital	93,985	91,570	87,540
Accumulated other comprehensive (loss)	(505)	(399)	(523)
Accumulated deficits	(31,151)	(29,779)	(56,152)
Total Gravitas Education Holdings, Inc. shareholders' equity	52,037	52,754	23,449
Non-controlling interests	6,735	5,791	1,638
TOTAL EQUITY	58,772	58,545	25,087
TOTAL LIABILITIES AND EQUITY	78,235	76,002	40,842

The accompanying notes are an integral part of the combined carve-out financial statements.

COMBINED CARVE-OUT STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except share and per share data, or otherwise noted)

	Years ended December 31, 2020	2021	2022
Net revenues:			
Services	25,916	30,933	30,646
Services – third parties	25,444	30,528	30,535
Services – related parties	472	405	111
Products	48	74	106
Products – third parties	48	74	106
Total net revenues	25,964	31,007	30,752
Cost of revenues:			
Services	22,225	26,065	28,691
Products	22	35	88
Total cost of revenues	22,247	26,100	28,779
Gross profit	3,717	4,907	1,973
Operating expenses:			
Selling expenses	158	320	428
General and administrative expenses	4,879	4,338	6,027
Impairment loss on goodwill	–	–	19,156
Impairment loss on long-lived assets	–	–	3,505
Total operating expenses	5,037	4,658	29,116
Operating Income (loss)	(1,320)	249	(27,143)
Interest income	252	67	30
Government subsidy income	4,348	2,176	1,682
Income (loss) before income tax	3,280	2,492	(25,431)
Less: Income tax (benefits) expenses	321	443	(789)
Net income (loss)	2,959	2,049	(24,642)
Net income (loss) attributable to non-controlling interest	1,084	677	(2,472)
Net income (loss) attributable to ordinary shareholders of Gravitas Education Holdings, Inc.	1,875	1,372	(22,170)
Net income (loss) per share			
Basic	0.07	0.05	(0.78)
Diluted	0.06	0.05	(0.78)
Weighted average shares used in calculating net income per share attributable to ordinary shareholders of Gravitas Education Holdings, Inc.			
Basic	28,122,851	28,208,734	28,291,887
Diluted	28,870,450	28,962,480	28,291,887

The accompanying notes are an integral part of the combined carve-out financial statements.

COMBINED CARVE-OUT STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands of U.S. dollars)

	Years ended December 31,		
	2020	**2021**	**2022**
Net income (loss)	**2,959**	**2,049**	**(24,642)**
Other comprehensive income (loss), net of tax of nil:			
Change in cumulative foreign currency translation adjustments	(645)	(51)	(221)
Total comprehensive income (loss)	**2,314**	**1,998**	**(24,863)**
Less: comprehensive income (loss) attributable to non-controlling interests	1,228	520	(2,569)
Comprehensive income (loss) attributable to Gravitas Education Holdings, Inc.	**1,086**	**1,478**	**(22,294)**

The accompanying notes are an integral part of the combined carve-out financial statements.

COMBINED CARVE-OUT STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (In thousands of U.S. dollars, except share data)

	Gravitas Education Holdings, Inc. Shareholders								
	Number of ordinary share	Ordinary share	Treasury stock	Additional paid-in capital	Accumulated other comprehensive Income (loss)	Accumulated deficit	Total Gravitas Education Holdings, Inc. shareholders' equity	Non-controlling interest	Total equity
Balance as of December 31, 2019	29,213,801	29	(12,000)	95,055	284	(32,926)	50,442	5,507	55,949
Cumulative effect adjustment upon adoption of ASC 326	–	–	–	–	–	(100)	(100)	–	(100)
Balance as of January 1, 2020	29,213,801	29	(12,000)	95,055	284	(33,026)	50,342	5,507	55,849
Net income for the year	–	–	–	–	–	1,875	1,875	1,084	2,959
Settlement of vested shares using treasury shares	–	–	1,679	(1,679)	–	–	–	–	–
Share-based payments to GEH	–	–	–	507	–	–	507	–	507
Share-based payments to PRC intercompany	–	–	–	2,423	–	–	2,423	–	2,423
Intercompany debt forgiven during carve-out	–	–	–	(2,321)	–	–	(2,321)	–	(2,321)
Foreign currency translation adjustment	–	–	–	–	(789)	–	(789)	144	(645)
Balance as of December 31, 2020	29,213,801	29	(10,321)	93,985	(505)	(31,151)	52,037	6,735	58,772
Net income for the year	–	–	–	–	–	1,372	1,372	677	2,049
Settlement of vested shares using treasury shares	–	–	1,654	(1,654)	–	–	–	–	–
Share-based payments to GEH	–	–	–	189	–	–	189	–	189
Share-based payments to PRC intercompany	–	–	–	1,832	–	–	1,832	–	1,832
Acquisition on minority interest	–	–	–	258	–	–	258	(1,464)	(1,206)
Intercompany debt forgiven during carve-out	–	–	–	(3,040)	–	–	(3,040)	–	(3,040)
Foreign currency translation adjustment	–	–	–	–	106	–	106	(157)	(51)
Balance as of December 31, 2021	29,213,801	29	(8,667)	91,570	(399)	(29,779)	52,754	5,791	58,545
Net loss for the year	–	–	–	–	–	(22,170)	(22,170)	(2,472)	(24,642)
Settlement of vested shares using treasury shares	–	–	1,222	(1,222)	–	–	–	–	–
Share-based payments to GEH	–	–	–	272	–	–	272	–	272
Share-based payments to PRC intercompany	–	–	–	665	–	–	665	–	665
Acquisition on minority interest	–	–	–	101	–	–	101	(822)	(721)
Intercompany debt forgiven during carve-out	–	–	–	(3,846)	–	–	(3,846)	–	(3,846)
Foreign currency translation adjustment	–	–	–	–	(124)	–	(124)	(97)	(221)
Distribution to minority interest(1)	–	–	–	–	–	(4,203)	(4,203)	(762)	(4,965)
Balance as of December 31, 2022	29,213,801	29	(7,445)	87,540	(523)	(56,152)	23,449	1,638	25,087

(1) On October 25, 2022, GEHI's subsidiary, Global Eduhub Holding Limited, declared and paid dividend of $4,965 to its shareholders for $4.965 per share.

The accompanying notes are an integral part of the combined carve-out financial statements.

COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Years ended December 31,		
	2020	**2021**	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	2,959	2,049	(24,642)
Adjustments to reconcile net income (loss) to net cash generated from operating activities:	–	–	–
Depreciation of property, plant and equipment	708	884	971
Amortization of intangible assets	1,112	1,150	1,121
Reduction in the carrying amount of the right-of-use assets	3,196	3,802	3,609
Share-based compensation	507	189	272
Change in allowance for doubtful accounts receivable and other receivables	136	81	(34)
Loss on disposal of property, plant and equipment	68	80	20
Impairment of intangible assets	–	–	3,505
Impairment loss on goodwill	–	–	19,156
Deferred tax benefit	(187)	(184)	(808)
Changes in operating assets and liabilities, net of the effect of acquisition:			
Accounts receivable	466	(198)	69
Amount due from related parties	532	2,345	1,477
Inventories	(4)	(47)	20
Prepaid expenses and other current assets	400	(50)	(24)
Prepayments to related parties	–	(910)	(99)
Other non-current assets	(784)	706	519
Prepayments from customers	–	–	53
Accrued expenses and other current liabilities	(751)	(117)	367
Accrued expenses and other current liabilities – related parties	(395)	16	215
Operating lease liabilities	(3,500)	(3,803)	(3,577)
Income tax payable	550	427	(304)
Deferred revenue	(114)	243	90
Other non-current liabilities	1,263	(93)	478
Net cash generated from operating activities	6,162	6,570	2,454

	Years ended December 31,		
	2020	**2021**	**2022**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of businesses, net of cash acquired	(417)	–	–
Purchase of property, plant and equipment	(849)	(1,663)	(1,675)
Amount due from related parties	(934)	(2,836)	(4,660)
Net cash used in investing activities	(2,200)	(4,499)	(6,335)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of additional equity interest from non-controlling shareholders	–	(1,206)	(721)
Dividend to shareholder	–	–	(4,203)
Dividend to non-controlling interests	–	–	(762)
Net cash (used in) financing activities	–	(1,206)	(5,686)
Exchange rate effect on cash and cash equivalents, and restricted cash	(714)	24	(195)
Net (decrease) increase in cash and cash equivalents, and restricted cash	3,248	889	(9,762)
Cash and cash equivalents, and restricted cash at beginning of the year	26,135	29,383	30,272
Cash and cash equivalents, and restricted cash at end of the year	29,383	30,272	20,510
Supplemental schedule of cash flow information			
Income tax paid	–	199	303

The accompanying notes are an integral part of the combined carve-out financial statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

Top Margin Limited was incorporated under the laws of the Cayman Islands on January 11, 2007. In June 2017, Top Margin Limited changed the corporate name into RYB Education, Inc. In May 2022, RYB Education, Inc. changed the corporate name into Gravitas Education Holdings, Inc. (the "Company" or "GEHI"). The Company and its subsidiaries are primarily engaged in providing kindergarten educational services and student care services in the People's Republic of China ("PRC") and in Singapore before April 30, 2022. After April 30, 2022, the Company and its subsidiary, Global Eduhub Holding Limited. ("GEH") are primarily engaged in providing kindergarten educational services and student care services in Singapore.

On April 18, 2022, GEHI announced that it has entered into an agreement and plan of merger with a controlled subsidiary of NetDragon Websoft Holdings Ltd. "NetDragon"), a Cayman Islands exempted company and a Hong Kong listed company. The transaction will be completed by way of an arrangement agreement, which will result in the disposal of the Company's businesses in the People's Republic of China ("PRC") to the Company's founding shareholders ("Disposal"), and merge of the education business of NetDragon outside of the PRC into the Company. The combined carve-out financial statements represent the activities, assets and liabilities of the Company and its subsidiary, GEH, using a legal entity approach. GEH was acquired by GEHI on April 1, 2019. GEH operates kindergartens and student care centers in Singapore. GEHI and GEH are collectively referred as "the Group" in the combined carve-out financial statements.

As of December 31, 2022, details of the GEHI's major subsidiaries included in the combined carve-out financial statements were as follows:

Name	Date of establishment or acquisition	Place of establishment	Percentage of legal ownership by the Company	Principal activities
Major subsidiaries:				
Mulberry Learning Centre International Pte Ltd	April 1, 2019	Singapore	85%	Kindergarten services
Mulberry Learning Centre @ Tanjong Pagar Pte Ltd	April 1, 2019	Singapore	85%	Kindergarten services
Alphabet Playhouse Childcare and Learning Centre Pte Ltd	April 1, 2019	Singapore	85%	Kindergarten services
Alphabet Playhouse @ East Coast Pte Ltd	April 1, 2019	Singapore	85%	Kindergarten services
Mulberry Learning Centre Alexandra Pte Ltd	November 1, 2019	Singapore	85%	Kindergarten services
Little Greenhouse @ Bukit Batok Pte Ltd	April 1, 2019	Singapore	85%	Kindergarten services
Little Greenhouse @ Sengkang Pte Ltd	April 1, 2019	Singapore	85%	Kindergarten services
Little Greenhouse @ S540 Pte Ltd	April 1, 2019	Singapore	85%	Kindergarten services
Little Greenhouse Childcare & Development Pte Ltd	April 1, 2019	Singapore	85%	Kindergarten services
Allegiance (Edu) Ptd Ltd	April 1, 2020	Singapore	85%	Kindergarten services
Little Greenhouse @ S553 Pte Ltd	April 1, 2019	Singapore	85%	Kindergarten services

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The combined carve-out financial statements have been prepared for the purpose of presenting the balance sheet, statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows of GEHI and GEH on a combined basis. All of the assets and liabilities presented are recorded at carrying value. All intercompany balances, transactions, revenues and expenses have been eliminated. As of December 31, 2020, 2021 and 2022, there was amount due from PRC business totaling $47,096, $50,135 and $53,981, respectively, which will be forgiven after the Disposal. The forgiven amounts represent GEHI's investment in PRC business and are accounted for as equity transaction in the combined carve-out financial statements. For all periods, the Company's combined carve-out financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC").

The accompanying combined carve-out financial statements present the historical financial position, results of operations, changes in net assets and cash flows of the Company and GEH, excluding the PRC portion of the Company's business as it was historically conducted, as more fully described below.

The combined carve-out statements of comprehensive income reflect direct revenues and expenses of GEH and allocations of indirect expenses related to certain support functions that are provided on a centralized basis by GEHI. These corporate costs have been allocated to GEH on the basis of direct usage where identifiable, with the remainder allocated based on management's best estimate of costs attributable to GEH. This allocation has been completed based on the following general process:

- Compensation: Certain compensation costs in GEHI's financial records have been allocated to the combined carve-out financial statements based on GEH's revenue as a percentage of the total revenue of the Group before the Disposal.

- General, administrative and other expenses: Certain general, administrative and other expenses have been allocated to the combined carve-out financial statements based on GEH's revenue as a percentage of the total revenue of the Group before the Disposal.

Management believes the assumptions underlying the combined carve-out financial statements, including the assumptions regarding allocated expenses, reasonably reflect the utilization of services provided to or the benefit received by GEH during the periods presented. However, due to the inherent limitations of carving out the operations from the Group, these combined carve-out financial statements may not necessarily reflect the company's financial position, results of operations and cash flow for future periods, nor do they necessarily reflect the financial position, results of operations and cash flow that would have been realized had the company been a stand-alone entity during the periods presented.

The accompanying combined carve-out financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The combined carve-out financial statements have been prepared in accordance with the accounting policies set out below.

Use of estimates

The preparation of combined carve-out financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions reflected in the Group's combined carve-out financial statements include, but are not limited to, purchase price allocation relating to business acquisitions, allowance for doubtful accounts, useful lives of property, plant and equipment and intangible assets, impairment of long-lived assets, goodwill and intangible assets, and incremental borrowing rate for leases. Actual results could materially differ from those estimates.

Principles of combination

The combined carve-out financial statements include the financial statements of the Company, Global Eduhub Holding Limited, Global Edu (SG) Holding Pte Ltd, GEH and GEH's subsidiaries, excluding the PRC portion of GEHI's business. All profits, transactions and balances among the Company, GEH, and GEH's subsidiaries have been eliminated.

Foreign currency translation

The Company's functional currency is the United States dollar. The functional currency of GEH and its subsidiaries is the Singapore dollar ("SGD$").

Assets and liabilities are translated from each entity's functional currency to the reporting currency at the exchange rate on the balance sheet date. Equity accounts are translated at historical exchange rates, and revenues and expenses are translated using the average rate of exchange in effect during the reporting period. Translation adjustments are reported and shown as a separate component of other comprehensive income in the combined carve-out statements of changes in shareholders' equity and combined carve-out statements of comprehensive (loss) income.

Transactions in currencies other than the functional currencies during the year are converted into the applicable functional currencies at the applicable rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currencies are remeasured into the functional currency using the applicable exchange rate at the balance sheet date. Exchange gains and losses are recognized in the combined carve-out statements of operations.

Business Combinations

Business combinations are recorded using the acquisition method of accounting. The purchase price of the acquisition is allocated to the tangible assets, liabilities, identifiable intangible assets acquired and non-controlling interest, if any, based on their estimated fair values as of the acquisition date. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses are expensed as incurred.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks and highly liquid investments which are unrestricted as to withdrawal or use, with an original maturity of three months or less and are readily convertible to known amount of cash.

Inventories

Inventories, mainly consisting of teaching aids, and textbooks, are stated at the lower of cost or net realized value. Cost is determined using the weighted average method. Inventory is written down for damaged and slow-moving goods, which is dependent upon factors such as historical and forecasted consumption of the inventories.

Fair value measurements

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Financial instruments

The Group's financial instruments consist primarily of cash and cash equivalents, accounts receivable, other receivables and amount due from related parties. The carrying amounts of cash and cash equivalents, accounts receivable and other receivable approximate their fair values due to the short-term maturities of these instruments.

For the impairment of the financial instruments other than accounts receivable, the Group has identified the relevant risk characteristics which include size and nature or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, the Group considers the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. When specific debtors are identified as no longer sharing the same risk profile as their current pool, they are removed from the pool and evaluated separately.

Allowance for doubtful accounts

On January 1, 2020, the Group adopted ASC 326 *Financial Instruments – Credit Losses* ("ASC 326") using the modified retrospective approach through a cumulative-effect adjustment to accumulated deficit. Upon adoption, the Group changed its impairment model to utilize a current expected credit losses model in place of the incurred loss methodology for financial instruments measured at amortized cost, including accounts receivable, loans receivables and consideration receivable. The Group recorded an increase to opening accumulated deficit of $100 as of January 1, 2020 due to the cumulative impact of adopting ASC 326.

Management used an expected credit loss model for the impairment of financial instruments mentioned above as of period ends.

For the allowance of the accounts receivable, management believes the aging of accounts receivable is a reasonable parameter to estimate expected credit loss, and determines expected credit losses for accounts receivables using an aging schedule as of period ends. The expected credit loss rates under each aging schedule were developed on basis of the average historical loss rates from previous years, and adjusted to reflect the effects of those differences in current conditions and forecasted changes. Management measured the expected credit losses of accounts receivable on a collective basis. When an accounts receivable does not share risk characteristics with other accounts receivables, management will evaluate such accounts receivable for expected credit loss on an individual basis. Doubtful accounts balances are written off and deducted from allowance for credit loss, when receivables are deemed uncollectible, after all collection efforts have been exhausted and the potential for recovery is considered remote.

Property, plant and equipment, net

Property, plant and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Category	**Estimated useful life**
Furniture, fixture and equipment	5 years
Leasehold improvement	Shorter of lease term or economic life

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterment that extends the useful lives of property, plant and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the assets and accumulated depreciation accounts with any resulting gain or loss reflected in the combined carve-out statements of operations.

Leases

The Group applies Accounting Standards Update (ASU) 2016-02, Leases (Topic 842) when accounting for leases.

The Group has lease contracts for offices, kindergartens and student care centers in different cities in Singapore under operating leases. The Group determines whether an arrangement constitutes a lease and records lease liabilities and right-of-use assets on its combined carve-out balance sheets at lease commencement. The Group measures its lease liabilities based on the present value of the total lease payments not yet paid discounted based on the more readily determinable of the rate implicit in the lease or its incremental borrowing rate, which is the estimated rate the Group would be required to pay for a collateralized borrowing equal to the total lease payments over the term of the lease. The Group estimates its incremental borrowing rate based on an analysis of publicly traded debt securities of companies with credit and financial profiles similar to its own. The Group measures right-of-use assets based on the corresponding lease liability adjusted for payments made to the lessor at or before the commencement date, and initial direct costs it incurred under the lease. The Group begins recognizing lease expense when the lessor makes the underlying asset available to the Group.

For leases with lease term less than one year (short-term leases), the Group records operating lease expense in its combined carve-out statements of operations on a straight-line basis over the lease term and record variable lease payments as incurred.

In April 2020, the FASB issued guidance for lease concessions provided to lessees in response to the effects of COVID-19. Such guidance allows lessees to make an election not to evaluate whether a lease concession provided by a lessor should be accounted for as a lease modification, in the event the concession does not result in a substantial increase in the rights of the lessor or the obligations of the lessee. Such concessions would be recorded as negative lease expense in the period of relief. The Group has elected to apply the practical expedient. See Note 11.

Intangible assets, net

Intangible assets with definite lives are carried at cost less accumulated amortization and impairment. The amortization of such intangible assets is recognized over the expected useful lives of the assets.

Intangible assets with indefinite lives are not amortized, but tested for impairment annually or more frequently if event and circumstances indicate that it might be impaired.

Impairment of long-lived assets with definite lives

Long-lived assets, including property, plant and equipment, operating lease right-of-use assets, intangible assets with definite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. When these events occur, the Group measures impairment by comparing the carrying value of the long-lived assets or assets group to the estimated undiscounted future cash flows expected to result from the use of the assets or asset group and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets or assets group, the Group would recognize an impairment loss based on the fair value of the assets or assets group. The Group recorded impairment loss on property, plant, and equipment and operating lease right-of-use assets of $Nil, $Nil and $Nil during the years ended December 31,2020, 2021 and 2022. The Group recorded impairment losses on intangible assets with definite lives of $Nil, $Nil and $1,365 during the years ended December 31, 2020, 2021 and 2022, respectively.

Impairment of goodwill and indefinite-lived intangible assets

Goodwill is not amortized, but tested for impairment annually or more frequently if event and circumstances indicate that it might be impaired. The guidance permits the Group to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment test. Absent from any impairment indicators, the Group performs its annual impairment test on the last day of each fiscal year.

On January 1, 2020, the Group adopted ASU No. 2017-04, *Intangibles – Goodwill and Other* (Topic 350): *Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. Instead, the Group performed its goodwill impairment tests by comparing the fair value of a reporting unit with its carrying amount, and recognized an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value but not to exceed the total amount of the goodwill of the reporting unit.

Goodwill is tested for impairment annually for the reporting unit or more frequently if events or changes in circumstances indicate that it might be impaired. The Group performs its annual quantitative impairment assessment considering the weighting of both an income and a market approach. The income approach is based on estimated present value of future cash flows for the reporting unit carrying a goodwill balance. The market approach is based on assumptions about how market data relates to the reporting unit carrying a goodwill balance. The weighting of these two approaches is based on their individual correlation to the economics of each reporting unit carrying a goodwill balance.

When using discounted cash flow model to determine the fair value of a reporting unit, the discounted cash flow model includes a number of significant unobservable inputs. Key assumptions used to determine the estimated fair value include: (a) internal cash flows forecasts including expected revenue growth, operating margins and estimated capital needs, (b) an estimated terminal value using a terminal year long-term future growth rate determined based on the growth prospects of the reporting units; and (c) a discount rate that reflects the weighted-average cost of capital adjusted for the relevant risk associated with the reporting unit's operation and the uncertainty inherent in the Group's internally developed forecast.

The impairment test for intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

The Group recorded impairment losses on goodwill of $Nil, $Nil and $19,156 during the years ended December 31, 2020, 2021 and 2022, respectively. The Group recorded impairment losses on the indefinite-lived intangible assets of $Nil, $Nil and $2,140 during the years ended December 31, 2020, 2021 and 2022, respectively.

Revenue recognition

The Group follows five steps for its revenue recognition under ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Group generated its revenues from the following revenue sources:

(i) Tuition fees generated from kindergarten services and student care services

The Group provides private kindergarten services and students care centers services to students. Tuition fees are collected in advance and are initially recorded as deferred revenue.

Kindergarten services consist of a series of classes which are highly interdependent and interrelated in the context of the contract and each class is not distinct and not sold standalone. Therefore, the kindergarten services are accounted for as a single performance obligation.

Student care services provide a separate series of classes which are highly interdependent and interrelated in the context of the contract and each class is not distinct and not sold standalone. Therefore, student care services are accounted for as a single performance obligation.

The transaction prices for kindergarten services and student care services are determined by the contract amount net of refund. For the kindergarten program, the students can claim certain amount of the tuition refund, upon withdrawal, if more than a certain number of classes are missed. For the student care services, the students can claim refund, upon withdrawal, if classes are missed due to illness. The refund amount is subject to the refund policy at each facility and the timing of the student's withdrawal. No refund is provided for kindergarten and student care services provided in Singapore.

Revenues for the kindergarten services and student care center services are recognized on a straight line basis over the service period.

(ii) Franchising fees

GEH generates revenues by franchising kindergartens., and collects from franchisees the initial franchising fees and annual franchise fee. As the initial franchising service and annual franchising service are distinct from each other, the Group identifies two performance obligations accordingly. The transaction price is allocated to each performance obligation based on a relative stand-alone selling price.

Initial franchising fees represent provision of initial set-up services which are typically received upfront and recorded as prepayment from customers. The set-up period usually begins with the site renovation or training services, whichever is earlier, to the time point when kindergartens commence operations, which is approximately 7 or 8 months. Initial franchising fees are recognized over time throughout the set-up period.

Annual franchise fees represent supporting services provided by the Group to the franchised kindergartens. The related annual franchise fees are received upfront and recorded as deferred revenue. Annual franchise fees are recognized over time throughout the contract terms.

(iii) Sales of educational merchandise

The Group's educational merchandise consists of teaching aids, textbooks and other goods. The Group considers both franchisees and end-users as its customers. Prepayments for sales of educational merchandise are recognized as prepayments from customers. Sales of educational merchandise is accounted for as a single performance obligation, and recognized at the point of time when the control of promised goods is transferred to the customers.

The following table presents the Group's revenues disaggregated by revenue types.

	Years ended December 31,		
	2020	**2021**	**2022**
Services:			
Tuition fees from kindergartens and student care centers	24,914	29,941	29,595
Franchise fees	1,000	869	941
Others	2	123	110
Products:			
Sale of educational merchandise	48	74	106
Total net revenues	25,964	31,007	30,752

The following table presents the Group's revenues recognized over time or point in time.

	Years ended December 31,		
	2020	**2021**	**2022**
Recognized over time	25,916	30,933	30,646
Recognized point in time	48	74	106
Total net revenues	25,964	31,007	30,752

Contract liabilities

The Group's contract liabilities consists of prepayments from customers and deferred revenue, primarily relate to the advance consideration received from customers, which include tuition fees received from customers, initial franchise fees and annual franchise fees received from franchisees, advance consideration of educational merchandise received from customers, and royalty fees received from other business partners. The amount from customers before provision of service is recognized as prepayments The prepayments from customers and deferred revenue are recognized as revenue once the criteria for revenue recognition are met.

The table below reflects the Group's contract liabilities:

	2020	**2021**	**2022**
Prepayments from customers	–	–	53
Deferred revenue, current portion	559	802	892

The Group recognized \$668, \$559 and \$802 in revenue for the years ended December 31, 2020, December 31, 2020, 2021 and December 31, 2022, respectively, which related to contract liabilities that existed at December 31, 2019, 2020 and 2021, respectively. The balances as of December 31, 2020,2021 and 2022 are expected to be recognized as revenue within one year.

There was no contract asset recorded as of December 31, 2020 and 2021 and 2022.

Goods and Services Tax

Goods and Services Tax ("GST") is a broad-based value added tax in Singapore, which is imposed on all supplies of goods and services in Singapore made by a taxable person for business purposes. GST rate is 7% of the gross sales. Singapore's entities whose taxable turnover for the past 12 months exceeds SGD$1 million or the taxable turnover in the next 12 months to be more than SGD$1 million should be registered as GST-registered companies. For GST-registered entities, their revenue generated from kindergarten services, student care services and others, is reported net of GST collected on behalf of Singapore tax authorities. For Non-GST registered entities, they are qualified for GST exemption for all kinds of revenue.

Income taxes

Current income taxes are provided for in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the combined carve-out financial statements. Net operating loss carry forwards and credits are applied using enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that a portion of or all of the deferred tax assets will not be realized. The impact of an uncertain income tax position is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes.

Government subsidies

Government subsidies represent government grants received from Singapore government authority to encourage the Company's services. The Company records such government subsidies as income when it has fulfilled all of its obligation related to the subsidy. The Company recorded $4,348, $2,176, and $1,682 of subsidy income for the years ended December 31, 2020, 2021 and 2022, respectively.

Net (loss) income per share

Basic net (loss) income per share is computed by dividing net loss or income attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period. The share options exercisable for little to no consideration are considered as issuable ordinary shares, and therefore included in basic shares outstanding. Diluted net (loss) income per share reflects the potential dilution that could occur if securities to issue ordinary shares were exercised or converted into ordinary shares. The dilutive effect of outstanding share-based awards is reflected in the diluted net (loss) income per share by application of the treasury stock method.

Comprehensive (loss) income

Comprehensive (loss) income includes net (loss) income and foreign currency translation adjustments and is reported in the combined carve-out statements of comprehensive (loss) income. The Group presents the components of net (loss) income, the components of other comprehensive (loss) income and total comprehensive (loss) income in two separate but consecutive statements.

Significant risks and uncertainties

Concentration of credit risk

Financial instruments that potentially expose the Group to significant concentration of credit risk primarily consist of cash and cash equivalents, accounts receivable, and prepaid expenses and other current assets. As of December 31, 2020, 2021 and 2022, all of the Group's cash and cash equivalents were deposited in financial institutions located in the United States of America and Singapore. Accounts receivable are typically unsecured and are derived from revenue earned from customers in Singapore. The risk with respect to accounts receivable is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances.

Concentration of customers

No customer accounts for 10% or more of revenue for the years ended 2022 and accounts receivable as of December 31, 2020, 2021 and 2022.

Recent accounting pronouncements not yet adopted

In August 2020, the FASB issued ASU No.2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity(Subtopic 815-40):Accounting for Convertible Instruments and Contracts in an Entity's Own Equity(ASU 2020-06),which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. The amendments are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years, with early adoption permitted. The Group adopted ASU 2020-06 on January 1, 2022, and the adoption had no material impact on the Group's combined carve-out financial statements.

In May 2021 the FASB issued ASU No. 2021-04, Earnings Per Share (Topic 260), Debt-Modifications and Extinguishments (Subtopic 470-50), Compensation-Stock Compensation (Topic 718), and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40) to clarify and reduce diversity in an issuer's accounting for modifications or exchanges of freestanding equity -classified written call options (for example warrants) that remain equity classified after modification or exchange. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. The Group is currently evaluating the impact of the new guidance on our combined carve-out financial statements.

In October 2021, the FASB issued ASU No.2021-08 Business Combinations (Tonic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU2021-08), which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606 Revenue from Contracts with Customers. The new amendments are effective for us are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments with early adoption permitted. The Group is currently evaluating the impact of the new guidance on our combined carve-out financial statements.

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	As of December 31,		
	2020	**2021**	**2022**
Accounts receivable	1,012	1,211	1,060
Less: allowance for doubtful accounts	(361)	(433)	(402)
Accounts receivable, net	651	778	658

Movement of allowance for doubtful accounts was as follows:

	As of December 31,		
	2020	**2021**	**2022**
Balance at beginning of the year	(216)	(361)	(433)
Adoption of ASC 326	(100)	–	–
(Addition) reverse	(39)	(81)	34
Foreign currency adjustment	(6)	9	(3)
Balance at end of the year	(361)	(433)	(402)

The following is an ageing analysis of Accounts receivable based on the date of delivery of goods/date of rendering of services which approximated the respective revenue recognition dates.

	As of December 31,		
	2020	**2021**	**2022**
Trade debtors			
0 – 30 days	225	281	249
31 – 60 days	88	95	86
61 – 90 days	12	21	10
91 – 180 days	126	209	161
181 days – 1 year	285	185	216
1 year – 2 years	182	254	180
Over 2 years	94	166	158
	1,012	1,211	1,060

4. INVENTORIES

Inventories consisted of the following:

	As of December 31,		
	2020	**2021**	**2022**
Educational merchandise	69	116	96

The Group recorded $ Nil, $ Nil and $ Nil write-downs of inventories from the carrying amount to their net realizable values for the years ended December 31, 2020, 2021 and 2022, respectively.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	As of December 31,		
	2020	**2021**	**2022**
Prepaid service fees	498	522	502
Others	131	158	203
Less: allowance for doubtful accounts	(14)	(14)	(14)
	615	666	691

6. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

	As of December 31,		
	2020	**2021**	**2022**
Furniture, fixture and equipment	2,359	2,458	2,921
Leasehold improvement	4,260	5,280	6,456
Less: accumulated depreciation	(3,184)	(3,686)	(4,597)
	3,435	4,052	4,780

For the years ended December 31, 2020, 2021 and 2022, depreciation expenses were $708, $884 and $971 respectively.

For the years ended December 31, 2020, 2021 and 2022, the Group recorded impairment loss for the property, plant and equipment of $ Nil, $ Nil and $ Nil respectively.

7. GOODWILL

The Group has three reporting unit where it carries goodwill resulting from acquisitions. The changes in carrying amount of goodwill for the years ended December 31, 2020, 2021 and 2022 were as follows.

	As of December 31,		
	2020	**2021**	**2022**
Costs:			
Beginning balance	18,959	19,203	19,177
Addition	228	–	–
Foreign currency adjustment	16	(26)	10
Ending balance	19,203	19,177	19,187
Goodwill impairment	–	–	(19,187)
Goodwill, net	19,203	19,177	–

Goodwill was tested for impairment in the fourth quarter of 2020, 2021 and 2022 for the reporting unit. The Group performed its quantitative impairment assessment considering the income approach. The income approach is based on estimated present value of future cash flows for the reporting unit carrying a goodwill balance.

The fair value of the reporting unit was estimated using a discounted cash flow methodology after considered and weighed the market approach. The discounted cash flow analysis requires significant estimates, including projections of future operating results and cash flows of the reporting unit that are based on internal budgets and strategic plans, expected long-term growth rates, terminal values, weighted average cost of capital and the effects of external factors and market conditions.

When using discounted cash flow model to determine the fair value of the reporting unit, the discounted cash flow model included a number of significant unobservable inputs. Key assumptions used to determine the estimated fair value include: (a) internal cash flows forecasts including expected revenue growth, operating margins and estimated capital needs, (b) an estimated terminal value using a terminal year long-term future growth rate determined based on the growth prospects of the reporting units; and (c) a discount rate that reflects the weighted-average cost of capital ("WACC") adjusted for the relevant risk associated with the reporting unit's operation and the uncertainty inherent in the Group's internally developed forecast.

The following key assumptions were made in the discounted cash flow model to determine the fair value of the reporting unit in the impairment test for the reporting unit of Global Eduhub Holding Limited ("GEH").

	Years ended December 31, 2020	2021	2022
Revenue growth	8%-12%	8%-12%	3%-13%
WACC	14%	14%	14%
Income tax rate	17%	17%	17%
Terminal growth rate	2%	2%	2%
Forecasted inflation rate	2%	2%	2%

While management believes the assumptions used in our impairment test are reasonable, the fair value estimate is most sensitive to our discount rate and market multiple assumptions as these amounts are reflective of the market's perception of our ability to achieve our projected cash flows.

Based on the impairment analysis of December 31, 2022, the Group concluded that the goodwill of the reporting unit of GEH were impaired. As such, $19,156 impairment loss of goodwill was recorded for the year ended December 31, 2022.

The Group recorded $Nil, $Nil and $19,156 impairment of goodwill for the years ended December 31, 2020, 2021 and 2022 respectively.

8. INTANGIBLE ASSETS, NET

Intangible assets, net, consisted of the following:

	As of December 31, 2020	2021	2022
Intangible assets not subject to amortization:			
Trademark	7,766	7,766	7,841
Intangible assets subject to amortization:			
Student base	4,006	3,998	4,036
Initial franchise	1,626	1,626	1,641
Software and courses	19	19	27
Total costs	13,417	13,409	13,545
Less: accumulated amortization	(1,940)	(3,089)	(4,293)
impairment	–	–	(3,605)
Intangible assets, net	11,477	10,320	5,647

For the years ended December 31, 2020, 2021 and 2022, amortization expenses for intangible assets recorded were $1,112, $1,150 and $1,121 respectively.

For the years ended December 31, 2020, 2021 and 2022, the Group recorded impairment loss for for the intangible assets of $Nil, $Nil and $3,505 respectively.

As of December 31, 2022, the estimated amortization expenses related to intangible assets for next five years is expected to be as follows:

Years ending December 31,	
2023	1
2024	1
2025	1
2026	1
2027	1
2028 and thereafter	–
Total expected amortization expense	5

9. OTHER NON-CURRENT ASSETS

Other non-current assets consisted of the following:

	As of December 31,		
	2020	**2021**	**2022**
Rental deposits *(1)*	1,375	1,302	1,288
Prepayment for property, plant and equipment	1,069	511	21
Others	135	60	45
	2,579	1,873	1,354

(1) Rental deposits represent office and kindergartens rental deposits for the Group's operations, which will not be refunded within one year.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES – THIRD PARTIES

The components of accrued expenses and other current liabilities are as follows:

	As of December 31,		
	2020	**2021**	**2022**
Trade payables	426	765	573
Salary and welfare payable	1,454	1,562	1,432
Accrued expenses	816	358	1,054
Other tax payable	284	310	315
Others	440	309	296
	3,420	3,304	3,670

The following is an ageing analysis of Trade payables based on the invoice date or the date of receipt of goods/date of accepting of services which approximated the respective cost recognition dates.

	As of December 31,		
	2020	**2021**	**2022**
0-90 Days	263	624	432
91-180 Days	27	8	3
181-365 Days	25	10	22
over 1 Year	111	123	116
	426	765	573

11. LEASES

Operating leases

The Group's leases consist of various operating lease contracts for offices, kindergartens and student care centers in Singapore. The Group determines if an arrangement is a lease at inception. The Group's leases have remaining lease terms of up to four years, none of them include options to extend or terminate the leases. Some lease agreements contain lease and non-lease components, which the Group chooses to account for as separate components. The allocation of the consideration between the lease and the non-lease components is based on the relative stand-alone prices included in the lease contracts. None of the amounts disclosed below for these leases contains variable payments, residual value guarantees or options that were recognized as part of the right-of-use assets and lease liabilities. As of December 31, 2020, 2021 and 2022, the Group had no leases that were classified as a financing lease. As of December 31, 2020, 2021 and 2022, the Group did not have additional operating leases that have not yet commenced but create significant rights and obligations for the Group.

Total operating lease expense for the years ended December 31, 2020, 2021 and 2022 was $3,468, $3,956, and $3,837, respectively. The operating lease expense was recorded in cost of revenues, and general and administrative expenses on the combined carve-out statements of operations.

The short term lease expense for the years ended December 31, 2020, 2021 and 2022 was $ Nil, $ Nil and $ Nil, respectively. The short term lease expense was recorded in cost of revenues, and general and administrative expenses on the combined carve-out statements of operations.

	For the year ended December 31,		
	2020	**2021**	**2022**
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows used in operating leases	3,778	3,978	3,789
Right-of-use assets obtained in exchange for new lease obligations:	4,388	1,675	1,828
Weighted average remaining lease term	2.83	2.24	1.65
Weighted average discount rate	3.02%	2.61%	3.09%

The following is a maturity analysis of the annual undiscounted cash flows for the annual periods ended December 31, 2022:

Years ending December 31,	
2023	3,197
2024	1,833
2025	538
2026	35
2027	–
2028 and thereafter	–
Less: imputed interest	(207)
Total operating lease liabilities	5,396
Less: current operating lease liabilities	2,928
Non-current operating lease liabilities	2,468

12. FAIR VALUE MEASUREMENT

Measured or disclosed at fair value on a recurring basis

The Group's financial assets and liabilities primarily include cash and cash equivalents and accounts receivable.

The carrying amounts of the Group's financial assets and liabilities, primarily including cash and cash equivalents, accounts receivable, and prepayment from customers, approximate their fair values.

Measured or disclosed at fair value on a non-recurring basis

The Group's goodwill and intangible assets are primarily acquired through business acquisition. Purchase price allocation are measured at fair value on a nonrecurring basis as of the acquisition dates. The Group measures its goodwill and intangible assets at fair value on a nonrecurring basis annually or whenever events or changes in circumstances indicate that carrying amount of a reporting unit exceeds its fair value. Intangible assets are measured using the income approach – discounted cash flow method when events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. For goodwill impairment testing, refer to Note 7 for details. The Group recognized impairment loss of $Nil, $Nil and $19,156 related to goodwill for the years ended December 31, 2020, 2021 and 2022.

The Group recognized impairment loss of $Nil, $Nil and $3,505 related to intangible assets acquired for the years ended December 31, 2020, 2021 and 2022.

The Group measures property, plant and equipment and operating lease right-of-use assets at fair value on a non-recurring basis when events or changes in circumstances indicate that the carrying amount of these assets or asset group may not be recoverable. The fair value is determined using models with significant unobservable inputs (Level 3 inputs), primarily the management projection of discounted future cash flow and the discount rate. The Group recorded impairment loss on property, plant, and equipment and operating lease right-of-use assets of $ Nil, $ Nil and $ Nil during the years ended December 31, 2020, 2021 and 2022.

The Group measures long-term equity method investment at fair value on a non-recurring basis whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. The fair value is determined using models with significant unobservable inputs (Level 3 inputs), primarily the management projection of discounted future cash flow and the discount rate. The Group recognized impairment loss of $ Nil $ Nil and $ Nil related to the long-term equity method investment for the years ended December 31, 2020, 2021 and 2022.

13. ORDINARY SHARES

The Company's fifth amended and restated Memorandum and Article of Association authorized the Company to issue 990,000,000 ordinary shares with a par value of $0.001 per share.

As of December 31, 2020, there were 22,264,660 and 6,949,141 shares issued for Class A and Class B ordinary shares, respectively; and there were 20,863,613 and 6,949,141 shares outstanding for Class A and Class B ordinary shares, respectively.

As of December 31, 2021, there were 22,264,660 and 6,949,141 shares issued for Class A and Class B ordinary shares, respectively; and there were 21,086,793 and 6,949,141 shares outstanding for Class A and Class B ordinary shares, respectively.

As of December 31, 2022, there were 22,264,660 and 6,949,141 shares issued for Class A and Class B ordinary shares, respectively; and there were 21,251,614 and 6,949,141 shares outstanding for Class A and Class B ordinary shares, respectively.

Share repurchase program

On November 24, 2017, the Company announced that the board of directors of the Company has approved a share repurchase program whereby the Company is authorized to repurchase its own ordinary shares in the form of American depositary shares with an aggregate value of up to $50,000 during the next 12 months. As of December 31, 2022, the Company did not repurchase any shares under this program.

On December 18, 2018, the Company announced that the board of directors of the Company approved another share repurchase program whereby the Company is authorized to repurchase its own ordinary shares in the form of American depositary shares with an aggregate value of up to $12,000 during the next 12 months. Pursuant to this share repurchase plan, the Company repurchased 1,627,455 shares in 2019, with a total consideration of approximately $12,000 at a price range of $6.50 to $8.00 per share, including brokerage commissions. The shares repurchased by the Company were accounted for at cost as treasury stock. The Company has re-issued 226,408, 449,588 and 614,409 repurchased shares for settlement of restricted shares vested as of December 31, 2020, 2021 and 2022, respectively.

14. SHARE INCENTIVE PLAN

The Company adopted the 2009 and 2017 Share Incentive Plans for the grant of share options to employees, directors and non-employees to provide incentive for their services.

The maximum number of ordinary shares that may be delivered pursuant to compensatory awards granted to the employees, directors and non-employees under the 2009 Share Incentive Plan should not exceed 2,573,756 ordinary shares of par value $0.001 per share.

The maximum aggregate number of ordinary shares that may be issued pursuant to all awards is initially 2,059,005, plus an annual increase on the first day of each of the Company's fiscal years the term of the 2017 Share Incentive Plan, commencing with the fiscal year beginning January 1, 2018, by an amount equal to 2.0% of the total number of ordinary shares issued and outstanding on the last day of the immediately preceding fiscal year.

On June 22, 2017, the Company granted a total of 1,286,878 share options to directors at an exercise price of $11.66 per option. The options will vest in accordance with the vesting schedules set out in the respective share option agreements.

If the Company completes a qualified IPO before June 22, 2018, the vesting and expiration terms are:

(i) 25% of the share options will be vested and exercisable on June 22, 2018, and will expire on June 21, 2027;

(ii) 75% of the share options will be vested quarterly in twelve quarters with equal quarterly installments after June 22, 2018, and will expire on June 21, 2027.

If the Company does not complete a qualified IPO before June 22, 2018, the vesting and expiration terms are:

(i) 25% of the share options will be vested and exercisable on the date of 1st trading date of the IPO, and will expire on June 21, 2027;

(ii) 75% of the share options will be vested quarterly in twelve quarters with equal quarterly installments after the 1st trading date of the IPO, and will expire on June 21, 2027.

As the Company completed the qualified IPO on September 27, 2017, the first vesting schedule applied.

On June 22, 2017, the Company granted a total of 772,127 share options to employees at an exercise price of $11.66 per option. The options will vest in accordance with the vesting schedules set out in the respective share option agreements. The vesting and expiration terms are:

(i) 25% of the share options will be vested and exercisable on June 22, 2018, and will expire on June 21, 2027;

(ii) 75% of the share options will be vested quarterly in twelve quarters with equal quarterly installments after June 22, 2018, and will expire on June 21, 2027.

On July 1, 2017, the Company granted a total of 50,300 share options to a director and a consultant at weighted average exercise price of $1.48 per option. The options were fully vested on the grant date and will expire on June 30, 2027.

On April 2, 2018, the Company granted 20,000 share options to an employee at an exercise price of $0.01 per option. The options will vest in accordance with the vesting schedules set out in the respective share option agreements. The vesting and expiration terms are:

(i) 25% of the share options will be vested and exercisable on April 1, 2019, and will expire on April 1, 2028;

(ii) 75% of the share options will be vested quarterly in twelve quarters with equal quarterly installments after April 1, 2019, and will expire on April 1, 2028.

In 2020, the Company granted 554,000 share options to employees at an exercise price of $0.001 per option. 25% of the share options will be vested and exercisable upon 1st anniversary year following the grant date, and the remaining 75% of the share options will be vested quarterly in twelve quarters with equal quarterly installments from the vesting date of the first installment, and the contract term is 10 years from grant date.

In 2022, the Company granted 530,757 share options to employees at an exercise price of $0.001 per option. 25% of the share options will be vested and exercisable upon 1st anniversary year following the grant date, and the remaining 75% of the share options will be vested quarterly in twelve quarters with equal quarterly installments from the vesting date of the first installment, and the contract term is 10 years from grant date.

A summary of the share option activities is as follows:

	Number of options outstanding	Weighted average exercise price	Weighted average grant-date fair value per option	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Options outstanding at January 1, 2020	4,008,558	7.02	3.54	5.14	6,084
Granted	554,000	0.01	2.69	9.82	1,312
Exercised	–	–	–	–	–
Forfeited	(6,100)	8.49	8.51	–	–
Expired	–	–	–	–	–
Options outstanding at December 31, 2020	4,556,458	6.16	3.43	5.36	2,175
Options expected to vest at December 31, 2020	4,556,458	6.16	3.43	5.36	2,175
Vested and exercisable at December 31, 2020	3,754,683	6.70	3.40	4.62	2,175
Options outstanding at January 1, 2021	4,556,458	6.16	3.43	5.36	2,175
Granted	–	–	–	–	–
Exercised	–	–	–	–	–
Forfeited	(26,300)	7.20	4.04	–	–
Expired	–	–	–	–	–
Options outstanding at December 31, 2021	4,530,158	6.15	3.43	4.29	2,846
Options expected to vest at December 31, 2021	4,530,158	6.15	3.43	4.29	2,846
Vested and exercisable at December 31, 2021	4,114,358	6.77	3.51	3.83	1,730

	Number of options outstanding	Weighted average exercise price	Weighted average grant-date fair value per option	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Options outstanding at January 1, 2022	4,530,158	6.15	3.43	4.29	2,846
Granted	530,757	0.001	1.69	–	–
Exercised	–	–	–	–	–
Forfeited	(594,366)	4.58	0.19	–	–
Expired	(193,000)	1.08	2.62	–	–
Options outstanding at December 31, 2022	4,273,549	5.83	3.47	4.09	571
Options expected to vest at December 31, 2022	4,273,549	5.83	3.47	4.09	571
Vested and exercisable at December 31, 2022	3,537,509	7.05	3.79	3.12	571

The weighted average grant date fair value of options granted during the years ended December 31, 2020, 2021 and 2022 were $2.69, $nil and $1.69, respectively. The total fair value of options vested during the year ended December 31, 2020, 2021 and 2022 were $2,990, $1,910 and $62, respectively. The total intrinsic value of options exercised during the year ended December 31, 2020, 2021 and 2022 were $nil, $nil and $nil, respectively.

For share options that vest on grant date, the cost of award is expensed on the grant date. For the graded vesting share options, the Company recognizes the compensation cost over the requisite service period for each separately vesting portion of the award as if the award is, in substance, multiple awards. The Company recorded share-based compensation expenses relating to share options of $1,198, $924 and $673 for the years ended December 31, 2020, 2021 and 2022, respectively.

As of December 31, 2020, total unrecognized compensation expenses relating to share options were $1,469, which is expected to be recognized over a weighted average period of 1.51 years. As of December 31, 2021, total unrecognized compensation expenses relating to share options were $544, which is expected to be recognized over a weighted average period of 1.77 years. As of December 31, 2022, total unrecognized compensation expenses relating to share options were $714, which is expected to be recognized over a weighted average period of 2.64 years.

The fair value of the options granted is estimated on the dates of grant using the binomial option pricing model with the following assumptions used.

	As of December 31,	
Grant date	**2020**	**2022**
Risk-free interest rate	0.86%-0.93%	1.88%-2.93%
Expected volatility	40%	76%-77%
Expected dividend yield	–	–
Exercise multiples	2.2	2.2
Fair value of underlying ordinary share	2.38~2.7	0.86-1.88

(1) Risk-free interest rate

Risk-free interest rate was estimated based on the treasury long term rate of U.S. Treasury Department with a maturity period close to the expected term of the options.

(2) Expected volatility

Expected volatility of the underlying ordinary shares during the lives of the options was estimated based on the historical stock price volatility of comparable listed companies over a period comparable to the expected term of the options.

(3) Expected dividend yield

Expected dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the options.

(4) Exercise multiples

Exercise multiple represents the value of the underlying share as a multiple of exercise price of the option which, if achieved, results in exercise of the option.

(5) Fair value of underlying ordinary shares

The estimated fair value of the ordinary shares underlying the options as of the respective grant dates was determined based on the Company's share price.

Nonvested shares

On March 14, 2018, the Company granted 200,000 nonvested shares to three directors and executive officers. 25% of the nonvested shares will be vested on March 14, 2019. 75% of the nonvested will be vested quarterly in twelve quarters with equal quarterly installments after March 14, 2019. The grant date fair value of the nonvested shares was $20.43 per share, which was the closing price of the Company's ordinary share on New York Stock Exchange ("NYSE") on March 14, 2018. This grant resulted in a total share-based compensation of $4,086, to be recognized ratably over the requisite service period of 4 years.

On October 24, 2018, the Company granted 18,000 nonvested shares to a non-employee. 25% of the nonvested will be vested on October 23, 2019. 75% of the nonvested will be vested quarterly in twelve quarters with equal quarterly installments after October 23, 2019. The grant date fair value of the nonvested shares was $17.11 per share, which was the closing price of the Company's ordinary share on NYSE on October 24, 2018. This grant resulted in a total share-based compensation of $308, to be recognized ratably over the requisite service period of 4 years.

On July 29, 2019, the Company granted 8,388 nonvested shares to an employee. 25% of the nonvested will be vested on July 29, 2020. 75% of the nonvested will be vested quarterly in twelve quarters with equal quarterly installments after July 29, 2020. The grant date fair value of the nonvested shares was $6.06 per share, which was the closing price of the Company's ordinary share on NYSE on July 29, 2019. This grant resulted in a total share-based compensation of $51, to be recognized ratably over the requisite service period of 4 years.

On August 20, 2019, the Company granted 240,000 nonvested shares to two directors and executive officers. 25% of the nonvested will be vested on August 20, 2020. 75% of the nonvested will be vested quarterly in twelve quarters with equal quarterly installments after August 20, 2020. The grant date fair value of the nonvested shares was $6.69 per share, which was the closing price of the Company's ordinary share on NYSE on August 20, 2019. This grant resulted in a total share-based compensation of $1,606, to be recognized ratably over the requisite service period of 4 years.

On December 4, 2019, the Company granted 9,146 nonvested shares to an employee. 25% of the nonvested will be vested on December 4, 2020. 75% of the nonvested will be vested quarterly in twelve quarters with equal quarterly installments after December 4, 2020. The grant date fair value of the nonvested shares was $5.55 per share, which was the closing price of the Company's ordinary share on NYSE on December 4, 2019. This grant resulted in a total share-based compensation of $51, to be recognized ratably over the requisite service period of 4 years.

On August 27, 2020, the Company granted 333,750 nonvested shares to three directors and executive officers. 25% of the nonvested will be vested on August 27, 2021. 75% of the nonvested will be vested quarterly in twelve quarters with equal quarterly installments after August 27, 2020. The grant date fair value of the nonvested shares was $3.03 per share, which was the closing price of the Company's ordinary share on NYSE on August 27, 2020. This grant resulted in a total share-based compensation of $1,011, to be recognized ratably over the requisite service period of 4 years.

A summary of the nonvested shares activities is as follows:

	Number of nonvested shares outstanding	Weighted average grant date fair value	Aggregate intrinsic value
Nonvested shares outstanding at January 1, 2020	383,534	11.05	2,090
Granted	333,750	3.03	–
Vested	(134,408)	12.12	–
Nonvested shares outstanding at December 31, 2020	582,876	6.21	1,381
Granted	–	–	–
Vested	(223,180)	8.25	–
Nonvested shares outstanding at December 31, 2021	359,696	4.94	712
Granted	–	–	–
Vested	(164,821)	6.14	–
Nonvested shares outstanding at December 31, 2022	194,875	3.93	110

The weighted average grant date fair value of nonvested shares granted during the years ended December 31, 2020, 2021 and 2022 were $3.03, $nil and $nil, respectively. The total fair value of nonvested shares vested during the years ended December 31, 2020, 2021 and 2022 were $403, $656, and $1,012 respectively.

The Group recognized compensation expense over the requisite service period for each separately vesting portion of the award as if the award is in substance, multiple awards. The Company recorded share-based compensation expenses relating to nonvested shares of $1,732, $1,097 and $375 for the years ended December 31, 2020, 2021 and 2022, respectively for continuing operations. As of December 31, 2020, total unrecognized compensation expenses relating to nonvested shares were $1,610, which is expected to be recognized over a weighted average period of 1.58 years. As of December 31, 2021, total unrecognized compensation expenses relating to nonvested shares were $513, which is expected to be recognized over a weighted average period of 1.45 years. As of December 31, 2022, total unrecognized compensation expenses relating to nonvested shares were $105, which is expected to be recognized over a weighted average period of 1.93 years.

No options and non-vested shares have been granted to GEH's employees. $507, $189 and $272 share-based compensation was allocated to the combined carve-out financial statements for the years ended December 31, 2020, 2021, and 2022 respectively based on the allocation method described in Basis of Presentation (Note 2).

15. INCOME TAXES

Cayman Islands

The Company is a tax-exempt entity incorporated in Cayman Islands.

Hong Kong

The Company's subsidiary located in Hong Kong and are subject to a profits tax rate of 8.25% on assessable profits on the first Hong Kong Dollars ("HK$") 2 million and 16.5% for any assessable profits in excess of HK$2 million starting from the financial commencing on April 1, 2018. For the years ended December 31, 2020, 2021 and 2022, the subsidiary located in Hong Kong had no assessable profits.

Singapore

The Company's subsidiaries located in Singapore are generally subject to Singapore corporate income tax at a rate of 17% in 2020, 2021 and 2022. Under the group relief system, subject to meeting the requisite conditions, the companies may deduct unutilized capital allowances, trade losses, and donations for the current year against the assessable income of another company in the same group. The Company's subsidiaries located in Singapore should also benefit from the partial tax exemption scheme, which provides 75% exemption from tax for the first SGD$10 thousand chargeable income and 50% exemption from tax for the next SGD$190 thousand chargeable income for the years ended December 31, 2020, 2021 and 2022.

The current and deferred components of the income tax expense appearing in the combined carve-out statements of operations are as follows:

	Years ended December 31,		
	2020	**2021**	**2022**
Current tax expenses	510	627	(2)
Deferred tax benefits	(189)	(184)	(787)
	321	443	(789)

The principal components of deferred tax assets and deferred tax liabilities are as follows:

	Years ended December 31,		
	2020	**2021**	**2022**
Deferred tax assets			
Operating lease liabilities	1,613	1,224	917
Total deferred tax assets	1,613	1,224	917
Less: valuation allowance	–	–	–
Total deferred tax assets, net	1,613	1,224	917
Deferred tax liabilities			
Acquired intangible assets, net	1,949	1,754	959
Operating lease right-of-use assets	1,581	1,202	883
Total deferred tax liabilities	3,530	2,956	1,842
Deferred income tax assets, net	32	22	34
Deferred tax liabilities, net	1,949	1,754	959

The reconciliation of the effective tax rate and the statutory income tax rate applicable to Singapore is as follows:

	Years ended December 31, 2020	2021	2022
Income (loss) before income tax	3,280	2,492	(25,431)
Income tax expense computed at an applicable tax rate of 17%	558	424	(4,323)
Impairment loss of goodwill	–	–	3,257
Depreciation of plant and equipment	125	138	137
Capital allowance	(257)	–	(107)
Non-deductible expenses allocated to GEH	158	148	349
Partial tax exemption	(196)	(240)	(20)
Other items not included for tax purpose	(67)	(27)	(78)
	321	443	(789)

The Group did not identify significant unrecognized tax benefits for the years ended December 31, 2020, 2021 and 2022. The Group did not incur any interest and penalties related to potential underpaid income tax expenses and also does not anticipate any significant increases or decreases in unrecognized tax benefits in the next 12 months from December 31, 2022.

16. NET (LOSS) INCOME PER SHARE

	Years ended December 31, 2020	2021	2022
Numerator:			
Net loss attributable to Gravitas Education Holdings, Inc.	1,875	1,372	(22,170)
Denominator:			
Weighted average ordinary shares outstanding used in computing basic net income per ordinary share			
Basic	28,122,851	28,208,734	28,291,887
Diluted	28,870,450	28,962,480	28,291,887
Net (loss) per share attributable to ordinary shareholders			
Basic	0.07	0.05	(0.78)
Diluted	0.06	0.05	(0.78)

17. RELATED PARTY TRANSACTION

(1) Related parties

Name of related parties	Relationship with the Group
Koh Chew Chee	The CEO of GEH
44 to 24 Pte Ltd	Controlled by Koh Chew Chee
Allegiance (Clementi) Pte Ltd	Controlled by Koh Chew Chee
Allegiance (Jurong East) Pte Ltd	Controlled by Koh Chew Chee
Mulberry Learning Centre @ CBP Pte Ltd	Controlled by Koh Chew Chee
Mulberry Learning Centre Central Pte Ltd	Controlled by the spouse of Koh Chew Chee
Randsdale Resources Limited	Controlled by Koh Chew Chee, held 15% equity interest in GEH
Strategic Eduhub Pte Ltd	Controlled by Koh Chew Chee
The Sunbird Child Development Centre Pte Ltd	Controlled by Koh Chew Chee

(2) The related party transactions are as follows:

Sale of merchandise, management fee and royalty fee

	Years ended December 31,		
	2020	2021	2022
44 to 24 Pte Ltd	3	4	3
Allegiance (Clementi) Pte Ltd	30	38	41
Allegiance (Jurong East) Pte Ltd	31	38	41
Mulberry Learning Centre @ CBP Pte Ltd	–	15	–
Mulberry Learning Centre Central Pte Ltd	365	265	13
The Sunbird Child Development Centre Pte Ltd	–	–	9
Strategic Eduhub Pte Ltd	43	45	4

Service fee revenue

	Years ended December 31,		
	2020	2021	2022
Allegiance (Clementi) Pte Ltd	–	2	–
Allegiance (Jurong East) Pte Ltd	3	–	–
Mulberry Learning Centre @ CBP Pte Ltd	–	6	–
Mulberry Learning Centre Central Pte Ltd	81	29	11
The Sunbird Child Development Centre Pte Ltd	–	–	2

Purchase of service

	Years ended December 31,		
	2020	2021	2022
Allegiance (Clementi) Pte Ltd	–	–	3
Mulberry Learning Centre @ CBP Pte Ltd	–	12	3
Mulberry Learning Centre Central Pte Ltd	11	245	203
Strategic Eduhub Pte Ltd	–	–	4

(3) The related party amount balances are as follows:

Amount due from related parties

Amount due from related parties represents service fee receivables due from the kindergartens controlled by GEH's CEO or her spouse. The credit term is one month.

	As of December 31		
	2020	**2021**	**2022**
Allegiance (Clementi) Pte Ltd	129	171	222
Allegiance (Jurong East) Pte Ltd	135	176	224
Mulberry Learning Centre @ CBP Pte Ltd	2	27	–
Mulberry Learning Centre Central Pte Ltd	841	–	–
Strategic Eduhub Pte Ltd	–	47	49
The Sunbird Child Development Centre Pte Ltd	–	–	9
	1,107	421	504

Prepayment for investment

Prepayment for investment represents service fee receivable due from a company controlled by the spouse of Koh Chew Chee. The receivable will be deducted from acquisition consideration to acquire the equity interest in this company.

	As of December 31		
	2020	**2021**	**2022**
Mulberry Learning Centre Central Pte Ltd	–	910	1,009
	–	910	1,009

Accrued expenses and other current liabilities

	As of December 31		
	2020	**2021**	**2022**
Allegiance (Clementi) Pte Ltd	–	–	3
Mulberry Learning Centre @ CBP Pte Ltd	–	11	–
Mulberry Learning Centre Central Pte Ltd	–	5	229
	–	16	232

18. EMPLOYEE DEFINED CONTRIBUTION PLAN

There is no employee defined contribution plan offered to employees of the Group.

19. COMMITMENTS AND CONTINGENCIES

As of December 31, 2020, 2021 and 2022, there was no commitments and contingencies.

20. SEGMENT INFORMATION

The Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer of the Company, who reviews financial information of operating segments when making decisions about allocating resources and assessing performance of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur costs, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Group's CODM. For the years ended December 31, 2020, 2021 and 2022, the Group has only one operating segment.

21. SUBSEQUENT EVENT

On January 19, 2023, the Board of Directors ("Board") of the Company received a non-binding letter of intent from NetDragon. In a 6-K filed on April 18, 2023, the Company announced that it has entered into an agreement and plan of merger (the "Merger Agreement") with Bright Sunlight Limited, a Cayman Islands exempted company and a direct, wholly owned subsidiary of the Company ("Merger Sub"), Best Assistant Education Online Limited, a Cayman Islands exempted company ("Best Assistant") and a controlled subsidiary of NetDragon, and solely for purposes of certain named sections thereof, NetDragon. It's contemplated that Best Assistant will form a Cayman Islands exempted company limited by shares ("eLMTree") as its wholly owned subsidiary and transfer the education business of NetDragon outside of the PRC to eLMTree. Pursuant to the Merger Agreement, Merger Sub will merge with and into eLMTree with eLMTree continuing as the surviving company and becoming a wholly owned subsidiary of the Company (the "Merger").

The Company is valued at US$50 million by equity value (the "GEHI Equity Value") on a fully-diluted basis (after consummation of the Disposal (as defined below)) assuming that the net cash of the Company will be US$15 million at the closing of the Merger (the "Closing"), implying an enterprise value of GEHI at US$35 million (the "GEHI Implied Enterprise Value"), and eLMTree is valued at US$750 million by equity value on a fully-diluted basis (the "eLMTree Equity Value") assuming a normalized level of working capital at Closing. The Merger Agreement also contemplates that the Company will change its name to "Mynd.ai, Inc." or such other name as determined by Best Assistant and adopt an amended and restated memorandum and articles of association (the "GEHI A&R MAA"), in each case immediately before the effective time of the Merger (the "Effective Time"), following which the authorized share capital of the Company shall only consist of ordinary shares ("GEHI Shares"). Pursuant to the Merger Agreement, at the Effective Time (which is expected to occur on the date of Closing), each ordinary share of eLMTree issued and outstanding immediately prior to the Effective Time (excluding the Dissenting Shares and the Excluded Shares, each as defined in the Merger Agreement) will be cancelled in exchange for the right to receive a number of validly issued, fully paid and non-assessable GEHI Shares equal to (a) the eLMTree per share value (which is in turn calculated by (i) the eLMTree Equity Value divided by (ii) the number of ordinary shares of eLMTree that are outstanding immediately prior to the Effective Time), divided by (b) the GEHI per share value (which is in turn calculated by (i) the GEHI Equity Value, divided by (ii) the number of all GEHI Class A ordinary shares that are outstanding immediately prior to the Effective Time on a fully-diluted basis) (the aggregate number of GEHI Shares to be issued by GEHI, the "Merger Consideration").

Concurrent with the execution of the Merger Agreement, NetDragon WebSoft, Inc. ("ND BVI"), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of NetDragon, has entered into a share purchase agreement (the "Secondary SPA") with Joy Year Limited, Bloom Star Limited, Ascendent Rainbow (Cayman) Limited (and its affiliates, "ACP"), Trump Creation Limited and China Growth Capital Limited (collectively, the "Founding Shareholders"), pursuant to which ND BVI will acquire 8,588,960 Class A ordinary shares of the Company (representing approximately 30% of the outstanding share capital of the Company as of the date hereof) from the Founding Shareholders immediately prior to the Closing at an aggregate consideration of US$15 million (the "Secondary Sale").

Concurrent with the execution of the Merger Agreement, the Company has entered into a share purchase agreement (the "Disposal Agreement") with Rainbow Companion, Inc. (the "Disposal Purchaser"), a purchaser consortium formed by the Founding Shareholders and their affiliates. Pursuant to Disposal Agreement, immediately prior to the Closing, the Company will transfer all its education business in China to the Disposal Purchaser (the "Disposal") at a consideration of US$15 million (the "Disposal Consideration"). Upon completion of the Disposal, the Company will cease to operate any education business in China.

Concurrent with the execution of the Merger Agreement, ACP, the Company and Best Assistant have also entered into a senior secured convertible note purchase agreement (the "Note Purchase Agreement", together with the Disposal Agreement, the Merger Agreement, the Secondary SPA and the exhibits and schedules thereto, collectively, the "Transaction Documents"), pursuant to which, at the Closing, ACP will purchase US$65 million principal amount of secured convertible notes issued by the Company (the "ACP CB") at the Closing (the "ACP CB Investment", together with the Disposal, the Merger, the Secondary Sale and other transactions as contemplated by the Transaction Documents, the "Transactions").

Upon consummation of the Merger, the Disposal and the Secondary Sale, NetDragon will become the controlling shareholder of the Company holding approximately 72.9% of all outstanding GEHI Shares (after a special dividend is made to the shareholders of NetDragon by way of the distribution in specie of certain GEHI Shares to be held by NetDragon (indirectly through ND BVI) after the Closing but assuming the ACP CB is not converted and the share awards are not granted under the new equity compensation plan that the Company plans to adopt after the Closing).

The Company's Board, acting upon the unanimous recommendation of the special committee of the Board (the "Special Committee") consisting solely of independent and disinterested directors, approved the Transaction Documents and the Transactions and resolved to recommend that the Company's shareholders vote to authorize and approve the Transaction Documents and the Transactions when and if they are submitted for shareholder approval. The Special Committee received a fairness opinion from its independent financial advisor, Somerley Capital Limited, covering that each of (a) the consideration to be received by the Company from the Disposal, (b) the Merger Consideration payable by the Company for the acquisition of eLMTree, and (c) the GEHI Implied Enterprise Value, is, as of such date and based upon and subject to the assumptions, limitations and qualifications set forth in the written fairness opinion, from a financial point of view, fair to GEHI. The Company and Netdragon anticipate that the Transactions will be completed by the end of the third quarter of 2023, subject to the satisfaction of closing conditions set forth in the Transaction Documents, including, among other things, receipt of NetDragon's shareholder approval, the Company's shareholder approval and certain regulatory approvals.

No audited financial statements of Group, GEHI, or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2022.

RECONCILIATION INFORMATION

The following is a line-by-line reconciliation of the combined statements of profit or loss and other comprehensive income and combined statements of cash flows for the years ended 31 December 2020, 2021 and 2022 (the "Relevant Periods") and combined statements of financial position as at 31 December 2020, 2021 and 2022 of GEHI's Singapore Operations to address the differences in financial information of GEHI's Singapore Operations had it been prepared in accordance with the Company's accounting policies. The above are collectively be referred to as the "Reconciliation Information". The process applied in the preparation of this reconciliation is set out in the "Basis of Preparation" and "Reconciliation Process" sections below.

(a) Line-by-line reconciliations on the combined statement of profit or loss and other comprehensive income of GEHI's Singapore Operations for the year ended 31 December 2020

	Notes	**Unadjusted Financial Information under Accounting Policies of GEHI's Singapore Operations**	**Adjustments**	**Adjusted Financial Information under the Group's Accounting Policies**
		US$ million	*US$ million*	*US$ million*
Net Revenue	*(iii)*	26	(26)	–
Revenue	*(iii)*	–	26	26
Cost of revenue	*(ii)*	(22)	*	(22)
Gross profit		4	–	4
General and administrative expenses	*(iii)*	(5)	5	–
Administrative expenses	*(iii)*	–	(5)	(5)
Government subsidy income	*(iii)*	4	(4)	–
Other income and gains	*(iii)*	–	4	4
Finance costs	*(ii)*	–	*	*
Profit before taxation		3	–	3
Income tax expense		–	–	–
Profit for the year		3	–	3
Profit attributable to:				
– Shareholders of GEHI's Singapore Operations		2	–	2
– Non-controlling interests		1	–	1
		3	–	3

* less than US$1 million

(b) Line-by-line reconciliations on the combined statement of financial position of GEHI's Singapore Operations as of 31 December 2020

	Notes	**Unadjusted Financial Information under Accounting Policies of GEHI's Singapore Operations** *US$ million*	**Adjustments** *US$ million*	**Adjusted Financial Information under the Group's Accounting Policies** *US$ million*
Non-current Assets				
Property, plant and equipment, net		3	–	3
Intangible assets, net		12	–	12
Goodwill	*(i)*	19	(3)	16
Other non-current assets	*(iii)*	3	(3)	–
Other receivables	*(iii)*	–	3	3
Operating lease right-of-use assets	*(iii)*	10	(10)	–
Right-of-use assets	*(ii) (iii)*	–	10	10
		47	(3)	44
Current Assets				
Cash and cash equivalents		29	–	29
Accounts receivable, net	*(iii)*	1	(1)	–
Trade receivables	*(iii)*	–	1	1
Prepaid expenses and other current assets	*(iii)*	1	(1)	–
Amounts due from related parties	*(iii)*	1	(1)	–
Other receivables, prepayments and deposits	*(iii)*	–	2	2
		32	–	32
Current Liabilities				
Accrued expenses and other current liabilities	*(iii)*	3	(3)	–
Trade and other payables	*(iii)*	–	3	3
Income tax payable		1	–	1
Deferred revenue	*(iii)*	1	(1)	–
Contract liabilities	*(iii)*	–	1	1
Operating lease liabilities, current portion	*(iii)*	4	(4)	–
Lease liabilities	*(iii)*	–	4	4
		9	–	9
Net Current Assets		23	–	23
Total Assets less Current Liabilities		70	(3)	67
Non-current Liabilities				
Operating lease liabilities, non-current portion	*(iii)*	6	(6)	–
Lease liabilities	*(iii)*	–	6	6
Other non-current liabilities	*(iii)*	3	(3)	–
Other payables	*(iii)*	–	3	3
Deferred income tax liabilities	*(iii)*	2	(2)	–
Deferred tax liabilities	*(iii)*	–	2	2
		11	–	11
NET ASSETS		59	(3)	56
Capital and Reserves				
Share capital		*	–	*
Reserves		52	–	52
Equity attributable to owners of the Company	*(i)*	52	–	52
Non-controlling interests		7	(3)	4
		59	(3)	56

* less than US$1 million

(c) Line-by-line reconciliations on the combined statement of cash flows of GEHI's Singapore Operations for the year ended 31 December 2020

	Notes	**Unadjusted Financial Information under Accounting Policies of GEHI's Singapore Operations** *US$ million*	**Adjustments** *US$ million*	**Adjusted Financial Information under the Group's Accounting Policies** *US$ million*
OPERATING ACTIVITIES				
Profit before taxation		3	–	3
Adjustments for:				
Depreciation of property, plant and equipment		1	–	1
Amortisation of intangible assets		1	–	1
Reduction in the carrying amount of the right-of-use assets	*(iii)*	3	(3)	–
Depreciation of right-of-use assets	*(iii)*	–	3	3
Share-based compensation	*(iii)*	1	(1)	–
Share-based payments	*(iii)*	–	1	1
Finance costs	*(ii)*	–	*	*
Operating cash flows before movements in working capital		9	–	9
Other non-current assets	*(iii)*	(1)	1	–
Accrued expenses and other current liabilities	*(iii)*	(1)	1	–
Amounts due from related parties	*(iii)*	1	(1)	–
Operating lease liabilities	*(iii)*	(4)	4	–
Other non-current liabilities	*(iii)*	1	(1)	–
Cash generated from operations		5	4	9
Income tax paid		1	–	1
Interest paid	*(ii)*	–	*	*
NET CASH FROM OPERATING ACTIVITIES		6	4	10
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(1)	–	(1)
Amounts due to related parties	*(iii)*	(1)	1	–
Other payables	*(iii)*	–	(1)	(1)
NET CASH USED IN INVESTING ACTIVITIES		(2)	–	(2)

	Notes	Unadjusted Financial Information under Accounting Policies of GEHI's Singapore Operations	Adjustments	Adjusted Financial Information under the Group's Accounting Policies
		US$ million	*US$ million*	*US$ million*
FINANCING ACTIVITIES				
Repayment of lease liabilities	*(iii)*	–	(4)	(4)
NET CASH USED IN FINANCING ACTIVITIES		–	(4)	(4)
Effect of foreign exchange rate changes		(1)	–	(1)
NET INCREASE IN CASH AND CASH EQUIVALENTS		3	–	3
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		26	–	26
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		29	–	29

* less than US$1 million

(d) Line-by-line reconciliations on the combined statement of profit or loss and other comprehensive income of GEHI's Singapore Operations for the year ended 31 December 2021

	Notes	**Unadjusted Financial Information under Accounting Policies of GEHI's Singapore Operations** *US$ million*	**Adjustments** *US$ million*	**Adjusted Financial Information under the Group's Accounting Policies** *US$ million*
Net Revenue	*(iii)*	31	(31)	–
Revenue	*(iii)*	–	31	31
Cost of revenue	*(ii)*	(26)	*	(26)
Gross profit		5	–	5
Selling expenses	*(iii)*	(1)	1	–
Selling and marketing expenses	*(iii)*	–	(1)	(1)
General and administrative expenses	*(iii)*	(4)	4	–
Administrative expenses	*(iii)*	–	(4)	(4)
Government subsidy income	*(iii)*	2	(2)	–
Other income and gains	*(iii)*	–	2	2
Finance costs	*(ii)*	–	*	*
Profit before taxation		2	–	2
Income tax expense		–	–	–
Profit for the year		2	–	2
Profit (loss) attributable to:				
– Shareholders of GEHI's Singapore Operations		1	–	1
– Non-controlling interests		1	–	1
		2	–	2

* less than US$1 million

(e) Line-by-line reconciliations on the combined statement of financial position of GEHI's Singapore Operations as of 31 December 2021

	Notes	**Unadjusted Financial Information under Accounting Policies of GEHI's Singapore Operations** *US$ million*	**Adjustments** *US$ million*	**Adjusted Financial Information under the Group's Accounting Policies** *US$ million*
Non-current Assets				
Property, plant and equipment, net		4	–	4
Intangible assets, net		10	–	10
Goodwill	*(i)*	19	(3)	16
Prepayments to related parties	*(iii)*	1	(1)	–
Other non-current assets	*(iii)*	2	(2)	–
Other receivables, prepayments and deposits	*(iii)*	–	3	3
Operating lease right-of-use assets	*(iii)*	7	(7)	–
Right-of-use assets	*(ii) (iii)*	–	7	7
		43	(3)	40
Current Assets				
Cash and cash equivalents		30	–	30
Accounts receivable, net	*(iii)*	1	(1)	–
Trade receivables	*(iii)*	–	1	1
Prepaid expenses and other current assets	*(iii)*	1	(1)	–
Amounts due from related parties	*(iii)*	1	(1)	–
Other receivables, prepayments and deposits	*(iii)*	–	2	2
		33	-	33
Current Liabilities				
Accrued expenses and other current liabilities	*(iii)*	3	(3)	–
Trade payables and other payables	*(iii)*	–	3	3
Income tax payable		1	–	1
Deferred revenue	*(iii)*	1	(1)	–
Contract liabilities	*(iii)*	–	1	1
Operating lease liabilities, current portion	*(iii)*	3	(3)	–
Lease liabilities	*(iii)*	–	3	3
		8	–	8
Net Current Assets		25	–	25
Total Assets less Current Liabilities		68	(3)	65
Non-current Liabilities				
Operating lease liabilities, non-current portion	*(iii)*	4	(4)	–
Lease liabilities	*(iii)*	–	4	4
Other non-current liabilities	*(iii)*	3	(3)	–
Other payables	*(iii)*	–	3	3
Deferred income tax liabilities	*(iii)*	2	(2)	–
Deferred tax liabilities	*(iii)*	–	2	2
		9	–	9
NET ASSETS		59	(3)	56
Capital and Reserves				
Share capital		*	–	*
Reserves		53	–	53
Equity attributable to owners of the Company		53	–	53
Non-controlling interests	*(i)*	6	(3)	3
		59	(3)	56

* less than US$1 million

(f) Line-by-line reconciliations on the combined statement of cash flows of GEHI's Singapore Operations for the year ended 31 December 2021

	Notes	**Unadjusted Financial Information under Accounting Policies of GEHI's Singapore Operations** *US$ million*	**Adjustments** *US$ million*	**Adjusted Financial Information under the Group's Accounting Policies** *US$ million*
OPERATING ACTIVITIES				
Profit before taxation		2	–	2
Adjustments for:				
Depreciation of property, plant and equipment		1	–	1
Amortisation of intangible assets		1	–	1
Reduction in the carrying amount of the right-of-use assets	*(iii)*	4	(4)	–
Depreciation of right-of-use assets	*(iii)*	–	4	4
Finance costs	*(ii)*	–	*	*
Operating cash flows before movements in working capital		8	–	8
Other receivables, prepayments and deposits	*(iii)*	–	2	2
Prepayments to related parties	*(iii)*	(1)	1	–
Other non-current assets	*(iii)*	1	(1)	–
Amounts due from related parties	*(iii)*	2	(2)	–
Operating lease liabilities	*(iii)*	(4)	4	–
Cash generated from operations		6	4	10
Income tax paid		1	–	1
Interest paid	*(ii)*	–	*	*
NET CASH FROM OPERATING ACTIVITIES		7	4	11
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(2)	–	(2)
Amounts due to related parties	*(iii)*	(3)	3	–
Other payables	*(iii)*	–	(3)	(3)
NET CASH USED IN INVESTING ACTIVITIES		(5)	–	(5)
FINANCING ACTIVITIES				
Acquisition of additional equity interest from non-controlling shareholders		(1)	1	(1)
Repayment of lease liabilities	*(iii)*	–	(4)	(4)
NET CASH USED IN FINANCING ACTIVITIES		(1)	(4)	(5)
Effect of foreign exchange rate changes		–	–	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		1	–	1
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		29	–	29
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		30	–	30

(g) Line-by-line reconciliations on the combined statement of profit or loss and other comprehensive income of GEHI's Singapore Operations for the year ended 31 December 2022

	Notes	**Unadjusted Financial Information under Accounting Policies of GEHI's Singapore Operations** *US$ million*	**Adjustments** *US$ million*	**Adjusted Financial Information under the Group's Accounting Policies** *US$ million*
Net Revenue	*(iii)*	31	(31)	–
Revenue	*(iii)*	–	31	31
Cost of revenue	*(ii)*	(29)	*	(29)
Gross profit		2	–	2
Selling expenses	*(iii)*	(1)	1	–
Selling and marketing expenses	*(iii)*	–	(1)	(1)
General and administrative expenses	*(iii)*	(6)	6	–
Administrative expenses	*(iii)*	–	(6)	(6)
Government subsidy income	*(iii)*	2	(2)	–
Other income and gains	*(iii)*	–	2	2
Impairment loss on goodwill	*(i)*	(19)	3	(16)
Impairment loss on long-live assets		(4)	–	(4)
Finance costs	*(ii)*	–	*	*
Profit before taxation		(26)	3	(23)
Income tax expense	*(iii)*	1	(1)	–
Taxation	*(iii)*	–	1	1
Profit for the year		(25)	3	(22)
Profit (loss) attributable to:				
– Shareholders of GEHI's Singapore Operations		(23)	–	(23)
– Non-controlling interests		(2)	3	1
		(25)	3	(22)

* less than US$1 million

(h) Line-by-line reconciliations on the combined statement of financial position of GEHI's Singapore Operations as of 31 December 2022

	Notes	**Unadjusted Financial Information under Accounting Policies of GEHI's Singapore Operations** *US$ million*	**Adjustments** *US$ million*	**Adjusted Financial Information under the Group's Accounting Policies** *US$ million*
Non-current Assets				
Property, plant and equipment, net		5	–	5
Intangible assets, net		6	–	6
Prepayments to related parties	*(iii)*	1	(1)	–
Other non-current assets	*(iii)*	1	(1)	–
Other receivables, prepayments and deposits	*(iii)*	–	2	2
Operating lease right-of-use assets	*(ii) (iii)*	5	(5)	–
Right-of-use assets	*(ii) (iii)*	–	5	5
		18	–	18
Current Assets				
Cash and cash equivalents		21	–	21
Prepaid expenses and other current assets	*(iii)*	1	(1)	–
Amounts due from related parties	*(iii)*	1	(1)	–
Other receivables, prepayments and deposits	*(iii)*	–	2	2
		23	–	23
Current Liabilities				
Accrued expenses and other current liabilities	*(iii)*	4	(4)	–
Trade and other payables	*(iii)*	–	4	4
Income tax payable		1	–	1
Deferred revenue	*(iii)*	1	(1)	–
Contract liabilities	*(iii)*	–	1	1
Operating lease liabilities, current portion	*(iii)*	3	(3)	–
Lease liabilities	*(iii)*	–	3	3
		9	–	9
Net Current Assets		14	–	14
Total Assets less Current Liabilities		32	–	32
Non-current Liabilities				
Operating lease liabilities, non-current portion	*(iii)*	2	(2)	–
Lease liabilities	*(iii)*	–	2	2
Other non-current liabilities	*(iii)*	4	(4)	–
Other payables	*(iii)*	–	4	4
Deferred income tax liabilities	*(iii)*	1	(1)	–
Deferred tax liabilities	*(iii)*	–	1	1
		7	–	7
NET ASSETS		25	–	25
Capital and Reserves				
Share capital		*	–	*
Reserves		23	–	23
Equity attributable to owners of the Company		23	–	23
Non-controlling interests		2	–	2
		25	–	25

* less than US$1 million

(i) Line-by-line reconciliations on the combined statement of cash flows of GEHI's Singapore Operations for the year ended 31 December 2022

	Notes	**Unadjusted Financial Information under Accounting Policies of GEHI's Singapore Operations** *US$ million*	**Adjustments** *US$ million*	**Adjusted Financial Information under the Group's Accounting Policies** *US$ million*
OPERATING ACTIVITIES				
Loss before taxation		(25)	3	(22)
Adjustments for:				
Depreciation of property, plant and equipment		1	–	1
Amortisation of intangible assets		1	–	1
Reduction in the carrying amount of the right-of-use assets	*(iii)*	4	(4)	–
Depreciation of right-of-use assets	*(iii)*	–	4	4
Impairment loss on intangible asset		4	–	4
Impairment loss on goodwill	*(i)*	19	(3)	16
Deferred tax benefit		(1)	–	(1)
Finance costs	*(ii)*	–	*	*
Operating cash flows before movements in working capital		3	–	3
Other non-current assets	*(iii)*	1	(1)	–
Other receivables, prepayments and deposits	*(iii)*	–	3	3
Amounts due from related parties	*(iii)*	2	(2)	–
Operating lease liabilities	*(iii)*	(4)	4	–
Other non-current liabilities	*(iii)*	1	(1)	–
Other payables	*(iii)*	–	1	1
Cash generated from operations		3	4	7
Income tax paid		–	–	–
Interest paid	*(ii)*	–	*	*
NET CASH FROM OPERATING ACTIVITIES		3	4	7
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(1)	–	(1)
Amounts due to related parties	*(iii)*	(5)	5	–
Other payables	*(iii)*	–	(5)	(5)
NET CASH USED IN INVESTING ACTIVITIES		(6)	–	(6)
FINANCING ACTIVITIES				
Acquisition of additional equity interest from non-controlling shareholders	*(iii)*	(1)	1	–
Acquisitions of additional equity interests from non-controlling	*(iii)*	–	(1)	(1)
Dividend to shareholders	*(iii)*	(5)	5	–
Dividends paid	*(iii)*	–	(5)	(5)
Repayment of lease liabilities	*(iii)*	–	(4)	(4)
NET CASH USED IN FINANCING ACTIVITIES		(6)	(4)	(10)
Effect of foreign exchange rate changes		–	–	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		(9)	–	(9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		30	–	30
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		21	–	21

The following reclassifications and adjustments are recorded to align the classifications and hereafter, measurement, of the respective amounts of the relevant financial line items shown in the combined statements of profit or loss and other comprehensive income, the combined statements of financial position and combined statements of cash flows of GEHI's Singapore Operations prepared under accounting policies of GEHI's Singapore Operations which are in conformity with U.S. GAAP to those consolidated financial statements of the Group:

i. Adjustment related to recognition of goodwill. Goodwill was recognised as excess of the sum of the consideration transferred, non-controlling interests, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed. Under the accounting policies of GEHI's Singapore Operations, non-controlling interests are measured at fair value at the date of the acquisition, while under the Group's accounting policies, the Group elected to measure non-controlling interests at the Group's proportionate interest in the net amount of the identifiable assets acquired and the liabilities of the acquiree at the date of the acquisition. Carrying amount of goodwill in respect of the difference between two accounting policies and the corresponding adjustments are adjusted accordingly.

ii. Adjustment related to depreciation of right-of-use assets. Under the accounting policies of GEHI's Singapore Operations, depreciation of operating lease right-of-use assets are amortised on a straight-line basis over the lease term. Depreciation of operating lease right-of-use assets is presented in a single financial statement line item. Under the Group's accounting policies, there is no distinguishment between operating and finance lease for lessee. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Depreciation of right-of-use assets and finance costs of lease liabilities are presented in separate financial statement line items. Amount of depreciation, finance costs and carrying amounts of right-of-use assets are adjusted accordingly; and

iii. Reclassification of various financial line items of GEHI's Singapore Operations to align with the presentation of those financial line items in the combined financial statements of the Group.

Other than the reclassifications and adjustments set out in the Reconciliation Information above, there are no material differences between the combined financial statements of GEHI's Singapore Operations prepared under accounting policies of GEHI's Singapore Operations for the Relevant Periods compared to such combined financial statements had they been prepared applying the accounting policies presently adopted by the Group.

BASIS OF PREPARATION AND PRESENTATION

The Reconciliation Information for the Relevant Periods was prepared by making adjustments to the "Unadjusted Financial Information under accounting policies of GEHI's Singapore Operations" as if it had been prepared and presented in accordance with the accounting policies presently adopted by the Group for the Relevant Periods.

RECONCILIATION PROCESS

The Reconciliation Information has been prepared by the Directors by comparing the accounting policies adopted by GEHI's Singapore Operations for the preparation and presentation of the GEHI's Singapore Operations financial statements for the Relevant Periods and the accounting policies adopted by the Group which are in conformity with HKFRSs, and quantifying the relevant material financial effects of such differences. Your attention is drawn to the fact that the Reconciliation Information above has not been subject to an independent audit.

Deloitte was engaged by the Company to report on the Reconciliation Information in accordance with HKSAE 3000 issued by HKICPA on the Reconciliation Information. The work consisted primarily of:

(i) comparing the "Unadjusted Financial Information under Accounting Policies of GEHI's Singapore Operations" of the Reconciliation Information above with the audited combined financial statements of GEHI's Singapore Operations for the years ended 31 December 2020, 2021 and 2022 prepared in accordance with Accounting Policies of GEHI's Singapore Operations as set out in the "Financial Information of GEHI's Singapore Operations" section above;

(ii) obtaining and examining evidence supporting the adjustments made in arriving at the "Adjusted Financial Information under the Group's Accounting Policies" of the Reconciliation Information to consider its appropriateness; and

(iii) checking the arithmetic accuracy of the computation of the Reconciliation Information.

For the purposes of the engagement on the Reconciliation Information, Deloitte is not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Reconciliation Information, nor has Deloitte, in the course of the engagement, performed an audit or review of the financial information used in compiling the Reconciliation Information. The work carried out in accordance with HKSAE 3000 is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, Deloitte did not express an audit opinion nor a review conclusion on the Reconciliation Information.

Accordingly, no opinion is expressed by Deloitte on whether it presents a true and fair view of GEHI's Singapore Operations' financial positions as at 31 December 2020, 2021 and 2022, nor its financial performance and cash flows for the years ended 31 December 2020, 2021 and 2022 under the accounting policies presently adopted by the Group.

Deloitte's engagement was intended solely for the use of the Directors in connection with this circular and may not be suitable for another purpose. Based on the work performed, Deloitte has concluded that:

(a) the "Unadjusted Financial Information under Accounting Policies of GEHI's Singapore Operations" for the years ended 31 December 2020, 2021 and 2022 as set out in the "Financial Information of GEHI's Singapore Operations" section above is in agreement with the audited combined financial statements of GEHI's Singapore Operations for the years ended 31 December 2020, 2021 and 2022 prepared in accordance with Accounting Policies of GEHI's Singapore Operations as set out in the "Financial Information of GEHI's Singapore Operations" section above, as appropriate;

(b) the adjustments made in the Reconciliation Information in arriving at the "Adjusted Financial Information under the Group's Accounting Policies" as set out in the "Financial Information of GEHI's Singapore Operations" section above reflect, in all material respects, the differences in accounting treatments under accounting policies of GEHI's Singapore Operations and the Group's accounting policies; and

(c) the computation of the Reconciliation Information above is arithmetically accurate.

The following is an illustrative unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") which have been prepared by the Directors of the Company in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the (1) major transaction in relation to the merger of Bright Sunlight Limited, an exempted company incorporated in the Cayman Islands with limited liability and a direct wholly-owned subsidiary of GEHI with and into eLMTree, with eLMTree surviving as a direct wholly-owned subsidiary of GEHI and (2) major disposal and Proposed Spin-off of eLMTree on the Group's financial position as at 31 December 2022 as if it had taken place on 31 December 2022. The Unaudited Pro Forma Financial Information assumes that (1) the conversion of the remaining US$25 million Existing ACP Bonds and the New ACP Bonds, (2) the grant of GEHI Ordinary Shares under the New ESOP and (3) the Distribution in Specie did not take place.

The Unaudited Pro Forma Financial Information has been prepared on the basis of the notes below based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Merger actually occurred on the date indicated herein. Neither does the Unaudited Pro Forma Financial Information purports to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Merger been completed on 31 December 2022, or at any future dates. The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the other financial information included elsewhere in the Circular.

For the purpose of the Unaudited Pro Forma Financial Information, assumptions and estimates underlying the unaudited pro forma adjustments set forth in the Unaudited Pro Forma Financial Information are described in the accompanying notes.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 31 December 2022	GEHI's Singapore Operations		Pro forma adjustments				Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2022
	RMB million	*US$ million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	Note 1	*Note 2(a)*	*Note 2(a) & 5*	*Note 2(b) & 3*	*Note 2(c)*	*Note 2(d) & 3*	*Note 2(e)*	
Non-current Assets								
Property, plant and equipment	1,936	5	33	–	–	–	–	1,969
Right-of-use assets	380	5	37	–	–	–	–	417
Investment properties	59	–	–	–	–	–	–	59
Intangible assets	739	6	39	–	–	–	–	778
Interests in associates and joint ventures	34	–	–	–	–	–	–	34
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")	56	–	–	–	–	–	–	56
Financial assets at fair value through profit and loss ("**FVTPL**")	404	–	–	–	–	–	–	404
Loans receivables	8	–	–	–	–	–	–	8
Other Receivables, prepayments and deposits	89	2	16	–	–	–	–	105
Deposits made for property, plant and equipment	5	–	–	–	–	–	–	5
Goodwill	287	–	–	219	–	–	–	506
Deferred tax assets	347	–	–	–	–	–	–	347
	4,344	18	125	219	–	–	–	4,688

	The Group as at 31 December 2022	GEHI's Singapore Operations		Pro forma adjustments				Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2022
	RMB million	*US$ million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	Note 1	*Note 2(a)*	*Note 2(a) & 5*	*Note 2(b) & 3*	*Note 2(c)*	*Note 2(d) & 3*	*Note 2(e)*	
Current Assets								
Properties under development	343	–	–	–	–	–	–	343
Property held for sale	303	–	–	–	–	–	–	303
Inventories	807	–	1	–	–	–	–	808
Loans receivables	4	–	–	–	–	–	–	4
Trade receivables	654	–	5	–	–	–	–	659
Other receivables, prepayments and deposits	549	2	8	–	–	–	–	557
Amount due from a joint venture	5	–	–	–	–	–	–	5
Income tax recoverable	29	–	–	–	–	–	–	29
Financial assets at FVTPL	84	–	–	–	–	–	–	84
Pledged bank deposit	1	–	–	–	–	–	–	1
Bank deposits	207	–	–	–	–	–	–	207
Cash and cash equivalents	3,701	21	143	(104)	(1,111)	453	–	3,082
	6,687	23	157	(104)	(1,111)	453	–	6,082

	The Group as at 31 December 2022	GEHI's Singapore Operations		Pro forma adjustments				Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2022
	RMB million	*US$ million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	Note 1	*Note 2(a)*	*Note 2(a) & 5*	*Note 2(b) & 3*	*Note 2(c)*	*Note 2(d) & 3*	*Note 2(e)*	
Current Liabilities								
Trade and other payables	1,513	4	27	–	–	–	108	1,648
Contract liabilities	406	1	6	–	–	–	–	412
Lease liabilities	67	3	20	–	–	–	–	87
Provisions	94	–	–	–	–	–	–	94
Derivative financial instruments	31	–	–	–	–	–	–	31
Convertible and exchangeable bonds	16	–	–	–	(13)	–	–	3
Bank borrowings	737	–	–	–	–	–	–	737
Income tax payable	100	1	7	–	–	–	–	107
Conversion option	–	–	–	–	–	115	–	115
	2,964	9	60	–	(13)	115	108	3,234
Net Current Assets	3,723	14	97	(104)	(1,098)	338	(108)	2,848
Total Assets less Current Liabilities	8,067	32	222	115	(1,098)	338	(108)	7,536

	The Group as at 31 December 2022	GEHI's Singapore Operations		Pro forma adjustments				Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 31 December 2022
	RMB million	*US$ million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
	Note 1	*Note 2(a)*	*Note 2(a) & 5*	*Note 2(b) & 3*	*Note 2(c)*	*Note 2(d) & 3*	*Note 2(e)*	
Non-current Liabilities								
Other payables	19	4	25	–	–	–	–	44
Convertible and exchangeable bonds	1,317	–	–	–	(1,098)	338	–	557
Bank borrowings	2	–	–	–	–	–	–	2
Lease liabilities	50	2	17	–	–	–	–	67
Deferred tax liabilities	80	1	7	–	–	–	–	87
	1,468	7	49	–	(1,098)	338	–	757
Net Assets	6,599	25	173	115	–	–	(108)	6,779

Notes to the Unaudited Pro Forma Financial Information:

1. The figures are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2022, as set out in the published annual report of the Company for the year ended 31 December 2022.

2. The following pro forma adjustments have been made to the Unaudited Pro Forma Financial Information assuming the Merger had taken place on 31 December 2022. Conversion of US$ to RMB is calculated at the closing exchange rate of US$1:RMB6.9646 as at 31 December 2022, with reference to the rate published by the People's Bank of China. No representation is made that the US$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

   (a) The adjustment represents the inclusion of assets and liabilities of GEHI's Singapore Operations as at 31 December 2022. The amounts have been extracted from the Financial Information of the GEHI's Singapore Operations as at 31 December 2022 prepared under the Group's accounting policies as set out in Appendix II to this Circular.

   (b) The identified assets and liabilities of the GEHI's Singapore Operations acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under acquisition accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

	RMB million
Consideration *(Note i)*	348
Non-controlling interests *(Note ii)*	44
Less: pro forma fair values of the identifiable assets and liabilities of the GEHI's Singapore Operations prepared under the Group's accounting policies *(Note iii)*	(173)
Pro forma goodwill	219

Actual goodwill or gain on bargain purchase arising from the Merger depend on fair value of assets and liabilities of the GEHI's Singapore Operations and the actual total consideration at the completion date and shall be different to the amount calculated in the above table.

Notes:

(i) The consideration of US$50 million (equivalent to RMB348 million) represents a) cash consideration of US$15 million (equivalent to RMB104 million) payable to the Secondary Sellers, and b) fair value of the Group's equity interest in eLMTree being deemed to be partially disposed of by the Group without losing control therein of US$35 million (equivalent to RMB244 million). The amount also represents the fair value of the equity interest in GEHI's Singapore Operations.

(ii) The balance of non-controlling interests of RMB44 million represents 25.6% of the total fair value of identifiable net assets of the GEHI's Singapore Operations held by the non-controlling shareholders, assuming that (1) the conversion of the remaining US$25 million Existing ACP Bonds and the New ACP Bonds, (2) the grant of GEHI Ordinary Shares under the New ESOP and (3) the Distribution in Specie as disclosed in Note 5(i), (ii) and (iii) did not take place. It is also assumed that no PIPE Investment has been sought and therefore not taken in account in the Pro Forma Financial Information of the Enlarged Group as at 31 December 2022.

(iii) For the purpose of the Unaudited Pro Forma Financial Information, the allocation of the purchase price is determined based on the Directors' estimates of the fair values of the identified assets and liabilities of the GEHI's Singapore Operations as at 31 December 2022 are estimated to be approximate to their carrying amounts as at 31 December 2022.

According to the Group's accounting policy, after initial recognition, the goodwill will be measured at cost less any accumulated impairment losses. The goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, the goodwill is, from the acquisition date allocated to one of the Group's cash generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Further, according to the Group's accounting policy, impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash generating units) is less than the carrying amount, an impairment loss will be recognised. An impairment loss recognised for the goodwill will not be reversed in a subsequent period.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had performed an impairment assessment of the goodwill in accordance with HKAS 36 Impairment of Assets and the Group's accounting policy. Based on the impairment test, the recoverable amount of the cash-generating unit in which the GEHI's Singapore Operations was assigned exceeds its carrying amount and accordingly, no pro forma adjustment in respect of impairment of goodwill is made by the Directors in the Unaudited Pro Forma Financial Information for the Enlarged Group. Such assessment assumed that there are no major material adverse changes in the fair values of the assets and liabilities. However, should there be any adverse changes to the business of the GEHI's Singapore Operations, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against the goodwill in accordance with Hong Kong Accounting Standard 36 ("HKAS 36") and the Group's accounting policy.

The Enlarged Group will apply consistent accounting policies, principal assumptions and valuation method to assess impairment of the goodwill in subsequent reporting periods in accordance with the requirement of HKAS 36.

(c) The adjustment represents redemption of Existing ACP Bonds issued by a subsidiary of the Group with the principal amount of the bonds of US$125 million (equivalent to RMB871 million) as part of the Merger pursuant to Deed of Amendment, Conditional Waiver and Redemption. Total cash outflows of

RMB1,111 million represents repayment of present value of the Existing ACP Bonds and accrued interests as at 31 December 2022 assuming that no gains or losses recorded as a result from the redemption of the Existing ACP Bonds for simplicity.

(d) The adjustment represents the cash receipt from issuance of New ACP Bonds by GEHI of principal amount of US$65 million (equivalent to RMB453 million) which approximates to fair value on 31 December 2022. Such sum represents debt component of the convertible bonds of US$48.5 million and derivative components of US$16.5 million, equivalent to RMB338 million and RMB115 million, respectively, are determined by the directors of the Company.

(e) The adjustment represents the estimated legal fees, professional fee and other transaction costs to be incurred of US$15.5 million, equivalent to RMB108 million, directly attributable to the Merger. Such amount is therefore recognised in profit or loss. The adjustment is not expected to have a continuing effect on the Enlarged Group.

3. The fair values of the identifiable assets and liabilities of the GEHI's Singapore Operations at Closing and New ACP Bonds to be issued by GEHI may substantially different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information as set out in notes 2(b) and 2(d) above.

   Upon completion of the Merger, the fair values of the identifiable assets and liabilities of the GEHI's Singapore Operations and the debt component and derivative components of New ACP Bonds to be issued by GEHI will be reassessed by the directors of the Company, which may be different from the pro forma financial information as set out above. Accordingly, the final amounts of these figures at the date of Closing may be different from the amounts stated herein.

4. The combined statement of financial positions of GEHI's Singapore Operation as at 31 December 2022 is converted from US$ to RMB by using exchange rate of US$1:RMB6.9646 as at 31 December 2022, with reference to the rate published by the People's Bank of China. No representation is made that the US$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

5. No adjustments have been made to the Unaudited Pro Forma Financial Information of the Enlarged Group as at 31 December 2022 to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2022. In particular, the Unaudited Pro Forma Financial Information as at 31 December 2022 from pages III-2 to III-5 have not been adjusted to illustrate the effect of the following:

   i. The conversion of (i) remaining Existing ACP Bonds issued by a subsidiary of the Group with the principal amount of the bonds of US$25 million (equivalent to US$174 million) at a carrying amount of RMB222 million (including accrued interest of RMB63 million which will be cash settled) as at 31 December 2022 and (ii) the New ACP Bonds representing the senior secured convertible promissory note in the principal amount of US$65 million (equivalent to RMB453 million) to be issued by GEHI to the ACP Investor upon the Closing, assuming no further changes in their fair values since the Closing. Had the conversion of the remaining Existing ACP bonds and the New ACP Bonds taken place on 31 December 2022, it would have increased the total number of GEHI Ordinary Shares by 14,314,940 and 32,364,214 shares respectively, and would have decreased the cash and cash equivalents by RMB63 million, decreased the convertible and exchangeable bonds by RMB675 million, increased the retained profits by RMB44 million (being the fair value change of the Existing ACP Bonds and the New ACP bonds upon conversion) and increased the non-controlling interests by RMB568 million in the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group as at 31 December 2022, and

   ii. The grant of 54,493,592 GEHI Ordinary Shares, representing 10% of the aggregate number of GEHI Ordinary Shares then outstanding under the new ESOP, subsequent to the Closing (assuming the remaining US$25 million Existing ACP Bonds and the New ACP Bonds as disclosed in (i) are fully converted and no PIPE Investment had taken place). Had such grant of GEHI Ordinary Shares taken place as at 31 December 2022, it would have decreased the retained profits and increased the non-controlling interests by RMB663 million in the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group as at 31 December 2022; and

iii. A special dividend to the Shareholders by way of the Distribution in Specie of 6,814,832 GEHI Ordinary Shares to be held by the Company representing 2% of GEHI Ordinary Shares to be indirectly held by the Company subsequent to the Closing, assuming that cash alternative for the special dividend is not elected by the Shareholders. Had the Distribution in Specie taken place on 31 December 2022, it would have decreased the retained profits and increased the non-controlling interests by RMB83 million in the Unaudited Pro Forma Financial Statement of Assets and Liabilities of the Enlarged Group as at 31 December 2022.

The combined effect of conversion of remaining Existing ACP Bonds and New ACP Bonds, grant of GEHI Ordinary Shares under the new ESOP and Distribution in Specie as disclosed in i, ii, and iii above would have decreased the cash and cash equivalents by RMB63 million, decreased the convertible and exchangeable bonds by RMB675 million, decreased the retained profits by RMB702 million and increased the non-controlling interests of RMB1,314 million in the Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group as at 31 December 2022.

For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the amounts stated in US$ are converted to RMB by using an exchange rate of US$1:RMB6.9646 as at 31 December 2022, with reference to the rate published by the People's Bank of China. No representation is made that the US$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

To the Directors of NetDragon Websoft Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of NetDragon Websoft Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Group and the operations of Gravitas Education Holdings, Inc. ("**GEHI**") excluding GEHI's education business in the PRC (the "**GEHI's Singapore Operations**") (the Group and GEHI's Singapore Operations are collectively referred to as the "**Enlarged Group**") as at 31 December 2022 and related notes as set out on pages III-2 to III-8 of the circular issued by the Company dated 26 June 2023 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page III-1 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the (1) major transaction in relation to the merger of Bright Sunlight Limited, an exempted company incorporated in the Cayman Islands with limited liability and a direct wholly-owned subsidiary of GEHI with and into a company to be incorporated as an exempted company in the Cayman Islands ("**eLMTree**"), with eLMTree surviving as a direct wholly-owned subsidiary of GEHI and (2) major disposal and Proposed Spin-off of eLMtree on the Group's financial position as at 31 December 2022 as if the transaction had taken place at 31 December 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2022, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

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 HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "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 and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants" understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 26 June 2023

Set out below is the management discussion and analysis of GEHI's Singapore Operations for each of the financial years ended 31 December 2020, 2021 and 2022. The following discussion and analysis should be read in conjunction with the accountants' report of GEHI's Singapore Operations as set out in Appendix II to this circular.

BUSINESS REVIEW

GEHI's Singapore Operations offer kindergarten services and student care services in Singapore. As at 31 December 2022, GEHI's Singapore Operations had 17 directly-operated and 12 franchised kindergartens in operation in Singapore, and 38 directly-operated and 5 franchised student care centres in operation in Singapore. Total student enrolment and total teaching staff at the directly-operated kindergartens and directly-operated student care centres in Singapore was 6,170 and 774 as at 31 December 2022, respectively.

GEHI's kindergartens in Singapore are operated under several brands which help address the needs of various customer segments. Differentiated curriculum has been separately developed for each brand, which incorporates pedagogies such as Reggio Emilia approach, Habits of Mind and Multiple Intelligences. The tuition fees of GEHI's kindergartens in Singapore differ across brands.

GEHI's student care centres in Singapore are operated to provide students with academic enrichment sessions, homework guidance and other services. Most of the student care services are school-based.

OPERATING RESULTS

Net revenues

For each of the years ended 31 December 2020, 2021 and 2022, respectively, the net revenues of GEHI's Singapore Operations were US$25,964,000, US$31,007,000 and US$30,752,000, respectively, which were mainly generated from directly-operated child care services and student care services.

The net revenues of GEHI's Singapore Operations in 2021 increased by US$5,043,000 from 2020, with an increment of 19.42%, mainly attributable to the increase in student enrolment. The net revenues of GEHI's Singapore Operations in 2022 decreased by US$255,000 from 2021, with a decrement of 0.82%, mainly attributable to decrease in student enrolment in directly-operated kindergartens.

Cost of revenues

For each of the years ended 31 December 2020, 2021 and 2022, respectively, the cost of revenues of GEHI's Singapore Operations was US$22,247,000, US$26,100,000 and US$28,779,000, respectively.

The cost of revenues of GEHI's Singapore Operations in 2021 increased by US$3,853,000 from 2020, with an increment of 17.32%, mainly attributable to the increased teacher-student ratio and food cost of student care centres due to the impact of the COVID-19 pandemic. The cost of revenues of GEHI's Singapore Operations in 2022 increased by US$2,679,000 from 2021, with an increment of 10.26%, mainly attributable to the increased teacher-student ratio and food cost of student care centres due to the impact of the COVID-19 pandemic as well as the inflation in Singapore in 2022 and the decrease in rental relief for child care centres.

Gross profit and gross profit margin

For each of the years ended 31 December 2020, 2021 and 2022, respectively, GEHI's Singapore Operations had recorded gross profit of US$3,717,000, US$4,907,000 and US$1,973,000, respectively. The gross profit margin for the years ended 31 December 2020, 2021 and 2022 was 14.32%, 15.83% and 6.42%, respectively.

The gross profit of GEHI's Singapore Operations in 2021 increased by US$1,190,000 from 2020, with an increment of 32.02%, mainly attributable to the increase in tuition fees from the directly-operated child care services and student care services. The gross profit of GEHI's Singapore Operations in 2022 decreased by US$2,934,000 from 2021, with a decrement of 59.79%, mainly attributable to the increase in staff and food cost.

Selling expenses

For each of the years ended 31 December 2020, 2021 and 2022, respectively, GEHI's Singapore Operations had incurred selling expenses of US$158,000, US$320,000 and US$428,000, respectively.

The selling expenses of GEHI's Singapore Operations in 2021 increased by US$162,000 from 2020, with an increment of 102.53% and the selling expenses of GEHI's Singapore Operations in 2022 increased by US$108,000 from 2021, with an increment of 33.75%, mainly attributable to the increase in marketing efforts to boost the brand awareness.

General and administrative expenses

For each of the years ended 31 December 2020, 2021 and 2022, respectively, GEHI's Singapore Operations had incurred general and administrative expenses of US$4,879,000, US$4,338,000 and US$6,027,000, respectively.

The general and administrative expenses of GEHI's Singapore Operations in 2021 decreased by US$541,000 from 2020, with a decrement of 11.09%, mainly attributable to the decrease in the amount of staff compensation. The general and administrative expenses of GEHI's Singapore Operations in 2022 increased by US$1,689,000 from 2021, with an increment of 38.93%, mainly attributable to the increase in the amount of staff compensation.

Impairment loss on goodwill

For each of the years ended 31 December 2020 and 2021, respectively, GEHI's Singapore Operations did not record any impairment loss on goodwill. However, for the year ended 31 December 2022, GEHI's Singapore Operations had recorded impairment loss on goodwill of US$19,156,000, mainly attributable to (i) the impact of the COVID-19 pandemic on GEHI's Singapore Operations and their financial results, (ii) GEHI's Singapore Operations' business performance not meeting the expectations of GEHI's management and (iii) the unexpected increase in GEHI's Singapore Operations' operating costs and the delay in GEHI's Singapore Operations' expansion plan both as a result of inflation in Singapore.

Impairment loss on long-live assets

For each of the years ended 31 December 2020 and 2021, respectively, GEHI's Singapore Operations did not record any impairment loss on long-live assets. However, for the year ended 31 December 2022, GEHI's Singapore Operations had recorded impairment loss on long-live assets of US$3,505,000, mainly attributable to the profits generated by intangible assets not meeting expectations of GEHI's management.

Interest income

For each of the years ended 31 December 2020, 2021 and 2022, respectively, GEHI's Singapore Operations had recorded interest income of US$252,000, US$67,000 and US$30,000, respectively.

The interest income of GEHI's Singapore Operations in 2021 decreased by US$185,000 from 2020, with a decrement of 73.41%, mainly attributable to the increase in short term deposit in 2020. The interest income of GEHI's Singapore Operations in 2022 decreased by US$37,000 from 2021, with an decrement of 55.22%, mainly attributable to the decrease in bank deposit.

Government subsidy income

For each of the years ended 31 December 2020, 2021 and 2022, respectively, GEHI's Singapore Operations had recorded government subsidy income of US$4,348,000, US$2,176,000 and US$1,682,000, respectively.

The government subsidy income of GEHI's Singapore Operations in 2021 decreased by US$2,172,000 from 2020, with a decrement of 49.95%, mainly attributable to the reduction of the grant under the Job Support Scheme (JSS) by the Singapore government. The government subsidy income of GEHI's Singapore Operations in 2022 decreased by US$494,000 from 2021, with a decrement of 22.70%, mainly attributable to the reduction of rent subsidies provided by the Singapore government.

Income tax expenses

For each of the years ended 31 December 2020, 2021 and 2022, respectively, GEHI's Singapore Operations had incurred income tax expenses of US$321,000, US$443,000 and US$(789,000), respectively.

The income tax expenses of GEHI's Singapore Operations in 2021 increased by US$122,000 from 2020, with an increment of 38.01%, mainly attributable to some loss-making subsidiaries turning losses into profits, which led to an increase in taxable income in 2021. The income tax expenses of GEHI's Singapore Operations in 2022 decreased by US$1,232,000 from 2021, with a decrement of 278.10%, mainly attributable to the reversal of deferred tax liabilities.

Working capital and financial resources

As at 31 December 2020, 2021 and 2022, respectively, the net current assets value of GEHI's Singapore Operations was US$23,491,000, US$23,785,000 and US$13,735,000, respectively. As at 31 December 2020, 2021 and 2022, respectively, the cash and cash equivalents of GEHI's Singapore Operations were US$29,383,000, US$30,272,000 and US$20,510,000, respectively.

As at 31 December 2020, 2021 and 2022, respectively, the net cash of GEHI's Singapore Operations, being cash and cash equivalents less borrowings, was US$29,383,000, US$30,272,000 and US$20,510,000, respectively.

As at 31 December 2020, 2021 and 2022, respectively, GEHI's Singapore Operations did not have any borrowings bearing interests.

Treasury policies

GEHI's Singapore Operations adopted a prudent financial management approach towards its treasury policy. GEHI's Singapore Operations closely monitored its liquidity position to ensure that the liquidity structure of its assets, liabilities, and other commitments can meet its funding requirements.

Gearing ratio

As at 31 December 2020, 2021 and 2022, the gearing ratio of GEHI's Singapore Operations, calculated as total liability divided by total equity, was approximately 33.12%, 29.82% and 62.80% respectively.

The decrease in gearing ratio as at 31 December 2021 compared to as at 31 December 2020 is mainly due to decrease in leasing liabilities. The increase in gearing ratio as at 31 December 2022 compared to as at 31 December 2021 is mainly due to the increase in impairment loss on goodwill and long-live assets.

FOREIGN EXCHANGE EXPOSURE

GEHI's Singapore Operations incurred foreign currency exchange risk on transactions and balances that are denominated in currencies other than Singapore dollar. GEHI's Singapore Operations did not have a foreign currency hedging policy. The management will closely monitor foreign exchange exposure and will consider hedging significant currency risk should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2020, 2021 and 2022, GEHI's Singapore Operations did not have any contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2020, 2021 and 2022, GEHI's Singapore Operations did not have any capital commitments.

CHARGE ON ASSETS

As at 31 December 2020, 2021 and 2022, there was no charge on assets of GEHI's Singapore Operations.

SIGNIFICANT INVESTMENTS

GEHI's Singapore Operations did not have any significant investments for each of the years ended 31 December 2020, 2021 and 2022.

MATERIAL ACQUISITIONS AND DISPOSALS

GEHI's Singapore Operations did not have any material acquisitions and disposals of subsidiaries and associated companies for each of the years ended 31 December 2020, 2021 and 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2022, there was no future plans for material investments or capital assets for GEHI's Singapore Operations.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, 2021 and 2022, GEHI's Singapore Operations had a total of 706, 777 and 834 employees, respectively. For the years ended 31 December 2020, 2021 and 2022, the remuneration for employees of GEHI's Singapore Operations was US$16,807,495, US$18,404,491 and US$20,427,058, respectively. The employees of GEHI's Singapore Operations are remunerated based on salaries, wages and other benefits.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions, if any, of each Director or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were taken or deemed to have under such provisions of the SFO), or were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of Director	Name of Company	Capacity and Nature of Interest	Number of Shares and Underlying Shares Held or Amount of Registered Capital Contributed(Note 1)	Approximate Percentage of Shareholding
Liu Dejian(Note 2)	The Company	Beneficial owner, through a controlled corporation and beneficiary of a trust	216,384,938 (L)	40.48%
Leung Lim Kin, Simon(Note 4)	The Company	Beneficial owner	5,419,040 (L)	1.01%
Liu Luyuan(Note 2)	The Company	Beneficial owner and beneficiary of certain trust	216,384,938 (L)	40.48%
Liu Luyuan(Note 3)	NetDragon (Fujian)	Beneficial owner	RMB21,311,000 (L)	0.07%

Name of Director	Name of Company	Capacity and Nature of Interest	Number of Shares and Underlying Shares Held or Amount of Registered Capital Contributed (Note 1)	Approximate Percentage of Shareholding
Chen Hongzhan (Note 5)	The Company	Beneficial owner and beneficiary of certain trust	11,197,019 (L)	2.09%
Lee Kwan Hung, Eddie (Note 6)	The Company	Beneficial owner	583,019 (L)	0.11%
Liu Sai Keung, Thomas (Note 7)	The Company	Beneficial owner	818,019 (L)	0.15%
Li Sing Chung Matthias (Note 8)	The Company	Beneficial owner	2,000 (L)	0.0004%

Notes:

1. The letter "L" denotes the Shareholder's long position in the Shares, underlying Shares and share capital of the relevant member of the Group.

2. Liu Dejian is interested in 100.00% of the issued voting shares of DJM Holding Ltd., which in turn is interested in 35.74% of the Shares. Liu Dejian is also interested in 0.39% of the Shares which is represented by beneficial interest of 1,884,000 Shares and a beneficiary of a trust of 197,019 Shares.

   Liu Luyuan is interested in 4.34% of the Shares of the Company which is represented by interest held as a beneficiary of certain trust holding in aggregate 21,541,819 Shares, and the rest being beneficial interest of 1,684,000 Shares.

   Zheng Hui is interested in 100.00% of the issued share capital of Fitter Property Inc., which in turn is interested in 3.56% of the Shares. Zheng Hui is interested in 100.00% of the issued share capital of Eagle World International Inc., which in turn is interested in 2.60% of the Shares. Zheng Hui is also interested in 0.28% of the Shares which is represented by beneficial interest of 1,497,000 Shares.

   Liu Dejian is a brother of Liu Luyuan and a cousin of Zheng Hui who have agreed to act in concert to acquire interests in the Shares in the Company. All of Liu Dejian, Liu Luyuan and Zheng Hui are deemed to be interested in 46.92% of the Shares through their direct and deemed shareholding in all of DJM Holding Ltd., a trust in favour of Liu Luyuan, a trust in favour of Liu Dejian, Fitter Property Inc., Eagle World International Inc. and their respective shares held as beneficial owner in each of their personal capacities.

   Reference is made to the announcement of the Company dated 9 June 2023 in relation to the passing away of Zheng Hui, an executive Director before his passing away. As at the Latest Practicable Date, arrangements are being determined in relation to the Shares in which Zheng Hui is interested.

3. Liu Luyuan and Zheng Hui are interested in 0.07% and 99.89%, of the registered capital of Fujian NetDragon Websoft Co., Ltd. (福建網龍計算機網絡信息技術有限公司) ("**NetDragon (Fujian)**") respectively. Liu Luyuan and Zheng Hui have agreed to act in concert to acquire interests in the registered capital of NetDragon (Fujian). All of Liu Luyuan and Zheng Hui are deemed to be interested in 99.96% of the registered capital of NetDragon (Fujian). Reference is made to the announcement of the Company dated 9 June 2023 in relation to the passing away of Zheng Hui, an executive Director before his passing away. As at the Latest Practicable Date, arrangements are being determined in relation to the 99.89% registered capital of NetDragon (Fujian).

4. Leung Lim Kin, Simon is interested in 1.01% of the Shares which is represented by beneficial interest of 1,419,040 Shares and the rest being the underlying Shares of interest of 4,000,000 share options granted by the Company.

5. Chen Hongzhan is interested in 2.09% of the Shares which is represented by personal interest of 156,200 Shares and interest held as a beneficiary of certain trust holding in aggregate of 11,040,819 Shares.

6. Lee Kwan Hung, Eddie is interested in 0.11% of the Shares which is represented by personal interest of 65,019 Shares and the rest being underlying Shares of interest of 518,000 share options granted by the Company.

7. Liu Sai Keung, Thomas is interested in 0.15% of the Shares which is represented by personal interest of 300,019 Shares and the rest being underlying Shares of interest of 518,000 share options granted by the Company.

8. Li Sing Chung Matthias is interested in 0.0004% of the Shares which is represented by personal interest of 2,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or, as were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) Substantial Shareholders' interests and short positions in the Shares, underlying Shares or debentures of the Company

As at the Latest Practicable Date, as far as the Directors are aware of, the following, other than the Directors and chief executive of the Company, had an interest in the shares or underlying shares in the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued capital of the Company:

Name of Substantial Shareholder(s)	Capacity and Nature of Interest	Number of Shares and Underlying Shares Held*(Note 1)*	Approximate Percentage of Shareholding
DJM Holding Ltd.	Beneficial owner	191,078,100 (L)	35.74%
IDG Group*(Note 2)*	Beneficial owner	53,533,320 (L)	10.01%
Ho Chi Sing*(Note 2)*	Through controlled corporations	53,533,320 (L)	10.01%
Zhou Quan*(Note 2)*	Through controlled corporations	50,470,735 (L)	9.44%

Notes:

1. The letter "L" denotes the Shareholder's long position in the Shares, underlying Shares and share capital of the relevant member of the Group.

2. The IDG Group is comprised of four limited partnerships, namely IDG Technology Venture Investments, L.P., IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., being interested in approximately 2.03%, 6.15%, 1.26% and 0.57% respectively, in the Company who are deemed to be acting in concert to acquire interests in the Company, and their respective controlling entities. The controlling structure of each of the above partnerships is as follows:

   (a) IDG Technology Venture Investments, L.P. is controlled by its sole general partner, IDG Technology Venture Investments, LLC, which in turn is controlled by its managing members, Zhou Quan and Ho Chi Sing;

   (b) IDG-Accel China Growth Fund L.P. and IDG-Accel China Growth Fund-A L.P. are controlled by their sole general partner, IDG-Accel China Growth Fund Associates L.P., which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd., IDG-Accel China Growth Fund GP Associates Ltd. is held as to 35.00% by each of Zhou Quan and Ho Chi Sing; and

   (c) IDG-Accel China Investors L.P. is controlled by its sole general partner, IDG-Accel China Investors Associates Ltd., which in turn is held as to 100.00% by Ho Chi Sing.

Save as disclosed above, the Directors confirm that they are not aware of any other person who has beneficial interests or short positions in any of the shares or underlying shares in the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, be interested in 5% or more of the nominal value of the shares carrying the right to vote in all circumstances at general meetings of the Company.

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the shares and the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors have entered into or propose to enter into any service contracts with any member of the Enlarged Group which are not expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTEREST IN ASSETS, TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

As at the Latest Practicable Date: (a) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, any member of the Enlarged Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group; and (b) there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group.

5. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Enlarged Group.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or claim of material importance, and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

During the two years immediately preceding the Latest Practicable Date, save for the Merger Agreement, the Insider Lock-up Agreement, the GEHI Voting Agreement, the New ACP Bond Purchase Agreement, the Deed of Amendment, Conditional Waiver and Redemption, the GEHI Share Purchase Agreement and the GEHI Divestiture Agreement, no member of the Enlarged Group has entered into any other contracts which are not in the ordinary course of its business that are or may be material.

8. EXPERTS AND CONSENTS

The identities and qualifications of the experts who have given an opinion or advice in this circular are as follows:

Name	Qualification
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte	Certified Public Accountants
Marcum Asia	Certified Public Accountants

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Gram Capital, Deloitte and Marcum Asia does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Gram Capital, Deloitte and Marcum Asia has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter, statement or opinion and all reference to its name in the form and context in which they are included.

As at the Latest Practicable Date, none of Gram Capital, Deloitte or Marcum Asia had any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, any member of the Enlarged Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

9. MISCELLANEOUS

a. The company secretary of the Company is Mr. Lau Hak Kin, who is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Chartered Financial Analyst (CFA) charter holder.

b. The registered address of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

c. The head office and principal place of business of the Company in Hong Kong is at Units 2001-05 & 11, 20/F, Harbour Centre, 25 Harbour Road, Wan Chai, Hong Kong.

d. The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

e. The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection by Shareholders on the website of the Company (www.nd.com.cn) and the website of the Stock Exchange (www.hkexnews.hk) for a period of 14 days from the date of this circular:

a. the Merger Agreement;

b. the GEHI Share Purchase Agreement;

c. the Deed of Amendment, Conditional Waiver and Redemption;

d. the GEHI Divestiture Agreement;

e. the Insider Lock-up Agreement;

f. the GEHI Voting Agreement;

g. the New ACP Bond Purchase Agreement;

h. the amended and restated memorandum and articles of association of the Company;

i. the annual reports of the Company for the three years ended 31 December 2020, 2021 and 2022;

j. the letter from the Board dated 26 June 2023, the text of which is set out on pages 12 to 50 of this circular;

k. the letter from the Independent Board Committee to the Shareholders dated 26 June 2023, the text of which is set out on pages 51 to 52 of this circular;

l. the letter from Gram Capital to the Independent Board Committee and the Shareholders dated 26 June 2023, the text of which is set out on pages 53 to 81 of this circular;

m. the written consent referred to in the section headed "*Experts and Consents*" in this Appendix V to this circular;

n. the accountant's report on GEHI's Singapore Operations from Marcum Asia, the text of which is set out in Appendix II to this circular;

o. the report from Deloitte on the reconciliation information of the financial information of GEHI'S Singapore Operations, the text of which is set out in Appendix II to this circular;

p. the report on the unaudited pro forma financial information of the Enlarged Group from Deloitte, the text of which is set out in Appendix III to this circular; and

q. a copy of this circular.

NetDragon Websoft Holdings Limited
網龍網絡控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 777)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of NetDragon Websoft Holdings Limited (the "**Company**") will be held at 3:00 p.m. on Friday, 14 July 2023 at Boardroom 3-4, M/F, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company. Capitalised terms used herein that are not expressly defined in this notice of EGM shall bear the same meaning as those defined in the circular of the Company dated 26 June 2023 (the "**Circular**").

"**THAT**:

(i) the Merger Agreement (a copy of which is produced to the EGM marked "A" and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder (including, among other things, the Merger (including the Secondary Sale), the Proposed Spin-off and the Distribution in Specie) and the documentation thereof be and are hereby approved, confirmed and ratified; and

(ii) any one Director be and is hereby authorised for and on behalf of the Company to execute each other documents, instructions and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to, or in connection with the matters contemplated under this resolution and to agree to any amendment to any of the terms of the Merger Agreement which in the opinion of the Directors is not of a material nature and is in the interests of the Company."

By order of the Board
NetDragon Websoft Holdings Limited
Liu Dejian
Chairman

Hong Kong, 26 June 2023

As at the date of this notice, the Board comprises four executive Directors, namely Mr. Liu Dejian, Dr. Leung Lim Kin, Simon, Mr. Liu Luyuan and Mr. Chen Hongzhan; one non-executive Director, namely Mr. Lin Dongliang; and three independent non-executive Directors, namely Mr. Li Sing Chung Matthias, Mr. Lee Kwan Hung, Eddie and Mr. Liu Sai Keung, Thomas.

Notes:

(1) A member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint another person as his proxy to attend and, on a poll, on his behalf. A proxy need not be a member of the Company but must attend the EGM to represent the member.

(2) In order to be valid, the form of proxy must be deposited with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with any power of attorney or other authority, under which it is signed, or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the EGM or any adjournment thereof.

(3) In the case of joint holders of any shares in the Company, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.

(4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorised.

(5) Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.

(6) For determining the entitlement to attend and vote at the EGM, the Company's register of members will be closed from Tuesday, 11 July 2023 to Friday, 14 July 2023, both days inclusive, during which time no transfer of shares will be registered. In order to ensure that the shareholders are entitled to attend and vote at the EGM, the shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Monday, 10 July 2023 for registration of the relevant transfer.

(7) Any voting of the EGM shall be taken by poll.