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## DASHAN EDUCATION HOLDINGS LIMITED

### 大山教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9986)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

	For the six months ended 30 June		Change RMB'000	Percentage change (%)
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)		
Revenue	<b>110,284</b>	174,088	(63,804)	(36.7)
(Loss) profit before taxation	<b>(9,094)</b>	24,759	(33,853)	(136.7)
(Loss) profit and total comprehensive (expense) income for the period	<b>(9,834)</b>	20,076	(29,910)	(149.0)
<b>(Loss) earnings per share</b>				
— Basic (RMB cents)	<b>(1.73)</b>	3.53	(5.3)	(149.0)
— Diluted (RMB cents)	<b>(4.00)</b>	N/A	N/A	N/A

The board (the “**Board**”) of directors (the “**Directors**”) of Dashan Education Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim financial information of our Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**our**” or “**us**”) for the six months ended 30 June 2020 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2019 as set out in this announcement.

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

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	5	<b>110,284</b>	174,088
Cost of sales		<b>(91,065)</b>	(97,003)
Gross profit		<b>19,219</b>	77,085
Other income	6	<b>841</b>	1,081
Other gains and losses, net	6	<b>1,591</b>	764
Selling and marketing expenses		<b>(4,007)</b>	(10,693)
Content and information technology development and training expenses		<b>(11,804)</b>	(15,234)
Administrative expenses		<b>(18,344)</b>	(21,914)
Listing expenses		<b>(7,044)</b>	(3,269)
Finance costs	7	<b>(3,717)</b>	(3,061)
Fair value change of financial liabilities designated at fair value through profit or loss		<b>14,171</b>	—
(Loss) profit before taxation		<b>(9,094)</b>	24,759
Taxation	8	<b>(740)</b>	(4,683)
(Loss) profit and total comprehensive (expense) income for the period	9	<b><u>(9,834)</u></b>	<u>20,076</u>
(Loss) earnings per share	11		
— Basic (RMB cents)		<b><u>(1.73)</u></b>	<u>3.53</u>
— Diluted (RMB cents)		<b><u>(4.00)</u></b>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2020**

		<b>As at 30 June 2020 RMB'000 (unaudited)</b>	<b>As at 31 December 2019 RMB'000 (audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>300,472</b>	279,313
Investment properties		<b>5,110</b>	5,163
Deferred tax assets		<b>166</b>	107
Rental deposits	<i>12</i>	<b>2,123</b>	2,208
Deposits for leasehold improvements		<b>1,120</b>	2,567
		<b>308,991</b>	289,358
<b>CURRENT ASSETS</b>			
Inventories		<b>10,578</b>	7,091
Financial assets designated at fair value through profit or loss		<b>80,000</b>	55,000
Other receivables	<i>12</i>	<b>21,842</b>	9,221
Bank balances and cash		<b>148,247</b>	176,939
		<b>260,667</b>	248,251
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>13</i>	<b>2,328</b>	777
Other payables and accrued charges		<b>36,978</b>	30,261
Receipts in advance		<b>192,172</b>	170,892
Tax liabilities		<b>787</b>	3,017
Lease liabilities		<b>34,005</b>	26,704
		<b>266,270</b>	231,651
<b>NET CURRENT (LIABILITIES) ASSETS</b>		<b>(5,603)</b>	16,600
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>303,388</b>	305,958

		As at <b>30 June</b> <b>2020</b> <i>RMB'000</i> <b>(unaudited)</b>	As at 31 December 2019 <i>RMB'000</i> (audited)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>189,662</b>	168,227
Financial liabilities designated at fair value through profit or loss		<b>35,639</b>	49,810
		<u><b>225,301</b></u>	<u>218,037</u>
<b>NET ASSETS</b>		<u><b>78,087</b></u>	<u>87,921</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>14</i>	—	32,260
Reserves		<b>78,087</b>	55,661
<b>TOTAL EQUITY</b>		<u><b>78,087</b></u>	<u>87,921</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 1. GENERAL INFORMATION

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

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

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

### 1A. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

In response to the outbreak of coronavirus disease 2019 (“**Covid-19**”), the Group launched online course for students in February 2020 and converted physical class to online class temporarily where students are able to attend classes through the Group’s online learning platform without physically present at the self-operated teaching centres. The operations of the self-operated teaching centres were resumed in May and June 2020. Certain lessors have provided rent concessions to the Group during the current interim period. As such, the financial positions and performance of the Group were affected in different aspects, including reduction of revenue and rent concessions from certain lessors as disclosed in notes 5 and 9, respectively.

## 2. BASIS OF PREPARATION

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

The principal steps of the Reorganisation are disclosed in the Prospectus of the Company dated 30 June 2020.

Prior to the Reorganisation, Dashan Training and its subsidiaries were owned by the Controlling Shareholder and the non-controlling interests. The Reorganisation involved steps of interspersing of the Company and certain investment holding companies, through issuance of shares and entering into the Contractual Arrangements (as defined and detailed below), between Dashan Training and its shareholders. Accordingly, the Company and the Consolidated Entities resulting from the Reorganisation is regarded as a continuing entity. The condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 30 June 2020 and 2019 has been prepared as if the current group structure had been in existence throughout the six months ended 30 June 2020 and 2019, or since the respective dates of incorporation/establishment where there is a shorter period. The condensed consolidated statement of financial position of the Group as at 31 December 2019 have been prepared to present the carrying amount of the assets and liabilities of the Consolidated Entities as if the current group structure had been in existence as at that date taking into account the respective dates of incorporation/ establishment where applicable.

## Contractual arrangements

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

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

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

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries pursuant to the Contractual Arrangements. The Group has consolidated the financial position and results of Dashan Training in the condensed consolidated financial statements for the six months ended 30 June 2020 and 2019.

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Revenue	<b>107,368</b>	174,794
(Loss) profit before taxation	<b><u>(17,465)</u></b>	<u>26,552</u>
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(audited)
Non-current assets	<b>308,341</b>	289,111
Current assets	<b>215,078</b>	197,492
Current liabilities	<b>248,903</b>	215,134
Non-current liabilities	<b><u>189,356</u></b>	<u>168,192</u>

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



As at 30 June 2020, the Group has net current liabilities of RMB5,603,000. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the condensed consolidated financial statements. Taking into account the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, bank balances and cash available and the net proceeds from the public offer and placing subsequent to the reporting period, the directors of the Company are of the opinion 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 these condensed consolidated financial statements have been prepared on a going concern basis.

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

#### **Application of amendments to HKFRSs**

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

In addition to the above amendments to HKFRSs, the Group also applied a revised Conceptual Framework for Financial Reporting which was issued in 2018, and its consequential amendments, “the Amendments to References to the Conceptual Framework in HKFRS Standards”.

In addition, the Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”.

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

#### 4. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to HKFRSs as set out in note 3, the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the financial information of the Group for the year ended 31 December 2019 reported in the accountants' report as included in the Prospectus in connection with the Listing.

#### 5. REVENUE AND SEGMENT INFORMATION

##### Revenue

Disaggregation of revenue from contracts with customers is as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Tuition fees income	<b>107,127</b>	169,016
Sales of books and teaching materials	<b>1,022</b>	1,997
Brand name licensing and advisory services income	<b>1,861</b>	2,379
Other services	<b>274</b>	696
	<b><u>110,284</u></b>	<b><u>174,088</u></b>
Timing of revenue recognition		
A point of time	<b>1,022</b>	1,997
Over time	<b>109,262</b>	172,091
	<b><u>110,284</u></b>	<b><u>174,088</u></b>

## **Segment information**

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

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

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

## **Geographical information**

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

## **Information about major customers**

No service provided or goods sold to a single customer contributed to 10% or more of total revenue of the Group during the six months ended 30 June 2020 and 2019.

## 6. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

### Other income

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Bank interest income	119	159
Government grants	106	—
Income from financial assets designated at fair value through profit or loss (“FVTPL”)	455	806
Imputed interest income from rental deposits	74	41
Rental income	70	68
Others	17	7
	<u>841</u>	<u>1,081</u>

### Other gains and losses, net

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Foreign exchange gains (losses)	1,183	(23)
Impairment loss recognised in respect of other receivables	(409)	—
Loss on disposal of property, plant and equipment	(55)	(50)
Gain on derecognition of right-of-use assets and lease liabilities	872	837
	<u>1,591</u>	<u>764</u>

## 7. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interests on lease liabilities	<u>3,717</u>	<u>3,061</u>

## 8. TAXATION

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	799	4,683
Deferred tax credit	<u>(59)</u>	<u>—</u>
	<u>740</u>	<u>4,683</u>

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 PRC subsidiaries, except for Dashan Training, is 25% for the six months ended 30 June 2020 and 2019.

Dashan Training was recognised as “High and New Technology Enterprise” and therefore entitled to a preferential tax rate of 15% for a period of three years from 2018 to 2020.

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

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
(Loss) profit and total comprehensive (expense) income for the period has been arrived at after charging:		
Staff costs:		
Directors' remuneration	<b>881</b>	970
Other staff costs	<b>42,570</b>	56,154
Other staff's retirement benefits scheme contributions	<b>2,965</b>	7,889
	<u><b>46,416</b></u>	<u>65,013</u>
Cost of inventories sold	<b>431</b>	1,021
Depreciation of investment properties	<b>53</b>	—
Depreciation of property, plant and equipment (including right-of-use assets for buildings)	<b>43,234</b>	34,660
Covid-19-related rent concessions	<b>(2,281)</b>	—

## 10. DIVIDEND

No dividends were declared, paid or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

During the six months ended 30 June 2019, approximately RMB48,390,000 has been declared and paid by Dashan Training to its then equity owners, respectively. The rate of dividend was not presented as such information was not considered meaningful having regard to the purpose of the condensed consolidated financial statements.

## 11. (LOSS) EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
(Loss) earnings:		
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	<b>(9,834)</b>	20,076
Effect of dilutive potential ordinary shares:		
Fair value change of financial liabilities designated at FVTPL	<b>(14,171)</b>	N/A
Loss for the period attributable to owners of the Company for the purpose of diluted loss per share	<b><u>(24,005)</u></b>	<b><u>N/A</u></b>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>568,420,800</b>	568,420,800
Effect of dilutive potential ordinary shares:		
Convertible note	<b>31,579,200</b>	N/A
Weighted average number of ordinary share for the purpose of diluted loss per share	<b><u>600,000,000</u></b>	<b><u>N/A</u></b>

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined and detailed in note 15) had been effective on 1 January 2019.

No diluted earnings per share for the six months ended 30 June 2019 was presented as there were no potential ordinary shares in issue during the six months ended 30 June 2019.

## 12. OTHER RECEIVABLES

	As at <b>30 June</b> <b>2020</b> <i>RMB'000</i> <b>(unaudited)</b>	As at 31 December 2019 <i>RMB'000</i> (audited)
Other receivables		
Staff advance	417	—
Receivables from third-party payment platforms	6,988	468
Prepayments	5,726	2,559
Other taxes prepaid	589	539
Prepaid listing expense	44	427
Deferred share issue costs	7,491	4,917
Rental deposits	2,966	2,720
Others	776	458
Less: loss allowance	<u>(1,032)</u>	<u>(659)</u>
Total other receivables	23,965	11,429
Less: non-current rental deposits	<u>(2,123)</u>	<u>(2,208)</u>
Current portion	<u><u>21,842</u></u>	<u><u>9,221</u></u>

## 13. TRADE PAYABLES

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

	As at <b>30 June</b> <b>2020</b> <i>RMB'000</i> <b>(unaudited)</b>	As at 31 December 2019 <i>RMB'000</i> (audited)
0–30 days	2,325	522
31–60 days	—	208
61–90 days	—	2
Over 90 days	<u>3</u>	<u>45</u>
	<u><u>2,328</u></u>	<u><u>777</u></u>



## 14. SHARE CAPITAL

For the purpose of presenting these condensed consolidated financial statements, the balance of the share capital of the Group at 1 January 2019, 30 June 2019 and 1 January 2020 represented the aggregate of the share capital of Dashan Training and the Company prior to the complication of the Reorganisation.

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

	Number of shares	Amount <i>HK\$'000</i>	Shown in the condensed consolidated financial statements <i>RMB'000</i>
Ordinary shares of HK\$0.01 each:			
Authorised:			
At 31 December 2019	38,000,000	380	
Increase on 18 June 2020 ( <i>note a</i> )	9,962,000,000	99,620	
At 30 June 2020	<u>10,000,000,000</u>	<u>100,000</u>	
Issued and fully paid:			
At 31 December 2019	1	—	—
Issue of shares pursuant to the Reorganisation ( <i>note b</i> )	9,999	1	1
At 30 June 2020	<u>10,000</u>	<u>1</u>	<u>1</u>

\* *Less than RMB1,000*

*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 current interim period, for the purpose of the Reorganisation, the Company allotted and issued 8,726 shares and 1,273 shares credited as fully paid to Lucky Heaven and Bai Tai Investments Limited, respectively, and credited as fully paid the one nil paid share held by Lucky Heaven on 18 June 2020. The difference between the aggregate share capital of Dashan Training and the Company of RMB32,260,000 as at 31 December 2019 and the share capital of the Company of HK\$100 as at 30 June 2020 was accounted for in the other reserve of the Company.

## 15. SUBSEQUENT EVENTS

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

- (i) Subsequent to the reporting period, pursuant to the written resolutions of the shareholders dated 18 June 2020, conditional upon the share premium amount of the Company being credited as a result of the public offer and placing, the directors of the Company were authorised to capitalise the amount of HK\$5,684,108 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 shares for allotment and issue to the shareholders whose names appeared on the register of members of the Company at the close of business on 18 June 2020 (the “**Capitalisation Issue**”). Such shares rank pari passu in all respects with then existing shares of the Company. The Capitalisation Issue was completed on 15 July 2020.
- (ii) The convertible note issued by the Company shall be mandatorily and automatically converted into ordinary shares of HK\$0.01 each of the Company (“**Conversion Shares**”) which shall represent approximately 5.2632% of the entire issued share capital of the Company (as enlarged by the allotment and issue of Conversion Shares) should the grant of the Listing take place on or before its maturity date (being 31 December 2021), or may also be converted into Conversion Shares before the Listing and at the discretion of the investor (the “**Conversion**”). The Conversion was completed on 15 July 2020, through which the convertible note issued by the Company was mandatorily and automatically converted into 31,579,200 ordinary shares of the Company.
- (iii) On 15 July 2020, the Company’s shares were listed on the Main Board of the Stock Exchange. 200,000,000 ordinary shares were issued at an offer price of HK\$1.25 per share with gross proceeds of HK\$250,000,000 (equivalent to RMB225,710,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Business overview

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

We divide our teaching centre network into two criteria, namely, self-operated and franchised teaching centres. As at 30 June 2020, we had 80 self-operated teaching centres in Zhengzhou and Xinxiang and 12 franchisees in Henan and Zhejiang. Our 80 self-operated teaching centres had in aggregate of 1,520 classrooms. We offer regular classes with class size of 20 to 25 students, small classes with class size of eight to 12 students as well as VIP classes with class size of one to three students.

During the Reporting Period, we had entered into lease agreements for 11 of our new self-operated teaching centres, in which one self-operated teaching centre had completed renovation and was in the process of preparing the relevant documents for the private school operation permit application. During the six months ended 30 June 2020, the total number of student enrolments was 115,786, and the total number of tutoring hours delivered by us was 1,832,627 hours for regular classes, small classes and VIP classes.

Due to the outbreak of COVID-19, there was a temporary suspension of physical classes for after-school education service providers between end-January 2020 and mid-May 2020. As a result, our tutoring hours, student enrolments and revenue decreased. In response to the temporary suspension, we converted certain of our physical classes to online classes where students were able to attend classes through our proprietary online learning platform “學習8” (Learning Bar) without physically present at our self-operated teaching centres to minimise impact to our business operations. As the COVID-19 outbreak in the PRC eases, we have resumed our physical classes since mid-May 2020. We will continue to (i) assess the impact of the COVID-19 outbreak on the business environment and our business operations and financial performance; and (ii) closely monitor our exposure to the relevant risks and uncertainties and respond accordingly.

## **Future outlook**

Our goal is “Creating a bright future for students 為學生創造美好未來”. In reaching the goal, we combine technology and innovation with physical tutoring to improve student’s learning interest and efficiency. Our Group delivers tutoring services mainly at our self-operated teaching centres, supplemented by our proprietary online learning platform “學習8” (Learning Bar), which facilitates, amongst others, the teachers and parents’ interactions, the provision of individualised and adaptive guidance for students, the management and control of teaching quality and the development of teaching materials. With our proprietary online learning platform “學習8” (Learning Bar), our Directors believe that we can attract more students and maintain a high quality teaching standard which is beneficial to our students and further enhance our competitiveness.

We aim to maintain our leading position in the primary and secondary after-school education services industry in Henan and continue to build on our existing competitive strengths for further growth. To maintain the sustainable growth in our business and to create long-term shareholders’ value, we will implement the following business strategies: (i) increase our market penetration and expand geographical coverage; (ii) expand our service capacity and broaden our service offerings; (iii) continue to enhance our teaching and service quality; and (iv) selectively pursue strategic merger and acquisitions or cooperation opportunities within the industry.

## FINANCIAL REVIEW

### Revenue

Our revenue was primarily from the tuition fees we collect from our students through our self-operated teaching centres. For the six months ended 30 June 2020, our total revenue was approximately RMB110.3 million, representing a decrease of approximately RMB63.8 million or approximately 36.6% as compared to approximately RMB174.1 million for the six months ended 30 June 2019. The decrease was primarily due to the decrease in tutoring hours and student enrolments as a result of the COVID-19 outbreak leading to a temporary suspension of our physical classes.

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

	Six months ended 30 June			
	2020		2019	
	RMB'000	%	RMB'000	%
Tuition fees income				
— Regular classes, small classes and VIP classes	102,634	93.1	162,914	93.6
— Online courses	18	0.0	5	0.0
— Other tutorial services <sup>(Note 1)</sup>	4,475	4.0	6,097	3.5
Subtotal	107,127	97.1	169,016	97.1
Sales of books and teaching materials	1,022	0.9	1,997	1.1
Brand name licensing and advisory services income	1,861	1.7	2,379	1.4
Other services <sup>(Note 2)</sup>	274	0.3	696	0.4
Total	<u>110,284</u>	<u>100.0</u>	<u>174,088</u>	<u>100.0</u>

#### 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.

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

	Six months ended 30 June					
	2020			2019		
	<i>Revenue</i> <i>RMB'000</i>	<i>Student</i> <i>enrolments</i>	<i>Total</i> <i>number of</i> <i>tutoring</i> <i>hours</i>	<i>Revenue</i> <i>RMB'000</i>	<i>Student</i> <i>enrolments</i>	<i>Total</i> <i>number of</i> <i>tutoring</i> <i>hours</i>
Primary school tutoring						
Regular classes	55,081	70,080	1,264,411	79,425	73,737	1,962,909
Small classes	3,869	2,841	49,499	9,712	5,946	133,040
VIP classes	10,908	6,106	77,241	23,986	9,183	165,353
	<u>69,858</u>	<u>79,027</u>	<u>1,391,151</u>	113,123	88,866	2,261,302
Secondary school tutoring						
Regular classes	16,336	26,775	333,723	20,662	30,370	423,374
Small classes	2,249	1,907	26,181	6,336	5,378	81,137
VIP classes	14,191	8,077	81,572	22,793	7,949	121,362
	<u>32,776</u>	<u>36,759</u>	<u>441,476</u>	49,791	43,697	625,873
Total	<u><u>102,634</u></u>	<u><u>115,786</u></u>	<u><u>1,832,627</u></u>	<u><u>162,914</u></u>	<u><u>132,563</u></u>	<u><u>2,887,175</u></u>

The decrease in revenue, student enrolment and tutoring hours for the six months ended 30 June 2020 was mainly due to the temporary suspension of physical classes in response to the outbreak of COVID-19.

### Cost of Sales

Our cost of sales primarily consists of (i) staff costs; and (ii) depreciation. We recorded a decrease in cost of sales of approximately RMB5.9 million or approximately 6.1% from approximately RMB97.0 million for the six months ended 30 June 2019 to approximately RMB91.1 million for the six months ended 30 June 2020. Such decrease corresponded to the decrease in our revenue and was primarily due to the decrease in staff costs. Staff costs primarily consist of salaries and performance based payment attributable to our teaching staff. Due to the temporary suspension of physical classes during the Reporting Period, number of tutoring hours and teaching hours decreased, which led to a decrease in staff costs.

## **Gross Profit and Gross Profit Margin**

Our gross profit decreased by approximately RMB57.9 million or approximately 75.1% from approximately RMB77.1 million for the six months ended 30 June 2019 to approximately RMB19.2 million for the six months ended 30 June 2020. The gross profit margin decreased from approximately 44.3% for the six months ended 30 June 2019 to approximately 17.4% for the six months ended 30 June 2020. Despite of the decrease in revenue as a result of the temporary suspension of physical classes, we continued to incur fixed costs such as depreciation expenses and facility costs during the six months ended 30 June 2020, thus, our gross profit and gross profit margin decreased.

## **Other Income**

Other income mainly consists of (i) government grants; and (ii) income from financial assets designated at fair value through profit or loss. Our other income decreased by approximately RMB0.3 million or approximately 27.3% from approximately RMB1.1 million for the six months ended 30 June 2019 to approximately RMB0.8 million for the six months ended 30 June 2020. Such decrease was mainly due to the decrease in income from financial assets designated at fair value through profit or loss.

## **Other Gains and Losses, Net**

Other gains and losses, net mainly consist of (i) foreign exchange gains (losses); (ii) impairment loss recognised in respect of other receivables; (iii) loss on disposal of property, plant and equipment; and (iv) gain on derecognition of right-of-use assets and lease liabilities. Our other gains and losses, net increased by approximately RMB0.8 million or approximately 100.0% from approximately RMB0.8 million for the six months ended 30 June 2019 to approximately RMB1.6 million for the six months ended 30 June 2020. Such increase was mainly due to the foreign exchange gains of approximately RMB1.2 million we recorded for the six months ended 30 June 2020, as compared with foreign exchange losses of approximately RMB23,000 for the six months ended 30 June 2019.

## **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 RMB6.7 million or approximately 62.6% from approximately RMB10.7 million for the six months ended 30 June 2019 to approximately RMB4.0 million for the six months ended 30 June 2020. 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 decreased by approximately RMB3.4 million or approximately 22.4% from approximately RMB15.2 million for the six months ended 30 June 2019 to approximately RMB11.8 million for the six months ended 30 June 2020. Such decrease was mainly attributable by the decrease in staff costs as a result of the temporary suspension of physical classes.

## **Administrative Expenses**

Our administrative expenses mainly comprise of staff costs at our head office, office expenses and travelling expenses. Our administrative expenses decreased by approximately RMB3.6 million or approximately 16.4% from approximately RMB21.9 million for the six months ended 30 June 2019 to approximately RMB18.3 million for the six months ended 30 June 2020. Such decrease was mainly attributable by the decrease in staff costs as a result of the temporary suspension of physical classes.

## **Finance Costs**

Our finance costs represented interests on leased liabilities, which increased by approximately RMB0.6 million or approximately 19.4% from approximately RMB3.1 million for the six months ended 30 June 2019 to approximately RMB3.7 million for the six months ended 30 June 2020. Such increase was mainly attributable to the increase in number of leased properties.

## **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 relates to the convertible note issued by our Company to SCGC Capital Holding Company Limited on 31 October 2019. We recorded a fair value gain of approximately RMB14.2 million for the six months ended 30 June 2020.



## **Taxation**

Our income tax expenses decreased by approximately RMB4.0 million or approximately 85.1% from approximately RMB4.7 million for the six months ended 30 June 2019 to approximately RMB0.7 million for the six months ended 30 June 2020. Our effective tax rate was approximately 18.9% for the six months ended 30 June 2019 as compared to the effective tax rate of approximately (8.1%) for the six months ended 30 June 2020. The decrease in income tax expenses and negative effective tax rate was primarily due to the (i) significant increase in listing expenses of approximately RMB3.8 million; and (ii) we recorded loss before taxation of approximately RMB9.1 million for the six months ended 30 June 2020 as compared to profit before taxation of approximately RMB24.8 million for the six months ended 30 June 2019.

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

As a result of the foregoing, we recorded a loss of approximately RMB9.8 million for the six months ended 30 June 2020, as compared to a profit of approximately RMB20.1 million for the six months ended 30 June 2019.

## **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 RMB10.6 million as at 30 June 2020, representing an increase of approximately RMB3.5 million or approximately 49.3% as compared to approximately RMB7.1 million as at 31 December 2019. Our Group purchased book and teaching materials at the beginning of the year. Due to the outbreak of COVID-19, there was a temporary suspension of physical classes which led to a decrease in sales of book and teaching materials.

### **Financial Assets Designated at Fair Value Through Profit or Loss**

Our financial assets designated at fair value through profit or loss primarily represent the wealth management products we purchased as a means of cash management. Our financial assets designated at fair value through profit or loss increased by RMB25.0 million or by 45.5% from RMB55.0 million as at 31 December 2019 to RMB80.0 million as at 30 June 2020. Such increase was due to the increase in investment in wealth management products with an aim to derive additional income.

## **Other Receivables**

Our other receivables was mainly deferred share issue costs and receivables from third-party payment platforms, which were mainly tuition fee received through third-party payment platforms. Our total other receivables was approximately RMB21.8 million as at 30 June 2020, representing an increase of approximately RMB12.6 million or approximately 137.0% as compared to approximately RMB9.2 million as at 31 December 2019.

## **Bank Balances and Cash**

Our bank balances and cash amounted to approximately RMB148.2 million as at 30 June 2020, representing a decrease of approximately RMB28.7 million or approximately 16.2% as compared to approximately RMB176.9 million as at 31 December 2019. Such decrease was primarily due to increase in financial investment in wealth management products.

## **Trade Payables**

Our trade payables are primarily related to purchases of books and teaching materials. Our trade payables amounted to approximately RMB2.3 million as at 30 June 2020, representing an increase of approximately RMB1.5 million or approximately 187.5% as compared to approximately RMB0.8 million as at 31 December 2019. Such increase was primarily attributable to the increase 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 30 June 2020 amounted to approximately RMB223.7 million, representing an increase by approximately RMB28.8 million or approximately 14.8% as compared with approximately RMB194.9 million as at 31 December 2019. Such increase was mainly attributable by the lease agreements our Group entered into during the Reporting Period for 11 of our new self-operated teaching centres.

## **Other Payables and Accrued Charges**

Our other payables and accrued charges comprised of staff cost payables, renovation cost payables, refundable tuition deposits and accrued listing expenses. Our other payables and accrued charges amounted to approximately RMB37.0 million as at 30 June 2020 representing an increase of approximately RMB6.7 million or approximately 22.1% as compared to approximately RMB30.3 million as at 31 December 2019. Such increase was primarily attributable to the increase in refundable tuition deposits.

## **Receipts In Advance**

Our receipts in advance primarily relate to the advance consideration received from our students and the independent third parties to the agreements for brand name licensing and advisory services, where revenue is recognised when the performance obligation is satisfied through service rendered. Our receipts in advance amounted to approximately RMB192.2 million as at 30 June 2020, representing an increase of approximately RMB21.3 million or approximately 12.5% as compares to approximately RMB170.9 million as at 31 December 2019. Such increase was mainly attributable to the increase in number of students enrolled in our self-operated teaching centres.

## **Indebtedness**

As at 30 June 2020, we had outstanding lease liabilities amounted to approximately RMB223.7 million and outstanding unsecured and unguaranteed convertible note with the principal amount of approximately USD7.1 million (equivalent to approximately RMB50.0 million). The conversion of the convertible note was completed on 15 July 2020.

We did not have any banking facilities and/or unutilised banking facilities as at 30 June 2020.

## **Liquidity and Capital Resources**

During the Reporting Period, we financed our working capital and capital expenditure principally through our operations. As at 30 June 2020, we had net current liabilities of approximately RMB5.6 million, as compared to net current assets of approximately RMB16.6 million as at 31 December 2019. As at 30 June 2020, our cash and cash equivalents amounted to approximately RMB148.2 million, representing a decrease of approximately RMB28.7 million or approximately 16.2% as compared with approximately RMB176.9 million as at 31 December 2019, primarily because of the net addition of financial assets at fair value through profit or loss of approximately RMB25.0 million and payment of lease liabilities of approximately RMB23.0 million. Taking into account the ongoing availability of finance to our Group, including the cash flows generated from our principal operations, bank balances and cash available and the net proceeds from the Public Offer and Placing subsequent to the Reporting Period, our Directors are of the opinion that our Group has sufficient working capital to meet in full our financial obligations as they fall due for at least the next twelve months from the end of the Reporting Period and accordingly, our condensed consolidated financial statements have been prepared on a going concern basis.

As at 30 June 2020, we had no interest-bearing borrowings.

## **Charge on Assets**

As at 30 June 2020, we did not have any charges on our assets.

## **Gearing Ratio**

Gearing ratio is calculated based on total debt at the end of the relevant period/year divided by total equity at the end of the respective period/year. Total debt represents lease liabilities arising from the adoption of HKFRS 16 “Leases” and the convertible note. Our gearing ratio as at 30 June 2020 was approximately 3.3.

## **Current Ratio**

Current ratio is calculated based on the total current assets at the end of the relevant year/period divided by the total current liabilities at the end of the respective year/period. Our current ratio as at 30 June 2020 was approximately 1.0.

## **Pledge of Assets**

As at 30 June 2020, none of our assets was pledged.

## **Contingent Liabilities**

As at 30 June 2020, we did not have any material contingent liabilities.

## **OTHER INFORMATION**

### **Proceeds from the Listing**

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

There was no change in the intended use of proceeds as previously disclosed in the Prospectus.

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

Intended usage	Amount of net proceeds <i>HK\$ million</i>	Approximate percentage <i>%</i>	Utilisation as at the date of this announcement <i>HK\$ million</i>	Proceeds planned to be utilised in 2020 <i>HK\$ million</i>	Proceeds planned to be utilised in 2021 <i>HK\$ million</i>	Proceeds planned to be utilised in 2022 <i>HK\$ million</i>
Expanding business and self-operated teaching centres network through organic growth	122.4	60.0	5.2	20.5	35.3	66.6
Expanding geographic presence through strategic acquisitions or setting up joint ventures	61.2	30.0	—	—	30.6	30.6
Working capital purposes	20.4	10.0	—	2.0	9.2	9.2
<b>Total</b>	<b><u>204.0</u></b>	<b><u>100.0</u></b>	<b><u>5.2</u></b>	<b><u>22.5</u></b>	<b><u>75.1</u></b>	<b><u>106.4</u></b>

During the Reporting Period and up to the date of this announcement, our Group had entered into lease agreements for 15 of our new self-operated teaching centres, in which 10 were under renovation and five had completed renovation and were in the process of preparing the relevant documents for the private school operation permit application. As at the date of this announcement, we had utilised proceeds of approximately HK\$5.2 million mainly for renovation of 12 of these new self-operated teaching centres.

After the Listing, the Directors considered that business were still facing difficult challenges caused by the current economic environment, therefore, the Directors decided to accelerate some of the proceeds for utilisation in the year ending 31 December 2020.

## **Employees and Remuneration Policy**

As at 30 June 2020, we had 1,198 employees. Total staff-related costs, including Directors' emoluments, was approximately RMB46.4 million for the six months ended 30 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.

## **Share Option Scheme**

Our Company adopted a share option scheme on 18 June 2020 (the "**Share Option Scheme**"). The terms of the Share Option Scheme are in accordance with Chapter 17 of the Listing Rules. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and general information — D. Share Option Scheme" in Appendix V to the Prospectus.

No share options had been granted or agreed to be granted under the Share Option Scheme since its adoption and up to the date of this announcement.

## **Significant Acquisitions and Disposals**

During the six months ended 30 June 2020, we did not have any significant acquisitions and disposals.

## **Significant Investments**

As at 30 June 2020, we did not have any major investments.

## **Subsequent Events**

Subsequent to the Reporting Period and up to the date of this announcement, our Group entered into lease agreements for four of our new self-operated teaching centres. 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.

## **Completion of the Listing**

Subsequent to the Reporting Period, pursuant to the written resolutions of the Shareholders dated 18 June 2020, conditional upon the share premium amount of our Company being credited as a result of the Public Offer and Placing, our Directors were authorised to capitalise the amount of HK\$5,684,108 from the amount standing to the credit of the share premium account of our Company and applying such sum to pay up in full at par 568,410,800 shares for allotment and issue to the Shareholders whose names appeared on the register of members of our Company at the close of business on 18 June 2020. Such shares rank pari passu in all respects with then existing shares of our Company. The Capitalisation Issue (as defined in note 15 to the notes to the condensed consolidated financial statements) was completed on 15 July 2020.

The convertible note issued by our Company shall be mandatorily and automatically converted into Conversion Shares (as defined in note 15 to the notes to the condensed consolidated financial statements) which shall represent approximately 5.2632% of the entire issued share capital of our Company (as enlarged by the allotment and issuance of the Conversion Shares) should the grant of the Listing take place on or before its maturity date (being 31 December 2021), or may also be converted into Conversion Shares before the Listing and at the discretion of the investor. The Conversion (as defined in note 15 to the notes to the condensed consolidated financial statements) was completed on 15 July 2020, through which the convertible note issued by our Company was mandatorily and automatically converted into 31,579,200 ordinary shares of our Company.

On 15 July 2020, our Company's shares were listed on the Main Board of the Stock Exchange. 200,000,000 ordinary shares were issued at an offer price of HK\$1.25 per share with gross proceeds of HK\$250,000,000 (equivalent to approximately RMB225,710,000).

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

As our Company's shares were not listed on the Stock Exchange as at 30 June 2020, neither our Company nor any of its subsidiaries had purchased, sold or redeemed any of our Company's listed securities during the six months ended 30 June 2020.

## **Corporate Governance**

As our Company was not a listed company during the six months ended 30 June 2020, the Corporate Governance Code contained in Appendix 14 to the Listing Rules ("**Corporate Governance Code**") was not applicable to our Company during the Reporting Period. Our Company has adopted to the Corporate Governance Code as our corporate governance code of practices upon Listing. The Board has reviewed our Company's corporate governance practices and is satisfied that our Company has complied with code provisions set out in the Corporate Governance Code since the listing of our Company.



## **Model Code for Securities Transactions by Directors**

As our Company's shares were not listed on the Stock Exchange as at 30 June 2020, related rules under the Listing Rules concerning the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”) was not applicable to our Company for the Reporting Period. Our Company has made specific enquiry with all our Directors and all our Directors confirmed that they have complied with the required standards set out in the Model Code from the Listing Date and up to the date of this announcement.

## **Audit Committee**

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

The Audit Committee, together with Deloitte Touche Tohmatsu, certified public accountants, our independent auditor, has reviewed the unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 of our Group. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by our Company and internal control measures with senior management members.

## **Public Float**

As at the date of this announcement, our Company had 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.

## **Interim Dividend**

The Board does not recommend the distribution of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).



## **Publication of Interim Results Announcement and Interim Report**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our Company ([www.dashanwaiyu.com](http://www.dashanwaiyu.com)). The interim report of our Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be despatched to our Company's Shareholders and available on the above websites in due course.

## **Appreciation**

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

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

Hong Kong, 28 August 2020

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