

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
ANNUAL REPORT

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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

Bank of Communications, Zhengzhou Huanghe
Road Branch
No.5-2, Huanghe Road, North Crossroad of
Huanghe Road and Jingsi Road
Jinshui 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 HIGHLIGHT

	FY2021 RMB'000	FY2020 RMB'000	Change RMB'000	Percentage change (%)
Revenue	352,874	333,041	19,833	6.0
(Loss) profit before taxation	(55,733)	4,677	(60,410)	(1,291.6)
(Loss) profit for the year	(56,796)	2,053	(58,849)	(2,866.5)
Total comprehensive (expense) income for the year	(61,796)	2,053	(63,849)	(3,110.0)
(Loss) profit for the year attributable to owners of the Company	(56,423)	2,053	(58,476)	(2,848.3)
Total comprehensive (expenses) income for the year attributable to owners of the Company	(61,423)	2,053	(63,476)	(3,091.9)
Adjusted for:				
Listing expenses	—	10,225	(10,225)	(100.0)
Non-HKFRS adjusted (loss) profit and total comprehensive (expense) income for the year	(61,796)	12,278	(74,074)	(603.3)
(Loss) earnings per share				
— Basic (RMB cents)	(7.31)	0.30	(7.61)	(2,536.7)
— Diluted (RMB cents)	(7.31)	(1.75)	(5.56)	(317.7)

CHAIRMAN STATEMENT

To Shareholders,

On behalf of the Board, I am pleased to present this annual report of our Group for FY2021. This is our second annual report since our Listing on the Main Board of the Stock Exchange on 15 July 2020.

BUSINESS REVIEW

In FY2021, we were faced with unforeseen changes across the country and the education sector as a result of the changes in regulatory environment. During the first half of FY2021, we continued the growth and our existing operation in the provision of primary and secondary after-school education services in Zhengzhou, the PRC. While in the second half of FY2021, due to the reform of education system in the PRC coupled with the COVID-19 resurgence, our Group and the PRC education sector were confronted with unprecedented challenges.

Despite all the ups and downs in FY2021, we still hold steadfast to our goal of “creating a bright future for students 為學生創造美好未來” by implementing our teaching philosophy of stimulating student’s learning initiatives, improving their personal attainment, broadening their horizons and shaping their personal character. In reaching our goal, we will continue to combine technology and innovation with physical tutoring to improve student’s learning interest and efficiency.

With our over 20 years track record, we understand the importance of maintaining teaching quality and efficiencies as well as enhancing the reputation and influence of our tutoring services for the steady development of our business. We have focused on enhancing our core competency and made continuous efforts and investments in improving teaching and research, recruiting qualified teachers, upgrading our online merge offline (“OMO”) education platform, whereby we equipped ourselves to effectively adapt to the ever-changing external environment.

We recorded a growth in the revenue and profitability of our existing business in the first half of FY2021. The Group’s recorded revenue of approximately RMB216.1 million for the first half of FY2021, representing a significant increase of approximately 96.0% as compared to that of last year, primarily due to the increase in the number of our revenue generating self-operated teaching centres in the first half of FY2021 as compared with the same period in FY2020. As offset by the winding down of our Existing Business since August 2021 for compliance with the restrictions of the Opinion, the Group still recorded revenue of approximately RMB352.9 million for FY2021, representing an increase of approximately 6.0% as compared to that of last year.

In the second half of FY2021, we adjusted ourselves strategically to explore new business opportunities, diversify our business portfolio with a view to expand our income source. Despite the fact that the effectiveness of the strategy has yet to be fully reflected in our business performance, we believe that our valuable experience obtained from our Existing Business will lay a solid foundation for the Company’s expansion of its business coverage which will ultimately be reflected in our long-term operation results.



CHAIRMAN STATEMENT

FUTURE STRATEGY

As previously a leading after-school education service provider in Henan, we believe our sound resources and solid experiences will be pave the way for the development of our new businesses. The Company remains fully dedicated to its students, teaching staff and Shareholders, we never forget where we started and our business development will still be centered on our original goal of “creating a bright future for students 為學生創造美好未來”.

Accordingly, we planned to diversify its business portfolio to cover three other types of tutoring services, namely (i) extracurricular programmes for personal attainment in arts, sports and coding programming targeting children and teenagers; (ii) vocational education targeting high school students and adults; and (iii) overseas education consultation.

With the improvement of the educational level of the general population in the PRC, parents are becoming more aware of the importance of providing all-rounded education and whole-person development of their next generation. Together with the rise of living standard in major cities of the PRC, parents are more willing to enrol their children in extracurricular activities. Our Group sees the value and opportunities in developing its services to help our students improve their personal attainment in inspiring subjects such as arts, sports and coding programming.

In addition, with the economic reform and opening-up of the PRC, Chinese families with sufficient financial means are more willing to invest resources in overseas education for their children, which could help them broaden their vision, gain culture exposure, obtain access to better education as well as valuable life experiences. We believe that our overseas education consultation could assist families and their children to realise their dream of embracing the world.

We understand that the vocational education could provide basis for promoting sustainable economic and social development and increase talent support that backs the competitiveness of the country. We plan to actively participate in vocational education, improve the quality of training, and add popular subjects for advanced technology. We believe that by achieving synergy of our own resources and experiences and those of our cooperating partners, we could gradually grow our scale of operation in this area.

CONCLUDING REMARKS

While 2022 would represent a new era for our business, we remain confident in the Group's future development. Having faced with the various challenges in the second half of FY2021, we have become more aware of our own adaptability and have consolidated our fundamental capabilities, which will continue to act as a strong support for our business expansion and recovery.

“Strong grass fears no wind, and true gold fears no fire”. Embracing our dreams and vision for education in the new era, we will keep our founding missions in nurturing new generations, maintain our quality and efficiency strenuously, and continue to create value for our Shareholders, investors and the society as a whole through our collective effort. We are fully confident that we can overcome all the difficulties and achieve our goals!

APPRECIATION

On behalf of the Board, I would like to take this opportunity 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 FY2021. We will continue our efforts to strengthen our business and improve returns to our Shareholders.

In the meantime, we would also like to express our gratefulness for Alliance Capital Partners Limited, who helped and guided us despite all the challenges in FY2021. We truly appreciate their efficiency in project execution and high standard professional services.

Zhang Hongjun

Chairman and Chief Executive Officer

30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

During FY2021, we were principally engaged in the provision of primary and secondary after-school education services in Zhengzhou, the PRC (the “**Existing Business**”). 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.

We divide our teaching centre network into two criteria, namely, self-operated and franchised teaching centres. 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 FY2021, the total number of student enrolments was 281,765, and the total number of tutoring hours delivered by us was 5,539,289 hours, 102,197 hours and 504,271 hours, respectively, for regular classes, small classes and VIP classes.

We recorded a growth in the revenue and profitability of our Existing Business in the first half of FY2021 as compared with the corresponding period in FY2020.

FY2021 was nonetheless a challenging and difficult year for our Existing Business. Reference is made to the announcements of the Company dated 11, 22, 25 July 2021 and 13 August 2021 (collectively, the “**Announcements**”). As disclosed in the Announcements, there has been suspension certain self-operated teaching centres since late June 2021 for regular safety screening, followed by the temporary closure of our self-operated teaching centres in Zhengzhou city as a result of the severe flooding in Henan Province in July 2021, and thereafter the provision of physical classes for our Existing Business in the Group’s self-operated teaching centres were suspended due to the COVID-19 Outbreak in Zhengzhou since late July 2021. We have converted certain provision of physical classes to online classes to allow students to attend classes through our proprietary online learning platform in view of this challenging environment.

In addition, as disclosed in the Announcements, the PRC government has been reforming its education system, and has circulated the Opinion for implementation. The Opinion sets out the policy guidance on, among others, the further tightening of regulations on the after-school tutoring sector. As a result, the Group has wound down its Existing Business and closed a majority of its self-operated teaching centres since August 2021 to fully comply with the policy under the Opinion.

Taking into account the inevitable transition in industry and market trends in adapting to the new regulatory environment, the Group has reviewed its business strategies and resources allocation and planned to diversify its business portfolio to cover three other types of tutoring services, namely (i) extracurricular programmes for personal attainment in arts, sports and coding programming targeting children and teenagers; (ii) vocational education targeting high school students and adults; and (iii) overseas education consultation (collectively, the **“Expanded Business”**).

The Group has started organic growth of its operation in relation to extracurricular programmes and overseas education consultation. As at the date of this annual report, the Group has established and started its operation in seven training centres to provide extracurricular classes in sports and one centre in Zhengzhou City to provide overseas education consultation. Further, the Group is at an advanced stage of preparation in relation to its extracurricular programmes in dancing, arts and programming.

In relation to vocational education, the Group planned to achieve expansion through selective acquisitions of or strategic cooperation with established operation in the industry. As disclosed in the announcement of the Company dated 14 February 2022, the Group has entered into an equity transfer agreement (the **“Equity Transfer Agreement”**) with independent third parties on 14 February 2022 for the acquisition (the **“Acquisition”**) of 60% equity interest in the Henan Zhongzhichuang Education Information Consulting Company Limited* (河南中之創教育信息諮詢有限公司) (**“Henan Zhongzhichuang”** or the **“Target Company”**), which is principally engaged in the provision of vocational training and technical education for adults in relation to computer science and information technology. As at the date of this annual report, completion of the Acquisition has not yet taken place.

Future Outlook

The Group will continue to carefully re-evaluate its existing business operations and resources while taking into account its own competitive strengths and market reactions in adapting in the new regulatory environment. The Group will also continue to explore opportunities to develop the Expanded Business.

Premised on the Group’s sound resources and solid experiences from the Existing Business, the Board believes that the Expanded Business will offer good opportunities for the Group to widen its business coverage and diversify its services to absorb additional market demands. The Board believes that the Expanded Business will broaden the income sources of the Group and bring new profit growth for the Group. The Directors believe that with the proper adjusted business model for its business operation, the Group will be able to meet the challenges posed by the new policy under the Opinion.

The Group will continue to monitor closely the regulatory environment which may have material effects on our business operations and financial position and adjust its business plan and re-allocation of resources from time to time.

FINANCIAL REVIEW

Revenue

Our revenue was derived primarily from the tuition fees we collect from our students through our self-operated teaching centres. For FY2021, our total revenue was approximately RMB352.9 million, representing an increase of approximately RMB19.9 million or approximately 6.0% as compared to that of approximately RMB333.0 million for FY2020. The increase was primarily due to the increase in the number of our revenue generating self-operated teaching centres in the first half of FY2021 as compared with the same period in FY2020, which was set off by the closures of a majority of our self-operated teaching centre for our Existing Business since August 2021 for compliance with the restrictions on the Existing Business imposed by the implementation of the Opinion.

The following table sets out the breakdown of revenue of our Group by different segments for the year indicated:

	FY2021		FY2020	
	RMB'000	%	RMB'000	%
Tuition fees income				
— Regular classes, small classes and VIP classes	325,852	92.3	304,645	91.5
— Other tutorial services ^(Note 1)	20,668	5.9	22,589	6.8
Subtotal	346,520	98.2	327,234	98.3
Sales of books and teaching materials	3,068	0.9	1,274	0.4
Brand name licensing and advisory income	2,697	0.8	3,542	1.1
Other services ^(Note 2)	589	0.1	991	0.2
Total	352,874	100.0	333,041	100.0

Notes:

- 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.
- Other services mainly represent revenue derived from provision of training and consultancy services.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	FY2021			FY2020		
	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	173,421	166,053	4,215,413	154,479	125,741	3,782,176
Small classes	4,435	2,146	57,401	6,822	3,829	87,871
VIP classes	31,962	25,493	221,742	38,747	16,565	258,871
Subtotal	209,818	193,692	4,494,556	200,048	146,135	4,128,918
Secondary school tutoring						
Regular classes	60,409	67,011	1,323,876	56,826	66,923	1,353,518
Small classes	4,062	2,006	44,796	4,026	2,643	46,662
VIP classes	51,563	19,056	282,529	43,745	17,074	240,484
Subtotal	116,034	88,073	1,651,201	104,597	86,640	1,640,664
Total	325,852	281,765	6,145,757	304,645	232,775	5,769,582

The increase in revenue, student enrolment and tutoring hours for FY2021 was mainly due to the increase in the number of our self-operated teaching centres in the first half of FY2021 as compared with the same period in FY2020, which was set off by the closure of a majority of our self-operated teaching centres for our Existing Business since August 2021 for compliance with the restrictions imposed by the implementation of the Opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Our cost of sales primarily consists of (i) staff costs; and (ii) depreciation. The depreciation mainly represented the depreciation expenses for right-of-use assets for buildings, leasehold improvements and furniture, fixture and equipment for our self-operated teaching centres. We recorded an increase in cost of sales of approximately RMB11.4 million or approximately 5.1% from approximately RMB224.0 million for FY2020 to approximately RMB235.4 million for FY2021. Such increase was primarily due to the increase in staff costs. Staff costs primarily consist of salaries and performance based payment attributable to our teaching staff. Due to the increase in the tutoring hours during FY2021, and number of teaching hours increased which led to an increase in staff costs.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately RMB8.4 million or approximately 7.7% from approximately RMB109.0 million for FY2020 to approximately RMB117.4 million for FY2021. The gross profit margin increased from approximately 32.7% for FY2020 to approximately 33.3% for FY2021.

Other Income

Other income mainly consists of (i) bank interest income, (ii) government grants; and (iii) income from financial assets designated at fair value through profit or loss. Our other income increased by approximately RMB2.9 million or 55.8% from approximately RMB5.2 million for FY2020 to approximately RMB8.1 million for FY2021. Such increase was mainly due to the increase in bank interest income derived from time deposits during FY2021.

Other Gains and Losses, Net

Other gains and losses, net mainly consist of (i) foreign exchange losses; (ii) impairment loss on property and equipment; (iii) impairment loss recognised in respect of other receivable, net; (iv) loss on disposal of property and equipment; (v) impairment loss recognised in respect of debt instruments at fair value through other comprehensive income (“**FVTOCI**”); and (vi) gain on derecognition of right-of-use assets and lease liabilities. Our other gains and losses, net increased significantly by approximately RMB60.7 million or 632.3% from net loss of approximately RMB9.6 million for FY2020 to net loss of approximately RMB70.3 million for FY2021. Such increase was mainly due to (i) increase of impairment loss on property and equipment (including right-of-use assets) of approximately RMB24.1 million or approximately 689.0% for our certain self-operated teaching centres; (ii) increase of loss on disposal of property and equipment of approximately RMB48.4 million or approximately 49,346.9%; (iii) increase of impairment loss recognised in respect of other receivables, net of approximately RMB1.8 million or approximately 324.9%; and (iv) recognition of impairment loss in respect of debt instruments at FVTOCI of approximately RMB1.4 million.

Please see below a breakdown for other gains and losses, net for the year indicated.

	FY2021 RMB'000	FY2020 RMB'000	Change RMB'000	Change %
Foreign exchange losses	(1,756)	(6,535)	4,779	(73.1%)
Impairment loss on property and equipment	(27,615)	(3,500)	(24,115)	689.0%
impairment loss recognised in respect of debt instruments at FVTOCI	(1,393)	—	(1,393)	n/a
Impairment loss recognised in respect of other receivables, net	(2,341)	(551)	(1,790)	324.9%
Loss on disposal of property and equipment	(48,458)	(98)	(48,360)	49,346.9%
Gain on derecognition of right-of-use assets and lease liabilities	11,288	1,090	10,198	935.6%
	(70,275)	(9,594)	(60,681)	632.5%

Impairment loss on property and equipment

The Group recorded an increase in impairment loss on property and equipment from RMB3.5 million for FY2020 to RMB27.6 million for FY2021. The increase in impairment loss on property and equipment (including right-of-use assets) was primarily as a result of issuance of Opinion during FY2021. According to HKAS36 Impairment of Assets, recoverable amount of an asset shall be measured whenever there is an indication that the asset may be impaired. In assessing whether there is any indication that an asset may be impaired, one of the indicators the entity shall consider is significant changes with an adverse effect on the entity that have taken place during the period. If any of those indications is present, an entity is required to make a formal estimate of recoverable amount. Under the implementation of Opinion, the operations of our after-school education services may be significantly affected. As a result, the Group concluded that impairment indicators existed and performed an impairment assessment on property and equipment (including right-of-use assets).

An asset is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell or disposal and its value in use. When determining the value-in-use of the cash generating units (the “CGUs”), the Directors have taken into consideration of relevant government regulations released and industry indicators presented as at 31 December 2021. For the fair value less costs of disposal of the individual asset within the CGUs, the Directors have considered relevant publically available information, the alternative use of the assets, the remaining lease term, future lease payments and potential penalties charged by the lessor upon the earlier termination of leases associated with the Existing Business.

MANAGEMENT DISCUSSION AND ANALYSIS

Based on the impact of the Opinion, the Group has planned to cease its provision of primary and secondary after-school tutoring services (the “AST”, being part of the Existing Business) in FY2022 as the Directors concluded that the AST may not be able to generate positive cash flow in the foreseeable future. As a result, the recoverable amount is lower than the carrying amount. Our management concluded to write off the property and equipment for certain self-operated teaching centres related to the AST. Based on the result of the assessment, impairment losses of approximately RMB27.6 million (2020: RMB3.5 million) have been recognised against the carrying amount of property and equipment (including right-of-use assets).

Loss on disposal of property and equipment

We recorded an increase in loss on disposal of property and equipment from RMB0.1 million for FY2020 to RMB48.5 million for FY2021. The loss on disposal of property and equipment mainly represented the loss on disposal of leasehold improvements and furniture, fixture and equipment located in our certain self-operated teaching centres. The increase in such loss for FY2021 was due to the closure of a majority of self-operated teaching centres related to our Existing Business as a result of issuance of Opinion during FY2021.

Impairment loss recognised in respect of other receivables, net

The Group recorded an increase in impairment loss recognised in respect of other receivables, net from RMB0.6 million for FY2020 to RMB2.3 million for FY2021.

The impairment loss mainly represented the impairment loss incurred on deposits and prepayment related to our Existing Business. As we had wound down our Existing Business as at year ended, acquisition of certain services or goods related to our Existing Business was no longer needed while some of the related prepayments and deposits were not expected to be recovered, leading to an increase in impairment loss recognised in respect of other receivables, net during FY2021.

Impairment loss recognised in respect of debt instruments at FVTOCI

Impairment loss recognised in respect of debt instruments at FVTOCI mainly represented the impairment loss recognised in investments in promissory notes in Hong Kong. The carrying amount of debt instruments at FVTOCI as stated in the consolidated statement of financial position represent our maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligation by the issuers. For the purposes of internal credit risk management, the Group uses estimated credit rating of the issuers to assess whether credit risk has increased significantly since initial recognition. During FY2021, expected credit loss on debt instruments at FVTOCI amounting to approximately RMB1.4 million is recognised in the profit or loss while we did not invest in any promissory notes during FY2020.

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 decreased by approximately RMB4.9 million or 26.3% from approximately RMB18.6 million for FY2020 to approximately RMB13.7 million for FY2021. Such decrease was mainly a result of the decrease 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 RMB1.5 million or 5.3% from approximately RMB28.2 million for FY2020 to approximately RMB29.7 million for FY2021. Such increase was mainly a result of increase in staff costs for our content development staffs during FY2021.

Administrative Expenses

Our administrative expenses mainly comprise of staff costs at our head office, office expenses and travelling expenses. Our administrative expenses increased by approximately RMB11.2 million or 22.8% from approximately RMB49.2 million for FY2020 to approximately RMB60.4 million for FY2021. Such increase was mainly attributed by the increase in staff costs as a result of the increase in staff training costs and the increase in legal and professional expenses for post-listing matters during FY2021.

Finance Costs

Our finance costs represented interests on leased liabilities, which decreased by approximately RMB0.7 million or 8.9% from approximately RMB7.9 million for FY2020 to approximately RMB7.2 million for FY2021. Such decrease was mainly attributable to the closure of a majority of our self-operated teaching centres since August 2021 to adapt to the new regulatory environment during FY2021.

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

Our fair value change of financial liabilities designated at fair value through profit or loss (“**FVTPL**”) relates to the Convertible Note issued by our Company to SCGC Capital Holding Company Limited on 31 October 2019 details of which are disclosed in the Prospectus. We did not record any fair value gain from the Convertible Note for FY2021 as compared to the fair value gain from the Convertible Note of approximately RMB14.2 million for FY2020.

Taxation

Our income tax expenses decreased by approximately RMB1.5 million or approximately 57.7% from approximately RMB2.6 million for FY2020 to approximately RMB1.1 million for FY2021. Our effective tax rate was approximately 56.1% for FY2020 as compared to the effective tax rate of approximately (1.9%) for FY2021. The decrease in income tax expenses and negative effective tax rate was primarily due to (i) significant increase in other net losses of approximately RMB60.7 million; and (ii) we recorded loss before taxation of approximately RMB55.7 million for FY2021 as compared to profit before taxation of approximately RMB4.7 million for FY2020.

Fair Value Loss on Investment in Equity Instruments Measured at Fair Value Through Other Comprehensive Income

Our fair value loss on investment in equity instruments measured at fair value through other comprehensive income related to the Group's equity interest in a private entity operating online education business in the PRC. Reference is made to the voluntary announcement of the Company dated 15 October 2020 in respect of the acquisition by the Group of approximately 2.95% of the entire issued share capital in Beijing First Future Education Technology Corporation Limited* (北京飛博教育科技股份有限公司) (“**First Future**”) at a consideration of RMB5 million. First Future is a company established in the PRC with limited liability and is principally engaged in providing OMO English language education solutions to kindergartens, public schools, after-school education institutions and etc. Due to the impact of implementation of the Opinion during FY2021, taking into consideration of relevant government regulations released and industry indicators presented as at 31 December 2021, that private entity would not expect to generate net operating cash inflow in the foreseeable future and accordingly, the fair value of that equity interest as at 31 December 2021 is minimal. Accordingly we recorded net fair value loss of approximately RMB5.0 million charged to other comprehensive income for FY2021 where we did not record any of such fair value loss for FY2020.

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

As a result of the foregoing, we recorded a loss for the year of approximately RMB56.8 million for FY2021, as compared to a profit for the year of approximately RMB2.1 million for FY2020, and we recorded a total comprehensive expense for the year of approximately RMB61.8 million for FY2021, as compared to a total comprehensive income for the year of approximately RMB2.1 million for FY2020.

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 RMB14,000 as at 31 December 2021, representing a decrease of approximately RMB9.3 million or 99.9% as compared to that of approximately RMB9.4 million as at 31 December 2020. As we have closed the majority of our self-operated teaching centres and wound down the Existing Business as a result of the restrictions on the Existing Business imposed by the implementation of the Opinion during FY2021, we have written down our booking and teaching materials related to the Existing Business, which led to a decrease in inventories.

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. We did not record any financial assets at fair value through profit or loss as at 31 December 2021 where our financial assets at fair value through profit or loss amounted to RMB10.0 million as at 31 December 2020, which was due to the redemption on the wealth management products during FY2021.

Other Receivables

Our other receivables were 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 RMB5.1 million as at 31 December 2021, representing a decrease of RMB1.1 million or approximately 17.7% as compared to that of approximately RMB6.2 million as at 31 December 2020 due to the decrease of rental deposits and receivables from third-party payment platforms as a result of the closure of a majority of self-operated teaching centres and winding down of our Existing Business.

Time Deposits

Our time deposits primarily represent bank deposits with original maturity over three months. We have time deposits of Nil as at 31 December 2021, as compared to that of approximately RMB119.7 million as at 31 December 2020, which was primarily due to the redemption of time deposits during FY2021.

Bank Balances and Cash

Our bank balances and cash amounted to approximately RMB259.8 million as at 31 December 2021, representing a decrease of approximately RMB39.9 million or approximately 13.3% as compared to that of approximately RMB299.7 million as at 31 December 2020. Such decrease was primarily due to (i) refund of tuition fee as a result of the restrictions on the Existing Business imposed by the implementation of the Opinion during FY2021; and (ii) the fact that we have used part of the proceeds from the Listing during FY2020.

Trade Payables

Our trade payables are primarily related to purchases of books and teaching materials. Our trade payables amounted to approximately RMB0.3 million as at 31 December 2021, representing a decrease of approximately RMB0.7 million or approximately 70.0% as compared to that of approximately RMB1.0 million as at 31 December 2020. Such decrease in trade payables was primarily attributable to the decrease in purchase of books and teaching materials.

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 lease liabilities as at 31 December 2021 amounted to approximately RMB22.8 million, representing a decrease by approximately RMB211.2 million or approximately 90.3% as compared with that of approximately RMB234.0 million as at 31 December 2020. Such decrease was mainly attributable to the termination of lease agreements due to the closure of a majority of our self-operated teaching centres adapting to the new regulatory environment during FY2021.

Other Payables and Accrued Charges

Our other payables and accrued charges comprised of staff cost payables, renovation cost payables, refundable tuition deposits and other tax payables. Our other payables and accrued charges amounted to approximately RMB14.8 million as at 31 December 2021 representing a decrease of approximately RMB10.9 million or approximately 42.4% as compared to that of approximately RMB25.7 million as at 31 December 2020. Such decrease was primarily attributable to the decrease in the number of teaching staff at 31 December 2021 as a result of the business reorganisation during FY2021, and there has been led to a decrease in staff cost payable.

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 RMB44.9 million as at 31 December 2021, representing a decrease of approximately RMB147.8 million or approximately 76.7% as compares to that of approximately RMB192.7 million as at 31 December 2020. Such decrease was mainly attributable to the decrease in the number of student enrolment towards the end of FY2021 as a result of winding down of our Existing Business in compliance of the policy under the Opinion and our business reorganisation during FY2021.

Indebtedness

As at 31 December 2021, we had outstanding lease liabilities amounted to approximately RMB22.8 million (2020: approximately RMB234.0 million).

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

Liquidity and Capital Resources

During FY2021, we financed our working capital and capital expenditure principally through our operations. As at 31 December 2021, our net current assets amounted to approximately RMB199.7 million, representing an increase of 7.6% as compared with that of approximately RMB185.6 million as at 31 December 2020. As at 31 December 2021, our bank balance and cash amounted to approximately RMB259.8 million, representing a decrease of approximately 13.3% as compared with that of approximately RMB299.7 million as at 31 December 2020, primarily because of (i) the refund of tuition fee as a result of the restrictions on the Existing Business imposed by the implementation of the Opinion during FY2021; and (ii) the fact that we have used part of the proceeds from the Listing during FY2020.

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

The Group did not use any financial instruments for hedging purpose during FY2021.

Charge on Assets

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

Gearing ratio is calculated based on total debt at the end of the relevant year divided by total equity at the end of the respective year. Total debt represents lease liabilities arising from the adoption of Hong Kong Financial Reporting Standards 16 “Leases”. Our gearing ratio as at 31 December 2021 was approximately 0.1 (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 divided by the total current liabilities at the end of the respective year. Our current ratio as at 31 December 2021 was approximately 4.1 times (2020: approximately 1.7 times).

Pledge of Assets

As at 31 December 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 31 December 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 31 December 2021, we did not have any material contingent liabilities.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhang Hongjun (張紅軍), aged 44, is our founder, the chairman of our Board, an executive Director and the chief executive officer of our Group. He was appointed as our Director on 30 November 2018 and was re-designated as our executive Director on 9 April 2019. Mr. Zhang is primarily responsible for the overall operation and management. Mr. Zhang is currently a director of Golden Town Ventures Limited (金城創投有限公司), Dashan Education (HK) Company Limited (大山教育(香港)有限公司) and Zhengzhou Dashan Yun Xiao Technology Company Limited* (鄭州大山雲效科技有限公司), each a subsidiary of our Company. He is also a director of Dashan Training, a consolidated Affiliated Entity.

Mr. Zhang has over 23 years of experience in the education industry since he commenced the preparation for setting up of our first self-operated teaching centre in 1998. From May 2005 to October 2015, Mr. Zhang served as a principal of Zhengzhou Jinshui Dashan Foreign Language Training School* (鄭州金水大山外國語培訓學校). He served as a vice general manager from November 2015 to March 2016, a director and general manager from April 2016 to June 2016, then the general manager and the chairman of the board of directors of Dashan Training from June 2016. Mr. Zhang was elected as a member of the 12th Committee of the Henan Provincial Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆河南省委員會) in January 2018.

Mr. Zhang obtained a bachelor's degree in business administration from Xi'an Jiaotong University (西安交通大學) in the PRC in January 2014 and completed the Executive Master of Business Administration programme from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2017, respectively.

As at the date of this annual report, Mr. Zhang was interested in an aggregate of 505,860,800 Shares, representing approximately 63.23% of the total issued share capital of the Company, among which (i) 496,060,800 Shares, representing approximately 62.00% of the total issued share capital of the Company, were held through Lucky Heaven, which is wholly owned by Mr. Zhang Hongjun, and (ii) 9,800,000 Shares, representing approximately 1.23% of the total issued share capital of the Company, were held by the Share Award Scheme Trust, for the benefit of Mr. Zhang as a grantee of 9,800,000 Award Shares the vesting of which are subject to the vesting conditions and schedule as set out in the relevant grant letter.

Mr. Shan Jingchao (單景超), aged 35, is an executive Director. Mr. Shan joined our Group on 1 February 2009 and was appointed as our Director on 22 March 2019 before being re-designated as our executive Director on 9 April 2019. He is primarily responsible for overseeing our Group's operating system, supervising and managing the operation of teaching districts.

Mr. Shan was a teaching district supervisor of Zhengzhou Jinshui Dashan Foreign Language Training School* (鄭州金水大山外國語培訓學校) from February 2009 to December 2010. Mr. Shan was a general manager and director of Dashan Training, our Consolidated Affiliated Entity from December 2010 to April 2016. From April 2016 to June 2016, Mr. Shan was a vice general manager of Dashan Training. Since June 2016, Mr. Shan has been as a director and a vice general manager of Dashan Training.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Shan obtained a diploma degree in chain management from Xi'an Eurasia University (西安歐亞學院) in the PRC in July 2009 and a bachelor's degree in ideological and political education from Henan Normal University (河南師範大學) in the PRC in July 2016.

As at the date of this annual report, Mr. Shan has an interest in an aggregate of 73,530,000 Shares, representing approximately 9.19% of the total issued share capital of the Company among which (i) 72,360,000 Shares, representing approximately 9.05% of the total issued share capital of the Company were held by Bai Tai Investments Limited (百泰投資有限公司) ("**Bai Tai**"), which is owned as to approximately 10.35% by Mr. Shan; (ii) 1,000,000 Shares, representing approximately 0.12% of the total issued share capital of the Company were held by the Share Award Scheme Trust, for the benefit of Mr. Shan as a grantee of 1,000,000 Award Shares the vesting of which are subject to the vesting conditions and schedule as set out in the relevant grant letter; and (iii) 170,000 Shares, representing approximately 0.02% of the total issued share capital of the Company were held by the Share Award Scheme Trust, for the benefit of Ms. Yuan Zhaoxia, who is the spouse of Mr. Shan, as a grantee of 170,000 Award Shares the vesting of which are subject to the vesting conditions and schedule as set out in the relevant grant letter.

Mr. Ma Wenhao (馬文浩), aged 49, is an executive Director. Mr. Ma joined our Group on 15 May 2014. Mr. Ma was appointed as our Director on 22 March 2019 and was re-designated as our executive Director on 9 April 2019. He is primarily responsible for supervising our Group's accounting and financial management.

Mr. Ma served as a vice general manager and the chief financial officer of Dashan Training from May 2014 to June 2016 and then a vice general manager, secretary to the board of directors and chief financial officer of Dashan Training since June 2016. Prior to joining our Group, from July 1996 to October 2001, Mr. Ma worked in the accounting department of Zhengzhou City Fourth Grain Oil Food Co., Ltd.* (鄭州市第四糧油食品有限公司) which is principally engaged in the sales of grain and oil food. From November 2001 to July 2011, he served as the financial manager of Sanquan Food Co., Ltd (三全食品股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 002216) which is principally engaged in the production and sales of quick-frozen foods, and the deputy general manager of its subsidiary, being Zhengzhou New Food Co., Ltd* (鄭州全新食品有限公司) which is principally engaged in packaging and sales of quick-frozen food and convenient fast food production. From August 2011 to May 2014, Mr. Ma served as the deputy general manager, chief financial officer and secretary to the board of directors of Zhengzhou Howell Electronic Technology Co., Ltd* (鄭州豪威爾電子科技股份有限公司) which is principally engaged in the sale of agricultural machinery ancillary intelligent instrument (a company listed on the National Equities Exchange and Quotation System of the PRC with stock code 430471).

Mr. Ma graduated from Nanyang Institute of Technology (南陽理工學院) in the PRC with accounting profession in July 1996 and obtained the bachelor of accounting (specialist starting point) at the China Central Radio and TV University (中央廣播電視大學) (currently known as The Open University of China) (國家開放大學) in the PRC in January 2014. Mr. Ma also obtained the certificate of speciality and technology (intermediate level) in accounting in the PRC granted by the Ministry of Finance of the PRC* (中華人民共和國財政部) in May 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

As at the date of this annual report, Mr. Ma has an interest in 73,360,000 Shares, representing approximately 9.17% of the total issued share capital of the Company among which (i) 72,360,000 Shares, representing approximately 9.05% of the total issued share capital of the Company were held by Bai Tai, which is owned as to approximately 7.30% by Mr. Ma; and (ii) 1,000,000 Shares, representing approximately 0.12% of the total issued share capital of the Company were held by the Share Award Scheme Trust, for the benefit of Mr. Ma as a grantee of 1,000,000 Award Shares the vesting of which are subject to the vesting conditions and schedule as set out in the relevant grant letter.

NON-EXECUTIVE DIRECTOR

Mr. Jia Shuilin (賈水林), aged 53, is our non-executive Director. Mr. Jia joined our Group on 25 June 2016 and was appointed as our Director on 22 March 2019 before being re-designated as our non-executive Director on 9 April 2019. He is primarily responsible for supervising our Group's market development. Since June 2016, Mr. Jia has been a director of Dashan Training.

From March 1998 to April 2009, Mr. Jia was a legal representative, a director and a general manager of Zhengzhou Linhai Motor Repair Company Limited* (鄭州林海汽車維修有限公司) which was principally engaged in provision of automobile repair services (the business licence of the company was revoked in April 2009 due to failure to complete annual inspection and the company was subsequently deregistered in July 2016). From July 2002 to October 2012, Mr. Jia was a director and the legal representative of Beijing Tong Yuan Rui Jie Trade Company Limited* (北京通源瑞捷商貿有限公司) which was principally engaged in provision of automobile parts and accessories. From April 2003 to November 2015, Mr. Jia was the legal representative, a director and a general manager of Henan Linhai Motor Service Limited* (河南林海汽車服務有限公司) which was principally engaged in sales of commercial vehicles. From September 2005 to November 2018, Mr. Jia was a supervisor of Zhengzhou Linhai Automobile Sales Co., Ltd* (鄭州林海汽車銷售有限公司) which is principally engaged in the sales of commercial vehicles and automobile accessories. From September 2006 to September 2011, Mr. Jia was an operator of Zhengzhou Jinshui Linhai Automobile Repair Shop* (鄭州市金水區林海汽車維修站) which was principally engaged in provision of automobile repair. Mr. Jia has served as a manager of Henan Linhai Auto Parts Co. Ltd* (河南林海汽車配件有限公司) which is principally engaged in the sales of auto parts, auto accessories and hardware since September 2013. From May 2014 to August 2019, Mr. Jia was a supervisor of Zhengzhou Baihe Highway Construction Materials Co. Ltd* (鄭州百合公路建材有限公司) which is principally engaged in sales of road construction materials and equipment. Since July 2017, Mr. Jia has served as the legal representative of Beijing Jingshengfeng Trading Co., Ltd* (北京京盛豐商貿有限公司) which is principally engaged in the retail sales of auto parts, hardware and building materials.

Mr. Jia graduated from Zhengzhou University of Light Industry (鄭州輕工業學院) (currently known as Zhengzhou University of Light Industry (鄭州輕工業大學)) in the PRC in July 1990 majoring in computer.

As at the date of this annual report, Mr. Jia has an interest in an aggregate of 73,160,000 Shares, representing approximately 9.15% of the total issued share capital of the Company among which (i) 72,360,000 Shares, representing approximately 9.05% of the total issued share capital of the Company were held by Bai Tai Investments Limited (百泰投資有限公司) ("**Bai Tai**"), which is owned as to approximately 24.35% by Mr. Jia; and (ii) 800,000 Shares, representing approximately 0.10% of the total issued share capital of the Company were held by the Share Award Scheme Trust, for the benefit of Mr. Jia as a grantee of 800,000 Award Shares, the vesting of which were subject to the vesting conditions and schedule as set out in the relevant grant letter.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lui Siu Keung (呂小強), aged 50, is an independent non-executive Director and joined our Group on 18 June 2020. He is mainly responsible for supervising and providing independent advice to our Board. Mr. Lui has more than 20 years of experience in the corporate finance and accounting industry. Mr. Lui is currently the company secretary, the chief executive officer and an executive director of Zhongyu Energy Holdings Limited (previously Known as Zhongyu Gas Holdings Limited, a company listed on the Main Board of the Stock Exchange with stock code 3633), together with its subsidiaries, which is principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, and the distribution of piped gas to residential, industrial and commercial users; and (ii) the operation of compressed natural gas or liquefied natural gas vehicle filling stations in the PRC, and he is responsible for the management and general business operation. From May 2005 to March 2015, Mr. Lui was an independent non-executive director of Asia Television Holdings Limited (formerly known as Co-Prosperity Holdings Limited) (a company listed on the Main Board of the Stock Exchange with stock code 707), together with its subsidiaries, which is principally engaged in the sales of finished fabrics and provision of fabrics processing subcontracting services and the trading of goods at that time.

Mr. Lui obtained a bachelor of arts in accounting from The Hong Kong Polytechnic University in November 1996. He is an associate member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants).

Mr. Li Gang (李罡), aged 53, is an independent non-executive Director and joined our Group on 18 June 2020. He is mainly responsible for supervising and providing independent advice to our Board. Mr. Li was a teacher in the department of education in Xinjiang Education Institute (新疆教育學院) from July 1990 to August 1992. Mr. Li has also served in the department of political science in Party School of the Beijing Municipal Committee of C.P.C. (北京市委黨校) since July 1998 and was promoted as a professor in December 2020.

Mr. Li obtained a bachelor's degree in education in July 1990, a master's degree in education in July 1995, and a doctor of management in education in July 1998, all from Beijing Normal University (北京師範大學) in the PRC.

Mr. Zhang Jian (張健), aged 68, is an independent non-executive Director and joined our Group on 18 June 2020. He is mainly responsible for supervising and providing independent advice to our Board. Mr. Zhang Jian worked for Henan Provincial Commission for Discipline Inspection* (河南省紀律檢查委員會) from July 1982 to April 2003 where he served as cadre (幹部) at deputy division, division and deputy provincial department. Mr. Zhang Jian has also worked for the Education Department of Henan Province (河南省教育廳) from May 2003 to March 2014 where he served as a disciplinary supervisor and an inspector, responsible for disciplinary inspection, policy and regulations, educational supervision, educational information and educational research.

Mr. Zhang Jian obtained a bachelor's degree in arts majoring in Chinese language and literature from University of Zhengzhou (鄭州大學) in the PRC in July 1982.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Yang Min (楊敏), aged 45, is an independent non-executive Director and joined our Group on 18 June 2020. She is mainly responsible for supervising and providing independent advice to our Board. From 2002 to 2006, Ms. Yang served as the vice president of Zero2IPO Group (清科集團) (“**Zero2IPO Group**”), which is principally engaged in investment and provision of entrepreneurial and investment service platform. She was the president of Beijing Jingzhun Yiku Marketing Planning Co, Ltd.* (北京精準億庫營銷策劃有限公司), which is principally engaged in big data marketing business, from 2006 to 2011 and the chairman of Beijing Shengde Hengyun Technology Co., Ltd.* (北京盛德恒遠科技有限公司), which is principally engaged in product and technological development and marketing, from 2011 to 2014. Ms. Yang returned to Zero2IPO Group in April 2014 and served as a managing partner. She is currently a managing partner of Zero2IPO Group and a chief managing partner of Zero2IPO Asset Management, a specialised platform under Zero2IPO Group which is principally engaged in provision of asset management investment services for listed companies and family business. She has also served as a director of each of LingNan Eco&Culture-Tourism Co., Ltd* (嶺南生態文旅股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 002717), which is principally engaged in ecological landscape construction and repair, water project management and cultural and tourism, since January 2016; Beijing Sanhao Interactive Education Technology Company Limited* (北京三好互動教育科技有限公司), which is principally engaged in provision of personalised online learning platform for elementary and secondary school students, since March 2018; Jiangsu Superbio Life Science Co., Ltd* (江蘇蘇博生物醫學股份有限公司), which is principally engaged in research on genetic sequence and testing service, since April 2019; Zhongke Yihai Microelectronics Technology (Suzhou) Company Limited (中科億海微電子科技(蘇州)有限公司), which is principally engaged in smart chip design and application services, since August 2019; Mingrui Sicheng (Beijing) Information Technology Limited* (明銳思成(北京)信息科技有限公司), which is principally engaged in the provision of online and offline reproductive health services, since June 2020; Beijing Meilian Taike Biotechnology Limited* (北京美聯泰科生物技術有限公司), which is principally engaged in the research and development, manufacturing, sale and provision of in vitro diagnostic products, since June 2020; 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, since June 2021; and Pumaide (Beijing) Technology Company Limited* (普邁德(北京)科技有限公司), which is principally engaged in the research and production of cruor, immunologic and molecular diagnosis related equipment and reagents, since October 2021. From February 2018 to March 2019, Ms. Yang served as a director of Inner Mongolia Hongyuan Agricultural Technology Co. Ltd.* (內蒙古宏源農業科技股份有限公司) (a company listed on the NEEQ with stock code 832893), which is principally engaged in planting, processing and sales of potatoes and forage, and production and sales of fries. From December 2018 to April 2021, she served as 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), which is principally engaged in provision of training of children on English usage and social etiquette. From March 2020 to June 2021, she served as a director of Bozhi Security Technology Limited* (博智安全科技股份有限公司), which is principally engaged in the provision of products and solutions for cyber information security. From May 2019 to November 2021, she served as a director of Chezhubang (Beijing) Technology Company Limited* (車主邦(北京)科技有限公司), which is principally engaged in national energy resources procurement platform and energy data provider.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Yang obtained a diploma from Changchun University of Technology (長春工業大學) in the PRC in June 2003 and an executive master of business administration degree from the Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2017.

SENIOR MANAGEMENT

Mr. Guo Xianwei (郭現偉), aged 42, joined our Group on 1 October 2009. Mr. Guo, our senior management member, together with our executive Directors, are responsible for the day-to-day management and operation of our Group. He is now serving as a vice president of the national operation centre (全國運營中心副校長) of the WFOE, primarily responsible for teaching materials development and overall management of our Group. He has resigned from our Group in September 2021.

Prior to joining our Group, Mr. Guo worked as a project manager, research director and executive general manager at Zhengzhou Weixin Information Consultancy Co., Ltd* (鄭州維信信息諮詢有限公司), a company principally engaged in market information services, from September 2006 to September 2009.

Mr. Guo obtained a bachelor degree in journalism from Zhengzhou University (鄭州大學) in the PRC in July 2003.

COMPANY SECRETARY

Ms. Chen Yibei (陳一蓓), aged 35, was appointed as the company secretary and a financial controller of our Company on 18 March 2019. Ms. Chen has over seven years of experience in the accounting industry. She worked in Deloitte Touche Tohmatsu, an accounting firm, from September 2011 to February 2019 with her last position as a manager of the firm.

She obtained a master of arts in international accountancy from City University of Hong Kong in July 2011. She became a fellow member of the Hong Kong Institute of Certified Public Accountants in January 2015.

DIRECTORS' REPORT

The Directors hereby presents the annual report of the Group for FY2021.

PRINCIPAL ACTIVITIES

Our Company acts as an investment holding company and together with its subsidiaries engages in the provision of after-school education tutoring services in the PRC. The activities and particulars of the principal subsidiaries of the Company are set out in note 1 to the consolidated financial statements.

RESULTS

The results of the Group for FY2021 and the financial information of the Group as at 31 December 2021 are set out in the audited financial statements of this annual report.

BUSINESS REVIEW

A review of the business of the Group during FY2021, a discussion on the Group's future business development and an analysis of the Group's performance during the Reporting Period using financial key performance indicators are contained in the section headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 5 to 20 of this annual report. The financial risk management policies and practices of the Group are set out in note 31 to the consolidated financial statements.

KEY RISKS AND UNCERTAINTIES

The Group is subject to the following key risks and uncertainties in its operations:

- Our business relies on the market recognition of our brand and reputation, and we may not be able to maintain or enhance our brand image and recognition which may suffer from negative publicity;
- We operate in a highly regulated industry and require licences, permits and certificates to operate, our ability to maintain our existing licences or our ability to apply for new licences may be adversely affected by any new laws, rules or regulations;
- Failure to adequately and promptly respond to changes in the PRC's education systems, admission standards, test materials and/or teaching methods may adversely affect our business;
- We may not be able to recruit and/or retain right talents to be our teachers to render our services properly;
- Failure to continue to attract students to enrol in our courses would result in the decline of our revenue and we may not be able to maintain our profitability;



DIRECTORS' REPORT

- We may not be able to maintain or increase our tuition fees;
- Failure to keep up with technology advancement or a change in learning mode may negatively affect our results of operations;
- We may face risks and uncertainties in the licensing requirements of our online tutorial services;
- Failure to effectively and efficiently manage the expansion of our business and network may materially adversely affect our business;
- If we fail to protect our intellectual property rights or prevent the loss or misappropriation of our intellectual property rights, we may lose our competitive edge;
- We derive substantially all of our revenue in Henan particularly in Zhengzhou. Any event which is beyond our control and may adversely affect the economy, infrastructure and livelihood of the people in the regions, such as the COVID-19 Outbreak, could have a material adverse effect on our results of operations;
- If we are not able to renew or enter into leases for our self-operated teaching centres on commercially acceptable terms at our desired locations, it could materially and adversely affect our business and operating results;
- We face competition in each geographical location in which we operate, which could lead to adverse pricing pressure, reduced operating margins, and loss of market share; and
- Our business is subject to seasonal fluctuations, which may result in volatility of our profit.

For further details of the risks and uncertainties of the Group, please refer to the section headed “Risk Factors” in the Prospectus.

Environmental policies and performance

The Group recognises the importance of protecting the environment and strives to minimise the impact to the environment by reducing use of energies and other resources. Further information of the environmental policies and performance are detailed in the Environment, Social and Governance Report of the Company on pages 88 to 120 in this annual report.

Compliance with relevant laws and regulations

During FY2021, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

The Group recognises its employees as its valuable assets and the key to business growth and success. The Group provides competitive remuneration package and benefits to employees to attract and retain competent employees. The Group also provides on-the-job training and development opportunities to employees to enhance their career development.

The Group endeavours to develop and maintain long-term relationship with customers by delivering excellent works and quality services to them.

The Group has strong and stable relationships with suppliers in order to ensure that quality goods and services are provided to the Group. Suppliers are assessed on their performances, product qualities, service qualities, non-compliance track records and environmental awareness on an on-going basis.

PROCEEDS FROM THE LISTING

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

DIRECTORS' REPORT

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 annual 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 annual report HK\$ million	Unutilisation as at the date of this annual report HK\$ million	Proceeds planned to be utilised in 2022 from the date of this annual report HK\$ million
Expanding business and self-operated teaching centres network through organic growth	122.4	60.0	52.4	70.0	70.0
Expanding geographic presence through strategic acquisitions or setting up joint ventures	61.2	30.0	6.1	55.1	55.1
Working capital purposes	20.4	10.0	13.7	6.7	6.7
Total	204.0	100.0	72.2	131.8	131.8

During FY2021 and up to the date of this annual report, our Group had entered into 16 lease agreements for our new self-operated teaching centres, in which one was under renovation, seven had completed renovation and one of which was in the process of preparing the relevant documents for the private school operation permit application and eight had been terminated under the business reorganisation during FY2021. As at the date of this annual report, we had utilised proceeds of approximately HK\$72.2 million mainly for renovation and rental payments 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 2022. The Company will make further announcement in compliance with the Listing Rules when detailed plan is formulated.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities of the Group for the last five financial years are set out on page 214 of this annual report. This summary does not form part of the audited consolidated financial statements.

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

There had been no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during FY2021.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in this annual report, as at 31 December 2021, we did not have any major investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND INVESTMENTS IN CAPITAL ASSETS

Save as disclosed in this annual report, as at 31 December 2021, our Group did not have any plans for material investments or investments in capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Our Company did not acquire and/or dispose any of its subsidiaries, associates, interests in joint ventures or affiliated companies during FY2021.

Subsequent to FY2021 and up to the date of this annual report, a wholly owned subsidiary of the Company as the transferee (the "**Transferee**"), two independent third parties as the transferors (the "**Transferors**") and the Henan Zhongzhichuang entered into the Equity Transfer Agreement on 14 February 2022, pursuant to which, among others, the Transferee agreed to acquire from the Transferors an aggregate of 60% of the total equity interest of the Target Company after the capital reduction of Henan Zhongzhichuang, at the consideration of RMB1,000,000. As at the date of this annual report, the completion of the Acquisition has not yet taken place.



DIRECTORS' REPORT

For further information in relation to the Acquisition, please refer to section headed “Events after the Reporting Period” and the Company’s announcement dated 14 February 2022.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Friday, 10 June 2022. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy will be dispatched by the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. on Monday, 6 June 2022.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during FY2021 are set out in note 14 to the consolidated financial statements.

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

Normally our after-school education service is paid for by the students’ parents, and the after-school education services are used by the students. Given that some parents may pay for one or more students and to give a better reflection of the number of customers we have, we regard the students as our customers. As at 31 December 2021, we had approximately 94,000 students (31 December 2020: approximately 66,000). The number of students enrolments refer to the cumulative total number of course registered and paid for by the students’ parents during a given period of time, if one student enrolls in multiple courses, it will be counted as multiple student enrolments.

Due to the nature of our business, we did not have a single customer who accounted for more than 5% of our revenue for each of the three years ended 31 December 2021.

During FY2021, the largest supplier and the five largest suppliers of the Group accounted for approximately 30.8% and 42.0% of the Group's total direct costs respectively.

None of the Directors, their associates or any other Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers above.

TAXATION

Please see the section headed "Taxation" contained in the Management Discussion and Analysis of this annual report.

SUBSIDIARIES

The information of the Company's principal subsidiaries are set out in note 34 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2021 are set out in note 35 to the consolidated financial statements.

PUBLIC FLOAT

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

RESERVES

Details of movements in the reserves of the Company and the Group during FY2021 are set out on note 35 to the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to the shareholders amounted to approximately RMB163,542,000 (2020: approximately RMB202,300,000).

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2021 the Group had no outstanding loans or borrowings.

DIRECTORS

The Directors during FY2021 and up to the date of this report were as follows:

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

In accordance with Article 84 of the Company's Articles of Association and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, Mr. Jia Shuilin, Mr. Lui Siu Keung and Mr. Li Gang will retire from office by rotation at the Company's forthcoming AGM and, being eligible, have offered themselves for re-election.

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and Senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 21 to 26 in this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") from each of the independent non-executive Directors and the Company considers such Directors to be independent throughout FY2021.

DIRECTORS' SERVICE CONTRACT AND LETTERS OF APPOINTMENT

All Directors have signed a service agreement or letter of appointment with the Company for an initial term of three years commencing on the Listing Date, which may be renewable subject to both parties' agreement. None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Under the Company's Articles of Association, and subject to the applicable laws and regulations, the Directors and officers of the Company shall be indemnified out of the assets and profits of the Company from or against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain or by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the period from the Listing Date to 31 December 2021.

DIRECTORS AND CONTROLLING SHAREHOLDERS' SIGNIFICANT INTERESTS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

Save as disclosed in note 33 "Related Party Transactions" to the consolidated financial statements and the sections headed "Connected Transactions" and "Continuing Connected Transactions" in this annual report, no Directors or entities related to the Directors still have or used to have any significant interest, directly or indirectly, in any contract, transaction or arrangement of the Company or any of its subsidiaries that remained in effect during FY2021 or and as at the date of this annual report and was significant to the business of the Group.

Save as disclosed in note 33 "Related Party Transactions" to the consolidated financial statements and the sections headed "Connected Transactions" and "Continuing Connected Transactions" in this annual report, at no time during FY2021 did the Company or any of its subsidiaries enter into any contract of significance with the Controlling Shareholders or any of their subsidiaries, nor was any contract of significance entered into for the services provided by the Controlling Shareholders or their subsidiaries to the Company or any of its subsidiaries.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors are as follows:

- (1) Ms. Yang started serving as a director of Jiqun (Beijing) Technology Limited* (聯泰集群(北京)科技有限責任公司) in June 2021;

DIRECTORS' REPORT

- (2) Ms. Yang started serving as a director of Pumaide (Beijing) Technology Company Limited* (普邁德(北京)科技有限公司) in October 2021;
- (3) Ms. Yang ceased to be the 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) since April 2021;
- (4) Ms. Yang ceased to be the director of Bozhi Security Technology Limited* (博智安全科技股份有限公司) since June 2021; and
- (5) Ms. Yang ceased to be the director of Chezhubang (Beijing) Technology Company Limited* (車主邦(北京)科技有限公司) since November 2021.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during FY2021 are set out in note 33 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Saved as disclosed in the section headed "Relationship with Controlling Shareholders" in the Prospectus, none of the directors nor their respective close associates had interests in business, which compete or likely compete, either directly or indirectly, with the business of the Group that are required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

DEED OF NON-COMPETITION

Each of the Controlling Shareholders entered into the Deed of Non-competition in favour of the Company, pursuant to which the Controlling Shareholders have irrevocably, jointly and severally given certain non-competition undertakings to the Company. Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-competition" in the Prospectus.

The Company has received confirmation from each of the Controlling Shareholders that they complied with the Deed of Non-competition for FY2021. The independent non-executive Directors have conducted such review for FY2021 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied with.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their shareholding in the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under our Company's Articles of Association or the Companies Law of the Cayman Islands which would oblige our Company to offer new shares on a pro-rata basis to existing Shareholders.

MANAGEMENT CONTRACTS

Save as disclosed in this annual report, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during FY2021.

EMOLUMENT POLICY

The Remuneration Committee was set up for, among others, reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

REMUNERATION OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and five highest paid individuals during FY2021 are set out in note 11 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Employees of the Group have mainly participated in a contribution pension scheme subsidized by government entities. The Group pays the required amount of contribution, which is based on a certain percentage of employees' base salary, to the scheme on a monthly basis. The Group does not have any other material statutory or committed obligations in respect of the pension scheme.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, we had 492 employees (2020: 1,433). Total staff-related costs, including Directors' emoluments, was approximately RMB135.0 million for FY2021 (2020: approximately RMB122.1 million). The decrease of number of employees at 31 December 2021 was mainly due to the closure of the majority of self-operated teaching centres and winding down our Existing Business since August 2021. The increase in staff costs was mainly due to (i) the increase in the teaching hours, in line with the increase in tutoring hours during FY2021; and (ii) the increase in directors' remuneration for FY2021 by approximately RMB2.1 million or approximately 82.0% as compared to the directors' remuneration for FY2020 while the directors were appointed in June 2020.

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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme" and "Share Award Scheme" in this annual report, at no time during FY2021 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries or any of its holding companies or any of subsidiaries of its holding companies a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DONATIONS

During FY2021, the Group made charitable donations of Nil (2020: approximately RMB1,038,000).

EQUITY-LINKED AGREEMENT

Except as disclosed under the sections headed "Share Option Scheme" and "Share Award Scheme" below in this annual report, no equity-linked agreements were entered into by the Group, or existed during FY2021.

SHARE OPTION SCHEME

We adopted the Share Option Scheme on 18 June 2020. The terms of the Share Option Scheme are in accordance with Chapter 17 the Listing Rules.

The principal terms of the Share Option Scheme are summarised as below:

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which our Group holds any equity interest (the “**Invested Entity**”).

Who may join

Subject to the provisions in the Share Option Scheme, our Board shall be entitled at any time and from time to time within the period of ten (10) years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons (the “**Eligible Participant(s)**”):

- any employee (whether full-time or part-time) of our Group and any Invested Entity;
- any director (including executive, non-executive and independent non-executive directors) of our Group or any Invested Entity;
- any supplier of goods or services to any member of our Group or any Invested Entity;
- any customer of our Group or any Invested Entity;
- any consultant, adviser, manager, officer or entity that provides research, development or other technological support to our Group or any Invested Entity; or
- any person who, in the sole discretion of our Board, has contributed or may contribute to our Group or any Invested Entity eligible for options under the Share Option Scheme.

Maximum number of Shares

The maximum number of shares may be issued under the Share Option Scheme shall not exceed 80,000,000 Shares, being 10% of the issued share capital of the as at the Listing Date unless our Company obtains the approval of our Shareholders in general meeting for renewing the 10% limit (the “**Scheme Mandate Limit**”) under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

DIRECTORS' REPORT

Notwithstanding anything to the contrary herein, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

Maximum entitlement of each Eligible Participant

No option shall be granted to any Eligible Participant if any further grant of options would result in our Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised and outstanding options) in the 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, unless:

- such further grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of our Shareholders in general meeting at which the Eligible Participant and his/her/its associates shall abstain from voting;
- a circular regarding the further grant has been despatched to our Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the Eligible Participant, the number and terms of the options to be granted and options previously granted to such Eligible Participant); and
- the number and terms (including the subscription price) of such option are fixed before the general meeting of our Company at which the same are approved and the date of the board meeting of our Company for proposing such further grant shall be taken as the date of the grant of such option for the purpose of calculating the subscription price.

Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an Eligible Participant within the date as specified in the offer letter issued by our Company, being a date not later than 21 Business Days from the date upon which it is made, by which the Eligible Participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten (10) years after the date of adoption of the Share Option Scheme.

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 our Board to the grantee which in any event shall not be longer than ten (10) years commencing on the date of the offer letter and expiring on the last day of such ten (10) year period subject to the provisions for early termination as contained in the Share Option Scheme.

Amount payable on acceptance of the option

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.

Subscription price for Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by our Board in its absolute discretion and notified to an Eligible Participant, and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date (as defined below), (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive Business Days immediately preceding the Offer Date (as defined below), and (iii) the nominal value of a Share on the Offer Date (as defined below).

Where an option is to be granted to an Eligible Participant, the date of our Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option, which must be a Business Day (the "**Offer Date**").

Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force until 17 June 2030.

During FY2021 and up to the date of this annual report, no options had been granted, exercised, cancelled or lapsed under the Share Option Scheme, nor any options were outstanding under the Share Option Scheme.

SHARE AWARD SCHEME

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

The principal terms of the Share Award Scheme are summarised as below:

Purposes of the Share Award Scheme

The purposes of the Share Award Scheme are to (i) recognise the contribution of the eligible persons and reward those who have made or will make valuable contribution to the Group; (ii) motivate, retain and recruit high-calibre personnel for further development of the Group; (iii) synchronise the eligible persons' perspectives with Shareholders through ownership of Shares; (iv) encourage or facilitate the holding of Shares by the eligible persons; and (v) encourage the eligible persons to work diligently in achieving the strategic planning of the Company and increasing the target value of the Company.

Who may join

The eligible persons include our employees, Directors, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any affiliate of our Group.

Maximum number of Shares

The aggregate number of Shares underlying all grants made pursuant to the Share Award Scheme will not exceed 10% of the Company's issued Shares as at 14 December 2020 (i.e. up to 80,000,000 Shares), being the adoption date of the Share Award Scheme.

Maximum entitlement of each eligible person

There is no maximum entitlement of each eligible person.

Grant of Award Shares

The Board may select any eligible person for participation in the Share Award Scheme as a selected participant (the "**Selected Participant**") and determine the number of Shares to be granted to the Selected Participant. In the event that a Director is selected as a Selected Participant, the terms and conditions of the Grant to such Director and the number of Shares granted thereunder shall be approved by the Remuneration Committee (in each case excluding any member of the Remuneration Committee who is the proposed Selected Participant).

No Grant shall be made to any Selected Participants and no payment shall be made to the trustee (who was appointed pursuant to the Share Award Scheme) (the "**Trustee**") and no directions or recommendation to acquire Shares shall be given to the Trustee under the Share Award Scheme in the following circumstances:

- (i) after a price sensitive event in relation to the securities of the Company has occurred or a price sensitive matter in relation to the securities of the Company has been the subject of a decision, until such price sensitive/inside information has been published in accordance with the Listing Rules and the inside information provisions under Part XIVA of the SFO;
- (ii) on any day on which the Company's financial results are published; and during the period of 60 days immediately preceding the publication date of the Company's annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and during the period of 30 days immediately preceding the publication date of the Company's quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless there are circumstances of the Company that fall within the exceptions under the Listing Rules;

- (iii) in any circumstances which are prohibited under the Listing Rules, SFO or any other law or regulation or where the requisite approval from any applicable regulatory authorities has not been granted.

Operation of the Share Award Scheme

The Board may at any time during the term of the Share Award Scheme and for the purpose of the Trust:

- (i) instruct and procure the Trustee to subscribe for new Shares either under its available general mandate on the relevant date of Grant (the “**Grant Date**”) or under a specific mandate approved or to be approved by the Shareholders at such subscription price as the Board may direct; and/or
- (ii) instruct and procure the Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) at such range of purchase price as the Board may direct or authorise.

For the avoidance of doubt, any new Shares to be subscribed by the Trustee under the Share Award Scheme will be issued under the available general mandate in effect on the Grant Date. Only when the number of the new Share to be subscribed exceeds the available general mandate, the Board will seek a specific mandate to be approved by the independent Shareholders to cover each Grant to be satisfied by new Shares that falls outside of the available general mandate. In any event, the Company will comply with the announcement, Shareholders’ approval and other relevant requirements under the Listing Rules if the Awards are to be satisfied by issue and subscription of new Shares.

Vesting and lapse of Award Shares

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 Award Shares 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.

In case there is any Award Shares lapsed pursuant to the Share Award Scheme, the Trustee shall hold such Award Shares subject to future Grants to be made by the Board in its discretion.

Duration and Termination

Unless terminated earlier, the Share Award Scheme shall be valid and effective for a period of ten years commencing from its adoption date.

The Share Award Scheme shall terminate on the earlier of the expiry of ten years commencing from its adoption date or such date of early termination pursuant to the rules of the Share Award Scheme provided that such termination shall be without prejudice to any subsisting rights of any Selected Participant under the Share Award Scheme.

DIRECTORS' REPORT

Grant During the Year

During the FY2021, the Trustee was purchased 29,400,000 Shares on the Stock Exchange for the Share Award Scheme.

During FY2021, an aggregate of 30,000,000 Award Shares had been granted to 56 of our employees (including four Directors) (the “**Grantees**”) under the Share Award Scheme at nil Award Price, among which 17,670,000 Award Shares were granted to nine Grantees that are connected persons and 12,330,000 Award Shares were granted to 47 Employees that are not connected persons. All of the 56 Grantees had accepted the Grant of the Award Shares.

Movements of the Award Shares granted to the Eligible Participants pursuant to the Share Award Scheme during the FY2021 are as follows:

Name of awardee	Position held within the Group/connected relationship	Date of Grant	Vesting period (Note 1)	Number of Awarded Shares			Outstanding as at 31 December 2021
				Granted during FY2021	Vested during FY2021	Lapsed during FY2021	
Mr. Zhang	Executive Director, Chairman and chief executive officer of the Company	14 January 2021		9,800,000	-	-	9,800,000
Mr. Shan Jingchao	Executive Director	14 January 2021		1,000,000	-	-	1,000,000
Mr. Ma Wenhao	Executive Director	14 January 2021		1,000,000	-	-	1,000,000
Mr. Jia Shulin	Non-executive Director	14 January 2021		800,000	-	-	800,000
Mr. Ou Junzhan	A director and the secretary of the Communist Party Committee of a Group company	14 January 2021		200,000	-	-	200,000
Mr. Zhang Junying	Chief supervisor of external affairs of the Group and a director of two of the Group companies	14 January 2021		2,200,000	-	-	2,200,000
Ms. Sang Xinxiang	Head of remuneration department of human resources centre of the Group and spouse of a cousin of a Director and accordingly an associate	14 January 2021		1,500,000	-	-	1,500,000

Name of awardee	Position held within the Group/connected relationship	Date of Grant	Vesting period (Note 1)	Number of Awarded Shares			Outstanding as at 31 December 2021
				Granted during FY2021	Vested during FY2021	Lapsed during FY2021	
Ms. Yuan Zhaoxia	Principal of Zhengbei teaching district and spouse of a Director and accordingly an associate	14 January 2021		170,000	-	-	170,000
Mr. Zhang Hongqi	Head of procurement department of the administrative centre of the Group	14 January 2021		1,000,000	-	-	1,000,000
Non-connected Grantees							
47 Employees		14 January 2021		12,330,000	-	(3,220,000) (Note 2)	9,110,000
Total				30,000,000	-	(3,220,000)	26,780,000

Notes:

- 40% of the Awarded Shares shall vest 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; 30% of the Awarded Shares shall vest 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 2022; and 30% of the Awarded Shares shall vest 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 2023;
- During FY2021, an aggregate of 3,220,000 Award Shares lapsed because the relevant Grantees ceased to be employees of the Group. The Trustee will hold such lapsed shares subject to future grants to be made by the Board in its discretion in accordance with the Scheme Rules.

As the Group Performance Target (as defined below) for FY2021 was not met, 40% of the Award Shares granted to each Grantee will lapse on 7 April 2022 according to the relevant grant letters. The Trustee will hold such lapsed shares subject to further grants to be made by the Board in its discretion in accordance with the Scheme Rules.

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

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

As at 31 December 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)	62.00
	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:

- The letter "L" denotes a long position.
- The calculation is based on the total number of 800,000,000 Shares in issue as at 31 December 2021.
- 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	100.0
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

DIRECTORS' REPORT

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. 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 31 December 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 31 December 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 executive 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:

Interest in our Shares

Name of Director	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)	62.00
Bai Tai (Note 4)	Beneficial Owner	72,360,000 (L)	9.05

Notes:

- The letter "L" denotes a long position.
- The calculation is based on the total number of 800,000,000 Shares in issue as at 31 December 2021.
- 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.

DIRECTORS' REPORT

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 Ms. Sun Nuo, each being an employee of Dashan Training.

Save as disclosed above, as at 31 December 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.

CONNECTED TRANSACTIONS

Details of the non-exempt connected transaction of the Group entered into during FY2021 are as follows:

Grant of Awards Pursuant to Share Award Scheme

The Board resolved to grant Awards with an aggregate of 30,000,000 Award Shares on 14 January 2021 (the “**Date of Grant**”), to 56 Eligible Persons, being the Grantees under the Share Award Scheme at nil Award Price, 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 Employees that are not connected persons the “**Non-connected Grantees**”).

Subject to the satisfaction of the relevant condition(s) and/or performance target(s), the Award Shares shall be vested in the Grantees on the respective vesting dates (the “**Vesting Dates**”) and in the respective proportions as follows:

Vesting Dates	% of the awarded Shares to be vested
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 (the “ First Vesting Date ”)	40
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 2022 (the “ Second Vesting Date ”)	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 2023 (the “ Third Vesting Date ”)	30

The Awards shall be vested on the relevant Vesting Date in accordance with the Scheme Rules and conditional upon, among others:

(i) Group performance

The audited revenue of the Group for the relevant period (the “**Relevant Period**”) meets the respective performance target (the “**Group Performance Targets**”) as set out below:

Vesting Date	Relevant Period	Group Performance Targets
First Vesting Date	Financial year ending 31 December 2021	Audited revenue of not less than RMB480,000,000
Second Vesting Date	Financial year ending 31 December 2022	Audited revenue of not less than RMB610,000,000
Third Vesting Date	Financial year ending 31 December 2023	Audited revenue of not less than RMB750,000,000

As the Group Performance Target for FY2021 was not met, 40% of the Award Shares granted to each Grantee will lapse on 7 April 2022 according to the relevant grant letters. The Trustee will hold such Lapsed Shares subject to further grants to be made by the Board in its discretion in accordance with the Scheme Rules.

DIRECTORS' REPORT

The details of Award Shares granted to the Grantees are as follows:

Name of Grantee	Position held within the Group/connected relationship	Number of Award Shares granted	% among Award Shares	% of issued share capital of the Company (approximately)
Connected Grantees				
Mr. Zhang Hongjun	Executive Director, Chairman and chief executive officer of the Company	9,800,000	32.67	1.23
Mr. Shan Jingchao	Executive Director	1,000,000	3.33	0.13
Mr. Ma Wenhao	Executive Director	1,000,000	3.33	0.13
Mr. Jia Shuilin	Non-executive Director	800,000	2.67	0.10
Mr. Ou Junzhan	A director and the secretary of the Communist Party Committee of a Group company	200,000	0.67	0.03
Mr. Zhang Junying	Chief supervisor of external affairs of the Group and a director of two of the Group companies	2,200,000	7.33	0.28
Ms. Sang Xinxiang	Head of remuneration department of human resources centre of the Group and spouse of a cousin of a Director and accordingly an associate	1,500,000	5.00	0.19
Ms. Yuan Zhaoxia	Principal of Zhengbei teaching district and spouse of a Director and accordingly an associate	170,000	0.57	0.02
Mr. Zhang Hongqi	Head of procurement department of the administrative centre of the Group	1,000,000	3.33	0.13
Sub-total		17,670,000	58.90	2.21

Name of Grantee	Position held within the Group/connected relationship	Number of Award Shares granted	% among Award Shares	% of issued share capital of the Company (approximately)
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Non-connected Grantees

47 Employees		12,330,000	41.10	1.54
Total		30,000,000	100	3.75

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as the Connected Grantees as detailed above, all of the Non-connected Grantees are not connected persons of the Company or its associates.

The Award Shares, being existing Shares to be purchased on the open market, will be held on trust for the Grantees by the Trustee which shall transfer the Award Shares to the Grantees on the Vesting Dates and/or pay the Net Proceeds and/or pay the Remaining Actual Selling Price to the Grantees in accordance with the Scheme Rules, if all the vesting conditions specified by the Board in the award letters issued to each Grantee are satisfied or otherwise waived. The Share Award Scheme did not impose restrictions on the subsequent sale of the Vested Shares after they are transferred to the relevant Grantee.

The Grant of 17,670,000 Award Shares to the Connected Grantees as detailed above constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. The Grant of 12,600,000 Award Shares to the four Directors as detailed above 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.

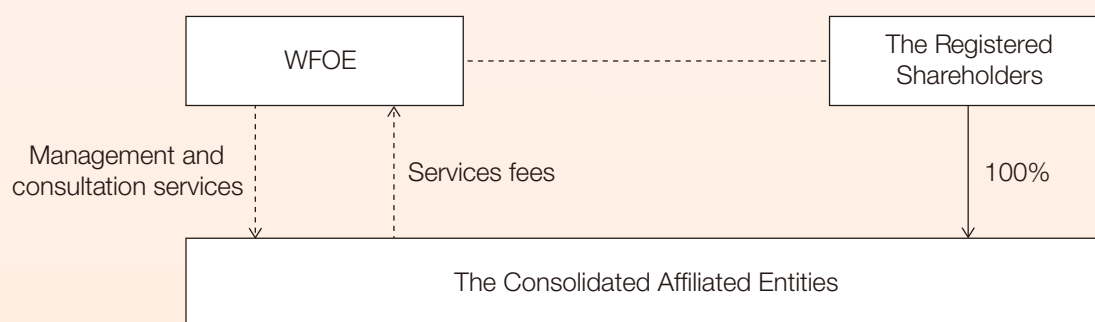
Save as disclosed above and the transactions contemplated under the Structured Contracts as set out below, during FY2021, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

STRUCTURED CONTRACTS

The following summarised generally the status of the Structured Contracts adopted by our Group given the PRC legal restriction imposed on the shareholding structure over the business our Group is engaging.

1. Background and the reasons for using the Structured Contracts

Our Group currently conducts, (i) through our 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 material aspects.



Notes:

“ ———> ” denotes direct legal and beneficial ownership in the equity interest.

“ - - - -> ” denotes contractual relationship.

“ ····· ” denotes the control by WFOE over the Registered Shareholders through (1) the shareholders' rights entrustment agreement and powers of attorney to exercise all Registered Shareholders' rights in Dashan Training; (2) exclusive options to acquire all or part of the equity interests in the Consolidated Affiliated Entities directly and indirectly held by the Registered Shareholders; (3) equity pledges over the equity interests in Dashan Training; (4) the Individual Shareholder Spouse Undertaking; and (5) Mr. Zhang's Undertaking.

2. Summary of the major terms of the Structured Contracts

The Structured Contracts were entered into on 12 January 2020 and a brief description of the major terms of the Structured Contracts is set out below.

(1) Exclusive Business Cooperation Agreement

The Exclusive Business Cooperation Agreement was entered into by and among WFOE, Dashan Training, Jing Guang Dashan, and the Registered Shareholders.

Pursuant to the Exclusive Business Cooperation Agreement, WFOE has the exclusive right to provide each of our Consolidated Affiliated Entities technical services, management support and consulting services necessary for our primary and secondary after-school education business and franchise business. Without WFOE's prior written consent, none of our Consolidated Affiliated Entities may accept services covered by the Exclusive Business Cooperation Agreement from any third party. WFOE has the exclusive proprietary rights to all intellectual property rights arising out of the performance of this agreement.

Pursuant to the Exclusive Business Cooperation Agreement, the calculation, confirmation and payment of the service fee shall be processed in accordance with the Exclusive Technical Service and Management Consultancy Agreement.

(2) Exclusive Technical Service and Management Consultancy Agreement

The Exclusive Technical Service and Management Consultancy Agreement was entered into by and among WFOE, Dashan Training and Jing Guang Dashan.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, WFOE agreed to provide to our Consolidated Affiliated Entities (a) exclusive technical services, and (b) management consultancy services.

In consideration of the technical and management consultancy services provided by WFOE, each of our Consolidated Affiliated Entities agreed to pay WFOE a service fee equal to all of their respective amount of surplus from operations (after deducting all costs, expenses, taxes, losses from the previous year (as required by applicable law), statutory reserve and other fees in accordance with relevant regulations). WFOE has the right to adjust the amount of such service fee.

(3) Exclusive Call Option Agreement

The Exclusive Call Option Agreement was entered into by and among WFOE, Dashan Training, Jing Guang Dashan and the Registered Shareholders.

Under the Exclusive Call Option Agreement, the Registered Shareholders irrevocably agreed to grant WFOE or its designated third party an exclusive option to purchase all or part of the equity interests in the Consolidated Affiliated Entities directly and indirectly held by Registered Shareholders, 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. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, the Registered Shareholders shall, according to the instruction of WFOE, return the amount of purchase price they have received to WFOE or its designated third party, or Dashan Training.

Pursuant to the Exclusive Call Option Agreement, we have the sole discretion to decide when to exercise the Equity Call Options, and whether to exercise the Equity Call Options in part or in full.

In the event that the Registered Shareholders receive any benefits or interests in whatever form (such as profit distribution or dividends) from Dashan Training or its wholly-owned subsidiaries as applicable, the Registered Shareholders undertake to WFOE that it will immediately pay such amount to WFOE or its designated parties free of charge subject to the relevant laws and regulations. If WFOE exercises the Equity Call Options, all or any part of the equity interests in the Consolidated Affiliated Entities would be transferred to WFOE and the benefits of equity ownership would flow to WFOE and its shareholders.

(4) Equity Pledge Agreement

The Equity Pledge Agreement was entered into by and among WFOE, Dashan Training and the Registered Shareholders.

Pursuant to the Equity Pledge Agreement, the Registered Shareholders unconditionally and irrevocably pledged all of their equity interests in Dashan Training, respectively, to WFOE to guarantee the performance of the obligations of Dashan Training and their respective subsidiaries and the performance of the Registered Shareholders' obligations under the Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement and the Shareholders' Powers of Attorney.

(5) Shareholders' Rights Entrustment Agreement

The Shareholders' Rights Entrustment Agreement was executed by WFOE, Dashan Training and the Registered Shareholders.

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders has irrevocably authorised and entrusted WFOE or any person designated by WFOE to exercise all of his/their respective rights as shareholders of Dashan Training to the extent permitted by the PRC laws.

These rights include, but are not limited to: (a) the right to attend shareholders' meetings of Dashan Training, as the case may be; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of Dashan Training, as the case may be; (c) the right to appoint directors or senior management of Dashan Training, as the case may be; (d) the right to propose to convene interim shareholders' meetings of Dashan Training, as the case may be.

(6) Shareholders' Powers of Attorney

The Shareholders' Powers of Attorney were executed by each of the Registered Shareholders in favour of WFOE.

Each of the Registered Shareholders has executed an irrevocable Shareholders' Powers of Attorney dated 12 January 2020, exclusively appointing WFOE, or any person designated by WFOE or their successors or liquidators (excluding persons who are not Independent Third Parties or may give rise to conflicts of interests), as his or her attorney-in-fact to appoint directors and vote on his or her behalf on all matters of Dashan Training requiring shareholders' approval under its articles of association and under the relevant PRC laws and regulations.

(7) Individual Shareholder Spouse Undertaking

The Individual Shareholder Spouse Undertakings were signed by Ms. Peng Xin who is the spouse of Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, and Ms. Yuan Zhaoxia who is the spouse of Mr. Shan Jingchao, being an executive Director and a director of Dashan Training.

Pursuant to the Individual Shareholder Spouse Undertaking, the spouse of each of Mr. Shan Jingchao and Mr. Zhang Junying, has full knowledge of and has consented unconditionally and irrevocably to the entering into of the Structured Contracts by the respective Registered Shareholders, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest in our Group, pledge or transfer the direct or indirect equity interest in our Group, or the disposal of the direct or indirect equity interest in our Group in any other forms. The spouse shall not take any actions to prevent the performances under Structured Contracts.

(8) Mr. Zhang's Undertaking

Mr. Zhang's Undertaking was an undertaking signed by Mr. Zhang who currently does not have a spouse.

Mr. Zhang, who currently does not have a spouse, also signed an undertaking on 12 January 2020 irrevocably undertakes and ensures to procure his future spouse to sign an undertaking in the form of the Individual Shareholder Spouse Undertaking.

For details of the major terms of the Structured Contracts, please refer to the sub-section headed "Structured Contracts – Summary of the material terms of the Structured Contracts" in the Prospectus.

3. Risks relating to the Structured Contracts

There are certain risks that are associated with the Structured Contracts, including:

- If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Structured Contracts and the relinquishment of our interest in our Consolidated Affiliated Entities.
- We may not be able to meet the Qualification Requirement (as defined in the Prospectus). If the Foreign Ownership Restriction (as defined in the Prospectus) and Foreign Control Restriction (as defined in the Prospectus) are lifted, we may not be able to unwind the Structured Contracts by acquiring the interest in our Consolidated Affiliated Entities before we are in a position to comply with the Qualification Requirement.
- The Structured Contracts may not be as effective in providing operational control as direct ownership. If our Consolidated Affiliated Entities or their shareholders fail to perform their respective obligations under these Structured Contracts, we cannot direct the corporate action of our Consolidated Affiliated Entities as the direct ownership would otherwise entail.

- We may lose the ability to use and enjoy assets and licenses held by the Consolidated Affiliated Entities and their respective subsidiaries and branch company that are material to our business operations if any of Consolidated Affiliated Entities or their respective subsidiaries declare bankruptcy or become subject to a dissolution or liquidation proceeding.
- The beneficial owners of our Consolidated Affiliated Entities may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.
- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.
- Our exercise of the option to acquire the equity interest of our Consolidated Affiliated Entities may be subject to certain limitations and we may incur substantial costs to enforce the option under the Structured Contracts.
- Our Structured Contracts may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our combined net income and the value of your investment.

For further details of these risks, please refer to the section headed “Risk Factors — Risks Relating to Contractual Arrangements” on pages 60 to 68 of the Prospectus.

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

- (a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;
- (c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual and interim reports to update the Shareholders and potential investors;

- (d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the Qualification Requirement and our status of compliance with the Foreign Investment Law and its accompanying explanatory notes as stipulated under the paragraph headed “Background of the Structured Contracts” and the latest development of the Foreign Investment Law and its accompanying explanatory notes as disclosed under the paragraph headed “Structured Contracts — Development in the PRC Legislation on Foreign Investment” in the section headed “Structured Contracts” of the Prospectus, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the Qualification Requirement;
- (e) our Company will disclose, as soon as reasonably practicable (i) any updates of changes to the Foreign Investment Law that will materially and adversely affect our Company as and when they occur; and (ii) a clear description and analysis of the updates of changes in Foreign Investment Law as implemented, specific measures taken by us to fully comply with the changes in Foreign Investment Law supported by a PRC legal opinion and any material impact on our operations and financial position; and
- (f) our Company will engage external legal advisers or other professional advisers, if necessary, to assist our Board to review the implementation of the Structured Contracts, review the legal compliance of WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that Mr. Zhang and Mr. Shan Jingchao, our executive Directors, and Mr. Zhang Junying, a director of our Consolidated Affiliated Entities, are also the Registered Shareholders, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently under the following measures implemented after the Listing:

- (a) the decision-making mechanism of our Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of our Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, unless in certain circumstances as expressly stated in the Articles, such Director shall abstain from voting and not be counted in the quorum;
- (b) each of our Directors is aware of his/her fiduciary duties as a Director which requires, amongst other things, that he/she acts for the benefits and in the best interests of our Group;

- (c) we have appointed four independent non-executive Directors, comprising over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and
- (d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his/her associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

4. 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 (“**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.

During FY2021 and up to the date of this annual 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.

5. 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 tutoring 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 COVID-19 Outbreak 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 has completed the establishment of its website. During FY2020, 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 annual 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.

6. No Material Change in the Structured Contracts

During FY2021, none of the Structured Contracts had been supplemented or modified since the date of execution of such Structured Contracts.

7. 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 as at the date of this annual report.

8. Particulars of the Consolidated Affiliated Entities

Set out below is the registered owners and business activities of the Consolidated Affiliated Entities which had entered into the Structured Contracts with the Group during FY2021:

Name of the Consolidated Affiliated Entities	Registered owners as at 31 December 2021	Business activities
Dashan Training	approximately 42.62% by Hou De Education approximately 42.04% by Mr. Zhang approximately 0.39% by Mr. Shan Jingchao approximately 0.16% by Mr. Zhang Junying, and approximately 14.79% by Dashan Consultancy, respectively	After-school education services
Jing Guang Dashan	100% by Dashan Training	After-school education services

9. Revenue and assets of the Consolidated Affiliated Entities and transaction amount under the Structured Contracts

The revenues for FY2021 and total assets of the Consolidated Affiliated Entities are set out as follows:

Name of the Consolidated Affiliated Entities	Revenue for the year ended 31 December 2021 RMB'000	Total assets as at 31 December 2021 RMB'000
Dashan Training	302,328	267,746
Jing Guang Dashan	44,500	29,205

For FY2021, the revenues of Dashan Training and Jing Guang Dashan accounted for 85.7% and 12.6% of the total revenues of the Group respectively.

As at 31 December 2021, the total assets of Dashan Training and Jing Guang Dashan accounted for 81.2% and 8.9% of the total assets of the Group respectively.

For FY2021, there was no actual transaction amount under the Structured Contracts.

For FY2021, no dividend nor other distribution was made by the Consolidated Affiliated Entities to their respective holders of equity interests.

10. Listing Rules Implications and Waivers from the Stock Exchange

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Group. The transactions contemplated under the Structured Contracts constitute connected transactions of our Company (the “**Continuing Connected Transactions**”) under the Listing Rules upon the Listing.

Name	Connected relationships
Mr. Zhang	An executive Director, the chief executive officer of our Company and one of our Controlling Shareholders, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Shan Jingchao	An executive Director and a director of Dashan Training, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Zhang Junying	A director of Dashan Training and Jing Guang Dashan respectively, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Hou De Education	A company wholly-owned by Mr. Zhang who is an executive Director, the chief executive officer of our Company and one of our Controlling Shareholders, and therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules.
Ms. Yuan Zhaoxia	The spouse of Mr. Shan Jingchao, who is an executive Director and a director of Dashan Training, and therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules.
Ms. Peng Xin	The spouse of Mr. Zhang Junying, who is a director of Dashan Training and Jing Guang Dashan respectively, and therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules.

In addition, Dashan Consultancy is 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, a nonexecutive Director and a director of Dashan Training, approximately 6.30% by Mr. Shan Jingchao, an executive Director and a director of Dashan Training, and approximately 6.30% by Mr. Ma Wenhao, an executive Director) and as to approximately 0.26% by Mr. Zhang Junying, a director of Dashan Training and Jing Guang Dashan respectively. As such, the transactions under the Structured Contracts between our Group and Dashan Consultancy are Continuing Connected Transactions pursuant to Rule 14A.28 of the Listing Rules.

The transactions contemplated under the Structured Contracts constitute Continuing Connected Transactions for the Company pursuant to Chapter 14A of the Listing Rules. As such, we have applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Structured Contracts to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

- (1) No change to the Structured Contracts will be made without the approval of our independent non-executive Directors;
- (2) Save as described in paragraph (4) below, no change to the agreements governing the Structured Contracts will be made without the approval of the independent Shareholders;

Once the independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of our Company will however continue to be applicable.

- (3) The Structured Contracts shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entities through (i) our Group's option, to the extent permitted under the PRC laws and regulations to acquire, all or part of the equity interest in our Consolidated Affiliated Entities at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to WFOE by our Consolidated Affiliated Entities under the Exclusive Business Cooperation Agreement and the Exclusive Technical Service and Management Consultancy Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance all of the voting rights of our Consolidated Affiliated Entities.

- (4) On the basis that the Structured Contracts provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of our Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Structured Contracts, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.
- (5) We will disclose details relating to the Structured Contracts on an ongoing basis.

11. Confirmation of Independent Non-executive Directors

The independent non-executive Directors had reviewed the continuing connected transactions under the Structured Contracts and confirmed that such transactions were:

- (1) entered into in the ordinary and usual course of business of the Group;
- (2) conducted on normal commercial terms; and
- (3) carried out according to the relevant agreements governing such transactions on fair and reasonable terms and in the interest of the Shareholders as a whole.

In particular, the independent non-executive Directors have reviewed the Structured Contracts and confirmed that:

- (1) the transactions carried out during FY2021 have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by our Consolidated Affiliated Entities has been substantially retained by our Group;
- (2) no dividends or other distributions have been made by our Consolidated Affiliated Entities which are not otherwise subsequently assigned or transferred to our Group; and

- (3) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during FY2021 under paragraph 10(4) above are fair and reasonable, or more favourable to our Group, so far as our Group is concerned and in the interests of our Shareholders as a whole.

12. Confirmation of the Company's Auditor

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Deloitte Touche Tohmatsu will issue his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions disclosed in this annual report in accordance with Rule 14A.56 of the Listing Rules, with a paragraph in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Exclusive Business Cooperation Agreement and the Exclusive Technical Service and Management Consultancy Agreement for the year ended 31 December 2021.

A copy of the auditor's letter will be provided by the Company to The Stock Exchange of Hong Kong Limited that nothing has come to his attention that cause him to believe that the Continuing Connected Transactions:

- (1) have not been approved by the Company's board of directors;
- (2) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (3) were dividends or other distributions made by our Consolidated Affiliated Entities to their equity interests holders which are not otherwise subsequently assigned or transferred to the Group.

Save as disclosed above, the other transactions set out in note 33 to the consolidated financial statements either do not constitute connected transactions or continuing connected transactions or are exempt from reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Acquisition of Equity Interest in Henan Zhongzhichuang

On 14 February 2022, Zhengzhou Dashan Yun Xiao Technology Company Limited* (鄭州大山雲效科技有限公司) as the Transferee, a wholly owned subsidiary of the Company, Bai Yadong (白亞東) and Zhu Yanjun (朱岩軍) as the Transferors, each an independent third party and Henan Zhongzhichuang Education Information Consulting Company Limited* (河南中之創教育信息諮詢有限公司) as the Target Company, entered into an Equity Transfer Agreement, pursuant to which, among others, the Transferee agreed to acquire from the Transferors an aggregate of 60% of the total equity interest of the Target Company after the Capital Reduction, at the Consideration of RMB1,000,000. As the Target Group is principally engaged in the provision of vocational training and technical education for adults in relation to computer science and information technology, the Acquisition represents a step to further the Group's plan in expanding and developing its business in the area of vocational education training.

As at the date of this annual report, the completion of the Acquisition has not yet taken place.

For further information in relation to the Acquisition, please refer to the Company's announcement dated 14 February 2022.

Termination of the Lease Agreements and Entering into the Lease Agreements

Subsequent to FY2021 and up to the date of this annual report, our Group entered into lease agreements for two of our new self-operating teaching centres for its Expanded Business. As the applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the lease agreements is less than 5%, these transactions do not give rise to discloseable obligations under the Listing Rules.

Subsequent to FY2021 and up to the date of this annual report, 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 as a result of the restrictions on the Existing Business imposed by the implementation of the Opinion, where the Group has been carefully considering the plan to reorganise its assets and resources for potential new businesses. 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.

DIRECTORS' REPORT

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.

By Order of the Board

Dashan Education Holdings Limited

Mr. Zhang Hongjun

Chairman and Chief Executive Officer

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

Our Company has adopted to the CG Code as our corporate governance code of practices upon Listing. Save as disclosed below, in the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code throughout FY2021.

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 is currently performing these two roles. With the extensive experience in the education industry, Mr. Zhang is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since the founding of our Group. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, both of which comprise experienced and high-caliber individuals. Our Board currently comprises three executive Directors (including Mr. Zhang), one non-executive Director and four independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions conducted by relevant Directors and employees. After making specific enquires to all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code throughout FY2021.

BOARD OF DIRECTORS

Overall Accountability

The Board is accountable to the Shareholders and in discharging its corporate accountability, every Director is required to pursue excellence in the interests of its Shareholders and fulfil his fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements.

Board Responsibilities and Delegation

The Board is responsible for formulating group policies and strategic business directions, and monitoring business performances through implementation of adequate risk management and internal control systems. The executive Directors are delegated with the authorities and responsibilities for the day-to-day management of the Group, operational and business decisions within the control and delegation framework of the Group. The non-executive Directors (including independent non-executive Directors) contribute valuable views, professional opinions and proposals for the Board's deliberation and decisions.

The duties of the Board in respect of the corporate governance functions include:

- (i) developing and reviewing the Company's policies and practices on corporate governance;
- (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board has delegated some of its functions to the board committees, details of which are set out below. The Board reserves for its decisions all major matters of the Company, including appointment of new Directors, approval of financial statements, dividend policy, significant accounting policies, material contracts, significant appointments such as company secretary and external auditors, terms of reference of board committees, major corporate policies such as code of conduct, and other significant financial and operational matters.

The Board is also responsible for maintaining and reviewing the effectiveness of the risk management and internal control systems of the Group. It has carried out review of the existing implemented systems, including control measures of financial and operational compliance of the Group.

The Directors having material interest in the matter shall abstain from voting at such Board meeting and the independent non-executive Directors with no conflict of interest shall attend at such meeting to deal with the matters. All Directors ensure that they can give sufficient attention to discharge their responsibilities to the affairs of the Company and the Directors have disclosed to the Company the identity and nature of offices held in any public organization and other significant commitments on an annual basis.

Liability Insurance for the Directors

The Company has arranged for appropriate liability insurance to indemnify its Directors against liabilities arising out of legal action on corporate activities. Such insurance coverage is reviewed on an annual basis.

Composition of the Board

As at 31 December 2021, the Board comprised eight Directors including three executive Directors, one non-executive Director and four independent non-executive Directors. The biographical details of the Directors and the senior management of the Group are set out on pages 21 to 26 of this annual report.

Mr. Zhang is the Chairman of the Board and chief executive officer of the Company. He is primarily responsible for leadership and effective functioning of the Board, ensuring key issues are promptly addressed by the Board, as well as providing strategic direction of the Group, take primary responsibility for ensuring good corporate governance practices with necessary procedures established and also together with other executive Directors are responsible for the Group's daily operations and the effective implementation of corporate strategy and policies.

Executive Directors

Mr. Zhang Hongjun (張紅軍) (*Chairman and Chief Executive Officer*)

Mr. Shan Jingchao (單景超)

Mr. Ma Wenhao (馬文浩)

Non-executive Director

Mr. Jia Shuilin (賈水林)

Independent non-executive Directors and their Independence

Mr. Lui Siu Keung (呂小強)

Mr. Li Gang (李罡)

Mr. Zhang Jian (張健)

Ms. Yang Min (楊敏)

The role of independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders and the Company.

There are four independent non-executive Directors and they represent half of the Board which represent a sufficient number as required under Rules 3.10(1) and 3.10A of the Listing Rules. Among the independent non-executive Directors, Mr. Lui Siu Keung has the appropriate professional qualifications in accounting and finance as required by Rule 3.10(2) of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Company has already received annual confirmation letters of independence from all the independent non-executive Directors and each of them have declared fulfilment of all the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules. Accordingly, the Board considers that all independent non-executive Directors are independent as defined in the Listing Rules.

Save as disclosed in the biographies of the Directors as set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive of the Company.

All the Directors, including the non-executive Director and independent non-executive Directors, have entered into service agreements or letters of appointment with the Company for an initial term of three years from the Listing Date and under which all Directors must retire by rotation at least once every three years.

In compliance with code provision A.3.2 of the CG Code, an updated list of the Directors identifying their role and function are available on the websites of the Company (<https://www.dashanedu.com>) and the Stock Exchange (www.hkex.com.hk). The Company will review the composition of the Board from time to time to ensure that the Board possesses the appropriate and necessary expertise, skill and experience to meet the needs of the Group’s business and to enhance our Shareholders’ value.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director shall receive a formal, comprehensive and tailored induction to ensure that he or she has a proper understanding of the business and operations of the Group and that he or she is fully aware of his or her duties and responsibilities as a director under applicable statutory and regulatory rules and requirements.

All Directors are encouraged to participate in continuous professional development so as to develop and refresh directors’ knowledge and skills and to ensure that their contribution to the Board remains informed and relevant.

The Company regularly circulates training materials or briefings to all Directors in respect of the updates on, among other things, the Listing Rules, the SFO or guidelines, the Companies Ordinance and relevant financial or accounting standards which may be of the interest to Directors. During FY2021, all Directors participated in appropriate continuous professional development and provided the Company with their records of training they received. Directors participated in the training which included reading regulatory updates, attending seminars or conducting training sessions and exchanging views and the special training provided by lawyer.

Continuous Professional Development Training

Name of Director	Reading or attending briefings and/or seminars and/or conferences relevant to regulatory and governance updates
<i>Executive Directors</i>	
Mr. Zhang Hongjun	✓
Mr. Shan Jingchao	✓
Mr. Ma Wenhao	✓
<i>Non-executive Director</i>	
Mr. Jia Shuilin	✓
<i>Independent non-executive Directors</i>	
Mr. Lui Siu Keung	✓
Mr. Li Gang	✓
Mr. Zhang Jian	✓
Ms. Yang Min	✓

Board Committees

The Board has established four Board committees including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Management Committee to assume responsibilities for and to oversee particular aspects of the Company's affairs with respective terms of reference. Details of the board committees are discussed below.

All Board committees are provided with sufficient resources to discharge their duties and are empowered to obtain independent professional advice at the Company's expense in appropriate circumstances.

CORPORATE GOVERNANCE REPORT

Board Meetings

During FY2021, the Board held 11 Board meetings to review and approve the business strategies and policies of the Group, interim and annual results and the significant transactions of the Group. All Directors attended the meetings.

Details of the attendance records of Directors on Board meetings during FY2021 are as follows:

Name of Director	Attendance/Number of Meetings					
	General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment Management Committee
<i>Executive Directors</i>						
Mr. Zhang Hongjun	1/1	11/11	N/A	4/4	1/1	5/5
Mr. Shan Jingchao	1/1	11/11	N/A	N/A	N/A	5/5
Mr. Ma Wenhao	1/1	11/11	N/A	N/A	N/A	5/5
<i>Non-executive Director</i>						
Mr. Jia Shuilin	1/1	11/11	N/A	N/A	N/A	N/A
<i>Independent non-executive Directors</i>						
Mr. Lui Siu Keung	1/1	11/11	3/3	N/A	N/A	5/5
Mr. Li Gang	1/1	11/11	3/3	4/4	N/A	5/5
Mr. Zhang Jian	1/1	11/11	3/3	4/4	1/1	5/5
Ms. Yang Min	1/1	11/11	3/3	N/A	1/1	5/5

Appropriate notices are given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information are provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

During FY2021, there was one annual general meeting of the Company convened and none extraordinary general meeting of the Company convened.

Directors have access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes are sent to all Directors for their comment and records. Minutes of Board meetings are kept by the company secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

AUDIT COMMITTEE

As at 31 December 2021, the Audit Committee consisted of four members, namely, Mr. Lui Siu Keung, Mr. Li Gang, Mr. Zhang Jian and Ms. Yang Min who are all independent non-executive Directors. Mr. Lui Siu Keung is the chairman of the Audit Committee.

The primary duties of the Audit Committee include, but are not limited to, assisting the Board by (i) reviewing and monitoring the relationship of the external auditor and the Group, particularly the independence and objectivity and effectiveness of the external auditor; (ii) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of the Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iv) developing and reviewing the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; (v) reviewing the financial information of the Company and ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit; (vi) developing, reviewing and monitoring the code of conduct applicable to the Company's employees and Directors; and (vii) overseeing the Company's financial reporting system and internal control procedures.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During FY2021, three Audit Committee meetings was convened (i) to consider the independence of the independent auditor and the scope of his audit; (ii) to review and discuss the risk management and internal control system of the Group, the effectiveness of the internal audit and risk control management function of the Company; (iii) to review the annual results of the Group for FY2020 and the opinions and reports of the independent auditor, and submit the annual results to the Board for approval; (iv) to consider the 2021 interim results, and submit the interim results to the Board for approval; and (v) to review the audit planning report of the independent auditor for FY2021. Subsequent to FY2021 and up to the date of this annual report, one Audit Committee meeting was convened to, among other, review the annual results for FY2021.

CORPORATE GOVERNANCE REPORT

After due and careful consideration with all necessary financial information, and reports from management and the external auditors, the Audit Committee noted that no suspected fraud or irregularities, significant internal control deficiencies, or suspected infringement of laws, rules, or regulations had been found in respect of the Group, and concluded that the risk management and internal control systems were adequate and effective.

The Audit Committee has reviewed with the management and external auditors the Group's consolidated financial statements for FY2021, including the accounting principles and practices. The Audit Committee endorsed the accounting treatment adopted by the Company, and the Audit Committee had to the best of its ability assured itself that the disclosure of the financial information in this annual report has complied with the applicable accounting standards, the Listing Rules and the Companies Ordinance. The Audit Committee therefore resolved to recommend for the Board's approval the consolidated financial statements for FY2021.

The Audit Committee also recommended to the Board the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company and that the relevant resolution shall be put forth for it Shareholders' consideration and approval at the forthcoming AGM.

REMUNERATION COMMITTEE

The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) reviewing and approving senior management's remuneration proposals with reference to the Board corporate goals and objectives; and (iii) making recommendations to the Board on the remuneration packages of individual Directors and senior management.

As at 31 December 2021, the Remuneration Committee consisted of three members, including two independent non-executive Directors, namely, Mr. Zhang Jian and Mr. Li Gang and one executive Director, namely, Mr. Zhang Hongjun. Mr. Zhang Jian is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The Remuneration Committee has held four meetings during FY2021 to discuss the remuneration policy of the Group and matters relating to the remuneration of Directors and senior management.

Pursuant to Code Provision E.1.5 of the CG Code, the remuneration of the senior management by band for FY2021, is set out as below:

Annual Remuneration	Number of individuals
HK\$1,000,000 and below	1
HK\$1,000,001 to HK\$1,500,000	—
HK\$1,500,001 to HK\$2,000,000	—
Over HK\$2,000,000	—

Details of the Directors' remuneration are set out in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

As at 31 December 2021, the Nomination Committee consisted of three members, including one executive Director, namely, Mr. Zhang Hongjun, and two independent non-executive Directors, namely, Mr. Zhang Jian and Ms. Yang Min. Mr. Zhang Hongjun is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, but are not limited to, (i) reviewing the structure, size and composition of the Board, (ii) assessing the independence of the independent non-executive Directors; (iii) making recommendations to the Board on matters relating to the appointment of Directors; and (iv) reviewing the Board Diversity Policy and make recommendations on any proposed revisions (where required) to the Board for consideration and approval.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The Nomination Committee has held one meeting during FY2021 to review the structure, composition, size and diversity of the Board and relevant recommendations were made to the Board, which included the re-election of retiring Directors.

Under Article 84 of the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. According to Article 83 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or by way of addition to their number shall hold office only until the next following AGM, and shall then be eligible for re-appointment. Every Director shall be subject to retirement at least once every three years by rotation or offers himself for re-election.

Nomination Policy

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

Board Diversity Policy

The Company notes increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives, sustainable and balanced development. The Company adopted a diversity policy (“**Diversity Policy**”) which sets out the approach to diversify the Board. The Nomination Committee reviews and assesses Board composition on behalf of the Board and will recommend the appointment of new Director, when necessary, pursuant to the Diversity Policy.

In designing the Board’s composition, the Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will also consider factors based on the Company’s business model, specific needs and meritocracy from time to time in determining the optimum composition of the Board. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During FY2021, the Board comprises eight Directors, including three executive Directors, one non-executive Director and four independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of professional experience, skill and knowledge. During FY2021, our Board consists of seven male members and one female member with one Directors of age 31 to 40 years old, four Directors of age 41 to 50 years old, two Directors of age 51 to 60 years old and one Directors of over 60 years old. Having reviewed the Diversity Policy and the Board’s composition, the Nomination Committee is satisfied that the requirements set out in the Diversity Policy had been met and the Board is sufficiently diversified.

The Nomination Committee will review the Diversity Policy, as appropriate, to ensure its effectiveness.

INVESTMENT MANAGEMENT COMMITTEE

The Investment Management Committee is primarily responsible for monitoring the Group’s investment in wealth management products and conduct periodical review of the investments of the Group and report to our Board. In addition, the Investment Management Committee is responsible to review and approve the management’s investment proposal and advise on investment policies of the Company.

As at 31 December 2021, the Investment Management Committee consisted of seven members, including three executive Directors, namely, Mr. Zhang Hongjun, Mr. Shan Jingchao and Mr. Ma Wenhao, and four independent non-executive Directors, namely, Mr. Lui Siu Keung, Mr. Li Gang, Mr. Zhang Jian and Ms. Yang Min. Mr. Zhang Hongjun is the chairman of the Investment Management Committee.

The written terms of reference of the Investment Management Committee are available on the websites of the Stock Exchange and the Company.

The Investment Management Committee has held five meetings during FY2021 to discuss the investment policies of the Company.

DIVIDEND POLICY

The Board adopted a dividend policy (the “**Dividend Policy**”), the objective of which is to allow Shareholders to participate in the Group’s profits whilst retaining adequate reserves to sustain the Group’s future growth.

According to the Dividend Policy, the Board will recommend declaring and paying dividends on an annual basis up to 30% of our distributable net profit attributable to our Shareholders but subject to, among others, (i) our actual and expected results of operations, cash flows, financial conditions, future prospects; and (ii) all applicable requirements (including without limitation restrictions on dividend declaration and payment) under the relevant laws and the Articles. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in the future.

Pursuant to the Dividend Policy, except for interim dividend, any dividends declared by the Company must be approved by an ordinary resolution of Shareholders at the general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the Shareholders such interim dividends as appear to the directors to be justified by the profits of the Company available for distribution.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and this Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

REMUNERATION OF AUDITORS

For FY2021, remuneration paid or payable to the Company’s auditors, Deloitte Touche Tohmatsu, for audit services was approximately RMB1,650,000 and non-audit services was Nil.

ACCOUNTABILITY AND AUDIT

Financial Statements and Financial Reporting

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group that give a true and fair view of the state of affairs of the Company and the Group and of the Group’s results and cash flows in accordance with applicable accounting standards and the Companies Ordinance.



CORPORATE GOVERNANCE REPORT

The Directors also acknowledge their responsibilities to ensure that the announcements in relation to the consolidated financial statements on annual and interim results of the Group are published in a timely manner, within three months and two months respectively of the year end and the half-year period end. The reporting responsibility of the external auditor of the Company on the consolidated financial statements of the Group are set out in “Independent Auditor’s Report” on pages 121 to 125.

Going Concern

Given the Group planned to change its business model and these new businesses are at beginning stage, the Directors still have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors consider that the Group can continue as going concern as (i) the Group is in healthy liquidity position, with sufficient bank and cash held by the Company and its subsidiaries with direct or indirect equity interest; and (ii) the Group expects to significantly drop its costs and related expenses, mainly including rental expenses, staff costs, subcontracting charges and selling and marketing expenses related to after-school tutoring services resulting from the changes in principal activities described above. Accordingly, the Group continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises its overall responsibilities for maintaining sound and effective risk management and internal control systems including an annual review on their effectiveness for achieving long-term sustainable development of the Group. The risk management and internal control systems, under a defined management structure with limits of authority, are designed for the Group to identify and manage the significant risks to pursue its business objectives, safeguard its assets against unauthorised use or disposition, enhance effectiveness and efficiency of its operations, ensure the maintenance of proper accounting records for reliable financial reporting, and ensure compliance with relevant laws and regulations. Such systems are designed to manage rather than eliminate risks of failure in the achievement of the Group’s business objectives and can only provide reasonable, but not absolute assurance against material misstatement or loss.

The Board is responsible for the determination of the Group’s risk profile within its acceptable tolerance levels in business operation, oversight of management in the design, implementation and monitoring of overall risk management process from risk identification, risk assessment, establishment of appropriate risk responses and regular risk evaluation and monitoring, so as to ensure the systems are effectively established and maintained.

The risk management process is structured from management of the Group from respective business functions at execution level to the Board, together assisted by the Audit Committee in decision-making and monitoring level. Management of the Group identifies, assesses and prioritises the key existing and potential risks through a detailed assessment process and determines the appropriate mitigation strategies and control measures in response of the identified risks. Ongoing evaluation and monitoring of the identified risks, respective measures, and results are carried out and reported to the Board regularly. The Board at decision-making level, assisted by the Audit Committee, reviews the risk appetite, risk management process and strategies and also the internal control systems and provide recommendations for any improvement on the systems on an ongoing basis to ensure risk management effectiveness.

The establishment of the internal audit & compliance department promotes the importance and construction of the compliance into the corporate culture, monitors the effectiveness of the existing internal controls system of the Group, and provides reasonable assurance to the Board for oversight of the internal control system operated by the management.

The Company has engaged an external consultant to conduct internal audit review during FY2021. The external consultant has assisted the Audit Committee and the internal audit & compliance department in carrying out an independent review on the adequacy and effectiveness of the risk management and internal control systems of the Group, and has reported the status of its review to the Audit Committee and the internal audit & compliance department on a regular basis.

The internal audit & compliance department conducts regular internal audit review across principal divisions of the Group, and, on a regular basis reports their finding results with improvements directly to the Audit Committee to ensure the internal controls are in place and adopted properly and effectively as intended. The scope of internal audit review included principal divisions from finance department, risk management department, treasury department and purchasing department, etc. to ensure material controls have been covered during the internal audit review process. Any matter or areas of improvement shall be communicated to the divisional management and had them followed up on a timely basis.

Upon review of the annual risk management and internal control system report concluded by the external consultant and the internal audit & compliance department, the Audit Committee and the Board reviews and evaluate the effectiveness of the Group's risk management and internal control system, on a regular basis.

The Board's annual review in respect of FY2021 has considered, among other things, (i) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions; (ii) the scope and quality of the management's ongoing monitoring of risks and of the internal control systems (including the work of internal audit function); (iii) the effectiveness of the risk management and internal control systems (including the extent and frequency of monitoring results to the Board or the Audit Committee); and (iv) the effectiveness of the Company's processes for financial reporting and the Listing Rules compliance. The Board and the Audit Committee are of the view there are no material internal control defeats were identified by the external consultant or the internal audit & compliance department during the course of internal audit review. With the discussion between management, the external consultant, the internal audit & compliance department and the Audit Committee, the Board (with the concurrence of the Audit Committee) considered that the risk management and internal control systems of the Group are effective and adequate. The review of the risk management and internal control systems of the Group is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

CORPORATE GOVERNANCE REPORT

The Company formulated the inside information policy. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees apprised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements. Procedures for collection, evaluation of information and the publication manner are in place to ensure timely reporting of the inside information to the Board and the stakeholders of the Group.

COMPANY SECRETARY

The Company has appointed Ms. Chen Yibei as the secretary of the Company since March 2019. Her biographical details are set out in the section headed “Biographical Details of Directors and Senior Management” in this annual report.

Ms. Chen Yibei has taken no less than 15 hours of relevant professional training during FY2021 in compliance with the requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS AND INVESTOR RELATIONS

Communication Policy

The Board considers that having active communications with its Shareholders and investors is important and this will enhance transparency and clarity in public disclosures by the Company. Any significant events of the Group fall to be disclosed will be published in a timely, accurate and complete manner through the websites of the Company and the Stock Exchange, so as to safeguard its Shareholders’ rights of information and participation. The Board considers that AGM is an important opportunity for direct communication with its Shareholders. The notice of the AGM together with relevant documents will be sent out to its Shareholders at least 21 clear days or at least 20 clear business days prior to the date on which the AGM will be held. The notice contains details on the procedures for voting by poll as well as other relevant information related to the proposed resolutions.

AGM

The Board and senior management are well aware of their important tasks of acting on behalf of the interests of all its Shareholders and raising the Shareholders’ returns. The Board encourages all its Shareholders to participate in the forthcoming AGM where the members of the Board and external auditors will be present and communicate with its Shareholders.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

(1) Procedures for Shareholders to convene an EGM

- (a) Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may by written requisition to the Board or the Secretary of the Company to require an EGM to be convened and stating the subjects to be considered at the meeting by written requisition; and such meeting shall be held within two months after the deposit of such requisition.
- (b) If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(2) Shareholders' enquiries to the Board

Shareholders may direct their queries regarding their shareholdings, share transfer/registration, payment of dividend and change of correspondence address to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders may make enquiries in respect of the Company at the registered office of the Company at Room 1504, 15/F Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong for the attention of the Company Secretary, or by email at dashanjiaoyu@163.com.

(3) Procedures for Putting Forward Proposals at Shareholders' Meetings

- (a) Proposal for election of a person other than a Director as a Director: Pursuant to article 85 of the Articles of Association, a Shareholder who wishes to propose a person other than a retiring Director for election to the office of Director at any general meeting should lodge (i) a notice in writing by him/her/it (other than the person to be proposed) of his/her/its intention to propose that person for election as a Director; and (ii) a notice in writing by that person of his/her willingness to be elected, at either (a) the principal place of business of the Company in Hong Kong (presently at Room 1504, 15/F Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong), or (b) the Company's branch share registrar and transfer office in Hong Kong at Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The period for lodgement of the notices mentioned above will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.
- (b) Other proposals: If a Shareholder wishes to make other proposals (the "**Proposal(s)**") at a general meeting, he/she/it may lodge a written request, duly signed, at the principal place of business of the Company in Hong Kong presently at Room 1504, 15/F Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong marked for the attention of the Company Secretary.

The identity of the Shareholder and his/her/its request will be verified with the Company's branch share registrar and transfer office in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order, and is made by a Shareholder, the Board will in its sole discretion decide whether the Proposal(s) may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the Shareholders for consideration of the Proposal(s) made by the Shareholders concerned at the general meeting varies according to the nature of the Proposal as follows:

- (1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal(s) require(s) approval in an AGM.
- (2) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal(s) require(s) approval by way of an ordinary resolution in an EGM.

Disclaimer

The contents of the section headed “Shareholders’ Rights” are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the Shareholders. Shareholders should seek their own independent legal or other professional advice as to their rights as Shareholders. The Company disclaims all liabilities and losses incurred by the Shareholders in reliance on any contents of the section headed “Shareholders’ Rights”.

CONSTITUTIONAL DOCUMENTS

The Company adopted an amended Memorandum and Articles of Association of the Company on 18 June 2020 which was effective upon Listing. There was no change in the Memorandum and Articles of Association during FY2021. A copy of the latest Memorandum and Articles of Association is available on the website of the Stock Exchange and the Company’s website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORT OVERVIEW

The Group is pleased to present its 2021 Environmental, Social and Governance Report (this “**ESG Report**”). This ESG Report outlines the Group’s strategy, vision and performance on environmental, social and governance issues for FY2021. As a responsible enterprise, the Group has always been committed to the concept of sustainable development, actively fulfilling its corporate social responsibility and integrating environmental management into its business decisions. The Board is responsible for the overall environmental, social and governance strategy and reporting of the Group, and comprehensively oversees the associated risks and opportunities. Going forward, the Group will continue to monitor and refine the Group’s initiatives and performance on sustainable development in an effort to create long-term value for all stakeholders and the communities in which it operates.

REPORTING SCOPE AND REPORTING PERIOD

Unless otherwise stated, the scope of this ESG Report covers all the Group’s self-operated teaching centres in Henan Province of China, Uni-Basketball self-operated schools* (優尼籃球直營校) and Dashan Overseas Education self-operated School* (大山留學直營校).

This ESG Report covers the period from 1 January 2021 to 31 December 2021 (the “**Reporting Period**”), which corresponds to the financial period covered by this annual report.

BASIS OF REPORT PREPARATION

This ESG Report is prepared in accordance with the disclosure obligations under the Environmental, Social and Governance Reporting Guidelines set out in Appendix 27 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). This ESG Report has complied with all mandatory disclosure requirements and all “comply or explain” provisions, as well as the principles of materiality, quantification, balance and consistency. In preparing this ESG Report, the Group has adopted the emission factors and international standards set out in the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange in the preparation of this ESG Report. For more information on the application of materiality reporting principle, please refer to the subsection headed “Materiality Assessment” in this ESG Report.

CONTACT US

The Group values the opinions of the readers of this ESG Report. If you have any questions or suggestions regarding this ESG Report, please feel free to provide feedback to our Investor Relation Team by:

mailing to us at Room 1504, 15/F, Jubilee Centre, 18 Fenwick Street, Wan Chai

SOURCE AND RELIABILITY STATEMENT

The information disclosed in this ESG Report is obtained from the Group's internal documents, statistical reports or relevant public information. The Group confirms that there are no false statements, misleading statements or material omissions in this ESG Report, and accepts responsibility for the truthfulness, accuracy and completeness of its contents.

This ESG Report is available in English and Chinese. If there is any discrepancy between the Chinese and English versions, the Chinese version shall prevail. The electronic version of this ESG Report is available on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <https://www.dashanedu.com/>.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

Statement of the Board

As a responsible enterprise, the Group has always been committed to the concept of sustainable development, actively fulfilling its corporate social responsibility and integrating environmental management into its business decisions. This ESG Report outlines the Group's strategy, practice and vision on environmental, social and governance issues, and conveys the Group's commitment to sustainable development.

The Group has established a governance structure to strengthen its work on environmental, social and governance. The Board has overall responsibility for the Group's environmental, social and governance strategies and reporting and overall supervision of the underlying risks and opportunities. The Board conducts at least one enterprise risk assessment annually to identify, assess and monitor environmental, social and governance-related risks in the ordinary course of business. The Board is also responsible for formulating the Group's environmental, social and governance-related management policies, strategies and objectives, reviewing the objectives established by the Group and the performance in relation to them on a regular basis, and revising the strategies as appropriate.

To implement the concept of sustainable development and effectively manage ESG issues, the Group has established an ESG Working Group. The Group comprises of senior and middle management from the Finance, Internal Control, Management, Accounting and Treasury departments. The composition of the working group is carefully selected to ensure that employees of different backgrounds, expertise and business functions are fully covered.

The ESG working group is responsible for assisting the Board in overseeing and promoting the implementation of the strategies for sustainable development, and assists the Board in identifying and prioritising key issues. The working group also reports regularly to the Board on the effectiveness of the ESG system and the performance of the Group's key environmental and social performance indicators, and prepares the annual ESG report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Going forward, the Board will continue to monitor and refine the Group's sustainability initiatives and performance, with a view to creating long-term value for all stakeholders and the communities in which we operate.

Governance structure



STAKEHOLDER IDENTIFICATION AND COMMUNICATION

The Group continues to be mindful of key issues of concern to its stakeholders in its operation. By having comprehensive and transparent communication, the Group understands the expectations and needs of its stakeholders and continues to enhance the Group's strategies and plans on sustainable development based on the views of its stakeholders, in order to strengthen mutual trust and cooperation, and achieve its sustainable development plans together.

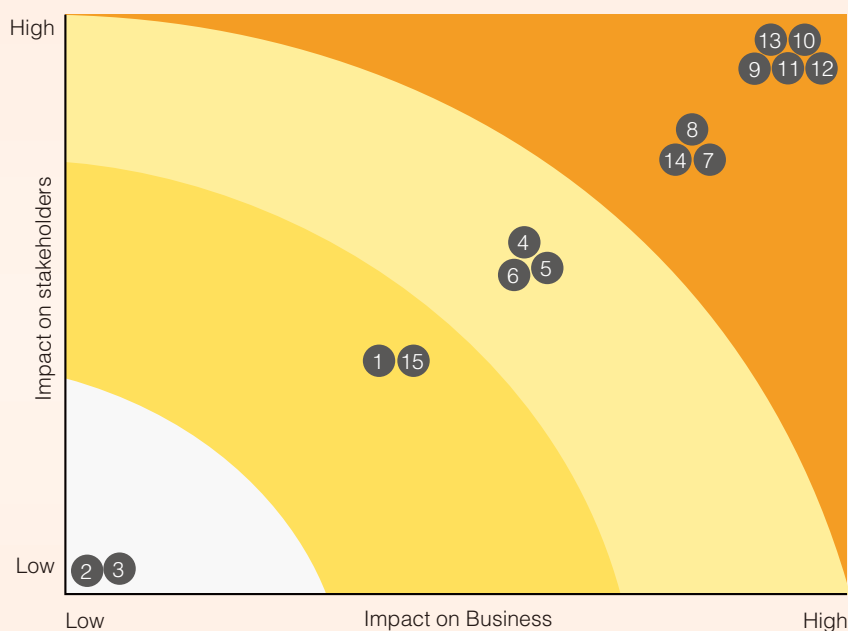
Stakeholders	Issues of Concern	Communication Channels
Stock Exchange of Hong Kong	<ul style="list-style-type: none"> Compliance with the Listing Rules Timely and accurate announcements 	<ul style="list-style-type: none"> Meetings The Company's Announcements The Company's website
Shareholders and investors	<ul style="list-style-type: none"> Business strategies Investment returns Corporate identity Compliance in compliance 	<ul style="list-style-type: none"> General meetings The Company's Announcements The Company's website

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Issues of Concern	Communication Channels
Government and regulators	<ul style="list-style-type: none"> • Compliance in compliance • Taxation according to the law • Information disclosure and reporting materials 	<ul style="list-style-type: none"> • The Company's website • The Company's Announcements
Suppliers and business partners	<ul style="list-style-type: none"> • Compliance in compliance • Quality of products and services • Curriculum offerings and intellectual property 	<ul style="list-style-type: none"> • Agreements • Review and assessment • Meetings
Employees	<ul style="list-style-type: none"> • Salary and benefits • Working environment and safety • Diversity and equal opportunity • Training and career development 	<ul style="list-style-type: none"> • Regular work meetings and conferences • Training activities • Interviews • Teaching seminars
Students and parents	<ul style="list-style-type: none"> • Teaching quality • Teaching philosophy • Teaching management • Quality of teaching services • Environment of teaching centres • Health and safety of students 	<ul style="list-style-type: none"> • The Company's website • The Company's WeChat platform • Online learning platform • Offline classes • Seminar for parents
Community	<ul style="list-style-type: none"> • Community development • Public welfare • Employment opportunities • Ecological environment 	<ul style="list-style-type: none"> • Community activities • Volunteering activities • Media enquiry • Press releases and announcements

MATERIALITY ASSESSMENT

To ensure that this ESG Report has comprehensively covered and responded to the key issues of concern to stakeholders, in addition to regular communication with stakeholders, the Group has made reference to certain information such as internal policies of the Company, industry trends and the Materiality Map of the Sustainability Accounting Standards Board to identify issues that have a potential and practical impact on the Group’s sustainable development. The Group analysed and prioritised the environmental, social and governance issues identified based on certain factors such as its strategy, development and objectives, and the results are as follows:



Environmental, Social and Governance Issues		Environmental, Social and Governance Issues	
1	Air and greenhouse gas emissions	9	Employee development and training
2	Hazardous Waste	10	Labour standards
3	Non-hazardous Waste	11	Supply chain management
4	Energy consumption	12	Education service and product responsibility
5	Water consumption	13	Anti-corruption
6	The environment and natural resources	14	Community investment
7	Employment	15	Climate change
8	Safe and Healthy Teaching Environment		

SOCIAL

Quality Education Services and Resources

The Group is committed to creating a bright future for its students by stimulating their motivation for learning, improving their academic performance, broadening their horizons, and shaping their personalities through our philosophy of “people-oriented, moral education, cultivating interest, and character building”. During the Reporting Period, the Group continued to provide after-school education services mainly to primary and secondary students under four sub-brands, namely:



Dashan Waiyu, English tutoring for primary and secondary students;



Xiaoshudian, non-competition Mathematics tutoring;



Yufuzi Dayuwen, Chinese tutoring for primary and secondary students; and



Dashan Waiyu KIDS, English tutoring for pre-schoolers.

With the increasing emphasis on the all-round development of the next generation and in line with the Government’s education reform, the Group is actively exploring opportunities to expand its scope of business to include other types of counselling services to cover extra-curricular personal development courses in arts, sports, robotics, coding and Chinese Sinology. The courses on arts, sports, elocution and coding were implemented during the Reporting Period. As for sports, the Group has added five new Uni-Basketball self-operated schools during the Reporting Period to diversify the development of the students. In addition, the Group also added one new Dashan Overseas Education self-operated School during the Reporting Period to help students intending to study abroad to enrol overseas institutions successfully.

Curriculum

Each new student is required to take an assessment test on the specific subject they wish to enrol in. Based on the results of the admissions assessment and their characteristics, the Group will analyse their academic situation and match them with the corresponding class types and courses, such as regular classes, small classes and VIP classes, and different course systems such as outstanding talent training courses, innovative courses, specialised courses, short-term courses.

As for the extra-curricular personal development courses, the Group has divided the courses into different stages to suit the developmental characteristics and extent of the students at all ages. In terms of overseas study courses, the Group has over 3,000 academic institutions located in over 20 countries and regions, aiming to provide students with tailor-made overseas study courses and professional guidance on overseas study archives. The Group is dedicated to providing comprehensive and personalised professional counselling to each student to meet the needs of different students.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Outstanding talent training courses

- Suitable for students in 3rd–9th grade and high school first year
- use of exclusively developed teaching materials, combined with original animated educational materials and videos
- Develop students' overall language skills in listening, speaking, reading and writing



Innovative courses

- Suitable for students in 1st–9th grade and high school first year
- Adopts original materials imported from the United Kingdom, incorporating knowledge modules from other subjects and cultures
- Improve students' overall language skills



Regular specialised courses

- Suitable for students in 1st–9th grade
- Classes are held throughout the year
- The course includes spelling, vocabulary, grammar and other series, as well as Key English Test ("KET"), Preliminary English Test ("PET"), Cambridge Young Learners Exams ("YLE") and other tests



Featured specialised courses

- Suitable for students in 3rd–8th grade
- Classes are held according to the actual schedule
- The course includes new concept English focus class, English final advanced specialised class for primary and secondary schools, foreign language talented class for high school



Extra-curricular personal development courses

- Suitable for children and adolescence
- The course include arts, sports, eloquence and coding



Study abroad courses

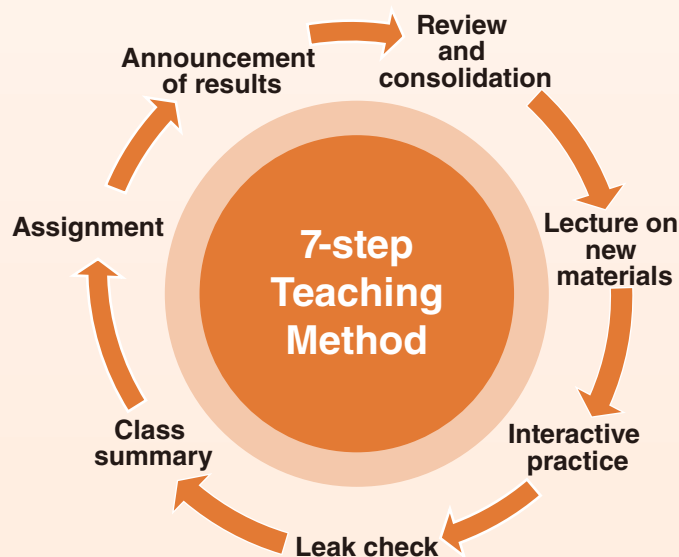
- Suitable for students intending to study abroad
- The course include study abroad planning, document guidance etc

Teaching Method

To offer better education resources and teaching services to its students, the Group places emphasis on product iteration, technological innovation, user experience, personalised operation and other innovative developments. We adopted the OMO teaching method and launched our self-developed “Learning Bar” online intelligent learning application platform to facilitate the integration and synergy of online and offline teaching, in order to promote teaching materials standardisation, data visualisation, a digitalised and centralised database for research and development and teaching service personalisation.

- teaching materials standardisation, we develop standardised course materials, after-school assignments and video lessons to ensure the teaching quality in each class;
- data visualisation, our “Learning Bar” allows for information such as students’ learning progress, teachers’ feedback, after-school assignments, etc. to be shared to students and parents;
- a digitalised and centralised database for research and development, we generate a “learning assessment report” based on the performance of each of our students for personalised counselling and adaptive learning; and
- teaching service personalisation, we collect data regarding students’ learning progress for analysis and research and development.

The Group provides scientific and comprehensive course designs, using the OMO method and the 7-step teaching method to help students improve their learning efficiency.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our students can purchase the online tutoring courses, download the courses and conduct pre-class preparation and after-class assignment. Teachers deliver new knowledge through original animated videos and other teaching materials to stimulate students' interest in learning. Then students can practice online and fully take in what they have learned. Teachers will review the exercises submitted by the students, correct assignments and coach them on their performance to ensure that no knowledge points are missed. At the end of the class, students will present what they have learned to the teachers to check the effectiveness of learning. After class, the teachers will assign homework, which is an integration with the teaching content to supervise students' learning. Subsequently, students can check their learning results and growth curve on "Learning Bar" to help them understand their own learning situation.

For the extra-curricular personal development courses, the Group has developed a standardised teaching process that covers both theory and practice and emphasises to the diversity of interactions to enhance students' enthusiasm, expressiveness and creativity.

Teaching Team and Teaching Quality

The Group believes that maintaining high levels of teaching quality and standards are critical to its sustainable development in tutoring services industry. Therefore, the Group has implemented a series of quality assurance measures to maintain the quality of teachers' teaching and to ensure the continuous provision of high quality education to its students.

The Group has established a teaching management centre and an academic affair centre to manage the teaching team and the quality of teaching services, respectively. Teaching staff are required to conduct at least two teaching seminars every week, in which the four modules of subject expertise, lesson preparation skills, teaching skills and classroom performance are discussed and assessed. In addition, the Group's Teaching Management Centre, in collaboration with the Human Resources Department, conducts regular teacher evaluations, including closed-book assessments, teaching service evaluations, and satisfaction surveys for students and parents. The Group also monitors teachers' performance through the "Learning Bar" by reviewing the teachers' frequencies of teaching materials uploaded to the platform, the assignments assigned to students and the evaluation of students' performance.

In order to uphold the educational philosophy of "moral education" and in response to the implementation of the Opinion, the Group has specially formulated an upgraded version of the "Code of Conduct and Quality Assurance Regulations for Teachers", which stipulates that teachers should fully implement the Party's education policy, follow the rules of education and youth development, and foster the all-round development of primary and secondary school students in "moral, intellectual, physical, aesthetic and labour". The teachers who violate the rules and regulations will be punished accordingly, and discipline is strictly enforced in order to maintain a clean and upright educational style.

The Group strictly complies to relevant laws and regulations in relation to education service and product responsibility, including Non-state Education Promotion Law of the PRC, Opinion on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education, Regulation on Internet Information Service, Administrative Provisions on Internet Audio-Visual Program Service and Provisions on the Administration of Online Publishing Services etc, and at the same time ensures that the Group has obtained all business-related licenses.

Teaching Material Development and Intellectual Property

The Group is committed to the development of teaching materials and protection of intellectual property rights to ensure the teaching quality and to facilitate the sustainable development of the Group. As such, the Group has established an intellectual property leading team and formulated the Intellectual Property Management Policy in accordance with the Patent Law of the PRC and the Trademark Law of the PRC to monitor and manage the planning of intellectual property rights and related risks.

Our research and development department is in charge of designing and developing our curriculum and teaching materials based on the school teaching syllabus, other teaching materials from reputable local and international publishers, and past examination papers of different schools in Zhengzhou combined with the Company's development goals, students' feedback and the market demand. The Group has formed in-depth cooperation with well-known education platforms such as the Foreign Language Teaching and Research Press and MM Publications in areas of English teaching and research, introduction of teaching materials and teaching with two teachers. At the same time, the Group worked with well-known universities including School of Humanities of Tsinghua University and Beijing Normal University in curriculum development, research and development of teaching materials, and teacher teaching system to jointly create high-quality teaching products and educational resources.

Before applying for patents, trademarks and new technologies, the Group needs to conduct research and related searches to understand the intellectual property status of the technologies or teaching materials to avoid any issues such as infringements or duplication, and to file and document them for management purposes. The Group has also entered into confidentiality and non-competition clauses with its employees to protect the Group's intellectual property rights. The brand marketing centre and the legal department are jointly responsible for the management of the Group's intellectual property rights and the continuous monitoring of any infringement of third-parties. In case of infringement, our brand marketing staff will collect evidence, prepare a monitoring report and submit it to the legal department and the management for actions including legal action against the infringing third-party.

Advertising and Promotional Campaigns

To ensure that the advertisements and promotions published by the Group are in compliance with the Advertising Law of the PRC, the Circular on the Administration of After-School Tutoring Advertisement and other relevant regulations, the Group has regulated the process of external promotions. Before any department conducts any promotions involving the Group or its brands, the departments are required to submit an application to the brand marketing centre for approval before the execution to ensure the authenticity and timeliness of the information.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Privacy Protection

The Group has especially established an information security management measure to protect the information security of its students and users. Employees are required to maintain and keep confidential the information and data necessary for business operation. Important information, electronic documents and important data are regularly backed up, and the backup data of application systems adopts dual backup to prevent data loss due to equipment failure or accidental deletion. In addition, the Group strictly prohibits its employees from disclosing confidential information of the Group and its users to other irrelevant employees or external parties. If the leakage of the Group's confidential information causes damage to the Group and its users, the Group will impose fines, administrative penalties or pursue legal liabilities against the parties concerned to protect the interest of the Group and its users. The Group strictly complied with the Personal Information Protection Law and did not have any non-compliance related to data privacy during the Reporting Period.

Consultation and Compliant Handling

The Group is committed to building a good and trusting relationship with students and parents, and has set up an academic affair management centre, in which the customer service department has formulated a standardised consultation manual to standardise and monitor the consultation process, customer service and complaint management to create a pleasant learning environment and experience for its students and parents. Students and parents can contact our customer service department by phone or through our official website, and our customer service department will patiently handle any inquiries and complaints. If a complaint is received, the customer service staff will record the relevant content in the "Complaint Description Form" and provide feedback on the handling measures within 48 hours after understanding the situation within the relevant departments, and conduct relevant follow-up procedures and improvement work.

During the Reporting Period, the Group received a total of eight major complaints², which were satisfactorily resolved after the Group carried out follow-up actions. Through feedback from its students and parents, the Group further improved the hospitality and teaching management process.

Nurturing Those with Talents

In order to enhance the quality of teaching and the ability of sustainable development of the Group, the Group pays great attention to the continuous training of our staff and has established a comprehensive training system to enhance their professional knowledge and abilities so that they can unleash their personal potentials. The Group has established a Teaching Management Centre which responsible for formulating various types of conventional training for teaching purposes. The Group also develops annual training plans based on business development and provides targeted, systematic and forward-looking training for all staff to cultivate outstanding talents to ensure that they can meet the requirements of the relevant positions.

² Major complaints that involving compensation

Training for New Teachers

The Teaching Management Centre provides standardised training for all new teachers, who must undergo at least four weeks of mandatory training and no less than eight weeks of hands-on training before they are allowed to teach. To improve the efficiency of training, the Group has enhanced the online platform function of “Learning Bar” so that new teachers located outside of Zhengzhou City can complete their training through “Learning Bar”. In addition to specific training like subject courses and quality courses, the training courses also include different professional skills training:

- Presentation skills;
- Communication skills;
- Teaching skills;
- Teaching philosophy;
- Personal appearance;
- Preparation and classroom management;
- Classroom practice; and
- Usage of the “Learning Bar” platform.

Teaching Training Camp

The Group organises regular training camps for teachers that is composed of a team of experienced teachers with years of frontline teaching experience to evaluate and guide the performance of our teachers and provide professional knowledge training on physiological changes and handling of students to improve the quality and effectiveness of teaching.

Continuous Training

The Group provides continuous training to all employees to help them upgrade their professional knowledge and skills. As for teachers, apart from the teaching services and professional knowledge training, the Group also provides curriculum mapping training to enable them to keep up with the changes in the curriculum and syllabus and teaching materials. The Group also provides training to other employees to enhance their professional skills such as illustration production, layout design and human resources performance management. In addition, the Group has implemented the “Book Sharing Management System” during the Reporting Period to encourage the employees to conduct reading sharing sessions and submit reading notes, so as to achieve mutual development between the Group and the employees and to enhance the Group’s core competitiveness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Details of the Group's employee training during the Reporting Period are as follows:³

Employee Training		
	Number of employees	Percentage of total number of employees
Total number of employees trained	705	48%
Gender		
	Number of employees	Percentage of male and female employees
Female	648	56%
Male	57	18%

³ Due to the high turnover rate during the Reporting Period, the employee training data includes the training records completed by the resigned employees during the Reporting Period. The total number of employees, including the resigned employees, was 1,479.

Employee Training		
Employment type	Number of employees	Percentage of employees by category
General employees	560	44%
Middle and Senior employees	145	68%
Average Training Hours Completed		
Each employee (hours)	1.91	
Average Training Hours Completed (By Gender) ⁴		
Female (Hours)	2.23	
Male (Hours)	0.71	
Average Training Hours Completed (By Employment Type)		
General employees (Hours)	1.77	
Middle and Senior employees (Hours)	2.72	

CARE FOR OUR EMPLOYEES

The Group strongly believes that its employees are the most valuable asset of the enterprise and regards human resources management as an integral part of its overall business strategy. The Group strictly complies with all laws and regulations related to employment, including but not limited to the Labour Contract Law of the PRC, the Labour Law of the PRC, the Regulation on Paid Annual Leave for Employees, the Law of the PRC on the Protection of Women's Rights and Interests, the Law of the PRC on the Protection of Disabled Persons and the Social Insurance Law of the PRC.

The Group has established policies such as human resources management, recruitment management, remuneration management and employee handbook to regulate the workflow of recruitment, entry and exit, promotion and remuneration calculation to standardise the workflow to enhance efficiency. The Group is committed to building a diverse, non-discriminatory and inclusive work environment where harassment and misconduct and strictly prohibited, in order to create a fair, respectful, trusting and inclusive working environment for its employees. The Group ensures that the value of its employees is fairly reflected, assessed and rewarded, and that recruitment and promotion processes do not discriminate against or exploit such opportunities on the basis of aspects including gender, ethnic background, religion, colour, sexual orientation, age, and marital status.

⁴ The calculation of the average training hours completed for the Reporting Period is based on the total number of employees in this category in accordance with Appendix III: Reporting Guidance on Social KPIs published by the Stock Exchange, which uses the total number of employees of this category as the base (different from the number of trained employees in this category as the base in 2020).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Meanwhile, the Group stays committed to protecting basic human rights and strictly prohibits any form of child labour and forced labour. The Group strictly complies with applicable laws and regulations in recruiting employees, including the Labour Law of the PRC, the Law of the PRC on the Protection of Minors, and the Provisions on the Prohibition of Using Child Labour of the PRC. To prevent child labour and forced labour, Human Resources Department strictly monitors the hiring process, conducts background checks on applicants, and verifies the authenticity of their certificates and personal information stated in their application forms. If any non-compliance is found, the Group will immediately terminate the employment contract and investigate the incident. If a candidate uses any false information, it will be considered fraudulent and the signed employment contract will be deemed invalid. During the Reporting Period, the Group did not have any incidents of child labour or forced labour.

As the standardised quality of teaching team is crucial to the Group's business, the Group uses stringent selection criteria to identify suitable and outstanding candidates. The Human Resources Department is responsible for screening candidates, comprehensively considering their educational background, relevant work experience and professional qualifications, such as whether they hold a teaching certificate. Such selected candidates may be required to undergo further interviews with the Teaching Department, such as teaching as part of their application process, in order for the Human Resources Department and the Teaching Department to evaluate their teaching performance. Employees who wish to resign must submit a written notice in advance. Human Resources will conduct an exit interview with the employee in order to understand the reasons for resignation and feedback on the Company. The Group also emphasises career management for its employees and offers promotion opportunities to encourage them to achieve their full career potential.

The Group offers competitive remuneration packages and benefits to its employees in order to attract, retain and motivate high-quality talents. Most of the time, the employees of the Group work for the standard working hours of eight hours per day, forty hours per week on average, and at least one rest day per week. The Group's employees are also entitled to statutory social insurance and housing provident fund. The Group regularly review the remuneration packages of its employees and will make necessary adjustments to meet the expectations of its employees and the market. Apart from the basic salary, the Group's teachers and employees receive performance bonuses based on their teaching hours and qualifications. At the same time, the Group implemented a share incentive mechanism by issuing incentive shares to eligible persons. The Group takes into account factors such as the overall business objects and future development plans, their contribution to the Group, their principal duties and length of service within the Group in selecting the eligible persons. The Group motivates its employees with a share incentive mechanism and encourages them to work with the Group to achieve its objects.

Total Workforce and by Classifications

As at 31 December 2021, the Group had a total of 492 employees and details of the employees are as follows:

Total number of employees	
Total number of employees	492
Distribution of employees by gender	
Female	339
Male	153
Distribution by age	
<25	57
25–29	163
30–39	222
40–49	40
>50	10
Number of employees by different employment types	
Full-time	226
Part-time	266
Number of employees by region	
Mainland China	487
Hong Kong	5

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Turnover

During the initial period of the Opinion, all teaching and training institutions were required to suspend courses for inspection, resulting in a reduction in the number of courses. Subsequently, in line with the policy, the Group decided to reduce the operation of certain self-operated teaching centres after taking into account of all factors, resulting in a higher turnover rate during the Reporting Period. Notwithstanding this, the Group has actively expanded its business to provide more diversified courses to its students, and with the systematic and forward-looking excellent continuous training to its employees, it is believed that the Group's turnover rate will improve in the next reporting period. Details of the Group's employee turnover rate during the Reporting Period are as follows:⁵

Employee turnover		
	Number of employees	Percentage of total number of employees
Total Turnover	987	201%
Distribution by gender		
	Number of employees	Percentage of total number of employees
		Turnover Rate
Female	821	242%
Male	166	108%
Distribution by age		
	Number of employees	Percentage of total number of employees
		Turnover Rate
<25	215	377%
25-29	397	244%
30-39	356	160%
40-49	16	40%
>50	3	30%
Number of employee turnover by region		
	Number of employees	Percentage of total number of employees
		Turnover Rate
Mainland China	987	203%
Hong Kong	0	0%

⁵ The employee turnover rate for the Reporting Period is in accordance with Appendix III: Reporting Guidance on Social KPIs published by the Stock Exchange, which discloses the percentage of employee turnover by gender, age and region. It is different from the percentage of employee turnover by gender, age and region attributable to the total employees as disclosed in the previous reporting period.

SAFE AND HEALTHY TEACHING ENVIRONMENT

The Group highly values the health and safety of all teachers and students in the teaching centres and is committed to creating a healthy and safe campus environment for its employees and students. Safety is the top priority for the Group. The Group has established an emergency command department and formulated emergency response plans and workflow to improve the comprehensive management capability of each teaching centre in responding to emergencies.

The Group has established strict safety management rules and guidelines for fire safety, facility and equipment management and smoking ban. Meanwhile, we have also incorporated fire safety into our daily safety management and developed fire safety emergency plans, school safety education and training guidelines, and fire safety system guidelines in order to ensure the safety of all teachers and students. The Group regularly holds fire drills to enhance the fire safety awareness of employees and students and to strengthen their response capability in case of fire emergencies. The Group also organises regular fire safety inspections. For example, in June 2021, the Group conducted a major safety inspection for all campuses to further improve the requirements of fire safety management of the campuses, implemented standardised and regulated management so as to eliminate fire hazards in a timely manner.



The Group is in strict compliance with the applicable health and safety laws and regulations, which include but not limited to the Fire Control Law of the PRC and the Law of the PRC on Prevention and Treatment of Infectious Diseases. Due to the nature of the Group's business, employees mainly work in offices and are less likely to suffer from work-related injuries. During the Reporting Period, there was one minor work-related accident in which an employee lost a total of seven days of work. The Group has only this minor work-related accident in the past three years (including the Reporting Period) and did not have any serious work-related injuries or fatalities during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In response to the COVID-19 Outbreak, the Group has established a COVID-19 Outbreak prevention and control leading group to ensure the health and safety of all teachers and students, and has formulated an emergency prevention and control drill plan to further enhance the campus' emergency response capability to the COVID-19 Outbreak. Since the COVID-19 Outbreak, the Group has adopted a range of COVID-19 Outbreak prevention and control measures, including but not limited to:

- Set up a COVID-19 Outbreak prevention and control desk at the entrance of the campus to ensure that everyone entering the premises have undergone real name registration, health code scan and body temperature check, and are wearing masks;
- Clean and disinfect regularly, and fill out disinfection record forms and ventilation record forms in key areas such as classrooms, offices and restrooms;
- Purchase and supply COVID-19 Outbreak prevention supplies including medical surgical masks, hand sanitisers and alcohol sprays;
- Conduct COVID-19 Outbreak prevention drills; and
- Put up signs about disinfection, and proper procedures for washing hands and wearing masks across the campus.



The Group will continue to assess the development of the COVID-19 Outbreak, and regularly review the relevant countermeasures in accordance with government regulations to ensure the effectiveness of the measures.

SUPPLY CHAIN MANAGEMENT

The Group is aware of the inseparable relationship between the supply chain management and its sustainable development, and is therefore committed to building long-term harmonious relationships with its suppliers. The Group expects its suppliers to abide by the principles of honesty and pragmatism, and to strictly comply with applicable laws and regulations in the provision of products and services.

In order to standardise the procurement process of products and services and to enhance the monitoring and management of suppliers, the Group has adopted a procurement management system that specifies the criteria for selecting suppliers and the approval process to properly manage the environmental and social risks of the Group's supply chain. When selecting a potential supplier, the Group conducts a preliminary investigation to understand the supplier's scale, technicality, quality of service and reputation in the industry. Considering the potential environmental and social impacts of the supply chain, the Group takes into account environmental protection, occupational health and safety, labour rights and compliance with laws and regulations when selecting potential suppliers, aiming to bring positive impacts to the entire supply chain.

To ensure the quality of suppliers, the Group closely monitors the performance of the suppliers and conducts quarterly reviews of qualified suppliers to evaluate the supplier's prices offered, the quality and products or services provided and other aspects. For suppliers that fail to meet the Group's standards, the Group will consider terminating the cooperation with such suppliers. During the reporting period, the Group had 20 major qualified suppliers, all of which were located in Mainland China.

ANTI-CORRUPTION

The Group strictly complies with relevant laws and regulations, such as the Anti-Money Laundering Law of the PRC, the Anti-Unfair Competition Law of the PRC and the Criminal Law of the PRC, and adheres to the basic standards of integrity and self-discipline. The Group has established an Anti-Corruption and Fraud Management System to regulate the professional conduct and ethics of its employees and to prohibit any corrupt practices such as bribery, fraud and deception. Although the Group did not conduct separate anti-corruption training programmes for directors and employees during the Reporting Period, all directors were provided with corporate governance training prior to listing; the Anti-Corruption and Fraud Management System was introduced by trainers during the initial training of new employees so that employees would understand the importance of adhering to professional conduct and ethics.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

If employees found any non-compliance, they can report to the Group's Compliance Department by phone, email, letter or interview. Upon receiving a report, the department will collect evidence and decide whether to conduct an investigation based on the evidence obtained. If an investigation is decided to be opened, the Compliance Department will set up an investigation team to confirm the existence of non-compliance, determine the corresponding penalties for the employees involved based on the nature and severity of the violations, and submit a written report on the investigation result and opinions on handling to the Supervision Committee and the Board in a timely manner.

During the Reporting Period, the Group was not involved in any legal cases relating to corruption and is not aware of any bribery, extortion, fraud or money laundering violations.

CARE FOR THE SOCIETY

As an educational institution, the Group regards public welfare as an important part of its corporate culture and is actively involved in public welfare, with a continuous focus on youth education.

Flood Prevention and Control Charity Event

In July 2021, heavy rains swept through many parts of Henan Province, causing severe flooding. Zhengzhou, the Group's campus location, has also been affected. The Group joined hands with the University of Hong Kong to organise a donation campaign during a period of severe flooding and a shortage of supplies to combat the disaster. The Group mobilised 20 employees and spending 960 hours to assist in the relief of the disaster in Henan Province, donating supplies to the frontline areas and distributing them to the military and affected people to relieve their sufferings.



The Group will continue to uphold its educational philosophy of "Creating a Better Future for our Students" and actively fulfil our social responsibility to contribute to the future development and growth of the community and youth.

ENVIRONMENTAL

Emissions

The Group not only highly values basic educational services, but also cares about the environmental protection. We integrate the concept of sustainable development into our daily management process in order to raise the environmental awareness of all teachers and students, and make every effort to create a green environment. The Group strictly complies with laws and regulations relating to environmental protection, including but not limited to the Environmental Protection Law of the PRC, the Law on the Prevention and Control of Atmospheric Pollution of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Law on the Prevention and Control of Environmental Pollution by Solid Waste of the PRC and the Energy Conservation Law of the PRC.

Air Emissions

As the Group is engaged in educational services, there are no significant gas emissions involved in the daily operations. The main source of the Group's emissions is emissions from the Group's owned motor vehicles. The types and emissions of these emissions of the Group during the Reporting Period are as follows:

Main emissions	Unit	Emission in 2021	Emission in 2020
Nitrogen oxides (NO _x)	kg	18.97	11.30
Sulphur oxides (SO _x)	kg	0.15	0.02
Particulate matter	kg	1.66	1.08

As the Group added two new vehicles during the Reporting Period and the easing of COVID-19 Outbreak in the first half of 2021, resulting in an increase in vehicle usage, the driving kilometers and motor fuel usage during the Reporting Period were higher as compared with FY2020. The vehicle emissions has also increased as a result. The Group has taken active measures to reduce vehicle emissions by adopting certain automobile management measures. Please refer to the section headed "Emission Reduction Measures" in this ESG Report for details.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse Gas

The Group's direct greenhouse gas emissions are mainly from vehicle fuel combustion of the Group, while indirect greenhouse gas emissions are mainly from purchased electricity.

Main emission types	Unit	Emission in 2021	Emission in 2020
Scope 1			
Carbon dioxide (CO ₂)	tons CO ₂ equivalent	24.84	3.58
Methane (CH ₄)	tons CO ₂ equivalent	0.05	0.01
Nitrous oxide (N ₂ O)	tons CO ₂ equivalent	3.62	0.52
Total emissions from vehicle fuel combustion	tons CO ₂ equivalent	28.51	4.11
Scope 2			
Electricity ⁶	tons CO ₂ equivalent	1,501.32	1,028.08
Total Emissions	tons CO₂ equivalent	1,529.83	1,032.19
Total emission intensity	tons CO ₂ equivalent/ employee ⁷	3.11	0.72

As the Group added two new vehicles during the Reporting Period and the easing of COVID-19 Outbreak in the first half of 2021, resulting in an increase in vehicle usage, the motor fuel usage and total emissions generated during the Reporting Period were higher as compared with FY2020.

The indirect greenhouse gas emissions from electricity consumption has increased during the Reporting Period as compared with FY2020 due to the slowdown of COVID-19 Outbreak in the first half of 2021 and the resumption of physical classes. In addition, the Group has 102 self-operated teaching centres during the peak period of the Reporting Period compared with 99 self-operated teaching centres in FY2020, and added five Uni-Basketball self-operated schools and a Dashan Overseas Education self-operated School to cater for the Group's business development, resulting in an increase in total electricity consumption during the Reporting Period.

⁶ The greenhouse gas emission factors for purchased electricity are based on the "Guidelines on Accounting Methodology and Reporting of Corporate Greenhouse Gas Emissions — Power Generation Facilities" issued by the Ministry of Ecology and Environment of the PRC.

⁷ As at 31 December 2021, the Group had a total of 492 employees (2020: 1,433).

In addition, as the Group was affected by the Opinion during the Reporting Period, it curtailed the operation of certain existing subject-based training businesses from the second half of the Reporting Period and gradually closed down its self-operated teaching centres, resulting in a decrease in the number of employees and an increase in total employee-based emission density.

Following the severe flooding in Zhengzhou where the teaching centre is located in July 2021, there has been another COVID-19 Outbreak in the region since August 2021. As a result, since July 2021, a number of physical classes have been converted to online classes. The annual electricity consumption and motor fuel consumption during the Reporting Period did not reflect the normal operation of the whole year. In addition, since the second half of the Reporting Period, the Group has scaled back its existing business operations and actively explored new business areas. It is expected that the existing major subject-based training business will be terminated in full in the next reporting period and will focus on implementing new business plans such as extra-curricular courses. In view of the above, it is difficult for the Group to use the emissions of the Reporting Period as a valid basis for setting targets for the coming year. Therefore, as the new business gradually stabilizes in the coming year or two, the Group will revisit the greenhouse gas emissions and set appropriate targets to control and reduce the greenhouse gas emissions.

Emission Reduction Measures

In order to reduce the emissions generated by the Group effectively, the Group has adopted certain vehicle management measures, including but not limited to rational use of vehicles, prohibition of private use of company cars and strict approval of long-distance travel arrangements, so as to reduce non-essential business trips. The Group's vehicles are inspected and maintained on a weekly basis to improve energy efficiency. As a result of the adoption of these measures, the Group has been able to maintain relatively low emission levels which do not have a significant impact on the environment and the society. For details of the energy conservation and green measures adopted by the Group, please refer to the section headed "Efficiency of Use of Resource" in this ESG Report.

Hazardous and non-hazardous Waste

Given the nature of the Group's business, the Group does not generate any significant hazardous and non-hazardous wastes in its daily operations. The Group's non-hazardous waste is mainly derived from daily office waste.

Although the Group does not generate any significant hazardous and non-hazardous wastes, the Group is committed to promoting green campuses and offices, and adheres to the 4Rs environmental principles, which stands for "reduce", "reuse", "recycle" and "restore", in its daily operations with the aim of reducing waste generation and maximising resource efficiency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As for paper consumption, the Group advocates a paperless office, including but not limited to the following measures:

- Setting the printer to print on both sides by default; recycling non-confidential documents, such as double-sided printing or reusing single-sided paper;
- Encouraging employees to use online communication and approval; and
- Setting up separate recycling bins in waste paper bins.

Use of Resource

The Group's resources consumption is mainly from the purchased electricity which supports its daily operations. Some of the Group's teaching centres' water consumption are included in the property management fees. Therefore, the total water consumption data cannot reflect the actual water consumption of all teaching centres. For details of various resource efficiency and green measures adopted by the Group, please refer to the section headed "Efficiency of Use of Resource" in this ESG Report.

Total Consumption of Resources

Type of resources	Unit	Consumption in 2021	Consumption in 2020
Electricity			
Total electricity consumption	kWh	2,460,774.92	1,197,251.77
Total electricity consumption density	kWh/employee	5,001.58	835.49
Water			
Total water consumption	m ³	363,639.96	10,979
Total water consumption density	m ³ /employee	739.11	7.66

The Group's power consumption and water consumption increased during the Reporting Period as compared to FY2020. This was due to a slowdown of the COVID-19 Outbreak in the first half of 2021 which led to the resumption of physical classes. In addition, during the Reporting Period, three self-operated teaching centers, five Uni-Basketball self-operated schools and one Dashan Overseas Education self-operated School were newly established to cater for the Group's diversified business development, resulting in an increase in total power consumption and water consumption during the Reporting Period.

As for total electricity and water consumption density, the Group was affected by the Opinion during the Reporting Period, which resulted in a significant decrease in the number of employees caused by the curtailment of certain existing operations. As a result, the total electricity and water consumption densities based on the number of employees increased accordingly.

As mentioned in the “Emissions — Greenhouse Gas” subparagraph, until the new business stabilises in the next one to two years, the Group will revisit the total electricity and water consumption density and set appropriate targets to control and reduce water and electricity consumption.

Efficiency of Use of Resource

The Group advocates sustainable development and adopts a series of energy conservation and emission reduction measures to raise the environmental awareness of all students and teachers. As for electricity consumption, the Group has adopted certain measures, including but not limited to:

- Using low power consumption and recycled energy efficient lighting to reduce power consumption of lighting products, in order to reduce carbon emissions;
- Encouraging employees and students to turn off the power of equipment not in use upon leaving the classrooms or offices;
- Maintaining the temperatures of classrooms and offices at or above 24 degrees Celsius; and
- Using natural lights in public areas such as classrooms, corridors, and reading areas as much as possible.

As for water consumption, the Group has adopted various water conservation measures, such as regular inspection of restrooms by cleaners to avoid leakage of water from the water taps. The Group also puts up signs in prominent places in the restrooms to remind all students and teachers to conserve water.

Suitable Water Source

The Group has not encountered any difficulties in finding a suitable water source and its teaching centres have a stable water source to meet their daily operational needs.

Packaging Materials

Given the nature of the Group’s business, the Group does not involve any significant use of packaging materials in its daily operations.

THE ENVIRONMENT AND NATURAL RESOURCES

The daily operations of the Group does not have significant impact on the environment or natural resources, and the Group is committed to protecting the environment and natural resources in the course of its business by adopting corresponding energy conservation and green measures, striving to avoid significant impact on the environment or excessive consumption of natural resources. The Group will closely monitor the environmental impact of the daily operations of each teaching centre to develop a green environment for future.

Climate Change

The Board of Directors of the Group and the ESG working group regularly review the environmental, social and governance strategies and, in response to the recommendations of the Task Force on Climate-Related Disclosures, consider the potential risks associated with climate change in order to identify, assess and monitor the physical and transitional risks that could have an adverse financial impact on the Group’s business and operations, and to develop and revise strategies as appropriate.

The Group’s analysis of the potential financial risks arising from climate change and strategies to address them are as follows:

Risk Type	Potential Financial Risk Low ■ Medium ■ High ■	Short Term (The Reporting Period)			Response Strategies
		Medium Term (1 to 3 years)	Long Term (4 to 10 years)		
Physical Risk	Acute Extreme weather conditions, such as increased flooding, resulting in loss of assets, lower revenues or supply chain disruption				Develop a safety protocol and emergency response plan. Learning from the experience of the flooding in Zhengzhou in this Reporting Period, we will further improve our emergency response plan and make good use of our proprietary online learning platform to cope with extreme weather conditions
	Chronic The persistent high temperatures have led to an increase in electricity consumption which in turn affects operating costs				

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Risk Type	Potential Financial Risk			Short Term	Medium Term	Long Term	Response Strategies
	Low	Medium	High	(The Reporting Period)	(1 to 3 years)	(4 to 10 years)	
Transition Risk	Policies and Regulations						<p>Strict implementation of emission reduction measures (e.g. vehicle management measures) to maintain low emission levels, which are described under the sub-paragraph “Environment – Emission Reduction Measures” above.</p> <p>Adhering to the Group’s concept of sustainable development, strictly controls the quality of teaching and research and development of teaching materials to meet market expectations and needs</p>
	<p>More stringent climate policies and regulations (e.g. stricter electricity restrictions) may increase compliance costs and operating costs</p>						
	Market						
	<p>Consumers switched to more environmentally conscious teaching institutions, resulting in lower revenues</p>						

The Group will continue to monitor the related risks of climate change annually and take appropriate measures to mitigate any potential physical or transition risks.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

General Disclosure and KPIs in Environmental, Social and Governance Reporting Guide of the Stock Exchange:

Item	Description	Reference Chapter
A. Environmental		
A.1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI	A1.1 The types of emissions and respective emissions data.	Air Emissions
	A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and densities.	Greenhouse Gas
	A1.3 Total hazardous waste produced and intensity.	Hazardous and non-hazardous Waste
	A1.4 Total hazardous waste produced and intensity.	Hazardous and non-hazardous Waste
	A1.5 Description of measures taken to reduce emissions and results achieved.	Emission Reduction Measures
	A1.6 Describe the methods used to handle hazardous and non-hazardous waste, and describe the waste reduction targets set and the steps taken to achieve these targets.	Hazardous and non-hazardous Waste
A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Efficiency of Use of Resource
KPI	A2.1 Direct and/or indirect energy consumption by type in total and density.	Total Consumption of Resources
	A2.2 Water consumption in total and density.	Total Consumption of Resources
	A2.3 Description of energy use efficiency targets and steps taken to achieve these targets	Efficiency of Use of Resource
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, and the water efficiency targets set and the steps taken to achieve these targets.	Suitable Water Source
	A2.5 Total packaging material used for finished products and with reference to per unit produced.	Packaging Materials

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Item	Description	Reference Chapter
A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
A4: Climate Change		
General Disclosure	Identify and respond to significant climate-related issues that have and may have an impact on the issuer.	Climate Change
KPI	A4.1 Describe significant climate-related issues that have had and may have an impact on the issuer, and actions to address them.	Climate Change
B. Social		
B1: Employment		
General Disclosure	Information on: (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Care for Our Employees
KPI	B1.1 Total workforce by gender, employment type, age group and geographical region.	Total Workforce and by Classifications
	B1.2 Employee turnover rate by gender, age group and geographical region.	Employee Turnover
B2: Health and Safety		
General Disclosure	Information on: (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Safe and Healthy Teaching Environment
KPI	B2.1 The number and rate of work-related deaths in each of the past three years (including the reporting year).	Safe and Healthy Teaching Environment
	B2.2 Lost days due to work injury.	Safe and Healthy Teaching Environment
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safe and Healthy Teaching Environment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Item	Description	Reference Chapter
B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Nurturing Those with Talents
KPI	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Nurturing Those with Talents
	B3.2 The average training hours completed per employee by gender and employee category.	Nurturing Those with Talents
B4: Labour Standards		
General Disclosure	Information on: (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Care for Our Employees
KPI	B4.1 Description of measures to review employment practices to avoid child and forced labour.	Care for Our Employees
	B4.2 Description of steps taken to eliminate such practices when discovered.	Care for Our Employees
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI	B5.1 Number of suppliers by geographical region.	Supply Chain Management
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how these practices are implemented and monitored.	Supply Chain Management
	B5.3 Description of practices relating to the identification of environmental and social risks at each stage of the supply chain, and how these practices are implemented and monitored.	Supply Chain Management
	B5.4 Description of practices that promote the use of environmental friendly products and services in the selection of suppliers, and how these practices are implemented and monitored.	Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Item	Description	Reference Chapter
B6: Product Responsibility		
General Disclosure	Information on: (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Quality Education Services and Resources
KPI	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable
	B6.2 Number of products and service related complaints received and how they are dealt with.	Consultation and Compliant Handling
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Teaching Material Development and Intellectual Property
	B6.4 Description of quality assurance process and recall procedures.	Quality Education Services and Resources
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Privacy Protection
B7: Anti-Corruption		
General Disclosure	Information on: (a) the policies, and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-Corruption
KPI	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-Corruption
	B7.3 Describes anti-corruption training provided to Directors and employees.	Anti-Corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Item	Description	Reference Chapter
B8: Social Responsibilities		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Care for the Society
KPI	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Care for the Society
	B8.2 Resources contributed (e.g. money or time) to the focus area.	Care for the Society

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF DASHAN EDUCATION HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Dashan Education Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 126 to 213, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on that matter.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – Occurrence of tuition fees income	
<p>We identified revenue in relation to the occurrence of the tuition fees income as a key audit matter due to the significance of the balance in the consolidated financial statements as a whole, and large volume of transactions processed in current year.</p> <p>For the year ended 31 December 2021, tuition fees income amounted to RMB346,520,000 of which details are included in Note 6 to the consolidated financial statements.</p>	<p>Our procedures in relation to revenue recognition included:</p> <ul style="list-style-type: none">• Understanding of relevant controls of the Group over the admission of students, collection of tuition fees and recognition of revenue and evaluating the operating effectiveness of key controls governing the recognition of revenue;• Reviewing whether the revenue from tuition fees income are recognised in accordance with HKFRS;• Checking, on a sample basis, students' attendance records for the occurrence of revenue;• Checking, on a sample basis, the student payment records and tracing to the payment remittance receipts; and• Performing detail analysis of tuition fees income based on expectations derived from students' attendance records and historical revenue patterns, following up significant variances from our expectations.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agree terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Yuen Wing Hang.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	6	352,874	333,041
Cost of sales		(235,440)	(223,994)
Gross profit		117,434	109,047
Other income	7	8,123	5,182
Other gains and losses, net	7	(70,275)	(9,594)
Selling and marketing expenses		(13,687)	(18,607)
Content and information technology development and training expenses		(29,716)	(28,178)
Administrative expenses		(60,438)	(49,203)
Listing expenses		—	(10,225)
Finance costs	8	(7,174)	(7,916)
Fair value change of financial liabilities designated at FVTPL		—	14,171
(Loss) profit before taxation		(55,733)	4,677
Taxation	9	(1,063)	(2,624)
(Loss) profit for the year	10	(56,796)	2,053
Other comprehensive expense:			
<i>Item that will not reclassified to profit or loss:</i>			
Fair value loss on:			
— investment in equity instruments measured at fair value through other comprehensive income		(5,000)	—
Total comprehensive (expense) income for the year		(61,796)	2,053
(Loss) profit for the year attributable to:			
Owners of the Company		(56,423)	2,053
Non-controlling interests		(373)	—
		(56,796)	2,053

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(61,423)	2,053
Non-controlling interests		(373)	—
		(61,796)	2,053
(Loss) earnings per share	13		
— Basic (RMB cents)		(7.31)	0.30
— Diluted (RMB cents)		(7.31)	(1.75)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property and equipment	14	36,373	331,836
Investment properties	15	4,951	5,057
Deferred tax assets	16	—	1,016
Rental deposits	19	92	2,380
Deposits for leasehold improvements		—	853
Financial asset at fair value through other comprehensive income	18a	—	5,000
Debt instruments at fair value through other comprehensive income	18c	23,135	—
		64,551	346,142
CURRENT ASSETS			
Inventories	17	14	9,356
Financial assets at fair value through profit or loss	18b	—	10,000
Other receivables	19	5,132	6,227
Time deposits	20	—	119,700
Bank balances and cash	20	259,844	299,667
		264,990	444,950
CURRENT LIABILITIES			
Trade payables	21	259	999
Other payables and accrued charges	22	14,841	25,720
Receipts in advance	23	44,921	192,710
Tax liabilities		—	3,409
Lease liabilities	24	5,280	36,553
		65,301	259,391
NET CURRENT ASSETS		199,689	185,559
TOTAL ASSETS LESS CURRENT LIABILITIES		264,240	531,701

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITY			
Lease liabilities	24	17,477	197,398
NET ASSETS		246,763	334,303
CAPITAL AND RESERVES			
Share capital	25	7,223	7,223
Reserves		239,913	327,080
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		247,136	334,303
NON-CONTROLLING INTERESTS		(373)	—
		246,763	334,303

The consolidated financial statements on pages 126 to 213 were approved and authorised for issue by the Board of Directors on 30 March 2022 and are signed on its behalf by:

Zhang Hongjun
DIRECTOR

Ma Wenhao
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital	Share premium	Other reserve	Shares held under share award scheme	Investment revaluation reserve	Capital surplus	Statutory surplus reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 25)		(note ii)				(note i)				
At 1 January 2020	32,260	—	—	—	—	1,443	12,471	41,747	87,921	—	87,921
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	2,053	2,053	—	2,053
Effect on reorganisation (Note 25(b))	(32,260)	—	32,260	—	—	—	—	—	—	—	—
Issue of shares pursuant to the share offer	1,806	223,904	—	—	—	—	—	—	225,710	—	225,710
Issue of shares pursuant to the capitalisation issue	5,132	(5,132)	—	—	—	—	—	—	—	—	—
Issue of shares pursuant to the full conversion of the convertible note	285	35,354	—	—	—	—	—	—	35,639	—	35,639
Transaction costs attributable to issue of shares	—	(17,020)	—	—	—	—	—	—	(17,020)	—	(17,020)
Transfer	—	—	—	—	—	—	894	(894)	—	—	—
At 31 December 2020	7,223	237,106	32,260	—	—	1,443	13,365	42,906	334,303	—	334,303
Loss for the year	—	—	—	—	—	—	—	(56,423)	(56,423)	(373)	(56,796)
Other comprehensive expense for the year	—	—	—	—	(5,000)	—	—	—	(5,000)	—	(5,000)
Total comprehensive expense for the year	—	—	—	—	(5,000)	—	—	(56,423)	(61,423)	(373)	(61,796)
Purchase of shares under Share Award Scheme	—	—	—	(25,744)	—	—	—	—	(25,744)	—	(25,744)
At 31 December 2021	7,223	237,106	32,260	(25,744)	(5,000)	1,443	13,365	(13,517)	247,136	(373)	246,763

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

Notes:

- i. Pursuant to the Articles of Association of subsidiaries of the Company (as defined in note 1) in the People's Republic of China (the "**PRC**"), it requires the appropriation of 10% of their 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).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	(55,733)	4,677
Adjustments for:		
Bank interest income	(5,577)	(1,596)
Interest income from financial assets at fair value through profit or loss	(610)	(2,422)
Interest income from debt instruments at fair value through other comprehensive income	(358)	—
Finance costs	7,174	7,916
Loss on disposal of property and equipment	48,458	98
Depreciation of investment properties	106	106
Depreciation of property and equipment (including right-of-use assets for buildings)	93,240	92,364
Impairment loss on property and equipment	27,615	3,500
Impairment loss recognised in respect of other receivables, net	2,341	551
Impairment loss recognised in respect of debt instruments at FVTOCI	1,393	—
Gain on derecognition of right-of-use assets and lease liabilities	(11,288)	(1,090)
Imputed interest income from rental deposits	(56)	(135)
Fair value change of financial liabilities designated at fair value through profit or loss	—	(14,171)
Write-down for inventories	7,348	23
COVID-19-related rent concessions	—	(4,258)
Unrealised foreign exchange losses	1,415	3,653
Operating cash flows before movements in working capital	115,468	89,216
Decrease (increase) in inventories	1,994	(2,288)
Increase in other receivables	(898)	(1,964)
(Decrease) increase in trade payables	(772)	222
Decrease in other payables and accrued charges	(16,285)	(2,076)
(Decrease) increase in receipts in advance	(147,789)	21,818
Cash (used in) generated from operations	(48,282)	104,928
Income tax paid	(3,933)	(3,141)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(52,215)	101,787

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021	2020
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Bank interest received	5,577	1,596
Income from financial assets at fair value through profit or loss received	610	2,422
Refund of rental deposits upon early termination of leases	3,431	145
Payment for rental deposits	(566)	(1,210)
Purchases of property and equipment	(34,625)	(47,288)
Purchases of debt instruments at fair value through other comprehensive income	(25,033)	—
Addition of financial asset at fair value through other comprehensive income	—	(5,000)
Proceeds on disposal of property and equipment	1,542	13
Addition of financial assets at fair value through profit or loss	—	(95,000)
Proceeds on redemption on financial assets at fair value through profit or loss	10,000	140,000
Placement of time deposits with original maturity over three months	(157,000)	(119,700)
Withdrawal of time deposits with original maturity over three months	276,700	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES	80,636	(124,022)
FINANCING ACTIVITIES		
Proceeds on share issue	—	225,710
Interest paid	(7,174)	(7,916)
Payment of lease liabilities	(34,416)	(54,922)
Share issue costs paid	—	(14,256)
Purchase of shares under Share Award Scheme	(25,744)	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(67,334)	148,616
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(38,913)	126,381
Effect of foreign exchange rate changes	(910)	(3,653)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	299,667	176,939
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	259,844	299,667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Dashan Education Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 30 November 2018 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 July 2020 (the “**Listing**”). The addresses of the Company’s registered office and the principal place of business are Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and 19th Floor, Guoxin Plaza, Crossroad of Zhongzhou Avenue and Minghong Road, Jinshui District, Zhengzhou, Henan Province, The PRC, respectively.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries during the year are provision of primary and secondary after-school tutoring services (the “**AST**”). On 24 July 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council of the PRC jointly issued the “Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education (compulsory education includes primary school education of six years and middle school education of 3 years)” (the “**Opinion**”). Subsequent to the release of the Opinion, the Group planned to focus on new business on the provision of three main types of services in order to comply with the requirement of the Opinion. Those services included (i) vocational education targeting high school graduates and adults; (ii) extracurricular programmes for personal attainment in arts, sports and coding programming targeting children and teenagers; and (iii) overseas education consultation.

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

The 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**”).

Going concern assessment

Given the Group planned to change its business model and these new businesses are at beginning stage, the directors of the Company still have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors consider that the Group can continue as going concern as (i) the Group is in healthy liquidity position, with sufficient bank and cash held by the Company and its subsidiaries with direct or indirect equity interest; and (ii) the Group expects to significantly drop its costs and related expenses, mainly including rental expenses, staff costs, subcontracting charges and selling and marketing expenses related to AST resulting from the changes in principal activities described above. Accordingly, the Group continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 details of the principal steps of the Reorganisation were set out in 2020 Annual Report of the Company.

Prior to the Reorganisation, 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 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 below), between Dashan Training and its shareholders. Accordingly, the Company and the Consolidated Entities resulting from the Reorganisation was regarded as a continuing entity. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2020 have been prepared as if the current group structure had been in existence throughout the year ended 31 December 2020, or since the respective dates of incorporation/establishment where there was a shorter period.

Contractual arrangements

Due to regulatory restrictions on foreign ownership in the operation of education institutions that provides primary and secondary after-school education in the PRC and impose conditions on brand name licensing and advisory services business, the Group conducts a substantial portion of the business through 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**"), a wholly-owned subsidiary of the Company, 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Contractual arrangements (continued)

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

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries pursuant to the Contractual Arrangements. The Group has consolidated the financial position and results of Dashan Training in the consolidated financial statements for the years ended 31 December 2021 and 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Contractual arrangements (continued)

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

	2021 RMB'000	2020 RMB'000
Revenue	346,828	325,150
(Loss) profit before taxation	(26,080)	18,634

	2021 RMB'000	2020 RMB'000
Non-current assets	41,003	345,599
Current assets	255,948	378,060
Current liabilities	193,686	406,966
Non-current liabilities	15,889	197,175

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

The application of the amendments to HKFRSs in the current year 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 consolidated financial statements.

New and amendments to HKFRSs that have been issued but not yet effective

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “**Conceptual Framework**”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK (IFRIC) – Int 21 *Levies*, an acquirer applies HKAS 37 or HK (IFRIC) – Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (continued)

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group’s liabilities.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Basis of preparation of consolidated financial statements (continued)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the products or services underlying the particular performance obligation is transferred to the customers.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Except for granting of a licence that is distinct from other promised goods or services, control is transferred over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For granting of a licence that is distinct from other promised goods or services, the nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

If the criteria above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time. Otherwise, the Group considers the grant of licence as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

A contract liability (receipts in advance) represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in “property and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- fixed payments (including in-substance fixed payments) less any lease incentives purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the Reporting Period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred as the Group does not have any qualifying assets.

Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit scheme contribution

Payments to the retirement funds scheme managed by local social security bureau in accordance with the government regulations of the PRC, are recognised as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. When no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital/share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before taxation because of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes.

Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Property and equipment (continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

Depreciation is recognised so as to write off the costs of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment on property and equipment, right-of-use assets and investment properties

At the end of the Reporting Period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and investment properties to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property and equipment, right-of-use assets and investment properties are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Impairment on property and equipment, right-of-use assets and investment properties (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and the costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from contracts with customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“**FVTPL**”)) are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“**FVTOCI**”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or income earned on the financial asset and is included in the "other gains and losses, net" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including other receivables, refundable deposits, debt instruments at fair value through other comprehensive income and bank balances and cash) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the reporting period. Assessments are done based on the Group’s historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the reporting period as well as the forecast of future conditions.

For all financial assets, Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood of risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk if a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of the reporting period. A financial instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have been occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- Significant financial difficulty of the issuer of the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- It is becoming probably that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group recognises an impairment in profit or loss through a loss account for other receivables, refundable deposits, debt instruments at fair value through other comprehensive income and bank balances.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

The Group has designated the convertible note as financial liabilities at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible note, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability. The net gain or loss arising on remeasurement of financial liabilities at FVTPL recognised in profit or loss is included in the "fair value change of financial liabilities designated at FVTPL" line item.

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. The difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the management of the Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Contractual agreements between WFOE, the Consolidated Affiliated Entities and shareholders of Dashan Training

The Company does not have direct or indirect legal ownership in equity of the Consolidated Affiliated Entities. Nevertheless, under Contractual Arrangements entered into with the Consolidated Affiliated Entities and the equity holders of Dashan Training on 12 January 2020 as detailed in Note 2, the Company and its legally owned subsidiaries have power over the Consolidated Affiliated Entities, have rights to variable returns from involvement with the Consolidated Affiliated Entities and have the ability to affect those returns through its power over the Consolidated Affiliated Entities and are considered to have control over these entities. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations. Accordingly, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and impairment assessment of items of property and equipment and investment properties

The Group's management determines the estimated useful lives of its property and equipment (including right-of-use assets) and investment properties in calculating the related depreciation charge. This estimate is based on the management's experience of the actual useful lives of property and equipment and investment properties of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amounts of an item of property and equipment and investment properties may not be recoverable.

Management of the Group will increase the depreciation charge where useful lives are shorter than previously estimated lives, or will write off or write down obsolete assets that have been abandoned or sold. Details of the useful lives of property and equipment and investment properties are disclosed in Notes 14 and 15, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Useful lives and impairment assessment of items of property and equipment and investment properties (continued)

Property and equipment (including right-of-use assets) and investment properties are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated.

As at 31 December 2021, the carrying amounts of property and equipment (including right-of-use assets) and investment properties were RMB36,373,000 and RMB4,951,000 (2020: RMB331,836,000 and RMB5,057,000) respectively. Impairment loss of RMB27,615,000 has been recognised during the year (2020: RMB3,500,000). Details of the impairment of property and equipment (including right-of-use assets) are disclosed in Note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers is as follows:

	2021 RMB'000	2020 RMB'000
Tuition fees income	346,520	327,234
Sales of books and teaching materials	3,068	1,274
Brand name licensing and advisory services income	2,697	3,542
Other services	589	991
	352,874	333,041
Timing of revenue recognition		
A point of time	3,068	1,274
Over time	349,806	331,767
	352,874	333,041

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. 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 31 December 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 for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

Other income

	2021 RMB'000	2020 RMB'000
Bank interest income	5,577	1,596
Government grants	1,146	400
Interest income from financial assets at FVTPL	610	2,422
Interest income from debt instruments at FVTOCI	358	—
Rental income	163	127
Imputed interest income from rental deposits	56	135
Others	213	502
	8,123	5,182

Other gains and losses, net

	2021 RMB'000	2020 RMB'000
Foreign exchange losses	(1,756)	(6,535)
Impairment loss on property and equipment	(27,615)	(3,500)
Impairment loss recognised in respect of debt instruments at FVTOCI	(1,393)	—
Impairment loss recognised in respect of other receivables, net	(2,341)	(551)
Loss on disposal of property and equipment	(48,458)	(98)
Gain on derecognition of right-of-use assets and lease liabilities	11,288	1,090
	(70,275)	(9,594)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interests on lease liabilities	7,174	7,916

9. TAXATION

	2021 RMB'000	2020 RMB'000
Current tax:		
PRC Enterprise Income Tax	47	3,533
Deferred tax (Note 16)	1,016	(909)
	1,063	2,624

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 August 2018 to August 2021. The tax rate has changed back to 25% commencing on September 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. TAXATION (CONTINUED)

The taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 RMB'000	2020 RMB'000
(Loss) profit before taxation	(55,733)	4,677
Tax at the domestic income tax rate of 25%	(13,933)	1,169
Tax effect of income not taxable for tax purposes	(4,047)	(2,388)
Tax effect of expenses not deductible for tax purposes	4,341	5,767
Tax effect of deductible temporary differences not recognised	9,326	1,013
Tax effect of tax losses not recognised	7,585	—
Effect of different tax rates under other jurisdiction	1,036	1,422
Effect of concessionary rates	1,282	125
Effect of super deduction for content and information technology development and training expenses	(4,527)	(4,484)
Taxation for the year	1,063	2,624

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. (LOSS) PROFIT FOR THE YEAR

	2021 RMB'000	2020 RMB'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' remuneration (Note 11)	4,565	2,508
Other staff costs	120,347	107,500
Other staff's retirement benefits scheme contributions	10,068	12,047
	134,980	122,055
Staff subcontracting service fee	38,805	44,099
Write-down for inventories	7,348	23
Auditor's remuneration	1,650	1,852
Cost of inventories sold	2,100	1,948
Depreciation of investment properties	106	106
Depreciation of property and equipment (included right-of-use assets for buildings)	93,240	92,364
COVID-19-related rent concessions (included in cost of sales)	—	(4,258)

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

The executive directors' emoluments shown below were paid for their services in connection with the management of affairs of the Company and the Group for the year.

The independent non-executive directors' and the non-executive director's emoluments shown below were for their services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors' and chief executive's emoluments (continued)

Details of the emoluments paid or payable by the Group to the directors of the Company for the year are as follows:

	2021			Total RMB'000	2020			Total RMB'000
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement scheme contributions RMB'000		Fees RMB'000	Salaries and other benefits RMB'000	Retirement scheme contributions RMB'000	
Executive directors								
Mr. Zhang Hongjun (Chief executive officer)	–	3,314	36	3,350	–	1,423	48	1,471
Mr. Shan Jingchao	–	335	35	370	–	345	46	391
Mr. Ma Wenhao	–	338	35	373	–	345	46	391
Non-executive director								
Mr. Jia Shuilin	111	–	–	111	65	–	–	65
Independent non-executive directors								
Mr. Lui Siu Keung	125	–	–	125	65	–	–	65
Mr. Li Gang	85	–	–	85	50	–	–	50
Ms. Yang Min	151	–	–	151	75	–	–	75
Mr. Zhang Jian	–	–	–	–	–	–	–	–
	472	3,987	106	4,565	255	2,113	140	2,508

During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

For the year ended 31 December 2021, Mr. Zhang Jian waived emoluments of RMB50,000 (2020: RMB50,000). Other than this, there was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Employees' emoluments

The five highest paid individuals included three (2020: three) directors whose emoluments are included in the disclosures above for the year ended 31 December 2021. The emoluments of the remaining two (2020: two) individuals for the year ended 31 December 2021, were as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	1,114	839
Retirement benefit scheme contributions	13	26
	1,127	865

Their emoluments were within the following band:

	2021 Number of Individuals	2020 Number of individuals
Nil to HK\$1,000,000	2	2

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the Reporting Period (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share during the year ended 31 December 2020 were based on assumption that the Reorganisation and the Capitalisation Issue (as defined and detailed in note 25) had been effective on 1 January 2019. The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2021 RMB'000	2020 RMB'000
(Loss) profit for the year attributable to the owners of the Company for the purpose of basic earnings per share	(56,423)	2,053
Effect of dilutive potential ordinary shares:		
Fair value change of financial liabilities designated at FVTPL	—	(14,171)
Loss for the year attributable to the owners of the Company for the purpose of diluted loss per share	(56,423)	(12,118)
	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share (Note)	772,276,438	675,984,909
Effect of dilutive potential ordinary shares:		
Convertible note	—	16,911,266
Weighted average number of ordinary share for the purpose of diluted (loss) earnings per share	772,276,438	692,896,175

The Company's over-allotment options had no diluted effect on (loss) earnings per share for the year ended 31 December 2020 as the exercise price of the over-allotment options was higher than the average market price for Company's share for the relevant period.

Note: The weighted average number of ordinary shares has been calculated taking into account the shares held by the Group under Share Award Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14. PROPERTY AND EQUIPMENT

	Right-of-use assets for buildings RMB'000	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2020	321,961	26,372	83,493	34,351	2,966	469,143
Additions	110,742	—	36,186	12,504	—	159,432
Disposals	—	—	(1,352)	(816)	—	(2,168)
Derecognition upon early termination of leases	(15,534)	—	—	—	—	(15,534)
At 31 December 2020	417,169	26,372	118,327	46,039	2,966	610,873
Additions	29,821	—	29,364	4,446	707	64,338
Disposals	—	—	(79,663)	(19,409)	(847)	(99,919)
Derecognition upon early termination of leases	(335,533)	—	—	—	—	(335,533)
At 31 December 2021	111,457	26,372	68,028	31,076	2,826	239,759
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2020	121,482	1,337	51,271	14,174	1,566	189,830
Provided for the year	60,158	502	21,856	9,265	583	92,364
Impairment loss recognised in profit or loss	2,868	—	426	206	—	3,500
Eliminated on disposals	—	—	(1,352)	(705)	—	(2,057)
Eliminated on derecognition upon early termination of leases	(4,600)	—	—	—	—	(4,600)
At 31 December 2020	179,908	1,839	72,201	22,940	2,149	279,037
Provided for the year	58,080	501	23,902	10,193	564	93,240
Impairment loss recognised in profit or loss	7,822	—	7,211	11,664	918	27,615
Eliminated on disposals	—	—	(35,383)	(13,731)	(805)	(49,919)
Eliminated on derecognition upon early termination of leases	(146,587)	—	—	—	—	(146,587)
At 31 December 2021	99,223	2,340	67,931	31,066	2,826	203,386
CARRYING VALUES						
At 31 December 2021	12,234	24,032	97	10	—	36,373
At 31 December 2020	237,261	24,533	46,126	23,099	817	331,836

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method, at the following expected useful lives:

Right-of-use assets for buildings	Over the relevant lease terms
Leasehold land and buildings	Over the shorter of the relevant lease terms or 50 years
Leasehold improvements	Over the shorter of the relevant lease terms or 5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	3 to 5 years

During the year ended 31 December 2021, the Group leases various teaching centres, offices and staff quarters for its operations. Lease contracts are entered into for fixed term of one year to six years (2020: one year to eight years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has termination option in a number of leases for the teaching centres, offices and staff quarters. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of termination options held are exercisable only by the Group and not by the respective lessors. The Group assesses at lease commencement date whether it is reasonably certain not to exercise the termination options. As at 31 December 2021, there was no termination options in which the Group was not reasonably certain not to exercise.

The Group is in the process of obtaining title deeds from relevant government authorities for its land and buildings in the PRC amounting to RMB3,945,000 (2020: RMB4,025,000). In the opinion of the directors of the Company, the Group is not required to incur additional cost in obtaining the title deeds for its land and buildings in the PRC.

The directors of the Company considered that the payments for the leasehold land and building elements of the Group's owned properties located in the PRC with a carrying value of RMB24,032,000 (2020: RMB24,533,000) cannot be allocated reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14. PROPERTY AND EQUIPMENT (CONTINUED)

Impairment assessment

As a result of issuance of the Opinion, the Group concluded that impairment indicators existed and performed an impairment assessment on property and equipment (including right-of-use assets).

When determining the value-in-use of the cash generating units (the “CGUs”), the directors have taken into consideration of relevant government regulations released and industry indicators presented as at 31 December 2021. Based on the impact of the Opinion which the Group has planned to cease the AST in 2022, the directors developed cash flow projections and concluded that the AST may not be able to generate positive cash flow in the foreseeable future. For the fair value less costs of disposal of the individual asset within the CGUs, the directors have considered relevant publically available information, the alternative use of the assets, the remaining lease term, future lease payments and potential penalties charged by the lessor upon the earlier termination of leases associated with AST. The fair value of such property and equipment is considered as level 2 fair value measurement, which is determined with reference to quoted prices of similar assets whenever available. The fair value of right-of-use assets is considered as level 3 fair value measurement, which is determined with reference to future lease payments, remaining lease period and other relevant factors.

Based on the result of the assessment, impairment losses of RMB27,615,000 (2020: RMB3,500,000) have been recognised against the carrying amount of property and equipment (including right-of-use assets).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. INVESTMENT PROPERTIES

The Group leases out various offices under operating leases to independent third parties with rentals payable monthly. Investment properties are measured using the cost model.

	RMB'000
COST	
At 1 January 2020, 31 December 2020 and 2021	5,201
ACCUMULATED DEPRECIATION	
At 1 January 2020	38
Provided for the year	106
At 31 December 2020	144
Provided for the year	106
At 31 December 2021	250
CARRYING VALUES	
At 31 December 2021	4,951
At 31 December 2020	5,057

The above investment properties are depreciated on a straight-line basis over the shorter of the relevant lease terms or 47 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. DEFERRED TAX ASSETS

The following are the deferred tax assets recognised by the Group and movement thereon during the current and prior year.

	Tax loss RMB'000	Impairment loss on property and equipment RMB'000	Loss allowance for other receivables RMB'000	Total RMB'000
At 1 January 2020	—	—	107	107
Credit to profit or loss (Note 9)	297	525	87	909
At 31 December 2020	297	525	194	1,016
Credit to profit or loss (Note 9)	(297)	(525)	(194)	(1,016)
At 31 December 2021	—	—	—	—

As at 31 December 2021, the Group has unused tax losses of RMB38,844,000 (2020: RMB1,979,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB38,844,000 (2020: RMB1,974,000) with expiry dates as disclosed in the following table.

	2021 RMB'000	2020 RMB'000
2026	1,974	1,974
2027	36,870	—
	38,844	1,974

As at 31 December 2021, the Group has deductible temporary differences of RMB42,013,000 (2020: RMB4,710,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. INVENTORIES

	2021 RMB'000	2020 RMB'000
Books and teaching materials	14	9,356

18. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/FINANCIAL ASSETS AT FVTPL/DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

- (a) The amount represents the Group's equity interest in a private entity operating online education business in the PRC. The directors of the Company had 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. In the opinion of the directors, due to the impact of implementation of the Opinion, that private entity would not expect to generate net operating cash inflow in the foreseeable future and accordingly, the fair value of that equity interest as at 31 December 2021 is minimal and the change of fair value arising from that financial asset at FVTOCI amounting to RMB5,000,000 has been charged to the other comprehensive income during the year. Details of the fair value measurement as disclosed in note 31.
- (b) As at 31 December 2020, the Group entered into a contract of wealth management products with financial institutions in the PRC. As at 31 December 2020, the principals of RMB10,000,000 was not guaranteed by the relevant financial institutions. The returns of the wealth management products were determined by reference to the performance of the underlying investments and their expected return rates stated in the outstanding contracts as at 31 December 2020 was 4.20% per annum.

In the opinion of the management of the Group, the fair value of the wealth management product at 31 December 2020 approximated its principal amounts. The wealth management product was matured during the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/FINANCIAL ASSETS AT FVTPL/DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

- (c) The amount represents the investments in promissory notes issued by several financial institutions at interest rate ranging from 2% to 3% per annum. The promissory notes can be redeemed in any time after the issuance, upon delivering to the issuers a written notice signed by the Group to request the issuers to redeem the promissory notes.

These promissory notes are held by the Group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to redeem these financial assets on demands. Hence, the investments in promissory notes are classified as at FVTOCI.

The amounts are classified as non-current as the directors of the Company does not expect to redeem within twelve months after the reporting period.

Details of impairment assessment are set out in Note 31.

19. OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Other receivables		
Deposits, prepaid taxes and other prepayments	7,241	3,502
Rental deposits	112	3,687
Receivables from third-party payment platforms	79	2,336
Others	575	292
Less: loss allowance	(2,783)	(1,210)
Total other receivables	5,224	8,607
Less: non-current rental deposits	(92)	(2,380)
Current portion	5,132	6,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. OTHER RECEIVABLES (CONTINUED)

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, the management of the Group assessed that the ECL for receivables from third-party payment platforms for the year were insignificant.

Movements in the loss allowance for other receivables are as below:

	2021 RMB'000	2020 RMB'000
At beginning of the year	1,210	659
Impairment losses recognised	2,341	551
Written-off	(768)	—
At end of the year	2,783	1,210

20. TIME DEPOSITS/BANK BALANCES AND CASH

Time deposits as at 31 December 2020 included bank deposits with original maturity of over three months carrying effective interest rates ranging from 1.65% to 2.10% per annum.

Bank balances and cash comprise bank deposits, cash and bank balances held by the Group with original maturity of three months or less and carry interest at prevailing market rates ranging from 0.001% to 0.002% per annum (2020: 0.001% to 0.35% per annum).

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For the year ended 31 December 2021

20. TIME DEPOSITS/BANK BALANCES AND CASH (CONTINUED)

The bank balances and cash of the Group that are dominated in a currency other than the functional currency of the relevant group entity are set out below:

	2021 RMB'000	2020 RMB'000
United States Dollars ("USD")	4,155	47,228
Hong Kong Dollars ("HK\$")	9,913	33,613

21. 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:

	2021 RMB'000	2020 RMB'000
0–30 days	259	957
31–60 days	—	42
	259	999

22. OTHER PAYABLES AND ACCRUED CHARGES

	2021 RMB'000	2020 RMB'000
Staff cost payables	5,085	14,639
Renovation cost payables	2,659	1,952
Refundable tuition and other deposits	4,584	5,210
Other taxes payables	412	398
Other payables	2,101	3,521
	14,841	25,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

23. RECEIPTS IN ADVANCE

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

	2021	2020
	RMB'000	RMB'000
Receipts in advance:		
– Tutoring fees	43,750	190,022
– Brand name licensing and advisory services income	1,171	2,688
	44,921	192,710

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

Changes in receipts in advance during the year are as follows:

	2021	2020
	RMB'000	RMB'000
At the beginning of the year	192,710	170,892
Amount refunded due to contract termination that was included in the contract liabilities at the beginning of the year	(5,983)	(8,116)
Revenue recognised that was included in the contract liabilities at the beginning of the year	(186,596)	(162,294)
Increase due to cash received, excluding amounts recognised as revenue during the year	44,790	192,228
At the end of the year	44,921	192,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

24. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Non-current	17,477	197,398
Current	5,280	36,553
	22,757	233,951
Minimum lease payment due:		
– within one year	5,982	44,249
– more than one year but not exceeding two years	6,622	61,325
– more than two years but not exceeding five years	10,758	129,610
– more than five years	1,107	19,669
	24,469	254,853
Less: Future finance charge	(1,712)	(20,902)
Present value of lease liabilities	22,757	233,951
Present value of lease liabilities		
– within one year	5,280	36,553
– more than one year but not exceeding two years	6,146	55,547
– more than two years but not exceeding five years	10,255	122,276
– more than five years	1,076	19,575
	22,757	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 are RMB41,590,000 (2020: RMB67,096,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

25. SHARE CAPITAL

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

	Number of shares	Amount HK\$'000	Shown in the consolidated financial statements RMB'000
Ordinary shares if 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	
<hr/>			
At 31 December 2020 and 31 December 2021	10,000,000,000	100,000	
<hr/>			
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
<hr/>			
At 31 December 2020 and 31 December 2021	800,000,000	8,000	7,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

25. SHARE CAPITAL (CONTINUED)

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 Ventures Limited (金城創投有限公司) (“**Golden Town**”) to the Company, the Company allotted and issued 8,726 shares and 1,273 shares credited as fully paid to Lucky Heaven and Bai Tai, respectively, and credited as fully paid the one nil paid share held by Lucky Heaven on 18 June 2020. The difference between the aggregate paid up capital of Dashan Training and the Company of RMB32,260,000 and the share capital of the Company of HK\$100 as at 18 June 2020 was accounted for in the other reserve of the Company.
- (c) Pursuant to the written resolutions passed by the shareholders of the Company on 18 June 2020, upon the share premium account of the Company being credited as a result of the share offer of 200,000,000 new shares of the Company, the directors of the Company were authorised to capitalise the amount of HK\$5,684,180 (equivalent RMB5,132,000) from the amount standing to the credit of the share premium account of the Company and applying such sum to pay up in full at par 568,410,800 ordinary shares of HK\$0.01 each for allotment and issue to the shareholders at the close of business on 18 June 2020 (the “**Capitalisation Issue**”).
- (d) Upon the grant of the Listing, pursuant to the terms and conditions of the instrument constituting the convertible note, the Company allotted and issued 31,579,200 new ordinary shares of the Company of par value of HK\$0.01 each to the holder of the convertible note.
- (e) On 15 July 2020, the Company offered 200,000,000 new ordinary shares of the Company at HK\$1.25 per share for a total gross proceeds of approximately RMB225,710,000. The proceeds will be used to finance the implementation plan as set forth in the section headed “Future Plan and Use of Proceeds” of the Company’s prospectus dated 30 June 2020.

26. RETIREMENT BENEFITS SCHEMES

The employees of the Group’s subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefit scheme.

The total expense recognised in profit or loss of RMB10,174,000 (2020: RMB12,187,000), represents contributions paid and payable to these plans by the Group at rates specified in the rules of the plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. 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 ("**The Board**") may grant shares to eligible employees, including directors of the Company and its subsidiaries.

The Company has set up a trustee (the "**Trustee**") for the purpose of facilitating the purchase, holding and sale of shares in the Group for the benefit of the employees of the Group. All the shares purchased under the Share Award Scheme are recognised in the reserve as "shares held under Share Award Scheme".

The total number of shares in respect of which 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.

On 14 January 2021, the Group has granted an aggregate of 17,400,000 award shares to 52 employees and 12,600,000 award shares to four directors (the "**Grantees**") under the Share Award Scheme at nil award price (the "**Grant**"). 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, subject to certain conditions including the Group and individual performances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

27. SHARE AWARD SCHEME (CONTINUED)

During the year ended 31 December 2021, the Company repurchased its own ordinary shares through the Trustee as follows:

Month of repurchase	Number of ordinary shares	Price per share		Aggregate consideration paid HKD'000
		Highest HKD	Lowest HKD	
January 2021	28,800,000	1.08	0.97	30,387
February 2021	300,000	0.76	0.76	220
May 2021	300,000	0.90	0.89	269
	<u>29,400,000</u>			<u>30,876 (Note)</u>

Note: The aggregate consideration paid of HK\$30,876,000 is equivalent to RMB25,744,000.

As at the end of the Reporting Period, 3,220,000 of the award shares had been forfeited and none of the award shares had been vested. As the Group Performance Target for the year ended 31 December 2021 was not met, 40% of the award shares granted to each Grantee will lapse according to the relevant grant letters. At the end of the Reporting Period, the Trustee held 29,400,000 ordinary shares under the Share Award Scheme (2020: Nil).

At the end of the reporting period, the Group has no liabilities and there is no expense charged during the year ended 31 December 2021 in respect of Share Award Scheme since the respective vesting condition has not been met.

28. OPERATING LEASING ARRANGEMENTS

The Group as lessor

All of the properties held for rental purposes have committed lessees for the next two (2020: two) years. Undiscounted lease payments receivable on leases are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	182	171
In the second year	11	11
	<u>193</u>	<u>182</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

29. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the consolidated financial statements	—	4,275

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities disclosed in Note 24, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising paid up capital, other reserves and retained profits.

Management of the Group reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividend, new share issues and raise of new borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Amortised cost (including cash and cash equivalents)	261,355	424,472
Debt instruments at FVTOCI	23,135	—
Financial assets at FVTPL	—	10,000
Financial asset designated at FVTOCI	—	5,000
	284,490	439,472
Financial liabilities		
Amortised cost	14,688	26,321

Financial risk management objectives and policies

The Group's major financial instrument include other receivables, debt instruments at FVTOCI, financial assets at FVTOCI, financial assets at FVTPL, time deposit, bank balances and cash, trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Market risk

Currency risk

The carrying amounts of the Group's monetary assets which are denominated in a currency other than the functional currency of the relevant group entities at the end of the Reporting Period are as follows:

	Assets	
	2021	2020
	RMB'000	RMB'000
US\$	4,155	47,228
HK\$	33,048	33,613

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

The Group are mainly exposed to US\$ and HK\$ exchange rate risk.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US\$ and HK\$ during the year ended 31 December 2021 (2020: 5%). 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The sensitivity analysis includes bank balances and debt instruments at FVTOCI that are denominated in US\$ and HK\$. A positive number below indicates an increase/a decrease in loss/profit for the year where US\$ and HK\$ weaken 5% against the functional currency of the relevant group entities. For a 5% strengthening of US\$ and HK\$ against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis (continued)

	US\$ Impact		HK\$ Impact	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	156	1,771	1,239	1,261

Interest rate risk

The Group's interest rate risk arises primarily from time deposits, cash at banks and lease liabilities. Bank balances at variable rates, and lease liabilities and time deposits at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's time deposits and bank balances are placed with certain financial institutions and the management of the Group manages this risk by placing deposits at various maturities and interest rate terms. The Group currently does not hedge its exposure to cash flow and fair value interest rate risk.

Sensitivity analysis

No sensitivity analysis is presented since the management of the Group considers the exposure of cash flow interest rate risk arising from variable-rate bank balance is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to its receivables from third-party payment platforms, other receivables, bank balances and debt instruments at FVTOCI.

The Group's carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of Reporting Period represent the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligation by counterparties.

The credit risk for receivables from third-party payment platforms with gross carrying amounts of RMB79,000 (2020: RMB2,336,000) is considered low as such amounts are the cash settlement from creditworthy third-party payment platforms within one month. The credit risk for bank balances with gross carrying amounts of RMB259,844,000 (2020: RMB299,667,000) are considered low as such amounts are placed in banks with good reputation.

The Group also considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on an asset as at the end of Reporting Period with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information, especially the actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligation.

The management of the Group considers that there is no material increase in the credit risk on receivables from third-party payment platforms and bank balances for the year and the risk of default is insignificant. The ECL for receivables from third-party platforms and bank balances were insignificant for the year.

The Group's debt instruments at FVTOCI mainly comprise promissory notes that are issued by certain financial institutions. For the purposes of internal credit risk management, the Group uses estimated credit rating of the issuers to assess whether credit risk has increased significantly since initial recognition. During the year ended 31 December 2021, ECL on debt instruments at FVTOCI amounting to RMB1,393,000 (2020: Nil) is recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

For other receivables with gross carrying amounts of RMB7,928,000 (2020: RMB7,481,000), management of the Group makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience and also available reasonable and supportive forward-looking information.

The following table shows the movement in ECL that has been recognised for other receivables.

	12m ECL	Lifetime ECL (credit- impaired)	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2020	659	—	659
New financial assets originated or purchased	551	—	551
At 31 December 2020	1,210	—	1,210
New financial assets originated or purchased	1,573	768	2,341
Written-off	—	(768)	(768)
At 31 December 2021	2,783	—	2,783

Note: During the year ended 31 December 2021, the Group reassessed the impaired receivable and considered that there is no realistic prospect of recovery, the relevant receivable of RMB768,000 was written off accordingly (2020: Nil).

The Group have concentration of credit risk on liquid funds which are deposited with several banks and receivables from third-party payment platforms. However, the credit risk on bank balances and receivables from third-party payment platforms is limited because the counterparties are with high credit ratings assigned by international credit-rating agencies, and ECL is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Taking into account the cash from the operating activities and proceeds from the Listing, the directors consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the Reporting Period and accordingly the financial statement has been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. The undiscounted amount is derived from interest rate at the end of the reporting period.

	Effective interest rate %	On demand RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
As at 31 December 2021								
Trade payables	N/A	—	259	—	—	—	259	259
Other payables and accrued charges	N/A	—	14,429	—	—	—	14,429	14,429
Lease liabilities	3.25	—	440	5,541	17,381	1,106	24,468	22,757
		—	15,128	5,541	17,381	1,106	39,156	37,445
As at 31 December 2020								
Trade payables	N/A	—	999	—	—	—	999	999
Other payables and accrued charges	N/A	—	25,322	—	—	—	25,322	25,322
Lease liabilities	3.25	—	13,227	31,022	190,935	19,669	254,853	233,951
		—	39,548	31,022	190,935	19,669	281,174	260,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (CONTINUED)

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 consolidated financial statements approximate their fair values at the end of the Reporting Period based on discounted cash flow analysis.

Fair value of Group's financial assets and liabilities that are measured at fair value on a recurring basis

Financial assets	Fair value at		Fair value hierarchy	Valuation technique and key inputs
	31 December 2021 RMB'000	31 December 2020 RMB'000		
Debt instrument at FVTOCI	23,135	—	Level 3	Discounted cash flows Key inputs: a discount rate that reflects the credit risk of the financial institutions
Equity instrument at FVTOCI	—	5,000	Level 3	Market approach Key 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
Financial assets at FVTPL	—	10,000	Level 3	Discounted cash flows Key inputs: 1. expected yields of underlying investments invested by financial institutions 2. a discount rate that reflects the credit risk of the financial institutions

There were no transfers between levels of the fair value hierarchy during the both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of Level 3 fair value measurements

	Debt instruments at FVTOCI RMB'000	Financial assets at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Financial liabilities designated at FVTPL RMB'000	Total RMB'000
At 1 January 2020	—	—	55,000	(49,810)	5,190
Fair value change recognised in profit or loss	—	—	—	14,171	14,171
Purchased	—	5,000	95,000	—	100,000
Settlements	—	—	(140,000)	35,639	(104,361)
At 31 December 2020	—	5,000	10,000	—	15,000
Impairment loss recognised in profit or loss	(1,393)	—	—	—	(1,393)
Exchange difference	(505)	—	—	—	(505)
Fair value change recognised in other comprehensive income	—	(5,000)	—	—	(5,000)
Purchased	25,033	—	—	—	25,033
Settlements	—	—	(10,000)	—	(10,000)
At 31 December 2021	23,135	—	—	—	23,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, for future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Accrued share issue costs RMB'000	Lease liabilities RMB'000	Financial liabilities designated at FVTPL RMB'000	Total RMB'000
At 1 January 2020	2,153	194,931	49,810	246,894
Net financing cash flows	(14,256)	(62,838)	—	(77,094)
Finance costs	—	7,916	—	7,916
Recognition of lease liabilities (Note 36)	—	110,453	—	110,453
Derecognition of lease liabilities (Note 36)	—	(12,253)	—	(12,253)
COVID-19-related rent concessions	—	(4,258)	—	(4,258)
Share issued costs recognised	12,103	—	—	12,103
Fair value change of financial liabilities designated at fair value through profit or loss	—	—	(14,171)	(14,171)
Conversion of convertible note	—	—	(35,639)	(35,639)
At 31 December 2020	—	233,951	—	233,951
Net financing cash flows	—	(41,590)	—	(41,590)
Finance costs	—	7,174	—	7,174
Recognition of lease liabilities (Note 36)	—	29,713	—	29,713
Derecognition of lease liabilities (Note 36)	—	(206,491)	—	(206,491)
At 31 December 2021	—	22,757	—	22,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of the directors and other members of key management during the years ended 31 December 2021 and 2020 was as follows:

	2021	2020
	RMB'000	RMB'000
Short-term benefits	5,685	3,702
Post-employment benefits	268	313
	5,953	4,015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

The Company has equity interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ registration	Place of operation	Paid up capital	As at 31 December		Principal activities
				2021 %	2020 %	
Subsidiaries: Golden Town [*]	British Virgin Islands	Hong Kong	US\$50,000	100	100	Investment holding
Dashan Education (HK) Company Limited	Hong Kong	Hong Kong	HK\$1	100	100	Investment holding
WFOE	PRC	PRC	RMB1,000,000	100	100	Sales of books and teaching materials and provision of technical services
Zhengzhou Dashan Guangxiao Study Abroad Service Company Limited [*] 鄭州大山廣效留學服務有限公司	PRC	PRC	—	51	—	Study abroad agency services
Zhengzhou Youni Physical Club Company Limited [*] ("Youni") 鄭州優尼之星體育俱樂部有限公司	PRC	PRC	—	80	—	Physical training services
Zhengzhou Chengzicheng Education Consulting Company Limited [*] 鄭州橙子橙教育諮詢有限公司	PRC	PRC	—	100	—	Information technology training services
Henan Dashan Peijiang Education Information Consulting Company Limited [*] 河南省大山培匠教育信息諮詢有限公司	PRC	PRC	—	57	—	Vocational education consultancy services
Structured entities (note): Dashan Training	PRC	PRC	RMB32,260,000	100	100	After-school education services
Jing Guang Dashan	PRC	PRC	RMB1,000,000	100	100	After-school education Services

* The English name is for identification purpose only.

None of the subsidiaries had any debt securities during the year or at the end of the Reporting Period.

Note: The Company does not have direct or indirect legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, Contractual Arrangements have been entered into with these structured entities and the equity holders of these structured entities on 12 January 2020 as detailed in Note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. PARTICULARS OF SUBSIDIARIES (CONTINUED)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Group that has material non-controlling interests as at 31 December 2021 and 2020:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021	2020	2021	2020
				RMB'000	RMB'000	RMB'000	RMB'000
Youni	PRC	20%	—	(229)	—	(229)	—
Individually immaterial subsidiaries with non-controlling interests				(144)	—	(144)	—
				(373)	—	(373)	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. PARTICULARS OF SUBSIDIARIES (CONTINUED)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of the Group's subsidiary that have material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations as at 31 December 2021 and 2020.

Youni	2021	2020
	RMB'000	RMB'000
Current assets	103	—
Non-current assets	3,053	—
Current liabilities	3,594	—
Non-current liabilities	706	—
Equity attributable to owners of the Company	(915)	—
Non-controlling interests of Youni	(229)	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. PARTICULARS OF SUBSIDIARIES (CONTINUED)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	2021 RMB'000	2020 RMB'000
Revenue	—	—
Loss and total comprehensive expense for the year	(1,144)	—
Loss and total comprehensive expense attributable to owners of the Company	(915)	—
Loss and total comprehensive expense attributable to the non-controlling interests of Youni	(229)	—
Loss for the year	(1,144)	—
Net cash outflow from operating activities	(1,093)	—
Net cash outflow from investing activities	(291)	—
Net cash inflow from financing activities	1,464	—
Net cash inflow	80	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	—	—
Amounts due from subsidiaries	134,282	156,151
Debt instruments at fair value through other comprehensive income	23,135	—
	157,417	156,151
CURRENT ASSETS		
Other receivables	551	92
Bank balances and cash	14,066	55,591
	14,617	55,683
CURRENT LIABILITIES		
Amounts due to subsidiaries	459	459
Other payables and accrued charges	810	1,852
	1,269	2,311
NET CURRENT ASSETS	13,348	53,372
TOTAL ASSETS LESS CURRENT LIABILITIES	170,765	209,523
NET ASSETS	170,765	209,523
CAPITAL AND RESERVES		
Share capital	7,223	7,223
Reserves	163,542	202,300
TOTAL EQUITY	170,765	209,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's capital and reserves:

	Share Capital RMB'000	Share premium RMB'000	Accumulated losses RMB'000	Shares held under share award scheme RMB'000	Total RMB'000
At 1 January 2020	—	—	(18,071)	—	(18,071)
Loss and total comprehensive expense for the year	—	—	(16,735)	—	(16,735)
Issue of shares pursuant to the share offer (Note 25)	1,806	223,904	—	—	225,710
Issue of shares pursuant to the capitalisation issue (Note 25)	5,132	(5,132)	—	—	—
Issue of shares pursuant to the full conversion of the convertible note (Note 25)	285	35,354	—	—	35,639
Transaction costs attributable to issue of shares	—	(17,020)	—	—	(17,020)
At 31 December 2020	7,223	237,106	(34,806)	—	209,523
Loss and total comprehensive expense for the year	—	—	(13,014)	—	(13,014)
Purchase of shares under shares award scheme	—	—	—	(25,744)	(25,744)
At 31 December 2021	7,223	237,106	(47,820)	(25,744)	170,765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. MAJOR NON-CASH TRANSACTIONS

During the year, the Group has entered into the following major non-cash transactions:

Right-of-use assets for buildings with a total amount of RMB29,821,000 (2020: RMB110,742,000) and lease liabilities of RMB29,713,000 (2020: RMB110,453,000) were recognised on commencement date of new leases entered into by the Group during the year ended 31 December 2021.

Right-of-use assets for buildings with a total carrying amount of RMB188,946,000 (2020: RMB10,934,000) and lease liabilities of RMB206,491,000 (2020: RMB12,253,000) were derecognised during the year ended 31 December 2021 upon early termination of relevant lease agreements.

37. SUBSEQUENT EVENT

The Group entered into an agreement with independent third parties for the acquisition of 60% equity interest in Henan Zhongzhichuang Education Information Consulting Company Limited (the “**target company**”) with consideration of RMB1,000,000 on 14 February 2022. The acquisition has been accounted for as acquisition of business using the acquisition method and not yet complete at the date of approving these consolidated financial statements.

FINANCIAL SUMMARY

	Year ended 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Revenue	217,343	289,787	383,647	333,041	352,874
Profit (loss) for the year attributable to:					
Owners of the Company	28,062	44,943	48,966	2,053	(56,423)
Non-controlling interests	(2)	–	–	–	(373)
	28,060	44,943	48,966	2,053	(56,796)
	As at 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Assets and liabilities					
Total assets	321,202	421,676	537,609	791,092	329,541
Total liabilities	255,152	334,331	449,688	456,789	82,778
	66,050	87,345	87,921	334,303	246,763
Equity attributable to owners of the Company	65,952	87,345	87,921	334,303	247,136
Non-controlling interests	98	–	–	–	(373)
	66,050	87,345	87,921	334,303	246,763

DEFINITIONS

“AGM”	the annual general meeting of the Company
“Articles” or “Articles of Association”	the articles of association of our Company as amended from time to time
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Award Shares”	award shares granted under the Share Award Scheme
“Bai Tai”	Bai Tai Investments Limited (百泰投資有限公司), a company incorporated in the BVI with limited liability
“Board of Directors” or “Board”	our board of Directors
“CG Code”	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
“Company,” “our Company” or “the Company”	Dashan Education Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 9986)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consolidated Affiliated Entity(ies)”	an entity or the entities controlled by our Company through the Contractual Arrangements which comprised, as at the date of this annual report, Dashan Training and Jing Guang Dashan
“Contractual Arrangements”	the arrangements under the Structured Contracts, details of which are described in the section headed “Structured Contracts” in the Prospectus
“Controlling Shareholder(s)” or “our Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, being Lucky Heaven and Mr. Zhang or any of them
“Conversion”	the conversion of the Convertible Note into Conversion Shares pursuant to the terms and conditions of the Convertible Note
“Conversion Shares”	the new Shares fall to be allotted and issued upon the Conversion rights attached to the Convertible Note being exercised
“Convertible Note”	the convertible note issued by our Company to the Pre-IPO Investor on 31 October 2019 in the principal amount of USD equivalent to RMB50,000,000 (equivalent to approximately US\$7.08 million) convertible into approximately 5.2632% of the entire issued share capital of our Company (as enlarged by the allotment and issue of the Conversion Shares and the Capitalisation Issue) from time to time but without taking into account the new Shares to be allotted and issued under the Share Offer

DEFINITIONS

“COVID-19”	coronavirus disease 2019
“COVID-19 Outbreak”	The outbreak of COVID-19
“Dashan Consultancy”	Zhengzhou Dashan Corporate Management Consultancy Company Limited* (鄭州大山企業管理諮詢有限公司), a Company established in the PRC with limited liability on 18 October 2018
“Dashan Management”	Zhengzhou Dashan Corporate Management Centre (LLP)* (鄭州大山企業管理中心(有限合夥)), a limited partnership established in the PRC on 31 May 2016
“Dashan Training”	Zhengzhou Jinshui Dashan Training School Company Limited* (鄭州市金水區大山培訓學校有限公司) (formerly known as Zhengzhou Dashan Education Consultancy Company Limited* (鄭州大山教育諮詢有限公司) and Zhengzhou Dashan Education Technology Company Limited* (鄭州大山教育科技股份有限公司)), a company established in the PRC with limited liability on 30 December 2010, one of the Consolidated Affiliated Entities
“Deed of Non-competition”	the deed of non-competition dated 23 June 2020 given by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of each of our subsidiaries)
“Director(s)”	the director(s) of our Company
“Equity Pledge Agreement”	the equity pledge agreement entered into by and among WFOE, Dashan Training and the Registered Shareholders dated 12 January 2020
“Exclusive Business Cooperation Agreement”	the exclusive business cooperation agreement entered into by and among WFOE, Dashan Training, Jing Guang Dashan, and the Registered Shareholders dated 12 January 2020
“Exclusive Call Option Agreement”	the exclusive call option agreement entered into by and among WFOE, Dashan Training, Jing Guang Dashan and the Registered Shareholders dated 12 January 2020
“Exclusive Technical Service and Management Consultancy Agreement”	the exclusive technical service and management consultancy agreement entered into by and among WFOE, Dashan Training and Jing Guang Dashan dated 12 January 2020
“FY2020”	the year ended 31 December 2020
“FY2021” or “Reporting Period”	the year ended 31 December 2021
“Group” or “our Group” “we” or “us”	our Company, its subsidiaries, its predecessor and the Consolidated Affiliated Entities from time to time
“Hou De Education”	Zhengzhou Hou De Education Consultation Company Limited* (鄭州市厚德教育諮詢有限公司), a company established in the PRC with limited liability on 25 March 2008, which is wholly-owned by Mr. Zhang

“Individual Shareholder Spouse Undertaking(s)”	collectively, the spouse undertakings dated 12 January 2020 respectively signed by Ms. Peng Xin who is the spouse of Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, and Ms. Yuan Zhaoxia who is the spouse of Mr. Shan Jingchao, being an executive Director and a director of Dashan Training
“Investment Management Committee”	the investment committee of the Company
“Jing Guang Dashan”	Zhengzhou Jing Guang Dashan Training School Company Limited* (鄭州京廣大山培訓學校有限公司) (formerly known as Zhengzhou Jing Guang Dashan Education Consultation Limited* (鄭州市京廣大山教育諮詢有限公司)), a company established in the PRC with limited liability on 21 September 2015, which is one of the Consolidated Affiliated Entities and is wholly-owned by Dashan Training
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	15 July 2020, being the date on which dealings of our Shares on the Main Board of the Stock Exchange first commenced
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Lucky Heaven”	Lucky Heaven International Limited (瑞天國際有限公司), a company incorporated in the BVI with limited liability on 23 October 2018 which is wholly-owned by Mr. Zhang, and one of our Controlling Shareholders
“Memorandum and Articles of Association”	the memorandum and articles of association of the Company, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Zhang”	Mr. Zhang Hongjun (張紅軍), an executive Director, the chairman of our Board, the chief executive officer and founder of our Group and one of our Controlling Shareholders
“Mr. Zhang’s Undertaking”	an undertaking signed by Mr. Zhang who currently does not have a spouse, dated 12 January 2020, pursuant to which, among others, Mr. Zhang irrevocably undertakes and ensures to procure his future spouse to sign the same Individual Shareholder Spouse Undertaking
“Nomination Committee”	the nomination committee of the Company
“Opinion”	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》) issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council in July 2021

DEFINITIONS

“Placing”	the conditional placing of our Shares, as defined in the Prospectus and further described in “Structure of the Share Offer” in the Prospectus
“PRC” or “China”	People’s Republic of China
“Pre-IPO Investor” or “SCGC Capital”	SCGC Capital Holding Company Limited (SCGC資本控股有限公司), a company incorporated in the BVI with limited liability on 16 November 2006, and the pre-IPO investor of our Company
“Prospectus”	the prospectus issued by the Company dated 30 June 2020
“Public Offer”	the issue and offer for subscription of our Shares to the public in Hong Kong for cash, as defined in the Prospectus and further described in “Structure of the Share Offer” in the Prospectus
“Registered Shareholders”	Mr. Zhang, Mr. Shan Jingchao, being an executive Director and a director of Dashan Training, Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, Hou De Education and Dashan Consultancy
“Remuneration Committee”	the remuneration committee of the Company
“Scheme Rules”	means the rules of the Share Award Scheme, as amended from time to time
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Share Award Scheme”	the share award scheme of our Company adopted on 14 December 2020
“Share Offer”	the Public Offer and the Placing
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Powers of Attorney”	the powers of attorney executed by each of the Registered Shareholders in favour of WFOE, all dated 12 January 2020
“Shareholders’ Rights Entrustment Agreement”	the shareholders’ rights entrustment agreement executed by WFOE, Dashan Training and the Registered Shareholders dated 12 January 2020
“Share Option Scheme”	the share option scheme of our Company conditionally adopted on 18 June 2020
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“WFOE”	Zhengzhou Dashan Yun Xiao Technology Company Limited* (鄭州大山雲效科技有限公司), a wholly foreign owned enterprise established in the PRC on 9 January 2019 and an indirect wholly-owned subsidiary of our Company