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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December			Percentage change (%)
	2020 RMB'000	2019 RMB'000	Change RMB'000	
Revenue	333,041	383,647	(50,606)	(13.2)
Profit before taxation	4,677	57,234	(52,557)	(91.8)
Profit and total comprehensive income for the year	2,053	48,966	(46,913)	(95.8)
Adjusted for:				
Listing expenses	10,225	10,572	(347)	(3.3)
Non-HKFRS adjusted profit and total comprehensive income for the year	12,278	59,538	(47,260)	(79.4)
Earnings (loss) per share				
— Basic (RMB cents)	0.30	8.61	(8.31)	(96.5)
— Diluted (RMB cents)	(1.75)	8.52	(10.27)	(120.5)

The board (the “**Board**”) of directors (the “**Directors**”) of Dashan Education Holdings Limited (the “**Company**”) hereby announces the audited consolidated financial information of our Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**our**” or “**us**”) for the year ended 31 December 2020 (“**FY2020**”) together with the comparative figures for the year ended 31 December 2019 (“**FY2019**”) 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.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>NOTES</i>	Year ended 31 December	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	333,041	383,647
Cost of sales		(223,994)	(213,992)
Gross profit		109,047	169,655
Other income		5,182	5,859
Other gains and losses, net		(9,594)	2,140
Selling and marketing expenses		(18,607)	(22,918)
Content and information technology development and training expenses		(28,178)	(32,228)
Administrative expenses		(49,203)	(48,080)
Listing expenses		(10,225)	(10,572)
Finance costs		(7,916)	(6,687)
Fair value change of financial liabilities designated at FVTPL		14,171	65
Profit before taxation		4,677	57,234
Taxation	5	(2,624)	(8,268)
Profit and total comprehensive income for the year	6	<u>2,053</u>	<u>48,966</u>
Earnings (loss) per share	8		
— Basic (RMB cents)		<u>0.30</u>	<u>8.61</u>
— Diluted (RMB cents)		<u>(1.75)</u>	<u>8.52</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		As at 31 December	
		2020	2019
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		331,836	279,313
Investment properties		5,057	5,163
Deferred tax assets		1,016	107
Rental deposits	9	2,380	2,208
Deposits for leasehold improvements		853	2,567
Financial asset at fair value through other comprehensive income		5,000	—
		346,142	289,358
CURRENT ASSETS			
Inventories		9,356	7,091
Financial assets at fair value through profit or loss		10,000	55,000
Other receivables	9	6,227	9,221
Time deposits		119,700	—
Bank balances and cash		299,667	176,939
		444,950	248,251
CURRENT LIABILITIES			
Trade payables	10	999	777
Other payables and accrued charges		25,720	30,261
Receipts in advance		192,710	170,892
Tax liabilities		3,409	3,017
Lease liabilities		36,553	26,704
		259,391	231,651
NET CURRENT ASSETS		185,559	16,600
TOTAL ASSETS LESS CURRENT LIABILITIES		531,701	305,958

		As at 31 December	
		2020	2019
	<i>NOTE</i>	RMB'000	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		197,398	168,227
Financial liabilities designated at fair value through profit or loss		—	49,810
		<u>197,398</u>	<u>218,037</u>
NET ASSETS		<u>334,303</u>	<u>87,921</u>
CAPITAL AND RESERVES			
Share capital	<i>11</i>	7,223	32,260
Reserves		<u>327,080</u>	<u>55,661</u>
TOTAL EQUITY		<u>334,303</u>	<u>87,921</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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 (“**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**”).

2. GROUP REORGANISATION AND 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 principal steps of the Reorganisation are as follows:

- (i) On 23 October 2018, Lucky Heaven was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. On 22 November 2018, one fully-paid share in Lucky Heaven was allotted and issued to the Controlling Shareholder;

- (ii) On 25 October 2018, Bai Tai Investments Limited (“**Bai Tai**”) was incorporated in BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. On 23 November 2018, 10,000 fully-paid shares in Bai Tai were allotted and issued to the non-controlling shareholders 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**”);
- (iii) On 29 November 2018, Dashan Training was converted from a joint-stock company to a limited liability company;
- (iv) On 30 November 2018, the Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same date, the Company issued and allotted one ordinary share to the initial subscriber at nil paid and the said share was transferred to Lucky Heaven at nil consideration;
- (v) On 25 October 2018, Golden Town Ventures Limited* (金城創投有限公司) (“**Golden Town**”) was incorporated in BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. On 26 November 2018, 8,727 and 1,273 fully paid shares in Golden Town were allotted and issued to Lucky Heaven and Bai Tai respectively;
- (vi) On 10 December 2018, Dashan Education (HK) Company Limited* (大山教育(香港)有限公司) (“**Dashan Education (HK)**”) was incorporated in Hong Kong with limited liability. On the same date, 1 fully paid share in Dashan Education (HK) was allotted and issued to Golden Town;
- (vii) On 9 January 2019, Zhengzhou Dashan Yun Xiao Technology Company Limited* (鄭州大山雲效科技有限公司) (“**WFOE**”) was established in the PRC with a registered capital of RMB1,000,000, and wholly and directly owned by Dashan Education (HK);
- (viii) On 12 January 2020, WFOE, Dashan Training and its wholly owned subsidiary, namely, 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)) (“**Jing Guang Dashan**”), and shareholders of Dashan Training entered into a series of contractual agreements, which enables the Company to obtain control over Dashan Training. See the section below headed “Contractual Arrangements” for further detail; and

- (ix) On 18 June 2020, in consideration of Lucky Heaven and Bai Tai transferring 8,727 shares and 1,273 shares respectively in Golden Town to the Company, the Company allotted and issued 8,726 shares and 1,273 shares credited as fully paid to Lucky Heaven and Bai Tai respectively and credited as fully paid the one nil paid share held by Lucky Heaven.

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

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, between Dashan Training and its shareholders. Accordingly, the Company and the Consolidated Entities resulting from the Reorganisation is regarded as a continuing entity. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year ended 31 December 2019 and 2020 have been prepared as if the current group structure had been in existence throughout the year ended 31 December 2019 and 2020, or since the respective dates of incorporation/establishment where there is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2019 has 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 Dashan Training and Jing Guang Dashan, a wholly-owned subsidiary of Dashan Training (“**Consolidated Affiliated Entities**”) in the PRC. 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;

- 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 2020 and 2019.

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

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	325,150	379,633
Profit before taxation	<u>18,634</u>	<u>65,827</u>

	At 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	345,599	289,111
Current assets	378,060	197,492
Current liabilities	406,966	215,134
Non-current liabilities	197,175	169,192
	<u> </u>	<u> </u>

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 *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

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

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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.

3.1 Impacts on early application of Amendment to HKFRS 16 “COVID-19-Related Rent Concessions”

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- 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 “*Leases*” if the changes were 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.

The application of the amendment had no impact to the opening retained profits at 1 January 2020.

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non- current and related amendments to Hong Kong Interpretation 5 (2020) ¹
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 January 2023

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

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 June 2021

Except for the 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.

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.

4. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers is as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Tuition fees income	327,234	373,952
Sales of books and teaching materials	1,274	4,311
Brand name licensing and advisory services income	3,542	4,801
Other services	991	583
	<u>333,041</u>	<u>383,647</u>
Timing of revenue recognition		
A point of time	1,274	4,311
Over time	331,767	379,336
	<u>333,041</u>	<u>383,647</u>

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

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

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

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

All unsatisfied contracts in respect of revenue from tuition programs, brand name licensing and advisory services arrangement, sales of books and teaching materials and other services as at 31 December 2020 and 2019 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.

5. TAXATION

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	3,533	8,319
Deferred tax credit	(909)	(51)
	<u>2,624</u>	<u>8,268</u>

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

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

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the certain PRC subsidiaries is 25% (2019: 25%) for the year.

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

6. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit and total comprehensive income for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' remuneration	2,508	1,933
Other staff costs	107,500	110,033
Other staff's retirement benefits scheme contributions	12,047	16,850
	<u>122,055</u>	<u>128,816</u>
Write-down for inventories	23	71
Auditor's remuneration	2,227	—
Cost of inventories sold	1,948	2,089
Depreciation of investment properties	106	38
Depreciation of property, plant and equipment (included right-of-use assets for buildings)	92,364	77,834
COVID-19-related rent concessions (included in cost of sales)	<u>(4,258)</u>	<u>—</u>

7. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period.

During the year ended 31 December 2019, RMB48,390,000 has been declared and paid by Dashan Training to its then equity owners. The rate of dividend was not presented as such information was not considered meaningful having regard to the purpose of the consolidated financial statements.

8. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share during the years ended 31 December 2020 and 2019 are based on assumption that the Reorganisation and the Capitalisation Issue (as defined and detailed in note 11) had been effective on 1 January 2019. The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Earnings (loss):		
Profit for the year attributable to the owners of the Company for the purpose of basic earnings per share	2,053	48,966
Effect of dilutive potential ordinary shares:		
Fair value change of financial liabilities designated at FVTPL	<u>(14,171)</u>	<u>(65)</u>
(Loss) profit for the year attributable to the owners of the Company for the purpose of diluted earnings (loss) per share	<u><u>(12,118)</u></u>	<u><u>48,901</u></u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	675,984,909	568,420,800
Effect of dilutive potential ordinary shares:		
Convertible note	<u>16,911,266</u>	<u>5,364,138</u>
Weighted average number of ordinary share for the purpose of diluted earnings (loss) per share	<u><u>692,896,175</u></u>	<u><u>573,784,938</u></u>

The Company's over-allotment options have no diluted effect on earnings (loss) 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.

9. OTHER RECEIVABLES

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Other receivables		
Receivables from third-party payment platforms	2,336	468
Prepayments	3,502	2,559
Other taxes prepaid	—	539
Prepaid listing expense	—	427
Deferred share issue costs	—	4,917
Rental deposits	3,687	2,720
Others	292	458
Less: loss allowance	(1,210)	(659)
Total other receivables	8,607	11,429
Less: non-current rental deposits	(2,380)	(2,208)
Current portion	6,227	9,221

10. 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:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
0–30 days	957	522
31–60 days	42	208
61–90 days	—	2
Over 90 days	—	45
	999	777

11. SHARE CAPITAL

The share capital of the Group at 31 December 2019 represented the aggregate of the share capital of Dashan Training and the Company.

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

	Number of shares	Amount <i>HK\$'000</i>	Shown in the consolidated financial statements <i>RMB'000</i>
Ordinary shares if HK\$0.01 each:			
Authorised:			
At 1 January 2019 and 31 December 2019	38,000,000	380	
Increase on 18 June 2020 (<i>Note a</i>)	<u>9,962,000,000</u>	<u>99,620</u>	
At 31 December 2020	<u><u>10,000,000,000</u></u>	<u><u>100,000</u></u>	
Issued and fully paid:			
At 1 January 2019 and 31 December 2019	1	—	—
Issue of shares pursuant to the Reorganisation (<i>Note b</i>)	9,999	—	—
Issue of shares pursuant to the Capitalisation Issue (<i>Note c</i>)	568,410,800	5,684	5,132
Issue of shares pursuant to the full conversion of the Convertible Note (<i>Note d</i>)	31,579,200	316	285
Issue of shares pursuant to the share offer (<i>Note e</i>)	<u>200,000,000</u>	<u>2,000</u>	<u>1,806</u>
At 31 December 2020	<u><u>800,000,000</u></u>	<u><u>8,000</u></u>	<u><u>7,223</u></u>

Notes:

- (a) Pursuant to the written resolutions of the shareholders dated 18 June 2020, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each by the creation of an additional 9,962,000,000 shares.

- (b) During the year ended 31 December 2020, for the purpose of the Reorganisation, in consideration of Lucky Heaven and Bai Tai transferring 8,727 shares and 1,273 shares respectively in Golden Town to the Company, the Company allotted and issued 8,726 shares and 1,273 shares credited as fully paid to Lucky Heaven and Bai Tai, respectively, and credited as fully paid the one nil paid share held by Lucky Heaven on 18 June 2020. The difference between the aggregate paid up capital of Dashan Training and the Company of RMB32,260,000 and the share capital of the Company of HK\$100 as at 18 June 2020 was accounted for in the other reserve of the Company.
- (c) Pursuant to the written resolutions passed by the shareholders of the Company on 18 June 2020, upon the share premium account of the Company being credited as a result of the share offer of 200,000,000 new shares of the Company, the directors of the Company were authorised to capitalise the amount of HK\$5,684,180 (equivalent RMB5,132,000) from the amount standing to the credit of the share premium account of the Company and applying such sum to pay up in full at par 568,410,800 ordinary shares of HK\$0.01 each for allotment and issue to the shareholders at the close of business on 18 June 2020 (the “**Capitalisation Issue**”).
- (d) Upon the grant of the Listing, pursuant to the terms and conditions of the instrument constituting the Convertible Note, the Company allotted and issued 31,579,200 new ordinary shares of the Company of par value of HK\$0.01 each to the holder of the Convertible Note.
- (e) On 15 July 2020, the Company offered 200,000,000 new ordinary shares of the Company at HK\$1.25 per share for a total gross proceeds of approximately RMB225,710,000. The proceeds will be used to finance the implementation plan as set forth in the section headed “Future Plan and Use of Proceeds” of the Company’s prospectus dated 30 June 2020.

During the year ended 31 December 2020, all the new shares rank pari passu with the existing shares in all respects.

12. SUBSEQUENT EVENT

On 14 January 2021, the Board granted an aggregate of 30,000,000 award shares to 56 employees (including 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, in accordance with the rules of the share award scheme. As at the date of issuance of the consolidated financial statements, all of the 56 Grantees had accepted the Grant and none of the award shares had been vested.

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 31 December 2020, we had a total of 99 self-operated teaching centres in Zhengzhou and Xinxiang and a total of nine franchisees in Henan and Zhejiang. Our 99 self-operated teaching centres had in aggregate of 1,811 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 FY2020, we had entered into lease agreements for our 20 new self-operated teaching centres (the “**New Teaching Centres**”) in order to capture the business potentials of neighbouring area. The number of our New Teaching Centres established during FY2020 exceeded that of our new self-operated teaching centres established during FY2019. Among the 20 New Teaching Centres, two were under renovation, one had completed renovation and were in the process of obtaining private school operation permit and/or fire safety filing, and 17 of them had opened for teaching activities as at the date of this announcement. During FY2020, the total number of student enrolments was 232,775 and the total number of tutoring hours delivered by us was 5,769,582 hours for regular classes, small classes and VIP classes.

During FY2020, the Group had made improvements in various areas, such as organisational structure, corporate culture, employee incentives, branding and technology, to support the implementation of the business strategies of the Group.

For organisational structure and corporate culture changes, we have adopted the three to three system (“三對三制”) (the “**Three to Three System**”), where we group three teachers and three centers to form a small performance evaluation unit. For each performance period, each unit of the Three to Three System will be assessed against the performance indicators designated by the Group. The Three to Three System is expected to help us gradually build our new corporate culture in the spirit of “Compete externally, help each other internally”.

For employee incentives, the Group adopted a share award scheme (“**Share Award Scheme**”) on 14 December 2020 and subsequently granted award shares (the “**Award Shares**”) to grantees which include 24 regional managers who are responsible for daily operations in our self-operated teaching centers. The grant of Award Shares will align their interests with that of the Group, encouraging them to create greater value for the Group.

In addition, the Group had improved its online system by adding new features and functions, which brought positive effects on administration and training for teachers. Such improvements resulted in higher efficiencies of our staff and may help reduce our cost and expenses in the future.

Due to the outbreak of coronavirus disease COVID-19 (the “**COVID-19 Outbreak**”), there was a temporary suspension of physical classes for after-school education service providers between end-January and mid-May 2020. As a result, our tutoring hours, student enrolments and revenue had 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 has been relatively contained, we have resumed our physical classes since mid-May 2020.

Since September 2020, our Group has adopted various promotion programs (the “**Promotion Programs**”) including tuition fees reduction (i.e. the commencement of autumn courses) in order to counter the various promotions (including tuition fees reduction) launched by the other after-school education institutions. Subsequent to the adoption of the Promotion Programs and as at the date of 31 December 2020, our Group had recorded an increase in the number of the student enrolments for winter courses commencing in January 2021 as compared to January 2019.

Going forward, we will continue to (i) assess the impact of the COVID-19 Outbreak on the business environment, our business operations and financial performance; and (ii) closely monitor our exposure to the relevant risks and uncertainties and respond accordingly.

Outlook

In reaching our mission, we combine technology and innovation with physical tutoring to improve student’s learning interest and efficiency. Our Group delivers tutoring services mainly at our 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 (the “**Directors**”) believe we can attract more students and maintain a high quality teaching standard which is beneficial to our students and further enhance our competitiveness.

In view of the breakthrough in the development of COVID-19 vaccines and the efforts of governments around the world in administrating COVID-19 vaccines since early 2021, it is expected that the COVID-19 Outbreak could be contained globally. In that case, the domestic and global economy could gradually recover from the adverse impacts of the COVID-19 Outbreak. Although the influence of COVID-19 Outbreak may still persist for a considerable period of time, we expect that the year 2021 would be a year of both opportunities and challenges for the business development of our Group.

With a conservative estimate on the economic recovery from the COVID-19 Outbreak, our management had reviewed the external competitive environment and our internal circumstances prudently. In the coming year, 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. We have set our new mission in being “a remarkable education institution with nationwide influence” and a long-term strategic objective to “become the industry leader in provision of primary and secondary after-school education services within the Central Plain City Cluster”. For achieving our additional mission and strategic objective, our management has further adjusted and substantiated our business strategies as set out below:

1. Expanding our business within the Central Plain City Cluster as a core plan.

It is our core plan and top priority to expand within Central Plain City Cluster (中原城市群) in furtherance of our strategy to increase market penetration and expanding our geographical coverage. Central Plain City Cluster is the seventh national city cluster approved by Chinese central government, with Zhengzhou as the core city and a number of medium-large cities in its scope. The Central Plain City Cluster enjoys the advantages from its healthy economy, high density of population and well established transportation infrastructure. We believe that the Central Plain City Cluster is a promising market and could provide space for our development. Accordingly, the Group plans to increase the number of self-operated teaching centers beyond Zhengzhou city and within the cluster in the coming years.

2. Supplementary plans

- (1) For Zhengzhou, in the market of which we have leading position, our Group plans to further enhance our penetration by establishing more self-operated teaching centres in different areas so as to strengthen our market presence.
- (2) To explore the cooperation opportunities within the industry, we plan to enter into strategic cooperation with small to medium after-school education services providers in other new first-tier cities by a supply chain both to business and customer model (“**S2B2C Model**”). By the S2B2C Model, the Group will provide our business partners with services such as guidance on building education centers, training system for teachers, advice on management and operation as well as the authorisation to use our online Learning Bar system, whilst our business partners will share customers, earnings and market resources with us. Utilising this S2B2C Model, we could achieve the expansion into new geographical locations by leveraging on the local knowledge and presence of our business partners. As at the date of this announcement, we have not identified any specific service provider as business partner for the proposed S2B2C Model.
- (3) To expand our service capacity and broaden our service offerings, we have been providing English playgroup programs and established our self-owned sub-brand “Dashan Foreign Language Kids” (大山外語Kids) to target pre-school students aged three to seven.
- (4) The Group will also adopt a plan of business diversification comprised of horizontal and vertical aspects. For horizontal business diversification, the Group will look for quality-oriented education service providers with growth potentials who could achieve synergy with our existing operation. And for vertical business diversification, the Group is looking to selective acquisition of the core assets, technology and materials that are important for our future growth. The diversification plans are proposed to be accomplished by strategic mergers and acquisitions or cooperation. As at the date of this announcement, we have not identified any specific target for the strategic mergers and acquisitions or cooperation.

As the above updated plans are made in furtherance of our business strategies as disclosed in the Prospectus, there is no change in the intended use of proceeds from the listing of our shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing**”) as previously disclosed in the Prospectus. For details of our use of proceeds from the Listing, please refer to the section headed “Other information — Proceeds from the Listing” in this announcement.

FINANCIAL REVIEW

Revenue

Our revenue was primarily from the tuition fees we collect from our students through our self-operated teaching centres. For FY2020, our total revenue was approximately RMB333.0 million, representing a decrease of approximately RMB50.6 million or approximately 13.2% as compared to approximately RMB383.6 million for FY2019. The decrease was primarily due to (i) the decrease in tutoring hours and student enrolments for FY2020 as a result of the COVID-19 outbreak leading to a temporary suspension of our physical classes; and (ii) the Promotion Programs with tuition fees reduction launched by our Group since September 2020.

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

	Year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Tuition fees income				
—Regular classes, small classes and VIP classes	304,645	91.5	363,602	94.8
—Other tutorial services <i>(Note 1)</i>	22,589	6.8	10,350	2.7
Subtotal	327,234	98.3	373,952	97.5
Sales of books and teaching materials	1,274	0.4	4,311	1.1
Brand name licensing and advisory income	3,542	1.1	4,801	1.2
Other services <i>(Note 2)</i>	991	0.2	583	0.2
Total	<u>333,041</u>	<u>100.0</u>	<u>383,647</u>	<u>100.0</u>

Notes:

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

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

	Year ended 31 December					
	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	154,479	125,741	3,782,176	187,315	135,853	4,437,250
Small classes	6,822	3,829	87,871	16,002	8,099	214,727
VIP classes	38,747	16,565	258,871	40,595	17,541	270,237
Subtotal	200,048	146,135	4,128,918	243,912	161,493	4,922,214
Secondary school tutoring						
Regular classes	56,826	66,923	1,353,518	60,105	63,525	1,397,477
Small classes	4,026	2,643	46,662	12,700	7,409	156,286
VIP classes	43,745	17,074	240,484	46,885	15,707	254,209
Subtotal	104,597	86,640	1,640,664	119,690	86,641	1,807,972
Total	304,645	232,775	5,769,582	363,602	248,134	6,730,186

The decrease in student enrolment and tutoring hours for FY2020 was mainly due to the temporary suspension of physical classes in response to the COVID-19 Outbreak.

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) 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. Please refer to note 4 to the consolidated financial statements for details.

Cost of Sale

Our cost of sales primarily consists of (i) staff costs; and (ii) depreciation. We recorded an increase in cost of sales of approximately RMB10.0 million or approximately 4.7% from approximately RMB214.0 million for FY2019 to approximately RMB224.0 million for FY2020. Such increase was mainly due to the increase in depreciation expenses (including right-of-use assets and related renovation) incurred from the establishment of our New Teaching Centres during FY2020.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately RMB60.6 million or approximately 35.7% from approximately RMB169.7 million for FY2019 to approximately RMB109.0 million for FY2020. The gross profit margin decreased from approximately 44.2% for FY2019 to approximately 32.7% for FY2020. The decrease in the gross profit and the gross profit margin was mainly due to (i) the decrease in revenue as a result of the reasons discussed above; and (ii) the increase in the depreciation expenses (including right-of-use assets and related renovation) as a result of the establishment of our New Teaching Centres during FY2020.

Other Income

Our other income mainly consists of (i) bank interest income; and (ii) income from financial assets at fair value through profit or loss; and (iii) government grants. Our other income decreased by approximately RMB0.7 million or approximately 11.6% from approximately RMB5.9 million FY2019 to approximately RMB5.2 million for FY2020. Such decrease was mainly due to the decrease in income from financial assets at fair value through profit or loss as a result of redemption of wealth management products during FY2020.

Other Gains and Losses, Net

Other gains and losses, net mainly consist of (i) foreign exchange losses; (ii) impairment loss on property, plant and equipment (iii) net impairment loss recognised in respect of other receivables; (iv) loss on disposal of property, plant and equipment; and (v) gain on derecognition of right-of-use assets and lease liabilities. We recorded net other losses in the amount of approximately RMB9.6 million for FY2020 as compared with net other gains in the amount of approximately RMB2.1 million for FY2019 mainly due to (i) the foreign exchange loss of approximately RMB6.5 million we recorded for FY2020, which was a significant increase from that of approximately RMB0.6 million for FY2019; and (ii) the recognition of impairment loss in property, plant and equipment in the amount of approximately RMB3.5 million for our certain self-operated teaching centres for FY2020 because our management concluded to write off property, plant and equipment for our certain self-operated teaching centres which recorded net loss for FY2020 taking into account of the impact of the outbreak of COVID-19 after discussion with relevant professional parties subsequent to the year end, while we did not incur such impairment loss

for FY2019. We will keep track on the performance of the abovementioned self-operated teaching centres and we will re-access and reverse the impairment loss when their respective recoverable amount is greater than the carrying amount.

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 RMB4.3 million or approximately 18.8% from approximately RMB22.9 million for FY2019 to approximately RMB18.6 million for FY2020. Such decrease was mainly due to the decrease in spending in advertisement and marketing as a result of our adoption of the Promotion Programs.

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 RMB4.1 million or approximately 12.6% from approximately RMB32.2 million for FY2019 to approximately RMB28.2 million for FY2020. Such decrease was mainly attributable to 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 and office expenses. Our administrative expenses increased slightly by approximately RMB1.1 million or approximately 2.3% from approximately RMB48.1 million for FY2019 to approximately RMB49.2 million for FY2020. Such increase was mainly attributable to additional office expenses incurred for corporate transactions and the Share Award Scheme launched towards the end of FY2020.

Finance Costs

Our finance costs represented interests on leased liabilities, which increased by approximately RMB1.2 million or approximately 18.4% from approximately RMB6.7 million for FY2019 to approximately RMB7.9 million for FY2020. 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 (“FVTPL”) relates to the convertible note issued by our Company to SCGC Capital Holding Company Limited on 31 October 2019 (“**Convertible Notes**”), details of which are disclosed in the Prospectus. We recorded a fair value gain from the Convertible Note of approximately RMB14.2 million for FY2020 as compared to the fair value gain from the Convertible Note of approximately RMB65,000 for FY2019.

Taxation

Our income tax expenses decreased by approximately RMB5.6 million or approximately 68.3% from approximately RMB8.3 million for FY2019 to approximately RMB2.6 million for FY2020. Our effective tax rate was approximately 14.4% for FY2019 as compared to the effective tax rate of approximately 56.1% for FY2020. The decrease in income tax expenses and increase in effective tax rate was primarily due to the decrease in profit before tax for FY2020.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, we recorded a net profit of approximately RMB2.1 million for FY2020, representing a decrease of approximately 95.8% or approximately RMB46.9 million from approximately RMB49.0 million for FY2019.

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 RMB9.4 million as at 31 December 2020, representing an increase of approximately RMB2.3 million or approximately 31.9% as compared to approximately RMB7.1 million as at 31 December 2019. Such increase was primary attributable to the increase in the purchase of books and teaching materials for our New Teaching Centres during FY2020 and the decrease in sales of books and teaching materials as a result of the COVID-19 Outbreak.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss primarily represent the wealth management products we purchased as a means of cash management. Our financial assets at fair value through profit or loss decreased by approximately RMB45.0 million or by approximately 81.8% from approximately RMB55.0 million as at 31 December 2019 to approximately RMB10.0 million as at 31 December 2020. Such decrease was due to the redemption of wealth management products during FY2020.

Other Receivables

Our other receivables was mainly (i) deferred share issue costs, (ii) receivables from third-party payment platforms, which were mainly tuition fee received through third-party payment platforms; (iii) prepayment; and (iv) rental deposits. The current position of our total other receivables was approximately RMB6.2 million as at 31 December 2020, representing a decrease of approximately RMB3.0 million or approximately 32.5% as compared to that of approximately RMB9.2 million as at 31 December 2019.

Time Deposits

Our time deposits primary represent bank deposits with original maturity over three months. We have time deposits of approximately RMB119.7 million as at 31 December 2020 as compared to Nil as at 31 December 2019. We allocated certain of our bank deposits as time deposit towards the end of FY2020 for the purpose of earning interests income.

Bank Balances and Cash

Our bank balances and cash amounted to approximately RMB299.7 million as at 31 December 2020, representing an increase of approximately RMB122.7 million or approximately 69.4% as compared to that of approximately RMB176.9 million as at 31 December 2019. Such increase was primarily due to proceeds from the Listing.

Trade Payables

Our trade payables are primarily related to purchases of books and teaching materials. Our trade payables amounted to approximately RMB1.0 million as at 31 December 2020, representing an increase of approximately RMB0.2 million or approximately 28.6% as compared to that of 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 31 December 2020 amounted to approximately RMB234.0 million, representing an increase of approximately RMB39.0 million or approximately 20.0% as compared to that of approximately RMB194.9 million as at 31 December 2019. Such increase was mainly attributable to the lease agreements our Group entered into during FY2020 for our 20 New 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 RMB25.7 million as at 31 December 2020 representing a decrease of approximately RMB4.5 million or approximately 15.0% as compared to that of approximately RMB30.3 million as at 31 December 2019. Such decrease was primarily attributable to the successful completion of the Listing and all the accrued Listing expenses having been settled as at 31 December 2020.

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 RMB192.7 million as at 31 December 2020, representing an increase of approximately RMB21.8 million or approximately 12.8% as compares to that of 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 31 December 2020, we had outstanding lease liabilities amounted to approximately RMB234.0 million (2019: approximately RMB194.9 million).

The Group designated the Convertible Note as financial liabilities designated at FVTPL. As at 31 December 2020, we recorded no financial liabilities designated at FVTPL as compared with that of approximately RMB49.8 million as at 31 December 2019, due to the full conversion of the Convertible Note upon the Listing.

We did not have any banking facilities as at 31 December 2020 (2019: Nil).

Liquidity and Capital Resources

During FY2020, we financed our working capital and capital expenditure principally through our operations. As at 31 December 2020, we had net current assets of approximately RMB185.6 million, representing an increase of approximately RMB169.0 million or approximately 1,017.8% as compared to that of approximately RMB16.6 million as at 31 December 2019. As at 31 December 2020, our bank balance and cash amounted to approximately RMB299.7 million, representing an increase of approximately RMB122.7 million or approximately 69.4% as compared to that of approximately RMB176.9 million as at 31 December 2019, primarily because of the addition of proceeds from the Listing. Our bank balance and cash as at 31 December 2020 and 2019 were mainly held in Renminbi, United States dollars and Hong Kong dollars.

As at 31 December 2020, we had no interest-bearing borrowings (2019: Nil).

The Group did not use any financial instruments for hedging purpose during FY2020.

Charge on Assets

As at 31 December 2020, we did not have any charges on our assets (2019: Nil).

Gearing Ratio

Gearing ratio is calculated based on total debt at the end of the 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” and the Convertible Note, which was designated by the Group as financial liabilities designated at FVTPL. Our gearing ratio as at 31 December 2020 was approximately 0.7 (2019: approximately 2.8).

Current Ratio

Current ratio is calculated based on the total current assets at the end of the year divided by the total current liabilities at the end of the respective year. Our current ratio as at 31 December 2020 was approximately 1.7 (2019: approximately 1.1).

Pledge of Assets

As at 31 December 2020, none of our assets was pledged (2019: 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 2020 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 2020, we did not have any material contingent liabilities.

OTHER INFORMATION

Completion of the Listing

On 15 July 2020 (the "**Listing Date**"), our Company achieved the Listing and completed the initial public offering by way of share offer ("**Share Offer**"), under which 200,000,000 ordinary shares of HK\$0.01 each of our Company ("**Shares**") at an offer price of HK\$1.25 per Share with gross proceeds of HK\$250,000,000 (equivalent to approximately RMB225,710,000).

Pursuant to the written resolutions of the shareholders of our Company (the "**Shareholder**") 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**"). The Capitalisation Issue was completed on the Listing Date.

The Convertible Note issued by our Company shall be mandatorily and automatically converted into conversion shares 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 was completed on the Listing Date, through which the Convertible Note issued by our Company was mandatorily and automatically converted into 31,579,200 ordinary shares of our Company.

Proceeds from the Listing

Our Shares were listed on the Main Board of the Stock Exchange on the Listing Date and 200,000,000 new Shares were issued under the Share Offer comprising of a public offering in Hong Kong of 20,000,000 Shares and a placing of 180,000,000 Shares at an offer price of HK\$1.25 per Share. 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.

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>	Proceeds			
			Proceeds utilised during FY2020 <i>HK\$ million</i>	utilised as at the date of this announcement <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	26.9	30.4	35.3	60.2
Expanding geographic presence through strategic acquisitions or setting up joint ventures	61.2	30.0	5.9	5.9	30.6	24.7
Working capital purposes	20.4	10.0	2.0	3.0	9.2	9.2
Total	204.0	100.0	34.8	39.3	75.1	94.1

During FY2020, our Group had entered into lease agreements for 20 of our New Teaching Centres, in which two were under renovation, one had completed renovation and were in the process of obtaining private school operation permit and/or fire safety filing, and 17 of them had opened for teaching activities. As at the date of this announcement, we had utilised proceeds of approximately HK\$39.3 million mainly for renovation of these 20 New Teaching Centres.

After the Listing, our Directors considered that business were still facing difficult challenges caused by the current economic environment, therefore, our Directors decided to accelerate some of the proceeds for utilisation during FY2020.

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

During FY2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Significant Investments Held

Our Group did not hold any significant investment in equity interest in any company during FY2020.

Future Plans for Material Investments and Investments in Capital Assets

As at 31 December 2020, our Group did not have any plans for material investments or investments in capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 15 October 2020, Zhengzhou Jinshui Dashan Training School Company Limited* (鄭州市金水區大山培訓學校有限公司), being an entity controlled by the Company through contractual arrangements, has entered into a share transfer agreement (the "**Share Transfer Agreement**") with Shanghai Hemo Investment Partnership LLP* (上海禾莫投資合夥企業(有限合夥)) ("**Shanghai Hemo**"), pursuant to which, Shanghai Hemo has agreed to sell, and Dashan Training has agreed to acquire, 153,299 shares of Beijing First Future Education Technology Corporation Limited* (北京飛博教育科技股份有限公司) ("**First Future**"), representing approximately 2.95% of the entire issued share capital in First Future (the "**Acquisition**"), at a consideration of RMB5 million (the "**Consideration**"). As at the date of this announcement, completion of the Acquisition has taken place and the Consideration was paid in accordance with the Share Transfer Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Shanghai Hemo and its ultimate beneficial owners are third parties independent of the Company and its connected persons. As all of the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are less than 5%, the Acquisition does not give rise to a disclosure obligation of the Company under Chapter 14 of the Listing Rules.

Save as disclosed in this announcement, our Company did not acquire and/or dispose any of its subsidiaries, associates, interests in joint ventures or affiliated companies for the period from the Listing Date and up to 31 December 2020.

Employee and Remuneration Policy

As at 31 December 2020, we had 1,433 employees (2019: 1,393). Total staff-related costs, including Directors' emoluments, was approximately RMB122.1 million for FY2020 (2019: approximately RMB128.8 million).

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

Share Option Scheme

Our Company adopted a share option scheme on 18 June 2020 (the "**Share Option Scheme**"). The terms of the Share Option Scheme are in accordance with Chapter 17 the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). 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.

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 of Directors (the “**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.

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 FY2020 and up to the date of this announcement, 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 a Share Award Scheme. As at the date of this announcement, 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. For details, Please refer to the section headed "Events after the reporting period — Grant of award shares" in this announcement.

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 persons

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 of the Board (in each case excluding any member of the remuneration committee of the Board 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“**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.

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.

Events after the Reporting Period

Grant of Award Shares

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

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

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

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

For further information in relation to the Grant, please refer to the Company’s announcement dated 14 January 2021.

Entering into the lease agreements

Subsequent to FY2020 and up to the date of this announcement, our Group entered into lease agreements for four of our new self-operating 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.

Corporate Governance

Our Company has adopted the Corporate Governance Code contained in Appendix 14 (“**CG Code**”) to the Listing Rules as our corporate governance code of practices upon our 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 during the period from the Listing Date until 31 December 2020.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Zhang Hongjun (“**Mr. Zhang**”) is currently performing these two roles. With the extensive experience in the education industry, Mr. Zhang is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since the founding of our Group. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, both of which comprise experienced and high-caliber individuals. Our Board currently comprises three executive Directors (including Mr. Zhang), one non-executive Director and four independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors of the Company. 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 during the period from the Listing Date until 31 December 2020.

Audit Committee

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

The Audit Committee has reviewed, with Company’s management, the accounting principles and practices adopted by the Group, and discussed, among other things, auditing and financial reporting matters including a review of the audited consolidated results of the Group for the year ended 31 December 2020.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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.

Final Dividend

The Board does not recommend the distribution of a final dividend for FY2020 (2019: Nil).

Annual General Meeting

The annual general meeting of the Company (the “AGM”) will be held on Friday, 21 May 2021. Shareholders should refer to the circular of our Company, the notice of AGM and the enclosed form of proxy to be dispatched by the Company for details regarding the AGM.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 17 May 2021 to Friday, 21 May 2021, 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 Friday, 14 May 2021.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.dashanwaiyu.com). The annual report of our Company for FY2020 containing all the information required by the Listing Rules will be despatched to our 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 FY2020.

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

Zhengzhou, 31 March 2021

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