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

2021

INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Hongjun
(Chairman and Chief Executive Officer)
Mr. Shan Jingchao
Mr. Ma Wenhao

Non-executive Director

Mr. Jia Shuilin

Independent non-executive Directors

Mr. Lui Siu Keung
Mr. Li Gang
Mr. Zhang Jian
Ms. Yang Min

AUDIT COMMITTEE

Mr. Lui Siu Keung *(Chairman)*
Mr. Li Gang
Mr. Zhang Jian
Ms. Yang Min

REMUNERATION COMMITTEE

Mr. Zhang Jian *(Chairman)*
Mr. Zhang Hongjun
Mr. Li Gang

NOMINATION COMMITTEE

Mr. Zhang Hongjun *(Chairman)*
Mr. Zhang Jian
Ms. Yang Min

INVESTMENT MANAGEMENT COMMITTEE

Mr. Zhang Hongjun *(Chairman)*
Mr. Shan Jingchao
Mr. Ma Wenhao
Mr. Lui Siu Keung
Mr. Li Gang
Mr. Zhang Jian
Ms. Yang Min

AUTHORISED REPRESENTATIVES

Mr. Ma Wenhao
Ms. Chen Yibei

COMPANY SECRETARY

Ms. Chen Yibei *(HKICPA)*

COMPLIANCE ADVISER

Alliance Capital Partners Limited
Licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

SOLICITOR

Howse Williams

PRINCIPAL BANKERS

China Minsheng Bank, Zhengzhou Branch
1/F CMBC Mansion
1 Business External Ring Road
Zhengdong New District
Zhengzhou
Henan Province
The PRC

Industrial and Commercial Bank of China
Zhengzhou Area of China (Henan)
Pilot Free Trade Zone Branch
1–2/F Building D Kineer IFC
No. 88 East Jinshui Road
Zhengdong New District
Zhengzhou
Henan Province
The PRC

China Merchants Bank, Zhengzhou Weilai Branch
No. 66, Weiwu Road
Zhengzhou
Henan Province
The PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTER, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

19th Floor
Guoxin Plaza
Crossroad of Zhongzhou Avenue and
Minghong Road
Jinshui District
Zhengzhou
Henan Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1504, 15/F
Jubilee Centre
18 Fenwick Street
Wan Chai
Hong Kong

COMPANY'S WEBSITE

www.dashanwaiyu.com

STOCK CODE

9986

DATE OF LISTING

15 July 2020

FINANCIAL HIGHLIGHTS

KEY HIGHLIGHTS

	For the six months ended 30 June 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	Change RMB'000	Percentage change (%)
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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business overview

Dashan Education Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") is 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 Business**").

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 six months ended 30 June 2021 (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

As disclosed in the announcements of the Company dated 22 and 25 July 2021 and 13 August 2021, respectively (the "**Announcements**"), it is reported that the government of the People's Republic of China (the "**PRC**" or "**China**") has been reforming the PRC education system, and has circulated the Opinion of 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.

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 Business, the board (the "**Board**") of directors of the Company (the "**Directors**") 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 Board believes that with the properly adjusted business model for the Existing Business 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 in revenue, student enrolment and tutoring hours for the Reporting Period 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 the outbreak of coronavirus disease 2019 ("**COVID-19**") 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 *(Note 1)*	**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 *(Note 2)*	**407**	**0.3**	274	0.3
Total	**216,144**	**100.0**	110,284	100.0

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		
	Revenue RMB'000	Student enrolments	Total number of tutoring hours	Revenue RMB'000	Student enrolments	Total number of tutoring hours
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

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 2020 (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 (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 of the Company dated 30 June 2020 (the "**Prospectus**"). We recorded no fair value gain from the Convertible Note 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 of the shares of the Company (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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 Shares on the Main Board of the Stock Exchange (the "**Listing**") 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 compared 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: Nil) 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.

CORPORATE GOVERNANCE AND 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 were listed on the Main Board of the Stock Exchange on 15 July 2020 and 200,000,000 new Shares were issued in connection with the offering of our Shares, including, a public offering in Hong Kong of 20,000,000 Shares and a placing of 180,000,000 Shares, 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 report, our Group had utilised the proceeds in the manner as set out in the table below:

Intended usage	Amount of net proceeds HK$ million	Approximate percentage %	Utilisation as at the date of this report HK$ million	Unutilisation as at the date of this report HK$ million	Proceeds planned to be utilised in 2021 from the date of this report HK$ million	Proceeds planned to be utilised in 2022 HK$ million
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 report, 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 report, 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. The Company will make further announcement in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") when detailed plan is formulated.

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.

In addition, our Company has adopted the share option scheme on 18 June 2020 (the "**Share Option Scheme**") and the Share Award Scheme in order to recognise the contribution of our employees, motivate, retain and recruit high-calibre employees and reward those who had valuable contribution to our Group.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

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

SIGNIFICANT INVESTMENTS

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

FUTURE PLANS FOR SIGNIFICANT INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the Prospectus and this report, the Group did not have any plans for significant investment as at 30 June 2021.

EVENTS AFTER THE REPORTING PERIOD

Termination of the lease agreements

Subsequent to the Reporting Period and up to the date of this report, 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 Announcements, 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 27 of the notes to the condensed consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES

Save as disclosed in this report, 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.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholders of the Company or any of their respective close associates (as defined in the Listing Rules) that compete or may compete with the business of the Group, or any other conflicts of interest which any such person may have with the Group during the Reporting Period.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all code provisions (the "**Code Provisions**") and, where applicable, the recommended best practices of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the Reporting Period, save and except for the deviations from Code Provision A.2.1 of the CG Code as detailed below.

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 TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 compiled 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 of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial information for the six months ended 30 June 2021 of our Group and this report. 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.

PUBLIC FLOAT

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

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

There had been no change in the Board and the information of Directors during the Reporting Period and up to the date of this report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, save as disclosed below:

Ms. Yang Min (楊敏), an independent non-executive Director, (i) ceased to be a director of Maihe International Education Technology (Beijing) Company Limited* (麥禾國際教育科技(北京)有限責任公司) in April 2021, (ii) ceased to be a director of Bozhi Security Technology Limited* (博智安全科技股份有限公司) in June 2021. In June 2021, Ms. Yang Min (楊敏) started to serve as a director of Liantai Jiqun (Beijing) Technology Limited* (聯泰集群(北京)科技有限責任公司), which is principally engaged in the provision of high performance computing products and services.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING

As at the date of this report, the Company did not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2021, the interests and short positions of the Directors and chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) have to be notified to our Company and the Stock Exchange, pursuant to the Model Code, were as follows:

Interests in our Shares

Name of Director	Capacity in which the interests are held	Number of Shares held (Note 1)	Approximate percentage of the issued share capital (%) (Note 2)
Mr. Zhang	Interest in controlled corporation (Note 3)	496,060,800 (L)	62.01
	Beneficiary of a trust (Note 4)	9,800,000 (L)	1.23
Mr. Jia Shuilin	Interest in controlled corporation (Note 5)	72,360,000 (L)	9.05
	Beneficiary of a trust (Note 4)	800,000 (L)	0.10
Mr. Shan Jingchao	Interest in controlled corporation (Note 5)	72,360,000 (L)	9.05
	Beneficiary of a trust (Note 4)	1,000,000 (L)	0.12
	Spousal interest (Note 6)	170,000 (L)	0.02
Mr. Ma Wenhao	Interest in controlled corporation (Note 5)	72,360,000 (L)	9.05
	Beneficiary of a trust (Note 4)	1,000,000 (L)	0.12

Notes:

1. The letter "L" denotes a long position.

2. The calculation is based on the total number of 800,000,000 Shares in issue as at the date of this report.

3. These Shares are held by Lucky Heaven International Limited ("**Lucky Heaven**"). The entire issued share capital of Lucky Heaven is legally and beneficially wholly owned by Mr. Zhang. Mr. Zhang is deemed to be interested in our Shares held by Lucky Heaven under Part XV of the SFO.

4. Such interest represents the Award Shares granted to the respective Directors under the Share Award Scheme, details of which are set out in the announcement of the Company dated 14 January 2021.

5. These Shares are held by Bai Tai Investments Limited ("**Bai Tai**"). The issued share capital of Bai Tai is legally and beneficially owned (i) as to approximately 24.35% by Mr. Jia Shuilin, as to approximately 10.35% by Mr. Shan Jingchao and as to approximately 7.30% by Mr. Ma Wenhao, each being a Director; (ii) as to approximately 2.44% by Mr. Guo Xianwei, being a member of the senior management of our Group; (iii) as to approximately 22.46% by Mr. Zhang Junying, being a director of 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 School Company Limited* (鄭州京廣大山培訓學校有限公司) ("**Jing Guang Dashan**"), and as to approximately 17.04% by Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to approximately 7.30% by Mr. Cheng Yang, as to approximately 3.65% by Mr. Tang Enze, as to approximately 3.65% by Ms. Song Yifei, as to approximately 0.73% by Ms. Wang Weiping and as to approximately 0.73% by Ms. Sun Nuo, each being an employee of Dashan Training.

6. Such interest represents the Award Shares granted to Ms. Sang Xinxiang, the spouse of Mr. Shan Jingchao, under the Share Award Scheme, details of which are set out in the announcement of the Company dated 14 January 2021. By virtue of Part XV of the SFO, Mr. Shan Jingchao is deemed to be interested in the Shares in which Ms. Sang Xinxiang is interested.

Interests in Ordinary Shares of Associated Corporations of our Company

Name of Director	Name of associated corporation	Capacity in which the interests are held	Number of shares held	Approximate percentage of the issued share capital (%)
Mr. Zhang	Lucky Heaven	Beneficial owner	1	100.00
Mr. Zhang	Dashan Training (Note 1)	Nominee shareholder whose shareholder's rights are subject to the Contractual Arrangements (as defined in the Prospectus)	13,562,500	42.04
		Interest in controlled corporation whose shareholder's rights are subject to the Contractual Arrangements (Note 2)	13,750,000	42.62
Mr. Jia Shuilin	Dashan Training (Note 1)	Interest in controlled corporation whose shareholder's rights are subject to the Contractual Arrangements (Note 3)	4,772,500	14.79
Mr. Shan Jingchao	Dashan Training (Note 1)	Nominee shareholder whose shareholder's rights are subject to the Contractual Arrangements	125,000	0.39
		Interest in controlled corporation whose shareholder's rights are subject to the Contractual Arrangements (Note 3)	4,772,500	14.79
Mr. Ma Wenhao	Dashan Training (Note 1)	Interest in controlled corporation whose shareholder's rights are subject to the Contractual Arrangements (Note 3)	4,772,500	14.79

Notes:

1. Dashan Training is controlled through the Contractual Arrangements by, and is treated as a subsidiary of our Company.

2. These shares are held by Hou De Education. The entire equity interest of Hou De Education is legally and beneficially wholly-owned by Mr. Zhang.

3. These shares are held by Dashan Consultancy. The issued share capital of Dashan Consultancy is legally and beneficially owned as to approximately 99.74% by Dashan Management (which is in turn owned as to, among others, approximately 21.01% by Mr. Jia Shuilin, approximately 6.30% by Mr. Shan Jingchao, and approximately 6.30% by Mr. Ma Wenhao) and as to approximately 0.26% by Mr. Zhang Junying, a director of Dashan Training and Jing Guang Dashan.

Save as disclosed, as at 30 June 2021, none of the Directors, chief executives of our Company or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which: (a) were notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to our Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2021, according to the register of interest in Shares and underlying Shares and short positions kept by our Company pursuant to section 336 of the SFO and so far as is known to or can be ascertained after reasonable enquiries by the Directors, the persons (other than the Directors or chief executives of our Company) who were directly or indirectly interested in 5% or more in the Shares and underlying Shares of our Company are as follows:

Interests in our Shares

Name of Shareholder	Nature of interests	Number of Shares held (Note 1)	Approximate percentage of the issued share capital of our Company (%) (Note 2)
Lucky Heaven (Note 3)	Beneficial owner	496,060,800 (L)	62.01
Bai Tai (Note 4)	Beneficial owner	72,360,000 (L)	9.05

Notes:

1. The letter "L" denotes a long position.

2. The calculation is based on the total number of 800,000,000 Shares in issue as at the date of this report.

3. Lucky Heaven is wholly-owned by Mr. Zhang, an executive Director, the chairman of the Board and the chief executive officer of our Company. Accordingly, Mr. Zhang is deemed to be interested in all our Shares held by Lucky Heaven under Part XV of the SFO.

4. Bai Tai is owned (i) as to approximately 24.35% by Mr. Jia Shuilin, as to approximately 10.35% by Mr. Shan Jingchao and as to approximately 7.30% by Mr. Ma Wenhao, each being a Director; (ii) as to approximately 2.44% by Mr. Guo Xianwei, being a member of the senior management of our Group; (iii) as to approximately 22.46% by Mr. Zhang Junying, being a director of Jing Guang Dashan and as to approximately 17.04% by Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to approximately 7.30% by Mr. Cheng Yang, as to approximately 3.65% by Mr. Tang Enze, as to approximately 3.65% by Ms. Song Yifei, as to approximately 0.73% by Ms. Wang Weiping and as to approximately 0.73% by to Ms. Sun Nuo, each being an employee of Dashan Training.

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any person (other than the Directors and chief executives of the Company) who had 5% or more interests and/or short positions in the Shares or underlying Shares that were required to be recorded in the register pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

Our Company adopted the Share Option Scheme on 18 June 2020. 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.

Since the adoption of the Share Option Scheme and during the Reporting Period, no options had been granted, exercised, cancelled or lapsed under the Share Option Scheme, nor were any options outstanding under the Share Option Scheme.

As at the date of this report, the total number of Shares in respect of which options may be granted under the Share Option Scheme is 80,000,000 Shares, representing 10% of the share capital of the Company in issue at the date of this report.

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 report, 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 report, capitalised terms used in this section shall have the same meaning as those defined in the Share Award Scheme Announcements.

Save as disclosed above, no other Award Shares had been granted, vested, lapsed or otherwise outstanding under the Share Award Scheme during the Reporting Period.

During the Reporting Period, the trustee of the Share Award Scheme purchased an aggregate of 29,400,000 Shares from the market at a total consideration of approximately HK$30,876,000 and all of such Shares were held by the trustee for the purpose of the Share Award Scheme as at 30 June 2021.

STRUCTURED CONTRACTS

The following summarised generally the status of the structured contracts (the "**Structured Contracts**") adopted by our Group given the PRC legal restriction imposed on the shareholding structure over the business our Group is engaging. For further details of the Structured Contracts, please refer to the section headed "Structured Contracts" in the Prospectus.

Background of the Structured Contracts

Our Group currently conducts, (i) through our consolidated affiliated entities (as defined in the Prospectus, the "**Consolidated Affiliated Entities**"), primary and secondary after-school education business through physical classroom teaching and online teaching services through our proprietary online learning platform "大山教育" (Dashan Education) and (ii) through Dashan Training, franchise business in the PRC. We had to use the Structured Contracts for our business operation because the PRC laws and regulations (a) generally restrict foreign ownership in the primary and secondary education industry in the PRC; (b) prohibit foreign ownership in broad casting television program production business and internet cultural operations (except music); and (c) impose conditions on franchise business. Our Company does not hold any equity interest in our Consolidated Affiliated Entities in the PRC. The Structured Contracts, through which our Group obtains control over and derive the economic benefits from our Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimise the potential conflict with relevant PRC laws and regulations. Our Group has entered into the Structured Contracts for the existing Consolidated Affiliated Entities and expects to enter into structured contracts for the subsidiaries conducting primary and secondary after-school education business to be newly established and controlled by Dashan Training directly or indirectly, the terms and conditions of which shall be the same as the existing Structured Contracts in all aspects.

Unwinding of the Structured Contracts

Zhengzhou Dashan Yun Xiao Technology Company Limited* (鄭州大山雲效科技有限公司) has made undertaking in the Structured Contracts that, if the PRC regulatory environment changes, all of the relevant qualification and experience (the "**Qualification Requirement**"), the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations) and foreign investors are permitted to hold 100% of the interest in the Consolidated Affiliated Entities directly, it will exercise the call option granted under the Exclusive Call Option Agreement in full to hold all of the interest in the Consolidated Affiliated Entities and unwind the Structured Contracts accordingly. For further details, please refer to the section headed "Structured Contracts — Termination of the Structured Contracts" in the Prospectus.

As at the date of this report, there had not been any unwinding of any Structured Contracts, nor had there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed.

Plan to Comply with the Qualification Requirement

According to the consultation with the Education Department of Henan Province (河南省教育廳), there are no implementing measures or specific guidance on the Qualification Requirement and they have not approved an application to establish a Sino-foreign Education Institution offering primary and secondary after-school education services and they will not approve our application to convert any of our Consolidated Affiliated Entities into Sino-foreign Education Institutions at this stage.

Having said that with the aim of fulfilling the Qualification Requirement, we are currently looking for suitable opportunity, through Dashan Education (HK) Company Limited ("**Dashan Education (HK)**"), our wholly-owned subsidiary incorporated in Hong Kong, to serve as the main control hub of our overseas after-school education services business in the future. We have engaged a consultant to assist Dashan Education (HK) to fulfil the relevant laws and regulatory requirements of establishing a private learning centre in Hong Kong. The approval process upon submission of the application is expected to take approximately six to seven months barring unforeseen circumstances, we are assessing the development of the outbreak of COVID-19 in Hong Kong, before we submit a formal application to the Education Bureau in Hong Kong regarding the establishment of the proposed learning centre. In addition, to expand our online learning platform operations as and when appropriate, Dashan Education (HK) has registered a domain name overseas and is in the process of establishing the website, which is expected to be completed by the end of September. As at the date of this report, Dashan Education (HK) had also launched our online learning platform "大山教育" (Dashan Education) on Google Play store.

Our Directors are of the view that the foregoing steps are meaningful endeavours and are reasonable and appropriate to comply with the Qualification Requirement.

Foreign Investment Law

On 15 March 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress of the PRC and it has taken effect on 1 January 2020. The Foreign Investment Law replaces the Law on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Law on Foreign-Capital Enterprises (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC.

The Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. Since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations or provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment and the authority still take the same view in respect of matters relating to the Sino-foreign Education Institutions offering primary and secondary afterschool education services, the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council". Therefore, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, and then whether the Structured Contracts will be recognised as foreign investment and deemed to be in violation of the foreign investment access requirements and, as at the date of this report, how the above-mentioned Structured Contracts would be handled are uncertain. Therefore, there is no guarantee that the Structured Contracts and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future.

No Material Change in the Structured Contracts

As at the date of this report, none of the Structured Contracts had been supplemented or modified since the date of execution of such Structured Contracts.

Compliance with the Structured Contracts

Our Group has adopted certain measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts. The Company was not aware of any non-performance of the Structured Contracts or non-compliance with those relevant measures during the Reporting Period.

APPRECIATION

We 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, students and their families, bankers and auditors for their trust and support to our Group throughout the period. We will continue our efforts to strengthen our business and improve returns to our shareholders.

By Order of the Board
Zhang Hongjun
Chairman, executive Director and Chief Executive Officer

27 August 2021

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

CONDENSED CONSOLIDATED STATEMENT 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		**(133,238)**	(91,065)
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	22	**–**	14,171
Profit (loss) before taxation		**22,590**	(9,094)
Taxation	8	**(3,925)**	(740)
Profit (loss) and total comprehensive income (expense) for the period	9	**18,665**	(9,834)
Earnings (loss) per share	11		
— Basic (RMB cents)		**2.41**	(1.73)
— Diluted (RMB cents)		**N/A**	(4.00)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	305,405	331,836
Investment properties		5,004	5,057
Deferred tax assets		894	1,016
Rental deposits	14	2,086	2,380
Deposits for leasehold improvements		8,125	853
Financial asset at fair value through other comprehensive income	15	5,000	5,000
		326,514	346,142
CURRENT ASSETS			
Inventories		12,652	9,356
Financial assets at fair value through profit or loss	13	15,000	10,000
Financial assets at fair value through other comprehensive income	15	16,700	—
Other receivables	14	8,776	6,227
Tax recoverables		32	—
Time deposits	16	172,000	119,700
Bank balances and cash		262,801	299,667
		487,961	444,950
CURRENT LIABILITIES			
Trade payables	17	3,237	999
Other payables and accrued charges	18	26,745	25,720
Receipts in advance	19	232,802	192,710
Tax liabilities		3,310	3,409
Lease liabilities	20	40,008	36,553
		306,102	259,391
NET CURRENT ASSETS		181,859	185,559
TOTAL ASSETS LESS CURRENT LIABILITIES		508,373	531,701

	NOTES	**As at 30 June 2021 RMB'000 (unaudited)**	As at 31 December 2020 RMB'000 (audited)
NON-CURRENT LIABILITY			
Lease liabilities	20	**175,240**	197,398
NET ASSETS		**333,133**	334,303
CAPITAL AND RESERVES			
Share capital	21	**7,223**	7,223
Reserves		**325,910**	327,080
TOTAL EQUITY		**333,133**	334,303

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital RMB'000 (note 21)	Share premium RMB'000	Share award reserves RMB'000	Shares held under the Share Award Scheme RMB'000	Capital surplus RMB'000	Statutory surplus reserve RMB'000 (Note i)	Other reserve RMB'000 (Note ii)	Retained profits RMB'000	Total RMB'000
At 1 January 2020 (audited)	32,260	–	–	–	1,443	12,471	–	41,747	87,921
Loss and total comprehensive expense for the period	–	–	–	–	–	–	–	(9,834)	(9,834)
Effect on reorganisation (note 21b)	(32,260)	–	–	–	–	–	32,260	–	–
At 30 June 2020 (unaudited)	–*	–	–	–	1,443	12,471	32,260	31,913	78,087
At 1 January 2021 (audited)	**7,223**	**237,106**	**–**	**–**	**1,443**	**13,365**	**32,260**	**42,906**	**334,303**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**18,665**	**18,665**
Recognition of equity-settled share-based payments (note 23)	**–**	**–**	**6,035**	**–**	**–**	**–**	**–**	**–**	**6,035**
Purchase of shares under the Share Award Scheme (note 23)	**–**	**–**	**–**	**(25,870)**	**–**	**–**	**–**	**–**	**(25,870)**
At 30 June 2021 (unaudited)	**7,223**	**237,106**	**6,035**	**(25,870)**	**1,443**	**13,365**	**32,260**	**61,571**	**333,133**

* *Less than RMB1,000*

Notes:

i Pursuant to the Articles of Association of each of the subsidiaries of the Company in the People's Republic of China (the "**PRC**"), it requires the appropriation of 10% of its profit after tax determined under the relevant accounting principles and financial regulations applicable to companies established in the PRC each year to the statutory surplus reserve until the balance reaches 50% of the registered capital. The statutory surplus reserve shall only be used for making up losses, capitalisation into registered capital and expansion of the production and operation.

ii Amounts represent the transfer of the combined paid-in capital of the Consolidated Affiliated Entities (as defined in note 2) to the merger reserve upon the Company became the holding company of the Consolidated Affiliated Entities which was effective from the date of Contractual Arrangements (as defined in note 2).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Profit (loss) before taxation	**22,590**	(9,094)
Adjustments for:		
Bank interest income	**(2,025)**	(119)
Income from financial assets at fair value through profit or loss	**(1)**	(455)
Finance costs	**4,048**	3,717
(Gain)/loss on disposal of property, plant and equipment	**(81)**	55
Depreciation of investment properties	**53**	53
Depreciation of property, plant and equipment (including right-of-use assets for buildings)	**52,096**	43,234
Impairment loss recognised in respect of other receivables	**502**	409
Gain on derecognition of right-of-use assets and lease liabilities	**(520)**	(872)
Imputed interest income from rental deposits	**(75)**	(74)
Fair value change of financial liabilities designated at fair value through profit or loss	**–**	(14,171)
Equity-settled share-based payments	**6,035**	–
COVID-19-related rent concessions	**–**	(2,281)
Foreign exchange losses/(gains)	**576**	(1,183)
Operating cash flows before movements in working capital	**83,198**	19,219
Increase in receipts in advance	**40,092**	21,280
Other movements in working capital	**(7,489)**	(5,508)
Cash generated from operations	**115,801**	34,991
Income tax paid	**(3,934)**	(3,029)
NET CASH FROM OPERATING ACTIVITIES	**111,867**	31,962

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
INVESTING ACTIVITIES		
Addition to time deposits with original maturity over three months	**(152,000)**	–
Addition of financial assets at fair value through other comprehensive income	**(16,700)**	–
Purchase of property, plant and equipment	**(16,347)**	(7,756)
Addition of financial assets at fair value through profit or loss	**(5,000)**	(85,000)
Proceeds on redemption on time deposits with original maturity over three months	**99,700**	–
Bank interest received	**2,025**	119
Income from financial assets at fair value through profit or loss received	**1**	455
Proceeds on redemption on financial assets at fair value through profit or loss	**–**	60,000
Other investing cash flows	**(483)**	(333)
NET CASH USED IN INVESTING ACTIVITIES	**(88,804)**	(32,515)
FINANCING ACTIVITIES		
Payment of lease liabilities	**(30,549)**	(23,012)
Purchase of shares under the Share Award Scheme	**(25,870)**	–
Interest paid	**(4,048)**	(3,717)
Share issue costs paid	**–**	(2,348)
NET CASH USED IN FINANCING ACTIVITIES	**(60,467)**	(29,077)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(37,404)**	(29,630)
Effect of foreign exchange rate changes	**538**	938
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**299,667**	176,939
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**262,801**	148,247

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

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.

2. BASIS OF PREPARATION (continued)

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;

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

2. BASIS OF PREPARATION (continued)

Contractual arrangements (continued)

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
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	**212,540**	107,368
Profit (loss) before taxation	**33,722**	(17,465)

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Non-current assets	**326,034**	345,599
Current assets	**450,769**	378,060
Current liabilities	**452,419**	406,966
Non-current liabilities	**175,100**	197,175

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, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — 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	2020
	RMB'000	RMB'000
	(unaudited)	(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
	216,144	110,284
Timing of revenue recognition		
A point of time	**2,223**	1,022
Over time	**213,921**	109,262
	216,144	110,284

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.

5. REVENUE AND SEGMENT INFORMATION (continued)

Revenue (continued)

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
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	**2,025**	119
Government grants (Note)	**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
	2,757	841

Other gains and losses, net

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(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
	(477)	1,591

Note: For the six months ended 30 June 2021, government grants mainly represents the subsidies from the local government in respect of employment stabilisation, developing local industries and companies and becoming qualified larger companies in Zhengzhou. These amounts have been recognised as other income upon receipt, and there was no unfulfilled condition attached to these government grants at the end of the Reporting Period.

7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interests on lease liabilities	**4,048**	3,717

8. TAXATION

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

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 (note 23))	**5,405**	881
Equity-settled share-based payments (note 23)	**3,500**	—
Other staff costs	**84,397**	42,570
Other staff's retirement benefits scheme contributions	**9,000**	2,965
	102,302	46,416
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) (note 12)	**—**	(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)
Profit (loss) for the period attributable to owners of the Company for the purpose of diluted earnings (loss) per share	**18,665**	(24,005)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share (Note)	**774,390,608**	568,420,800
Effect of dilutive potential ordinary shares:		
Convertible Note (note 22)	**–**	31,579,200
Weighted average number of ordinary share for the purpose of diluted earnings (loss) per share (Note)	**774,390,608**	600,000,000

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 (as defined in note 23) 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 21) 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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group's addition to property, plant and equipment (excluding right-of-use assets for buildings) was RMB12,911,000 (six months ended 30 June 2020: RMB9,203,000).

During the six months ended 30 June 2021, the Group disposed of certain furniture, fixture and equipment and motor vehicles with an aggregate carrying amount of RMB72,000 (six months ended 30 June 2020: certain furniture, fixture and equipment with an aggregate carrying amount of RMB67,000) for cash proceeds of RMB153,000 (six months ended 30 June 2020: RMB12,000), resulting in a gain on disposal of RMB81,000 (six months ended 30 June 2020: a loss on disposal of RMB55,000).

During the six months ended 30 June 2021, the Group entered into several new lease agreements for the use of buildings for one to six years (six months ended 30 June 2020: one to eight years). On lease commencement during the six months ended 30 June 2021, the Group recognised right-of-use assets of RMB22,748,000 (six months ended 30 June 2020: RMB64,820,000) and lease liabilities of RMB22,654,000 (six months ended 30 June 2020: RMB64,632,000).

During the six months ended 30 June 2021, right-of-use assets for buildings with a total carrying amount of RMB9,922,000 (six months ended 30 June 2020: RMB9,563,000) and lease liabilities of RMB10,584,000 (six months ended 30 June 2020: RMB10,603,000) were derecognised upon early termination of relevant leases.

During the six months ended 30 June 2020, the Group had to temporarily close its teaching centres in order to contain the spread of COVID-19. Lessors of the relevant teaching centres provided rent concessions to the Group through rent reductions ranging from 10% to 100% over one to three months. These rent concessions occurred as a direct consequence of COVID-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB Nil (six months ended 30 June 2020: RMB2,281,000) were recognised as negative variable lease payments.

13. FINANCIAL ASSETS AT FVTPL

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Current assets		
Financial assets at FVTPL	**15,000**	10,000

As at 30 June 2021, the Group entered into two contracts (31 December 2020: one contract) of wealth management products with financial institutions in the PRC. At 30 June 2021, the whole amount of RMB15,000,000 (31 December 2020: RMB10,000,000) was not guaranteed by the relevant financial institutions. The returns of those wealth management products were determined by reference to the performance of the underlying investments and their expected return rates stated in the outstanding contracts at 30 June 2021 range from 4.20% to 6.52% (31 December 2020: 4.20%) per annum.

In the opinion of the management of the Group, the fair value of the wealth management products at 30 June 2021 and 31 December 2020 approximated their principal amounts. All wealth management products will be matured within twelve months from the end of the Reporting Period.

14. OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (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)
Total other receivables	10,862	8,607
Less: non-current rental deposits	(2,086)	(2,380)
Current portion	8,776	6,227

Customers of after-school education services usually settle the prepaid packages by cash or pay through third-party payment platforms. For payment through third-party payment platforms, the third-party payment platforms normally settle the amounts received, net of handling charges, within one month after trade date. All receivables from third-party payment platforms aged within one month and not past due.

The Group applies 12m ECL approach to provide for ECL allowance on receivables from third-party payment platforms prescribed by HKFRS 9. The management of the Group are of the opinion that the credit risks of these receivables are minimal as these are from creditworthy third-party payment platforms with no history of defaults. Based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information, the management of the Group assessed the ECL for receivables from third-party payment platforms for the six months ended 30 June 2021 were insignificant.

15. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Unlisted:		
— Equity investment in the PRC (Note i)	**5,000**	5,000
— Debt instruments in Hong Kong (Note ii)	**16,700**	—
	21,700	5,000
Less: Debt instruments in current portion	**(16,700)**	—
Non-current portion	**5,000**	5,000

Notes:

i The above unlisted equity investment represent the Group's equity interest in a private entity operating online education business in the PRC. The directors of the Company have elected to designate this investment as financial asset at FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Group's strategy of holding this investment for long-term purposes and realising its performance potential in the long run.

ii The above unlisted debt instruments consist of two promissory notes with an aggregate principal amount of HK$20.0 million at 30 June 2021 issued by an independent third party. The promissory notes are denominated in Hong Kong dollars and carry interest rates of 2% and 3% per annum, respectively. The promissory notes have a maturity of three business days upon a redemption notice by the Group. The term of the notes is 10 years and one year, respectively. The Group intends to exercise its right to request redemption within the next 12 months and accordingly, classifies the promissory notes as current assets. As at 30 June 2021, the promissory notes were stated at their fair value of RMB16.7 million as determined by management.

Details of the fair value measurement as disclosed in note 24.

16. TIME DEPOSITS

Time deposits include bank deposits with original maturity of over three months carrying effective interest rates ranging from 1.85% to 2.11% (31 December 2020: 1.65% to 2.10%) per annum.

17. 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	**—**	—
	3,237	999

18. OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Staff cost payables	**13,271**	14,639
Renovation cost payables	**5,788**	1,952
Refundable tuition deposits	**638**	3,305
Refundable deposits from Contracted Parties	**3,347**	1,905
Other taxes payables	**1,517**	398
Other payables	**2,184**	3,521
	26,745	25,720

19. RECEIPTS IN ADVANCE

The following table provides information about receipts in advance from customers:

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Receipts in advance:		
— Tutoring fees	**230,412**	190,022
— Brand name licensing and advisory services income	**2,390**	2,688
	232,802	192,710

The receipts in advance primarily relate to the advance consideration received from the students and the Contracted Parties for contracts, for which revenue is recognised when the performance obligation is satisfied through service rendered.

20. LEASE LIABILITIES

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Non-current	**175,240**	197,398
Current	**40,008**	36,553
	215,248	233,951

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Minimum lease payment due:		
— within one year	**46,781**	44,249
— more than one year but not exceeding two years	**60,859**	61,325
— more than two years but not exceeding five years	**115,158**	129,610
— more than five years	**9,740**	19,669
	232,538	254,853
Less: Future finance charge	**(17,290)**	(20,902)
Present value of lease liabilities	**215,248**	233,951
Present value of lease liabilities		
— within one year	**40,008**	36,553
— more than one year but not exceeding two years	**56,023**	55,547
— more than two years but not exceeding five years	**110,363**	122,276
— more than five years	**8,854**	19,575
	215,248	233,951

The Group leases various properties for 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.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group‘s treasury function.

The total cash outflows for leases including the payments of lease liabilities and interests for the six months ended 30 June 2021 were RMB34,597,000 (six months ended 30 June 2020: RMB26,729,000).

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

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.

21. SHARE CAPITAL (continued)

(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$5,684,108 (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.

22. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

On 31 October 2019, the Company issued the convertible note to an investor in the principal amount of US$7,083,959 (equivalent to approximately RMB49,875,000) ("**Principal**"), which was irrevocably settled in cash and cash received by the Company on 6 December 2019 ("**Convertible Note**"). The Convertible Note shall be mandatorily and automatically converted into ordinary shares of the HK$0.01 each of the Company ("**Conversion Shares**") which shall represent approximately 5.2632% of the entire issued share capital of the Company (as enlarged by the allotment and issue of Conversion Shares) should the grant of the Listing take place on or before its maturity date (being 31 December 2021), or may also be converted into Conversion Shares before the Listing and at the discretion of the investor.

The Convertible Note was non-interest bearing and unsecured. Unless the Convertible Note is converted into Conversion Shares, the Principal shall be due and payable by cash on the maturity date or at the occurrence of any event of default, whichever is earlier.

Before the Listing, except for the events of default and event of a change of control, the investor is not entitled to require the Company redeem the Principal of the Convertible Note by cash prior to full repayment or conversion in full of the Convertible Note.

22. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

If the Principal on the Convertible Note shall be repaid in cash, all payments shall be in lawful money of the US$ equivalent to RMB50,000,000 according to the intermediate exchange rate of RMB-US$ in the inter-bank foreign exchange market published by the China Foreign Exchange Trading Center authorised by the Peoples' Bank of China the day before the date when the purchase price of the Convertible Note arrives at the bank account as designated by the Company (that is US$7,090,087 as calculated at an exchange rate of RMB1 to US$0.1418 on 5 December 2019), and such repayment shall be made at such back account as the investor may designate.

There is no term or condition of the Convertible Note granting any voting right to the investor to vote at any meetings of the Company by reason only of it being a holder of the Convertible Note. So long as any sum remains outstanding under the Convertible Note, the investor is entitled to nominate one observer (the "**Observer**") to the Board of the Company who shall be entitled to receive all notices of meeting and attend all meetings of the Board. The right to nominate an Observer by the investor shall cease upon the occurrence of the Listing.

The Group designated the Convertible Note as financial liabilities at FVTPL with the changes in the fair value recorded in the profit or loss.

The movement of fair value of the Convertible Note is set out as below:

	Convertible Note RMB'000
At 1 January 2020	49,810
Fair value gain	(14,171)
At 30 June 2020	35,639
Conversion to Conversion Shares (note 21)	(35,639)
At 31 December 2020, 1 January 2021 and 30 June 2021	—

The fair value of the Convertible Note as at 31 December 2019 was RMB49,810,000, which was arrived at on the basis of valuation carried out on 31 December 2019 by Cushman & Wakefield International Property Advisers (Guangzhou) Co., Ltd., an independent qualified professional valuer which is not connected with the Group. The address of Cushman & Wakefield International Property Advisers (Guangzhou) Co., Ltd. is Suite 2704, Taikoo Hui Tower 1, 385 Tianhe Road, Tianhe District, Guangzhou, the People's Republic of China.

22. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Guideline Public Company ("**GPC**") method is adopted under the market approach to perform the valuation analysis on the equity interest of the Group as at 31 December 2019. The GPC method involves the application of market multiples in assessing the fair value of the equity interest of underlying business.

Since the GPC method reflects a marketable, non-controlling value, an applicable discount for lack of marketability ("**DLOM**") should be applied in order to arrive at a non-marketable and non-controlling equity interest value.

Three scenarios were considered in the valuation of Convertible Note:

Scenario A: Automatic conversion on the first assumed date of Listing.

Scenario B: Automatic conversion on the second assumed date of Listing.

Scenario C: The Listing does not occur within the term of Convertible Note and the investor would request the Company to repay the principal amount on the maturity date.

In scenario A and B, the fair value of Convertible Note would be equivalent to 5.2632% equity value of the Group as of valuation date. In scenario C, as the Company would repay the principal amount on the maturity date, the fair value of Convertible Note is equivalent to a normal bond to be held to maturity. The fair value of the Convertible Note as at 31 December 2019 is the weighted average of the value derived in each scenario.

Key valuation assumptions used to determine the fair value of the Convertible Note are as follows:

	As at 31 December 2019		
	Scenario A	Scenario B	Scenario C
Probability to the scenarios	55%	25%	20%
Date of Listing	3 June 2020	31 December 2021	N/A
Volatility	61%	55%	N/A
Dividend yield	1.32%	1.32%	1.32%
DLOM	9%	15%	N/A
Equity value before DLOM	RMB1,037.6 million	RMB1,037.6 million	N/A
Discount rate	N/A	N/A	4.55%

Volatility was estimated based on the historical daily share price volatilities of the Group's selected comparable companies with tenure commensurate with the expected time to exit for each scenario. Dividend yield was estimated based on the Group's dividend policy and the expected profit forecast assessed by the management of the Group.

22. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

On 30 June 2020, the Company issued the Prospectus with share offer at a price not less than HK$1.25 per share. The directors of the Company considered high probability of Listing and determined the equity value with reference to the offer price of HK$1.25 per share in determining the fair value of the Convertible Note as at 30 June 2020 of RMB35,639,000.

On 15 July 2020, upon the Listing, the Convertible Note was fully converted into 31,579,200 ordinary shares of the HK$0.01 each of the Company. The directors of the Company determined the equity value with reference to the offer price of HK$1.25 per share in determining the fair value of the Convertible Note on 15 July 2020 upon the conversion of RMB35,639,000.

23. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme

The Company adopted the Share Option Scheme on 18 June 2020. The terms of the Share Option Scheme are in accordance with the Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest. The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Group shall not exceed 80,000,000 shares, being 10% of the total number of shares in issue (assuming the over-allotment option is not exercised) as at 15 July 2020 unless the Group obtains the approval of the shareholders in general meeting for renewing the 10% limit.

A consideration of HK$1 is payable on acceptance of the offer of grant of an option. Such consideration shall in no circumstances be refundable. An option may be exercised in whole or in part by the grantee (or his/her personal representative(s)) at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten-year period subject to the provisions for early termination as contained in the Share Option Scheme.

The Share Option Scheme will remain in force until 17 June 2030. During the six months ended 30 June 2021, no options had been granted, exercised, cancelled or lapsed under the Share Option Scheme, nor were any options outstanding under the Share Option Scheme (31 December 2020: Nil).

23. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share Award Scheme

The Company has adopted the Share Award Scheme with effect from 14 December 2020 as means to recognise the contribution of the Group's employees, motivate, retain and recruit high-calibre employees and reward those who had made valuable contribution to the Group ("**Selected Participants**"). Under the Share Award Scheme, the board of directors of the Company may grant shares to eligible employees, including directors of the Company and its subsidiaries.

The Company has set up a trustee (the "**Trustee**") to administer and hold the Company's shares before they are vested and transferred to the Selected Participants. The Trustee may also purchase the Company's shares being awarded from the open market using cash contributed by the Company.

The total number of shares in respect of which options may be granted under the Share Award Scheme is not permitted to exceed 10% of the shares of the Company. The shares held by the Trustee under the Share Award Scheme would not be counted towards the public float of the Company. As a result, to ensure at least 25% of the Company's total issued shares are held by the public shareholders, the total shares to be administered under the Share Award Scheme shall not exceed 3.95% of the total issued shares of the Company, assuming there is no change in the shareholding of Lucky Heaven and Bai Tai as at the end of the Reporting Period.

The Board may from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the awards to be vested or credited. All of such vesting criteria and conditions (if any) and periods shall be set out in the relevant grant letter issued to each Selected Participant.

During the six months ended 30 June 2021, the Company had entrusted the Trustee to purchase an aggregate of 29,400,000 shares from the open market for the Share Award Scheme at a total consideration of approximately HK$30,876,000 (equivalent to approximately RMB25,870,000) (31 December 2020: Nil).

On 14 January 2021, the Board granted an aggregate of 30,000,000 Award Shares to 56 of our employees (including four Directors) ("**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.

23. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share Award Scheme (continued)

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 30 June 2021, all of the 56 Grantees had accepted the Grant of the Award Shares and none of the Award Shares had been vested or forfeited, and 29,400,000 shares of the Company was held by Trustee.

Share price at grant date is HK$0.96 and the fair value of the shares granted at grant date was HK$28.8 million (equivalent to approximately RMB24.1 million). During the six months ended 30 June 2021, the Group recognized RMB6,035,000 expenses (six months ended 30 June 2020: Nil) in relation to the above Share Award Schemes to the current employees (included directors).

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at the end of each reporting period based on discounted cash flow analysis.

Fair value measurement of financial instruments

	Fair value at			
Financial assets	30 June 2021	31 December 2020	Fair value hierarchy	Valuation technique and key inputs
Equity instrument at FVTOCI (Note a)	Unlisted investment in the PRC: RMB5,000,000	Unlisted investment in the PRC: RMB5,000,000	Level 3	Market approach Key unobservable inputs: 1. average price-to-sales ratio of the listed companies in same industry 2. the discount of lack of marketability of the unlisted company
Debt instruments at FVTOCI (Note b)	Promissory notes in Hong Kong: RMB16,700,000	—	Level 3	Discounted cash flows Key unobservable inputs: 1. expected cash flows 2. a risk-adjusted discount rate that reflects the credit risk of the issuer
Financial assets at FVTPL (Note c)	Wealth management products in the PRC: RMB15,000,000	Wealth management products in the PRC: RMB10,000,000	Level 3	Discounted cash flows Key unobservable inputs: 1. expected yields of underlying investments invested by financial institutions 2. a discount rate that reflects the credit risk of the financial institutions

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value measurement of financial instruments (continued)

Notes:

(a) The Group is exposed to equity price risk through its investment in equity investment measured at FVTOCI. The Group invested in an unquoted equity investment for investees operating in online education industry sector for long term strategic purposes which had been designated as FVTOCI. The Group in general monitor the price risk and will consider hedging the risk exposure should the need arise.

No sensitivity analysis is presented since the management of the Group consider the exposure of other price risk arising from the equity investment measured at FVTOCI is insignificant.

No gains or losses are recognised in profit or loss relating to the change in fair value of unlisted equity investment classified as Level 3 for the period as the amount involved is insignificant.

(b) The management of the Group consider that the impact of the fluctuation in expected future cash flow to the fair value of the debt instruments was insignificant as the instruments have short maturities, and therefore no sensitivity analysis is presented.

No gains or losses are recognised in profit or loss relating to the change in fair value of debt instruments classified as Level 3 for the period as the amount involved is insignificant.

(c) The management of the Group consider that the impact of the fluctuation in expected yields of the underlying instruments to the fair value of the wealth management products was insignificant as the products have short maturities, and therefore no sensitivity analysis is presented.

No gains or losses are recognised in profit or loss relating to the change in fair value of wealth management products classified as Level 3 for the period as the amount involved is insignificant.

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value measurement of financial instruments (continued)

There were no transfers between levels of the fair value hierarchy during the six months ended 30 June 2021 and 2020.

Reconciliation of Level 3 fair value measurements

	Financial liabilities designated at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
At 1 January 2020	(49,810)	–	55,000	5,190
Fair value change recognised in profit or loss	14,171	–	–	14,171
Purchase	–	–	85,000	85,000
Issue	–	–	–	–
Settlement	–	–	(60,000)	(60,000)
At 30 June 2020	(35,639)	–	80,000	44,361
At 1 January 2021	**–**	**5,000**	**10,000**	**15,000**
Fair value change recognised in profit or loss	**–**	**–**	**–**	**–**
Purchase	**–**	**16,700**	**5,000**	**21,700**
Issue	**–**	**–**	**–**	**–**
Settlement	**–**	**–**	**–**	**–**
At 30 June 2021	**–**	**21,700**	**15,000**	**36,700**

25. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of the directors and other members of key management during the six months ended 30 June 2021 was as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term benefits	**6,922**	1,287
Post-employment benefits	**158**	50
	7,080	1,337

26. NON-CASH TRANSACTIONS

During the six months ended 30 June 2021, the Group has entered into the following major non-cash transactions:

(a) Right-of-use assets for buildings with a total capital value of RMB22,748,000 (six months ended 30 June 2020: RMB64,820,000) and lease liabilities of RMB22,654,000 (six months ended 30 June 2020: RMB64,632,000) were recognised on commencement date of new leases entered into by the Group during the six months ended 30 June 2021; and

(b) Right-of-use assets for buildings with a total carrying amount of RMB9,922,000 (six months ended 30 June 2020: RMB9,563,000) and lease liabilities of RMB10,584,000 (six months ended 30 June 2020: RMB10,603,000) were derecognised during the six months ended 30 June 2021 upon early termination of relevant leases during the six months ended 30 June 2021.

27. 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 report, 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.

27. SUBSEQUENT EVENTS (continued)

(iv) (continued)

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 "**Proposed 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 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.