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DASHAN EDUCATION HOLDINGS LIMITED 大山教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9986)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

	For the six months ended 30 June		Change RMB'000	Percentage change (%)
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)		
Revenue	216,144	110,284	105,860	96.0
Profit (loss) before taxation	22,590	(9,094)	31,684	348.4
Profit (loss) and total comprehensive income (expense) for the period	18,665	(9,834)	28,499	289.8
Adjusted for:				
Listing expenses	—	7,044	(7,044)	(100.0)
Non-HKFRS adjusted profit (loss) and total comprehensive income (expense) for the period	18,665	(2,790)	21,455	769.0
Earnings (loss) per share				
— Basic (RMB cents)	2.41	(1.73)	4.14	239.3
— Diluted (RMB cents)	N/A	(4.00)	N/A	N/A

The board (the “**Board**”) of directors (the “**Directors**”) of Dashan Education Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim financial information of our Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**our**” or “**us**”) for the six months ended 30 June 2021 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2020 as set out in this announcement.

All other capitalised terms will have the same definitions as in the prospectus of our Company dated 30 June 2020 (the “**Prospectus**”) unless otherwise stated.

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTES	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	5	216,144	110,284
Cost of sales		<u>(133,238)</u>	<u>(91,065)</u>
Gross profit		82,906	19,219
Other income	6	2,757	841
Other gains and losses, net	6	(477)	1,591
Selling and marketing expenses		(5,784)	(4,007)
Content and information technology development and training expenses		(16,933)	(11,804)
Administrative expenses		(35,831)	(18,344)
Listing expenses		–	(7,044)
Finance costs	7	(4,048)	(3,717)
Fair value change of financial liabilities designated at fair value through profit or loss		<u>–</u>	<u>14,171</u>
Profit (loss) before taxation		22,590	(9,094)
Taxation	8	<u>(3,925)</u>	<u>(740)</u>
Profit (loss) and total comprehensive income (expense) for the period	9	<u>18,665</u>	<u>(9,834)</u>
Earnings (loss) per share	11		
— Basic (RMB cents)		<u>2.41</u>	<u>(1.73)</u>
— Diluted (RMB cents)		<u>N/A</u>	<u>(4.00)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

		As at 30 June 2021	As at 31 December 2020
	<i>NOTES</i>	RMB'000 (unaudited)	RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		305,405	331,836
Investment properties		5,004	5,057
Deferred tax assets		894	1,016
Rental deposits	<i>12</i>	2,086	2,380
Deposits for leasehold improvements		8,125	853
Financial asset at fair value through other comprehensive income		5,000	5,000
		326,514	346,142
CURRENT ASSETS			
Inventories		12,652	9,356
Financial assets at fair value through profit or loss		15,000	10,000
Financial assets at fair value through other comprehensive income		16,700	—
Other receivables	<i>12</i>	8,776	6,227
Tax recoverables		32	—
Time deposits		172,000	119,700
Bank balances and cash		262,801	299,667
		487,961	444,950
CURRENT LIABILITIES			
Trade payables	<i>13</i>	3,237	999
Other payables and accrued charges		26,745	25,720
Receipts in advance		232,802	192,710
Tax liabilities		3,310	3,409
Lease liabilities		40,008	36,553
		306,102	259,391

		As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
NET CURRENT ASSETS		<u>181,859</u>	<u>185,559</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>508,373</u>	<u>531,701</u>
NON-CURRENT LIABILITY			
Lease liabilities		<u>175,240</u>	<u>197,398</u>
NET ASSETS		<u>333,133</u>	<u>334,303</u>
CAPITAL AND RESERVES			
Share capital	<i>14</i>	7,223	7,223
Reserves		<u>325,910</u>	<u>327,080</u>
TOTAL EQUITY		<u>333,133</u>	<u>334,303</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION

Dashan Education Holdings Limited (“**the Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 30 November 2018 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 July 2020 (the “**Listing**”). The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and Room 1504, 15/F., Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong, respectively. The principal activity of the Company is investment holding and the principal activities of its subsidiaries are provision of primary and secondary after-school education services.

The ultimate and immediate holding company is Lucky Heaven International Limited (“**Lucky Heaven**”), a limited company incorporated in the British Virgin Islands, which is controlled by Mr. Zhang Hongjun (the “**Controlling Shareholder**”).

The condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the “**Group**”).

2. BASIS OF PREPARATION

In preparation of the listing of the Company’s shares on the Stock Exchange, the Group has completed a reorganisation on 18 June 2020 (the “**Reorganisation**”), and since then the Company has become the holding company of the entities comprising the Group (“**Consolidated Entities**”).

The principal steps of the Reorganisation are disclosed in the prospectus of the Company dated 30 June 2020 (the “**Prospectus**”).

Prior to the Reorganisation, Dashan Training and its subsidiaries were owned by the Controlling Shareholder and the non-controlling interests. The Reorganisation involved steps of interspersing of the Company and certain investment holding companies, through issuance of shares and entering into the Contractual Arrangements (as defined and detailed below), between Dashan Training and its shareholders. Accordingly, the Company and the Consolidated Entities resulting from the Reorganisation is regarded as a continuing entity. The condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 30 June 2020 have been prepared as if the current group structure had been in existence throughout the six months ended 30 June 2020, or since the respective dates of incorporation/establishment where there is a shorter period.

Contractual arrangements

Due to regulatory restrictions on foreign ownership in the operation of education institutions that provides primary and secondary after-school education in the PRC and impose conditions on brand name licensing and advisory services business, the Group conducts a substantial portion of the business through Zhengzhou Jinshui Dashan Training School Company Limited* (鄭州市金水區大山培訓學校有限公司) (“**Dashan Training**”) and Zhengzhou Jing Guang Dashan Training School Company Limited* (鄭州京廣大山培訓學校有限公司) (“**Jing Guang Dashan**”), a wholly-owned subsidiary of Dashan Training (“**Consolidated Affiliated Entities**”) in the PRC. Zhengzhou Dashan Yun Xiao Technology Company Limited* (鄭州大山雲效科技有限公司) (“**WFOE**”), Dashan Training, Jing Guang Dashan and shareholders of Dashan Training entered into a series of contractual agreements (“**Contractual Arrangements**”) on 12 January 2020 which enable WFOE and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;

* *The English name of the company is translated from its registered Chinese name for identification purpose only.*

- exercise equity holders' voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic benefits generated by the Consolidated Affiliated Entities in consideration for the technical services, management support and consulting services necessary for the primary and secondary after-school education business and brand name licensing and advisory services business provided by WFOE;
- obtain an exclusive option to purchase all or part of the equity interests in the Consolidated Affiliated Entities directly and indirectly held by the shareholders of Dashan Training for the minimum amount of consideration permitted by the applicable PRC laws and regulations, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to, among others, distribute any reasonable return or other interest or benefit to the shareholders of Dashan Training without WFOE's prior written consent; and
- the shareholders of Dashan Training unconditionally and irrevocably pledged all of their equity interests in Dashan Training, respectively, to WFOE to guarantee the performance of, among others, the obligations of Dashan Training, the shareholders of Dashan Training and the Consolidated Affiliated Entities under the Contractual Arrangements.

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries pursuant to the Contractual Arrangements. The Group has consolidated the financial position and results of Dashan Training in the condensed consolidated financial statements for the six months ended 30 June 2021 and 2020.

The following balances and amounts of the Consolidated Affiliated Entities were included in the condensed consolidated financial statements:

	Six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue	212,540	107,368
Profit (loss) before taxation	<u>33,722</u>	<u>(17,465)</u>
	As at	As at
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Non-current assets	326,034	345,599
Current assets	450,769	378,060
Current liabilities	452,419	406,966
Non-current liabilities	<u>175,100</u>	<u>197,175</u>

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform —
HKFRS 7, HKFRS 4 and HKFRS 16 Phase 2

The Group elected to early adopt the Amendments to HKFRS 16 “Covid-19-Related Rent Concessions”.

The amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to HKFRSs as set out in note 3, the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the financial information of the Group for the year ended 31 December 2020.

5. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers is as follows:

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Tuition fees income	212,122	107,127
Sales of books and teaching materials	2,223	1,022
Brand name licensing and advisory services income	1,392	1,861
Other services	407	274
	<u>216,144</u>	<u>110,284</u>
Timing of revenue recognition		
A point of time	2,223	1,022
Over time	<u>213,921</u>	<u>109,262</u>
	<u>216,144</u>	<u>110,284</u>

The Group's tutoring programs consist of primary and secondary after-school education courses, prepaid fee received for tutoring programs are initially recorded as receipts in advance, and revenue is recognised over time based on an output method because the participant simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Customers of primary and secondary after-school education services usually settle the prepaid packages by cash or pay through third-party payment platforms.

Revenue of sales of books and teaching materials is recognised when control of the goods has transferred on receipt by the customer. The general credit period granted to the customers is usually within 90 days from the date of billings.

Brand name licensing and advisory services income, which is considered as a single performance obligation, is recognised over the relevant period of the agreements with independent third parties (the "Contracted Parties") in which the Group provides the services to facilitate the operation of their teaching centres. Contracted Parties are required to pay in advance of the consideration which is due upon the signing of relevant agreement.

Other services mainly represent revenue derived from the provision of training and consultancy services to parties who are engaged in education business which is recognised over the services period.

All unsatisfied contracts in respect of revenue from tuition programs, brand name licensing and advisory services arrangement, sales of books and teaching materials and other services at 30 June 2021 and 2020 are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

The Group is principally engaged in the provision of after-school education services in the PRC.

For the purpose of resource allocation and assessment of performance, the chief operating decision maker (i.e. the executive directors of the Company) (the “CODM”) reviewed the financial results of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

No segment assets and liabilities are presented as the CODM does not regularly review segment assets and liabilities.

Geographical information

The Group operated within one geographical location. All of its revenue is generated in the PRC and all of the Group’s non-current assets are located in the PRC.

Information about major customers

No service provided or goods sold to a single customer contributed to 10% or more of total revenue of the Group during the six months ended 30 June 2021 and 2020.

6. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

Other income

	Six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Bank interest income	2,025	119
Government grants	388	106
Income from financial assets at fair value through profit or loss (“FVTPL”)	1	455
Imputed interest income from rental deposits	75	74
Rental income	76	70
Others	192	17
	<u>2,757</u>	<u>841</u>

Other gains and losses, net

	Six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Foreign exchange (losses)/gains	(576)	1,183
Impairment loss recognised in respect of other receivables	(502)	(409)
Gain/(loss) on disposal of property, plant and equipment	81	(55)
Gain on derecognition of right-of-use assets and lease liabilities	520	872
	<u>(477)</u>	<u>1,591</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interests on lease liabilities	<u>4,048</u>	<u>3,717</u>

8. TAXATION

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	3,803	799
Deferred tax expense (credit)	<u>122</u>	<u>(59)</u>
	<u>3,925</u>	<u>740</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for taxation in Hong Kong has been made as the Group’s income neither arises in, nor is derived from Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the certain PRC subsidiaries is 25% (2020: 25%) for the year.

Dashan Training was recognised as “High and New Technology Enterprise” and therefore entitled to a preferential tax rate of 15% for a period of three years from 2018 to 2021.

9. PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD

	Six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit (loss) and total comprehensive income (expense) for the period has been arrived at after charging (crediting):		
Staff costs:		
Directors' remuneration (included equity-settled share-based payments)	5,405	881
Equity-settled share-based payments	3,500	—
Other staff costs	84,397	42,570
Other staff's retirement benefits scheme contributions	9,000	2,965
	<u>102,302</u>	<u>46,416</u>
Cost of inventories sold	1,074	431
Depreciation of investment properties	53	53
Depreciation of property, plant and equipment (included right-of-use assets for buildings)	52,096	43,234
Covid-19-related rent concessions (included in cost of sales)	—	(2,281)

10. DIVIDEND

No dividends were declared, paid or proposed during the interim period (six months ended 2020: Nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

11. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings (loss):		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	18,665	(9,834)
Effect of dilutive potential ordinary shares:		
Fair value change of financial liabilities designated at FVTPL	—	(14,171)
	<u>—</u>	<u>(14,171)</u>
Profit (loss) for the period attributable to owners of the Company for the purpose of diluted earnings (loss) per share	<u>18,665</u>	<u>(24,005)</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share (<i>Note</i>)	774,390,608	568,420,800
Effect of dilutive potential ordinary shares:		
Convertible Note (<i>note 14</i>)	—	31,579,200
	<u>—</u>	<u>31,579,200</u>
Weighted average number of ordinary share for the purpose of diluted earnings (loss) per share (<i>Note</i>)	<u>774,390,608</u>	<u>600,000,000</u>

Note: The weighted average number of ordinary shares adopted in the calculation of basic and diluted earnings per share for the six months ended 30 June 2021 have been arrived at after deducting the shares held in trust for the Company by an independent trustee under the share award scheme of the Company.

The number of ordinary shares for the purpose of calculating basic and diluted loss per share for the six months ended 30 June 2020 has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined and detailed in note 14) had been effective on 1 January 2020.

No diluted earnings per share for the six months ended 30 June 2021 was presented as there were no potential ordinary shares in issue during the six months ended 30 June 2021.

12. OTHER RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Other receivables		
Staff advance	93	—
Receivables from third-party payment platforms	2,843	2,336
Prepayments	5,239	3,502
Other taxes prepaid	26	—
Rental deposits	3,938	3,687
Others	435	292
Less: loss allowance	(1,712)	(1,210)
	<hr/>	<hr/>
Total other receivables	10,862	8,607
Less: non-current rental deposits	(2,086)	(2,380)
	<hr/>	<hr/>
Current portion	<u>8,776</u>	<u>6,227</u>

13. TRADE PAYABLES

The credit period on purchase of books and teaching materials ranged from 0 to 60 days. The following is an aged analysis of trade payables presented based on the invoice dates at the end of the Reporting Period:

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
0–30 days	2,740	957
31–60 days	485	42
61–90 days	12	—
Over 90 days	—	—
	<hr/>	<hr/>
	<u>3,237</u>	<u>999</u>

14. SHARE CAPITAL

For the purpose of presenting these condensed consolidated financial statements, the balance of the share capital of the Group at 1 January 2020 represented the aggregate of the share capital of Dashan Training and the Company prior to the completion of the Reorganisation.

The movement of the share capital of the Company is set out below:

	Number of shares	Amount HK\$'000	Shown in the condensed consolidated financial statements RMB'000
Ordinary shares of HK\$0.01 each:			
Authorised:			
At 1 January 2020	38,000,000	380	
Increase on 18 June 2020 (<i>Note a</i>)	<u>9,962,000,000</u>	<u>99,620</u>	
At 31 December 2020, 1 January 2021 and 30 June 2021	<u><u>10,000,000,000</u></u>	<u><u>100,000</u></u>	
Issued and fully paid:			
At 1 January 2020	1	–	–
Issue of shares pursuant to the Reorganisation (<i>Note b</i>)	9,999	–	–
Issue of shares pursuant to the Capitalisation Issue (<i>Note c</i>)	568,410,800	5,684	5,132
Issue of shares pursuant to the full conversion of the Convertible Note (<i>Note d</i>)	31,579,200	316	285
Issue of shares pursuant to the share offer (<i>Note e</i>)	<u>200,000,000</u>	<u>2,000</u>	<u>1,806</u>
At 31 December 2020, 1 January 2021 and 30 June 2021	<u><u>800,000,000</u></u>	<u><u>8,000</u></u>	<u><u>7,223</u></u>

Notes:

- (a) Pursuant to the written resolutions of the shareholders dated 18 June 2020, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each by the creation of an additional 9,962,000,000 shares.
- (b) During the year ended 31 December 2020, for the purpose of the Reorganisation, in consideration of Lucky Heaven and Bai Tai transferring 8,727 shares and 1,273 shares respectively in Golden Town to the Company, the Company allotted and issued 8,726 shares and 1,273 shares credited as fully paid to Lucky Heaven and Bai Tai, respectively, and credited as fully paid the one nil paid share held by Lucky Heaven on 18 June 2020. The difference between the aggregate paid up capital of Dashan Training and the Company of RMB32,260,000 and the share capital of the Company of HK\$100 as at 18 June 2020 was accounted for in the other reserve of the Company.

- (c) Pursuant to the written resolutions passed by the shareholders of the Company on 18 June 2020, upon the share premium account of the Company being credited as a result of the share offer of 200,000,000 new shares of the Company, the directors of the Company were authorised to capitalise the amount of HK\$5,684,180 (equivalent RMB5,132,000) from the amount standing to the credit of the share premium account of the Company and applying such sum to pay up in full at par 568,410,800 ordinary shares of HK\$0.01 each for allotment and issue to the shareholders at the close of business on 18 June 2020 (the “**Capitalisation Issue**”).
- (d) Upon the grant of the Listing, pursuant to the terms and conditions of the instrument constituting the Convertible Note, the Company allotted and issued 31,579,200 new ordinary shares of the Company of par value of HK\$0.01 each to the holder of the Convertible Note.
- (e) On 15 July 2020, the Company offered 200,000,000 new ordinary shares of the Company at HK\$1.25 per share for a total gross proceeds of approximately RMB225,710,000. The proceeds will be used to finance the implementation plan as set forth in the section headed “Future Plan and Use of Proceeds” of the Company’s Prospectus dated 30 June 2020.

15. SUBSEQUENT EVENTS

Save as disclosed in these condensed consolidated financial statements, subsequent events of the Group are detailed as below.

- (i) On 10 August 2021, the Group invested in an unlisted debt instrument with a principle amount of HK\$10.0 million. The debt instrument was denominated in Hong Kong dollars and carrying an interest rate of 3% per annum. The promissory note has a maturity of three business days upon a redemption notice by the Group. The term of the note is one year.
- (ii) An incident of fire outbreak in late June 2021 in a martial art centre in Shangqiu City, Henan Province brought wide spread concern over fire safety issues of after-school education institutions. As a result, the local education bureaus in Henan Province implemented temporary suspension of private after-school education institutions for carrying out safety and licensing screening. 51 out of our 102 self-operated teaching centres (“**Suspended Centres**”) were temporarily suspended until further approval by the local authorities in early July. For details, please refer to the announcement of the Company dated 11 July 2021.

There has been delay in the resumption progress of the Suspended Centres due to the severe flooding in Zhengzhou in July 2021 and the COVID-19 Resurgence (as defined below) in August 2021. As at the date of this announcement, 10 of the Suspended Centres was approved to resume operation.

- (iii) Following the severe flooding that hit Zhengzhou in July 2021, there has been resurgence of COVID-19 cases (the “**COVID-19 Resurgence**”) in the region since early August 2021. The local government has speedily implemented measures to prevent further spread of the COVID-19 cases, including lockdowns in the high-risk areas. As a result, all after-school education institutions in Zhengzhou are required to suspend physical classes until further notice. As such, we converted certain of our physical classes to online classes where students were able to attend classes through our proprietary online learning platform.
- (iv) The People’s Republic of China (“**PRC**”) government has been reforming the PRC education system, and subsequent to the Reporting Period the PRC government has circulated the Opinion on Further Alleviating the Homework and After-school Training Workload of Students in Compulsory Education Stage (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the “**Opinion**”) for implementation in July 2021. The Opinion sets out the policy guidance on, among others, further tightening of regulations on the after-school tutoring sector.

In response to the challenges posed by the new policy of the PRC government, the Group is exploring opportunities to expand its scope of business to cover (i) art schools entrance exams preparatory programmes targeting high school students and graduates; (ii) extracurricular programmes for personal attainment in arts, sports and coding programming targeting children and teenagers; (iii) vocational education targeting high school students and adults; and (iv) in school tutoring and after-class custody services to be provided in public schools (the “**Proposal Business Expansion**”).

To reduce the negative impacts from the implementation of the Opinion, especially the requirements that existing private institutions for curricular related after-school tutoring shall be registered as non-profit organisation, the Group is planning to reorganise of its assets and businesses held under its subsidiaries and the Affiliated Consolidated Entities (the “**Proposed Reorganisation**”).

For details of the Opinion, the Proposed Business Expansion and the Proposed Reorganisation, please refer to the announcements of the Company dated 22 and 25 July 2021 and 13 August 2021, respectively.

- (v) Subsequent to the Reporting Period, the Group decided to reorganise its assets and business and has closed 10 of its self-operated teaching centres and the affected students, teachers and other resources are expected to be consolidated into nearby teaching centres in response to the challenges posed by the new government policy.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business overview

We are principally engaged in the provision of primary and secondary after-school education services in Zhengzhou. We offer primary and secondary school students online-merge-offline after-school education services which supplement their regular English, Chinese, Mathematics and other curriculum at school (the “**Existing Businesses**”).

We divide our teaching centre network into two categories, namely, self-operated and franchised teaching centres. As at 30 June 2021, we had a total of 102 self-operated teaching centres in Zhengzhou and Xinxiang and a total of 10 franchisees in Henan. Our 102 self-operated teaching centres had in aggregate of 1,810 classrooms. We offer regular classes with class size of 20 to 25 students, small classes with class size of eight to 12 students as well as VIP classes with class size of one to three students.

During the Reporting Period, the total number of student enrolments was 179,389, and the total number of tutoring hours delivered by us was approximately 3,079,427 hours, 53,671 hours and 345,728 hours, respectively, for regular classes, small classes and VIP classes.

Future outlook

Reference is made to the announcements of the Company dated 11, 22 and 25 July 2021 and 13 August 2021, respectively (the “**Announcements**”). As disclosed in the Announcements, it is reported that the PRC government has been reforming the PRC education system, and has circulated the Opinion for implementation in July 2021. The Opinion sets out the policy guidance on, among others, further tightening of regulations on the after-school tutoring sector.

As the new policy of the PRC government towards the education sector posed unprecedented challenges to the Group’s Existing Business, the Group will strive to adapt to the new regulatory environment and maintain the sustainability of its Existing Business. Further, the Group is planning to reorganise its business and assets and has decided to strategically close some of its self-operated teaching centres for its Existing Business and to consolidate the affected students, teachers and other resources to nearby teaching centres.

The Group has reviewed its business strategies and resources allocation and is planning to diversify its business portfolio to cover four other types of tutoring services, namely (i) art schools entrance exams preparatory programmes targeting high school students and graduates; (ii) extracurricular programmes for personal attainment in arts, sports and coding programming targeting children and teenagers; (iii) vocational education targeting high school students and adults; and (iv) in school tutoring and after-class custody services to be provided in public schools (collectively, the “**Expanded Businesses**”).

Premised on the Group's sound resources and solid experiences from the Existing Businesses, the Board believes that the Expanded Businesses will offer good opportunities for the Group to further its business coverage and diversify its services to absorb more market demands. The Board believes that the Expanded Businesses will broaden the income sources of the Group and bring new profit growth for the Group. Although it is still unclear how the local authorities will interpret and implement the policy under the Opinion, the Group will wait for further government instructions and adjust our business model to comply with the policy changes accordingly. The Directors believe that with the properly adjusted business model for the Existing Businesses and the Expanded Businesses, the Group will be able to meet the challenges posed by the new policy.

FINANCIAL REVIEW

Revenue

Our revenue was derived primarily from the tuition fees we collect from our students through our self-operated teaching centres. For the six months ended 30 June 2021, our total revenue was approximately RMB216.1 million, representing an increase of approximately RMB105.9 million or approximately 96.0% as compared to that of approximately RMB110.3 million for the six months ended 30 June 2020. The increase was primarily due to (i) the increase in the number of our revenue generating self-operated teaching centres for the six months ended 30 June 2021 as compared with the same period in 2020; and (ii) the suspension of physical classes in Zhengzhou for approximately four months during the six months ended 30 June 2020 due to COVID-19 outbreak whereas there was no such suspension for the Reporting Period.

The following table sets out the disaggregation of revenue of our Group from contracts with customers for the periods indicated:

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Tuition fees income				
— Regular classes, small classes and VIP classes	200,038	92.5	102,634	93.1
— Other tutorial services <i>(Note 1)</i>	12,084	5.6	4,493	4.0
Subtotal	212,122	98.1	107,127	97.1
Sales of books and teaching materials	2,223	1.0	1,022	0.9
Brand name licensing and advisory income	1,392	0.6	1,861	1.7
Other services <i>(Note 2)</i>	407	0.3	274	0.3
Total	<u>216,144</u>	<u>100.0</u>	<u>110,284</u>	<u>100.0</u>

Notes:

1. Other tutorial services mainly represent preparatory courses for secondary school attended by primary six students, short-term courses, summer and winter tutorial courses for primary and secondary school students.
2. Other services mainly represent revenue derived from provision of training and consultancy services.

The following table sets out the revenue contribution from primary and secondary school tutoring by different class types for the periods indicated:

	Six months ended 30 June					
	2021			2020		
	<i>Revenue</i>	<i>Student</i>	<i>Total</i>	<i>Revenue</i>	<i>Student</i>	<i>Total</i>
	<i>RMB'000</i>	<i>enrolments</i>	<i>number of</i>	<i>RMB'000</i>	<i>enrolments</i>	<i>number of</i>
			<i>tutoring</i>			<i>tutoring</i>
			<i>hours</i>			<i>hours</i>
Primary school tutoring						
Regular classes	108,144	115,741	2,556,015	55,081	70,080	1,264,411
Small classes	2,722	1,426	35,350	3,869	2,841	49,499
VIP classes	22,761	14,812	152,187	10,908	6,106	77,241
Subtotal	133,627	131,979	2,743,552	69,858	79,027	1,391,151
Secondary school tutoring						
Regular classes	28,980	33,492	523,412	16,336	26,775	333,723
Small classes	1,654	895	18,321	2,249	1,907	26,181
VIP classes	35,777	13,023	193,541	14,191	8,077	81,572
Subtotal	66,411	47,410	735,274	32,776	36,759	441,476
Total	200,038	179,389	3,478,826	102,634	115,786	1,832,627

The increase in revenue, student enrolment and tutoring hours for the six months ended 30 June 2021 was mainly due to (i) the increase in the number of our self-operated teaching centres for the six months ended 30 June 2021 as compared with the same period in 2020; and (ii) the suspension of physical classes in Zhengzhou for approximately four months during the six months ended 30 June 2020 due to the COVID-19 outbreak whereas there was no such suspension for the Reporting Period.

Cost of Sales

Our cost of sales primarily consists of (i) staff costs; and (ii) depreciation. We recorded an increase in cost of sales of approximately RMB42.2 million or approximately 46.3% from approximately RMB91.1 million for the six months ended 30 June 2020 to approximately RMB133.2 million for the six months ended 30 June 2021. Such increase was primarily due to the increase in staff costs and depreciation. Staff costs primarily consist of salaries and performance based payment attributable to our teaching staff. The increase in staff costs was mainly due to (i) the suspension of physical classes for approximately four months during the six months ended 30 June 2020, as a result the number of tutoring hours and teaching hours decreased, which led to lower staff costs for the six months ended 30 June 2020 whilst there was no such suspension during the Reporting Period; and (ii) the increase in performance based payment for certain teaching staff of the Group and the grant of award shares (the “**Award Shares**”) under a share award scheme adopted by the Company on 14 December 2021 (the “**Share Award Scheme**”) for certain teaching and supporting staff as motivation during the Reporting Period. The depreciation mainly represented the decline in asset value of our property, plant and equipment relating to our self-operated teaching centres (which include the right-of-use assets). The increase in depreciation was mainly due to the increase in the number of leased properties for our self-operated teaching centres during the six months ended 30 June 2021 as compared with the corresponding period in 2020.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately RMB63.7 million or approximately 331.4% from approximately RMB19.2 million for the six months ended 30 June 2020 to approximately RMB82.9 million for the six months ended 30 June 2021. The gross profit margin increased from approximately 17.4% for the six months ended 30 June 2020 to approximately 38.4% for the six months ended 30 June 2021.

Other Income

Other income mainly consists of (i) bank interest income; and (ii) government grants. Our other income increased by approximately RMB1.9 million or approximately 227.8% from approximately RMB0.8 million for the six months ended 30 June 2020 to approximately RMB2.8 million for the six months ended 30 June 2021. Such increase was mainly due to increase in bank interest income as a result of the increase in time deposits we had during the Reporting Period as compared with that we had during the same period in 2020, since time deposits normally carried a higher interest rate than bank balances.

Other Gains and Losses, Net

Others gains and losses, net mainly consist of (i) foreign exchange (losses) gains; (ii) impairment loss recognised in respect of trade and other receivables; (iii) gain (loss) on disposal of property, plant and equipment; and (iv) gain on derecognition of right-of-use assets and lease liabilities. We recorded net other losses of approximately RMB0.5 million for the six months ended 30 June 2021 as compared with net other gains of approximately RMB1.6 million for the six months ended 30 June 2020. Such turnaround was mainly due to the turnaround from foreign exchange gains to foreign exchange losses of approximately RMB1.8 million.

Selling and Marketing Expenses

Our selling and marketing expenses primarily include wages and salaries for our marketing personnel and advertising expenses. Our selling and marketing expenses increased by approximately RMB1.8 million or approximately 44.3% from approximately RMB4.0 million for the six months ended 30 June 2020 to approximately RMB5.8 million for the six months ended 30 June 2021. Such increase was mainly a result of the increase in spending in advertisement and marketing.

Content and Information Technology Development and Training Expenses

Our content and information technology development and training expenses are primarily related to the creation and development of teaching materials, online content, graphic, animation and video clips, as well as the development and improvement of our internal monitoring system for the standardisation of our teaching standard and quality through the usage of the data obtained. Our content and information technology development and training expenses increased by approximately RMB5.1 million or approximately 43.5% from approximately RMB11.8 million for the six months ended 30 June 2020 to approximately RMB16.9 million for the six months ended 30 June 2021. Such increase was mainly a result of increase in staff costs for our content development staffs during the six months ended 30 June 2021 as compared to the six months ended 30 June 2020 where there has been a suspension of physical classes due to the COVID-19 Outbreak.

Administrative Expenses

Our administrative expenses mainly comprise of staff costs for our administrative staff at our head office, legal and professional fees, office expenses and travelling expenses. Our administrative expenses increased by approximately RMB17.5 million or approximately 95.3% from approximately RMB18.3 million for the six months ended 30 June 2020 to approximately RMB35.8 million for the six months ended 30 June 2021. Such increase was mainly because of the increase in staff costs and legal and professional fees. The increase in staff costs was mainly a result of the temporary suspension of physical classes during the six months ended 30 June 2020 whereas there was no such suspension for the same period in 2021 and the grant of Award Shares under the Share Award Scheme for our administrative staffs at our head office during the Reporting Period. The increase in legal and professional fees was mainly due to the additional costs incurred for post-listing related matters.

Finance Costs

Our finance costs represented interests on lease liabilities, which has increased by approximately RMB0.3 million or approximately 8.9% from approximately RMB3.7 million for the six months ended 30 June 2020 to approximately RMB4.0 million for the six months ended 30 June 2021. Such increase was mainly attributable to the increase in the number of leased properties for our self-operated teaching centres.

Fair Value Change of Financial Liabilities Designated at Fair Value Through Profit or Loss

Our fair value change of financial liabilities designated at fair value through profit or loss (“FVTPL”) relates to the Convertible Note issued by our Company to SCGC Capital Holding Company Limited on 31 October 2019 details of which are disclosed in the Prospectus. We recorded a fair value gain from the Convertible Note of approximately RMBNil for the six months ended 30 June 2021 as compared to the fair value gain from the Convertible Note of approximately RMB14.2 million for the six months ended 30 June 2020 as the Convertible Note was fully converted upon Listing.

Taxation

Our income tax expenses increased by approximately RMB3.2 million or approximately 430.4% from approximately RMB0.7 million for the six months ended 30 June 2020 to approximately RMB3.9 million for the six months ended 30 June 2021. Our effective tax rate was approximately (8.1%) for the six months ended 30 June 2020 as compared to the effective tax rate of approximately 17.4% for the six months ended 30 June 2021. The increase in income tax expenses and turnaround in effective tax rate was primarily due to (i) the Company has incurred a one-off listing expense in the amount of approximately RMB7.0 million for six months ended 30 June 2020 and following the successful listing of the Company in second half of 2020, the Company did not incur such expense for the six months ended 30 June 2021; (ii) there being no suspension of physical classes during the six months ended 30 June 2021 as compared to the suspension of physical classes during the six months ended 30 June 2020, and (iii) the Group has more revenue generating self-operated teaching centres during the first half of 2021 as compared to the first half of 2020, whereas the increase in cost of sales due to the increase in self-operated teaching centres was outweighed by the increase in revenue, resulting in an increase in gross profit, and accordingly we recorded a profit before taxation of approximately RMB22.6 million as compared to a loss before taxation of approximately RMB9.1 million for the six months ended 30 June 2020.

Profit (Loss) and Total Comprehensive Income (Expense) for the Period

As a result of the foregoing, we recorded a profit of approximately RMB18.7 million for the six months ended 30 June 2021, as compared to a loss of approximately RMB9.8 million for the six months ended 30 June 2020.

FINANCIAL POSITION

Inventories

Our inventories primarily consist of books and teaching materials used in tutorial classes and sale to other parties. Our inventories level was approximately RMB12.7 million as at 30 June 2021, representing an increase of approximately RMB3.3 million or approximately 35.2% as compared to that of approximately RMB9.4 million as at 31 December 2020. Such increase was primarily attributable to the increase in the purchase of books and teaching materials during the six months ended 30 June 2021, which was due to the increase in the number of our self-operated teaching centres and in line with the increase in student enrolments and tutoring hours.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss primarily represent the wealth management products we purchased as a means of cash management. Our financial assets at fair value through profit or loss increased by approximately RMB5.0 million or approximately 50.0% from approximately RMB10.0 million as at 31 December 2020 to approximately RMB15.0 million as at 30 June 2021. Such increase was due to the increase in investment in wealth management products of approximately RMB5.0 million with an aim to derive additional income.

Financial Assets at Fair Value Through Other Comprehensive Income

Our financial assets at fair value through other comprehensive income primarily represented the Group's equity interest in a private entity operating online education business in the PRC and the investment in promissory notes in Hong Kong. Our financial assets at fair value through other comprehensive income increased by approximately RMB16.7 million or approximately 334.0% from approximately RMB5.0 million as at 31 December 2020 to approximately RMB21.7 million as at 30 June 2021. Such increase was mainly due to the increase in investment in promissory notes in the aggregate amount of approximately RMB16.7 million with an aim to derive additional income.

Other Receivables

Our other receivables was mainly (i) receivables from third-party payment platforms, which were mainly tuition fee received through third-party payment platforms; (ii) prepayment; and (iii) rental deposits. Our total other receivables were approximately RMB8.8 million as at 30 June 2021, representing an increase of approximately RMB2.5 million or approximately 40.9% as compared to that of approximately RMB6.2 million as at 31 December 2020 primarily due to the increase in prepayment for book and teaching materials and related services, which was in line with the increase in student enrolments and tutoring hours.

Time Deposits

Our time deposits primarily include bank deposits with original maturity over three months. We have time deposits of approximately RMB172.0 million as at 30 June 2021, representing an increase of approximately RMB52.3 million or approximately 43.7% as compared to that of approximately RMB119.7 million as at 31 December 2020. Such increase was primarily due to addition in time deposits with an aim to derive additional income.

Bank Balances and Cash

Our bank balances and cash amounted to approximately RMB262.8 million as at 30 June 2021, representing a decrease of approximately RMB36.9 million or approximately 12.3% as compared to that of approximately RMB299.7 million as at 31 December 2020. Such decrease was primarily due to addition to time deposits and financial assets at fair value through other comprehensive income and purchase of shares under the Share Award Scheme, partially offset by the increase in cash generated from our operating activities as a result of increase in profit for the period and increase in receipts in advance.

Trade Payables

Our trade payables are primarily related to purchases of books and teaching materials. Our trade payables amounted to approximately RMB3.2 million as at 30 June 2021, representing an increase of approximately RMB2.2 million or approximately 224.0% as compared to that of approximately RMB1.0 million as at 31 December 2020. Such increase in trade payables was primarily attributable to the increase in purchase of books and teaching materials which was in line with the increase in student enrolments and tutoring hours.

Lease Liabilities

Our Group leased various properties for the provision of after-school education services and these lease liabilities were measured at the present value of the lease payments that are not yet paid. Our total cash outflow for leases including the payments of lease liabilities and interests as at 30 June 2021 amounted to approximately RMB215.2 million, representing a decrease by approximately RMB18.7 million or 8.0% as compared with that of approximately RMB234.0 million as at 31 December 2020. Such decrease was mainly attributable to settlement of lease liabilities, partially offset by addition to lease liabilities as a result of the increase in the number of leased properties for our self-operated teaching centres during the Reporting Period.

Other Payables and Accrued Charges

Our other payables and accrued charges comprised of staff cost payables, renovation cost payables, refundable tuition deposits, refundable deposits from contracted parties and other tax payables. Our other payables and accrued charges amounted to approximately RMB26.7 million as at 30 June 2021, representing an increase of approximately RMB1.0 million or approximately 4.0% as compared to that of approximately RMB25.7 million as at 31 December 2020. Such increase was primarily attributable to the renovation cost incurred as a result of the increase in the number of self-operated teaching centres during the Reporting Period.

Receipts In Advance

Our receipts in advance primarily relate to the advance consideration received from our students or parents, where revenue is recognised when the performance obligation is satisfied through service rendered. Our receipts in advance amounted to approximately RMB232.8 million as at 30 June 2021, representing an increase of approximately RMB40.1 million or approximately 20.8% as compares to that of approximately RMB192.7 million as at 31 December 2020. Such increase was mainly attributable to the increase in the number of student enrolment in our self-operated teaching centres as at 30 June 2021.

Indebtedness

As at 30 June 2021, we had outstanding lease liabilities amounted to approximately RMB215.2 million (31 December 2020: approximately RMB234.0 million).

The Group designated the Convertible Note as financial liabilities designated at FVTPL. As at 30 June 2021, we recorded no financial liabilities designated at FVTPL (31 December 2020: RMBNil) due to the full conversion of the Convertible Note upon the Listing.

We did not have any banking facilities and/or unutilised banking facilities as at 30 June 2021 (31 December 2020: Nil).

Liquidity and Capital Resources

During the Reporting Period, we financed our working capital and capital expenditure principally through our operations. As at 30 June 2021, our net current assets amounted to approximately RMB181.9 million, representing a decrease of 2.0% as compared with that of approximately RMB185.6 million as at 31 December 2020. As at 30 June 2021, our bank balance and cash amounted to approximately RMB262.8 million, representing a decrease of approximately 12.3% as compared with that of approximately RMB299.7 million as at 31 December 2020, primarily because of additions to time deposits and financial assets at fair value through other comprehensive income and purchase of shares under the Share Award Scheme.

As at 30 June 2021, we had no interest-bearing borrowings (31 December 2020: Nil).

The Group did not use any financial instruments for hedging purpose during the Reporting Period.

Charge on Assets

As at 30 June 2021, we did not have any charges on our assets (31 December 2020: Nil).

Gearing Ratio

Gearing ratio is calculated based on total debt at the end of the relevant period/year divided by total equity at the end of the respective period/year. Total debt represents lease liabilities arising from the adoption of Hong Kong Financial Reporting Standards 16 “Leases”. Our gearing ratio as at 30 June 2021 was approximately 0.6 (31 December 2020: approximately 0.7).

Current Ratio

Current ratio is calculated based on the total current assets at the end of the relevant year/period divided by the total current liabilities at the end of the respective year/period. Our current ratio as at 30 June 2021 was approximately 1.6 times (31 December 2020: approximately 1.7 times).

Pledge of Assets

As at 30 June 2021, none of our assets was pledged (31 December 2020: None).

Foreign Exchange Exposure

The majority of our Group's revenue and expenditure are denominated in Renminbi. Most of the bank balances and cash of our Group as at 30 June 2021 were denominated in Renminbi, United States dollars and Hong Kong dollars. Our Group currently does not have any foreign currency hedging policies. The management will continue to monitor our Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Contingent Liabilities

As at 30 June 2021, we did not have any material contingent liabilities.

OTHER INFORMATION

Proceeds from the Listing

The ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company (the "**Shares**") were listed on the Main Board of the Stock Exchange on 15 July 2020 (the "**Listing Date**") and 200,000,000 new Shares were issued. After deducting the underwriting fees and commissions and other estimated expenses in connection with the offering of our Shares, including, a public offering in Hong Kong of 20,000,000 Shares (the "**Public Offer**") and a placing of 180,000,000 Shares (the "**Placing**"), in each case at a price of HK\$1.25 per Share (the "**Share Offer**").

Gross proceeds from the Listing were HK\$250.0 million (equivalent to approximately RMB225.7 million). After deducting the underwriting fees and commissions and other estimated expenses in connection with the Share Offer, net proceeds from the Listing amounted to approximately HK\$204.0 million. As stated in the Prospectus, our Company intended to use the proceeds in the following manner:

- approximately 60.0% for the expansion of our business and self-operated teaching centres network, through organic growth by expanding nationally and in particular in Zhengzhou;
- approximately 30.0% for the expansion of our geographic presence and scale of operations in the PRC, through the strategic acquisitions of or setting up joint ventures with quality primary and secondary after-school education services companies in other parts of the PRC; and
- approximately 10.0% for general working capital.

As at the date of this announcement, our Group had utilised the proceeds in the manner as set out in the table below:

Intended usage	Amount of net proceeds <i>HK\$ million</i>	Approximate percentage %	Utilisation as at the date of this announcement <i>HK\$ million</i>	Unutilisation as at the date of this announcement <i>HK\$ million</i>	Proceeds planned to be utilised in 2021 from the date of this announcement <i>HK\$ million</i>	Proceeds planned to be utilised in 2022 <i>HK\$ million</i>
Expanding business and self operated teaching centres network through organic growth	122.4	60.0	36.7	85.7	25.5	60.2
Expanding geographic presence through strategic acquisitions or setting up joint ventures	61.2	30.0	7.2	54.0	29.3	24.7
Working capital purposes	20.4	10.0	4.6	15.8	6.6	9.2
Total	204.0	100.0	48.5	155.5	61.4	94.1

During the Reporting Period and up to the date of this announcement, our Group had entered into eight lease agreements for our new self-operated teaching centres, in which five were under renovation and three had completed renovation and were in the process of preparing the relevant documents for the private school operation permit application. As at the date of this announcement, we had utilised proceeds of approximately HK\$48.5 million mainly for renovation and lease payment for our new self-operated teaching centres.

As mentioned in the Business overview section, the Directors considered that our business operations are facing challenges caused by the PRC education reform, therefore, the Directors decided to re-allocate some of the proceeds for utilisation in the year ending 31 December 2021.

Employees and Remuneration Policy

As at 30 June 2021, we had 1,594 employees (31 December 2020: 1,433). Total staff-related cost, including Directors' emoluments, was approximately RMB102.3 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately RMB46.4 million).

We generally determine employees' compensation based on their qualification, experience, position and performance. We offer comprehensive compensation to our employees, including salary and performance bonus, and we also provide training to our employees. Pursuant to relevant laws and regulations in the PRC, we participate in various employee social security plans that are organised by applicable local municipal and provincial governments, including pension, medical, maternity, work-related injury and unemployment benefit plans.

Share Option Scheme

Our Company adopted a share option scheme on 18 June 2020 (the “**Share Option Scheme**”). The terms of the Share Option Scheme are in accordance with Chapter 17 of the Listing Rules. The principal terms of the Share Option Scheme are summarised in the section headed “Statutory and general information — D. Share Option Scheme” in Appendix V to the Prospectus. No share options had been granted or agreed to be granted under the Share Option Scheme since its adoption and up to the date of this announcement.

Share Award Scheme and Grant of Award Shares

On 14 December 2020, our Company adopted the Share Award Scheme.

On 14 January 2021, the Board granted an aggregate of 30,000,000 Award Shares to 56 of our employees (including four Directors) (the “**Grantees**”) under the Share Award Scheme at nil award price (the “**Grant**”), among which 17,670,000 Award Shares were granted to nine Grantees that are connected persons (the “**Connected Grantees**”) and 12,330,000 Award Shares were granted to 47 of our employees that are not connected persons.

The Award Shares shall be satisfied by purchasing existing Shares on the open market and shall be vested in the Grantees in the proportions of 40%, 30% and 30% on the first trading date upon expiry of seven days after the publication of the annual results announcement for the financial year ending 31 December 2021, 31 December 2022 and 31 December 2023, respectively, in accordance with the rules of the Share Award Scheme.

As at the date of this announcement, all of the 56 Grantees had accepted the Grant of the Award Shares and none of the Award Shares had been vested.

The Grant of 17,670,000 Award Shares to the Connected Grantees constitutes connected transactions of our Company under Chapter 14A of the Listing Rules. The Grant of 12,600,000 Award Shares to the four Directors forms part of their remuneration package under their respective service contracts and is therefore, fully exempt from the reporting, announcement and independent shareholders' approval requirements under Rules 14A.73(6) and 14A.95 of the Listing Rules. In respect of the Grant of 5,070,000 Award Shares to other Connected Grantees that are not Directors, as one or more of the applicable percentage ratios in respect of such Grant are more than 0.1% but lower than 5%, such Grant is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements according to Chapter 14A of the Listing Rules.

For further details of the Share Award Scheme and the Grant, please refer to the announcements of the Company dated 14 December 2020, 21 December 2020 and 14 January 2021, respectively (the "**Share Award Scheme Announcements**"). Unless otherwise defined in this announcement, capitalised terms used in this section shall have the same meaning as those defined in the Share Award Scheme Announcements.

Significant Acquisitions and Disposals

Save as disclosed in this announcement, during the Reporting Period, we did not have any significant acquisitions and disposals.

Significant Investments

Save as disclosed in this announcement, as at 30 June 2021, we did not have any major investments.

Purchase, Sale or Redemption of our Company's Listed Securities

There had been no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the Reporting Period.

Public Float

As at the date of this announcement, our Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to us and within the knowledge of our Directors.

EVENTS AFTER THE REPORTING PERIOD

Termination of the lease agreements

Subsequent to the Reporting Period and up to the date of this announcement, our Group did not enter into any lease agreements for our new self-operated teaching centres.

Further to the Group's plan to reorganise its business and assets as disclosed in the Announcement, the Group closed 10 of its existing self-operated teaching centres and consolidated the affected students, teachers and other resources into nearby teaching centres in response to the challenges posed by the new government policy. Accordingly, the Group has reached various agreements with the respective landlords to terminate the lease agreements for the 10 self-operated teaching centres (the "**Lease Termination Arrangements**"). The Group will be refunded the existing security deposit and prepayments for rents partially after the date of termination. The Directors believe that the termination of the lease agreements as mentioned above will not have material adverse impact on the Group's financial position.

As the applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of each of the Lease Termination Arrangements, calculated separately, is less than 5%, these transactions do not give rise to disclosure obligations under the Listing Rules. The applicable percentage ratios were calculated separately for each of the Lease Termination Arrangements because the relevant landlords are different unrelated parties and the respective leased properties are different.

For details of other events after the Reporting Period, please refer to note 15 of the condensed consolidated financial statements.

CORPORATE GOVERNANCE

Save as disclosed below, in the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code throughout the Reporting Period.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Zhang Hongjun ("**Mr. Zhang**") is currently performing these two roles. With the extensive experience in the education industry, Mr. Zhang is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since the founding of our Group. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, both of which comprise experienced and high-

caliber individuals. Our Board currently comprises three executive Directors (including Mr. Zhang), one non-executive Director and four independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Directors believe that the Board is appropriately structured to provide sufficient checks to protect the interests of the Group and the Shareholders. The Board will continue to review and monitor the operation of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct for securities transactions conducted by relevant Directors and employees. After making specific enquiry of all Directors, each of them has confirmed that they had complied with the required standards of dealing as set out in the Model Code throughout the Reporting Period.

AUDIT COMMITTEE

We have established the audit committee of our Company (the “**Audit Committee**”) with written terms of reference in accordance with Appendix 14 of the Listing Rules. The Audit Committee is primarily responsible to assist the Board in reviewing and monitoring the financial reporting process, risk management and internal control systems of our Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The Audit Committee comprises four independent non-executive Directors, namely Mr. Lui Siu Keung, Mr. Li Gang, Mr. Zhang Jian and Ms. Yang Min. Mr. Lui Siu Keung is the chairman.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 of our Group. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by our Company and internal control measures with senior management members.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the Reporting Period (six months ended 30 June 2020: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.dashanwaiyu.com). The interim report of our Company for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be despatched to our Company's shareholders and available on the above websites in due course.

APPRECIATION

The Board would like to thank the management of our Group and all the staff for their hard work and dedication, as well as our Shareholders, business partners, bankers and auditors for their support to our Group throughout the period.

By Order of the Board
Dashan Education Holdings Limited
Zhang Hongjun
Chairman, Chief Executive Officer and Executive Director

Zhengzhou, 27 August 2021

As at the date of this announcement, the executive Directors are Mr. Zhang Hongjun, Mr. Shan Jingchao and Mr. Ma Wenhao; the non-executive Director is Mr. Jia Shuilin; and the independent non-executive Directors are Mr. Lui Siu Keung, Mr. Li Gang, Mr. Zhang Jian and Ms. Yang Min.