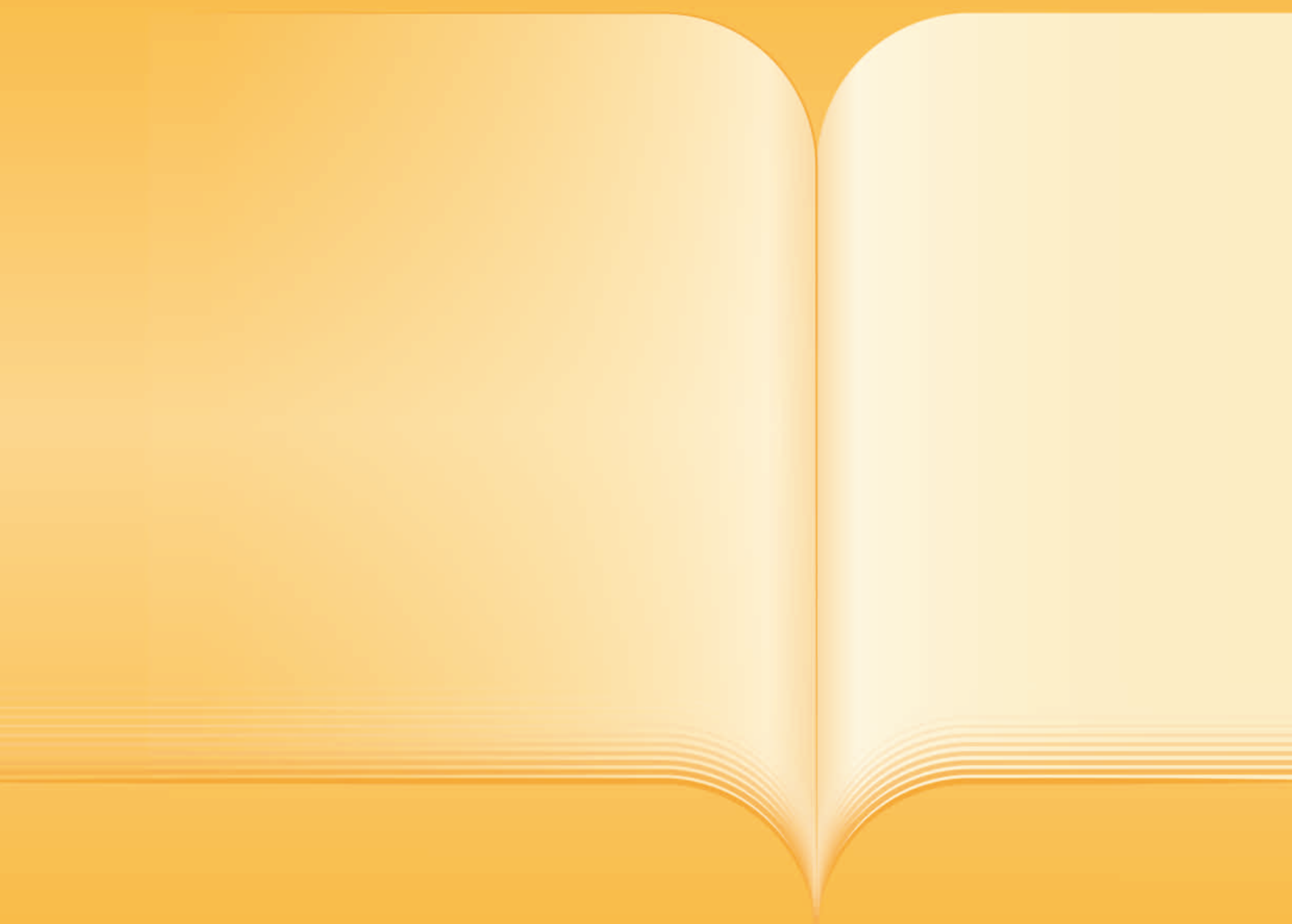
DASHAN EDUCATION HOLDINGS LIMITED
大山教育控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 9986



2020
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Jia Shuilin

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INVESTMENT MANAGEMENT COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Ma Wenhao
Ms. Chen Yibei

COMPANY SECRETARY

Ms. Chen Yibei *(HKICPA)*

COMPLIANCE ADVISER

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

SOLICITOR

Howse Williams

PRINCIPAL BANKERS

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

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
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Hong Kong

REGISTERED OFFICE

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Cayman Islands

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

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Jinshui District
Zhengzhou
Henan Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.dashanwaiyu.com

STOCK CODE

9986

DATE OF LISTING

15 July 2020

FINANCIAL HIGHLIGHTS

KEY HIGHLIGHT

	Year ended 31 December			
				Percentage
	2020	2019	**Change**	**change**
	RMB'000	RMB'000	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)

CHAIRMAN STATEMENT

To Shareholders,

On behalf of the Board, I am pleased to present this annual report of our Group for FY2020. This is our first annual report since our Listing on the Main Board of the Stock Exchange on 15 July 2020.

BUSINESS REVIEW

During FY2020, due to the COVID-19 Outbreak, our Group and the PRC education sector were confronted with unprecedented challenges. While at the same time, we were also presented with unique opportunities. With our over 20 years track record, we understand the importance of maintaining teaching quality and efficiencies as well as enhancing the reputation and influence of our tutoring services for the steady development of our business. We have focused on enhancing our core competency and made continuous efforts and investments in improving teaching and research, sourcing qualified teachers, upgrading our online merge offline (“**OMO**”) education platform, whereby we equipped ourselves to effectively adapt to the ever-changing external environment.

The Group’s recorded revenue of approximately RMB333.0 million for FY2020, representing a decrease of approximately 13.2% as compared to that of last year, primarily due to the impact of the COVID-19 Outbreak. However, it is worth noting that the Group’s business performance showed a V-shaped rebound in the second half of FY2020. In the first half of FY2020, physical classes were suspended for nearly five months. We took the opportunity to further develop our proprietary online learning platform “學習8” (“Learning Bar”) and we have ensured our students’ tutoring not being significantly affected by the COVID-19 Outbreak. With physical classes resumed since May 2020, the Group’s business achieved a post-epidemic recovery, where we successfully turned the loss making position in the first half of FY2020 into profit making by the end of FY2020. The Group’s key performance indicators also demonstrated restorative growth in the second half of FY2020, which contributed to the overall recovery of our business performance for FY2020.

In the second half of FY2020, we have stepped up effort to increase our market share by proactively adopting various promotion programs including tuition fees reduction. As a result, our number of student enrolments for FY2020 was not significantly affected by the COVID-19 Outbreak and on the contrary, reached 116,989 for the second half of FY2020, representing a growth of approximately 1.2% as compared with the second half of FY2019.

Despite the adverse market conditions during FY2020, we have further strengthened our leading role in providing primary and secondary after-school education services in locations around Zhengzhou city. Seizing the opportunities brought by urban expansion, the Group had entered into lease agreements for 20 new self-operated teaching centres. With a view to increase the Group’s presence in adjacent areas, we have expanded and established teaching centres in new areas such as Xinmi City, Zhongmu County and Xingyang City.

Since July 2020, our sub-brand “Dashan Foreign Language Kids” (大山外語Kids) was developed rapidly, under which three new schools have commenced operation and one new school is under construction. Dashan Foreign Language Kids is a new business line launched by us with the aim to extend our products and services to children of younger age group (i.e. aged three to seven), enabling our Group to secure an intake of younger age students. Even though its revenue contribution is still relatively small at the moment, we considered this sub-brand of high intrinsic value and huge development potential. It is expected that Dashan Foreign Language Kids could generate synergy with our existing business and increase our ability to retain customers. Dashan Foreign Language Kids also represents a brave idea and attempt of the Group to capture this new market trend in education. Along with the growing awareness of the importance in early childhood education among Chinese families and the rising consumer disposable income and spending power, an education system featured with high quality preschool education and parent-child interaction is becoming more valued.

During FY2020, we have maintained a stable team of teaching staffs, increased investment in research and development, and continuously enhanced our teaching and research capability through technological upgrades. For FY2020, the Group’s content and information technology development and training expenses amounted to approximately RMB28.2 million, representing approximately 8.5% of our revenue for FY2020. The Group acquired the capability in providing its services entirely online and has accumulated valuable teaching resources during the process. During FY2020, the Group had provided nearly 2000 online teaching courses on Learning Bar, and accumulated tens of thousands original interactive teaching materials, electronic teaching plans, demonstrative teaching videos and preparatory micro lessons.

In FY2020, we were faced with unforeseen changes across the country and the education sector as a result of the COVID-19 Outbreak. In the second half of FY2020, we adjusted ourselves strategically to enhance our competitiveness and business growth. Despite the fact that the effectiveness of the strategy is yet to be fully reflected in our business performance, we believe that the valuable experience obtained will lay a solid foundation for the Company’s growth and will ultimately be reflected in our long-term operation results.

FUTURE PROSPECT

1. Continue to deepen our penetration in Zhengzhou and gradually increase our presence in city clusters

The rapid development of Zhengzhou economy and the after-school education market has provided sufficient room and market potential for the Group's expansion. The Group's expansion plan will adhere to the guiding principles of "basing in Zhengzhou and advancing into city clusters". Our operational capacity had been greatly enhanced by the standardized system of courses, teaching and training. We expect that this will assist our Group in further deepening and broadening the coverage of our operation. In 2021, based upon the establishment of four new teaching centres in Zhengzhou up to the date of this annual report, the Group will further increase its presence in the city clusters and optimize the Group's influence and brand coverage in the nearby region. We expect that the government's heightened supervision and regulation of online and offline academic training institutions will continue and become an industry norm. As a leading provider of high quality services with sound reputation within the region, the Group's development and expansion is expected to benefit from this increasingly regulated business environment.

While the Group expects a continuous expansion of the city clusters, the penetration rate of primary and secondary after-school education services in Zhengzhou City and Henan Province is still far lower than that of the first-tier cities, where the penetration rate could reach 50% to 60%. Accordingly, we believe there is till room for growth with our existing presence and customer base in the relevant regions.

2. Extend growth value by integrating service outputs and strengthening cooperation with other institutional service providers ("B-end")

In the year 2021, we will place more emphasis on the integrated development of innovative products and business targeting B-end clients. Education is limited by certain geographical constrains such as differences in educational standards, market barriers and monopoly in local resources. We will provide other teaching and training institutions with our solutions in research and development, training of teachers, marketing and promotion, operational advices in exchange for their local resources and knowhow.

We will strive to achieve market growth, explore new cooperation opportunities with institutional clients, establish new marketing system and products for the B-end clients and build up product capability, channels and brand influence for both B-end and C-end (i.e. customer end) products.

3. **Further develop the Group's OMO educational platform, achieving a transition from digital to smart applications**

   As the COVID-19 Outbreak has greatly driven the development of virtual learning, the software and hardware system, function modules and data network of the Group's OMO teaching and learning platform had been fully tested and upgraded. The usage of our digital applications had also been deepened and broadened, with a continual expansion of the user base of our platform. The number of registered users of our Learning Bar platform of FY2020 surged by approximately 72.9% as compared with that of last year, with an aggregate of approximately 145,000 users as at the end of FY2020. In addition, with the formation of a community based on the Group's network over "Wechat, Weibo and Douyin" and other media platforms and systems, the Group has accumulated approximately 350,000 potential clients, whereby the Group has built its own private circle. In 2021, based on the availability of huge quantity of data, we will increase our investment in big data and artificial intelligence for education and explore the potential of smart applications. We expect to deploy smart applications in the Group's business processes, management solutions and business model to introduce a "qualitative change" and to provide students with a better personalized learning experience. We hope that the Group will be able to turn "data" into "revenue" in the future through "smart" applications.

4. **Jointly create the ecology of education through external cooperation**

   Although the physical primary and secondary after-school tutoring sector had been affected in FY2020 and some small and medium institutions were forced to close down because of insufficient funding, such unexpected black swan event had presented the Group with opportunities for integration. It's expected that the Group could benefit from the integration of resources across education and related industries. As a leader and pioneer of after-school education in the region and a company committed to corporate social responsibility, we will play our leading role in promoting diversified cooperative development with a view to creating a healthy educational ecology premised on our brand name and at the same time realising the Group's new initiatives and aspirations.

CONCLUDING REMARKS

While 2021 marks the beginning of a new decade, we remain fully confident in the Group's future development. Firstly, the steady recovery of our business since the physical classes were resumed since May 2020 has laid a solid foundation for our sustainable growth in 2021. Secondly, during the COVID-19 Outbreak, we have become more aware of our own adaptability and have further consolidated our fundamental capabilities, which will continue to act as a strong support for our business recovery.

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

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the management of our Group and all the staff for their hard work and dedication, as well as our Shareholders, business partners, students and their families, bankers and auditors for their trust and support to our Group throughout FY2020. We will continue our efforts to strengthen our business and improve returns to our Shareholders.

In the meantime, we would also like to express our gratefulness for Alliance Capital Partners Limited, who helped and guided us in achieving our successful Listing, despite all the challenges in FY2020. We truly appreciate their efficiency in project execution and high standard professional services.

Zhang Hongjun
Chairman and Chief Executive Officer

31 March 2021

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 OMO 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 annual report. 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 on 14 December 2020 and subsequently granted 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 staffs and may help reduce our cost and expenses in the future.

Due to 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 “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 that of 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 “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 “Learning Bar”, our 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 annual report, 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 annual report, 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 as previously disclosed in the Prospectus. For details of our use of proceeds from the Listing, please refer to the section headed "Directors' Report — Proceeds from the Listing" in this annual report.

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	
	RMB'000	%	RMB'000	%
Tuition fees income				
— Regular classes, small classes and VIP classes	304,645	91.5	363,602	94.8
— Other tutorial services (Note 1)	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 (Note 2)	991	0.2	583	0.2
Total	333,041	100.0	383,647	100.0

Notes:

1. Other tutorial services mainly represent preparatory courses for secondary school attended by primary six students, short-term courses, summer and winter tutorial courses for primary and secondary school students.

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

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

	Year ended 31 December					
	2020			2019		
	Revenue RMB'000	Student enrolments	Total number of tutoring hours	Revenue RMB'000	Student enrolments	Total number of tutoring hours
Primary school tutoring						
Regular classes	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) 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 6 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 on 31 October 2019, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhang Hongjun (張紅軍), aged 43, is our founder, the chairman of our Board, an executive Director and the chief executive officer of our Group. He was appointed as our Director on 30 November 2018 and was re-designated as our executive Director on 9 April 2019. Mr. Zhang is primarily responsible for the overall operation and management. Mr. Zhang is currently a director of Golden Town Ventures Limited (金城創投有限公司), Dashan Education (HK) Company Limited (大山教育(香港)有限公司) and Zhengzhou Dashan Yun Xiao Technology Company Limited* (鄭州大山雲效科技有限公司), each a subsidiary of our Company. He is also a director of Dashan Training, a consolidated Affiliated Entity.

Mr. Zhang has over 22 years of experience in the education industry since he commenced the preparation for setting up of our first self-operated teaching centre in 1998. From May 2005 to October 2015, Mr. Zhang served as a principal of Zhengzhou Jinshui Dashan Foreign Language Training School* (鄭州金水大山外國語培訓學校). He served as a vice general manager from November 2015 to March 2016, a director and general manager from April 2016 to June 2016, then the general manager and the chairman of the board of directors of Dashan Training from June 2016. Mr. Zhang was elected as a member of the 12th Committee of the Henan Provincial Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆河南省委員會) in January 2018.

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

Mr. Shan Jingchao (單景超), aged 34, is an executive Director. Mr. Shan joined our Group on 1 February 2009 and was appointed as our Director on 22 March 2019 before being re-designated as our executive Director on 9 April 2019. He is primarily responsible for overseeing our Group's operating system, supervising and managing the operation of teaching districts.

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

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

Mr. Ma Wenhao (馬文浩), aged 48, is an executive Director. Mr. Ma joined our Group on 15 May 2014. Mr. Ma was appointed as our Director on 22 March 2019 and was re-designated as our executive Director on 9 April 2019. He is primarily responsible for supervising our Group's accounting and financial management.

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

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

NON-EXECUTIVE DIRECTOR

Mr. Jia Shuilin (賈水林), aged 52, is our non-executive Director. Mr. Jia joined our Group on 25 June 2016 and was appointed as our Director on 22 March 2019 before being re-designated as our non-executive Director on 9 April 2019. He is primarily responsible for supervising our Group's market development. Since June 2016, Mr. Jia has been a director of Dashan Training.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lui Siu Keung (呂小強), aged 49, is an independent non-executive Director and joined our Group on 18 June 2020. He is mainly responsible for supervising and providing independent advice to our Board. Mr. Lui has more than 20 years of experience in the corporate finance and accounting industry. Mr. Lui is currently the company secretary, the chief executive officer and an executive director of Zhongyu Gas Holdings Limited (a company listed on the main board of the Stock Exchange with stock code 3633), together with its subsidiaries, which is principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, and the distribution of piped gas to residential, industrial and commercial users; and (ii) the operation of compressed natural gas or liquefied natural gas vehicle filling stations in the PRC, and he is responsible for the management and general business operation. From May 2005 to March 2015, Mr. Lui was an independent non-executive director of Asia Television Holdings Limited (formerly known as Co-Prosperity Holdings Limited) (a company listed on the main board of the Stock Exchange with stock code 707), together with its subsidiaries, which has principally engaged in the sales of finished fabrics and provision of fabrics processing subcontracting services and the trading of goods at that time.

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

Mr. Li Gang (李罡), aged 52, is an independent non-executive Director and joined our Group on 18 June 2020. He is mainly responsible for supervising and providing independent advice to our Board. Mr. Li was a teacher in the department of education in Xinjiang Education Institute (新疆教育學院) from July 1990 to August 1992. Mr. Li has also served in the department of political science in Party School of the Beijing Municipal Committee of C.P.C. (北京市委黨校) since July 1998 and was promoted as a professor in December 2020.

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

Mr. Zhang Jian (張健), aged 67, is an independent non-executive Director and joined our Group on 18 June 2020. He is mainly responsible for supervising and providing independent advice to our Board. Mr. Zhang Jian worked for Henan Provincial Commission for Discipline Inspection* (河南省紀律檢查委員會) from July 1982 to April 2003 where he served as cadre (幹部) at deputy division, division and deputy provincial department. Mr. Zhang Jian has also worked for the Education Department of Henan Province (河南省教育廳) from May 2003 to March 2014 where he served as a disciplinary supervisor and an inspector, responsible for disciplinary inspection, policy and regulations, educational supervision, educational information and educational research.

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

Ms. Yang Min (楊敏), aged 44, is an independent non-executive Director and joined our Group on 18 June 2020. She is mainly responsible for supervising and providing independent advice to our Board. From 2002 to 2006, Ms. Yang served as the vice president of Zero2IPO Group (清科集團) ("**Zero2IPO Group**"), which is principally engaged in investment and provision of entrepreneurial and investment service platform. She was the president of Beijing Jingzhun Yiku Marketing Planning Co, Ltd.* (北京精準億庫營銷策劃有限公司), which is principally engaged in big data marketing business, from 2006 to 2011 and the chairman of Beijing Shengde Hengyun Technology Co., Ltd.* (北京盛德恒遠科技有限公司), which is principally engaged in product and technological development and marketing, from 2011 to 2014. Ms. Yan returned to Zero2IPO Group in April 2014 and served as a managing partner. She is currently a managing partner of Zero2IPO Group and a chief managing partner of Zero2IPO Asset Management, a specialised platform under Zero2IPO Group which is principally engaged in provision of asset management investment services for listed companies and family business. She has also served as a director of each of LingNan Eco&Culture-Tourism Co., Ltd* (嶺南生態文旅股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 002717), which is principally engaged in ecological landscape construction and repair, water project management and cultural and tourism, since January 2016; Beijing Sanhao Interactive Education Technology Company Limited* (北京三好互動教育科技有限公司), which is principally engaged in provision of personalised online learning platform for elementary and secondary school students, since March 2018; Maihe International Education Technology (Beijing) Company Limited* (麥禾國際教育科技(北京)有限責任公司), which is principally engaged in provision of training of children on English usage and social etiquette, since December 2018; Jiangsu Superbio Life Science Co., Ltd* (江蘇蘇博生物醫學股份有限公司), which is principally engaged in research on genetic sequence and testing service, since April 2019; Chezhubang (Beijing) Technology Company Limited* (車主邦(北京)科技有限公司), which is principally engaged in national energy resources procurement platform and energy data provider, since May 2019; Zhongke Yihai Microelectronics Technology (Suzhou) Company Limited (中科億海微電子科技(蘇州)有限公司), which is principally engaged in smart chip design and application services, since August 2019; Mingrui Sicheng (Beijing) Information Technology Limited* (明銳思成(北京)信息科技有限公司), which is principally engaged in the provision of online and offline reproductive health services, since June 2020; Beijing Meilian Taike Biotechnology Limited* (北京美聯泰科生物技術有限公司), which is principally engaged in the research and development, manufacturing, sale and provision of in vitro diagnostic products, since June 2020; and Bozhi Security Technology Limited* (博智安全科技股份有限公司), which is principally engaged in the provision of products and solutions for cyber information security, since March 2020. From February 2018 to March 2019, Ms. Yang served as a director of Inner Mongolia Hongyuan Agricultural Technology Co. Ltd.* (內蒙古宏源農業科技股份有限公司) (a company listed on the NEEQ with stock code 832893), which is principally engaged in planting, processing and sales of potatoes and forage, and production and sales of fries.

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

SENIOR MANAGEMENT

Mr. Guo Xianwei, our senior management member, together with our executive Directors, are responsible for the day-to-day management and operation of our Group.

Mr. Guo Xianwei (郭現偉), aged 41, joined our Group on 1 October 2009. He is now serving as a vice president of the national operation centre (全國運營中心副校長) of the WFOE, primarily responsible for teaching materials development and overall management of our Group.

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

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

COMPANY SECRETARY

Ms. Chen Yibei (陳一蓓), aged 34, was appointed as the company secretary and a financial controller of our Company on 18 March 2019. Ms. Chen has over seven years of experience in the accounting industry. She worked in Deloitte Touche Tohmatsu, an accounting firm, from September 2011 to February 2019 with her last position as a manager of the firm.

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

DIRECTORS' REPORT

The Directors hereby presents the annual report of the Group for FY2020.

SHARE OFFER AND THE LISTING

On 15 July 2020, being the Listing Date, our Company achieved the Listing and completed the Share Offer, under which 200,000,000 Shares were issued at an offer price of HK$1.25 per Share. The Share Offer comprised of the Public Offer of 20,000,000 Shares and the Placing of 180,000,000 Shares.

For details of the relevant use of proceeds from the Listing, please see the section headed "Proceeds from the Listing" in this annual report.

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**"). The Capitalisation Issue was completed on the Listing Date.

The Convertible Note issued by our Company to SCGC Capital as the Pre-IPO Investor 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) from time to time but without taking into account the new Shares to be allotted and issued under the Share Offer 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 SCGC Capital. 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 Shares issued and allotted to SCGC Capital, representing approximately 3.9% of the entire issued share capital of the Company as at the date of this annual report.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of after-school education services in the PRC and those of the principal subsidiaries of the Company are set out in note 36 to the consolidated financial statements.

RESULTS

The results of the Group for FY2020 and the financial information of the Group as at 31 December 2020 are set out in the audited financial statements of this annual report.

BUSINESS REVIEW

A review of the business of the Group during FY2020, a discussion on the Group's future business development and an analysis of the Group's performance during the Reporting Period using financial key performance indicators are contained in the section headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 5 to 9 and pages 10 to 22 of this annual report, respectively. The financial risk management policies and practices of the Group are set out in note 33 to the consolidated financial statements.

KEY RISKS AND UNCERTAINTIES

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

- Our business relies on the market recognition of our brand and reputation, and we may not be able to maintain or enhance our brand image and recognition which may suffer from negative publicity;
- We operate in a highly regulated industry and require licences, permits and certificates to operate, our ability to maintain our existing licences or our ability to apply for new licences may be adversely affected by any new laws, rules or regulations;
- Failure to adequately and promptly respond to changes in the PRC's education systems, admission standards, test materials and/or teaching methods may adversely affect our business;
- We may not be able to recruit and/or retain right talents to be our teachers to render our services properly;
- Failure to continue to attract students to enrol in our courses would result in the decline of our revenue and we may not be able to maintain our profitability;
- We may not be able to maintain or increase our tuition fees;
- Failure to keep up with technology advancement or a change in learning mode may negatively affect our results of operations;
- We may face risks and uncertainties in the licensing requirements of our online tutorial services;
- Failure to effectively and efficiently manage the expansion of our business and network may materially adversely affect our business;
- If we fail to protect our intellectual property rights or prevent the loss or misappropriation of our intellectual property rights, we may lose our competitive edge;

- We derive substantially all of our revenue in Henan particularly in Zhengzhou. Any event which is beyond our control and may adversely affect the economy, infrastructure and livelihood of the people in the regions, such as the COVID-19 Outbreak, could have a material adverse effect on our results of operations;

- if we are not able to renew or enter into leases for our self-operated teaching centres on commercially acceptable terms at our desired locations, it could materially and adversely affect our business and operating results;

- We face competition in each geographical location in which we operate, which could lead to adverse pricing pressure, reduced operating margins, and loss of market share; and

- Our business is subject to seasonal fluctuations, which may result in volatility of our profit.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of protecting the environment and strives to minimize the impact to the environment by reducing use of energies and other resources. Further information of the environmental policies and performance are detailed in the Environment, Social and Governance Report of the Company on pages 82 to 108 in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During FY2020, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHERS

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

The Group endeavours to develop and maintain long-term relationship with customers by delivering excellent works and quality services to them. The Group holds regular meeting with customers to receive customers' feedback to understand their needs and expectation.

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

PROCEEDS FROM THE LISTING

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

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

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

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

Intended usage	Amount of net proceeds HK$ million	Approximate percentage %	Proceeds utilised during FY2020 HK$ million	Proceeds utilised as at the date of this annual report HK$ million	Proceeds planned to be utilised in 2021 HK$ million	Proceeds planned to be utilised in 2022 HK$ million
Expanding business and self-operated teaching centres network through organic growth	122.4	60.0	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 annual report. As at the date of this annual report, 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.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities of the Group for the last four financial years are set out on page 198 of this annual report. This summary does not form part of the audited consolidated financial statements.

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

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

Save as disclosed in this annual report, 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, Dashan Training Consolidated Affiliated Entity being a Consolidated Affiliated Entity 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 annual report, 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 annual report, 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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Monday, 7 June 2021. Shareholders should refer to the circular of the Company, the notice of AGM and 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 Wednesday, 2 June 2021 to Monday, 7 June 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 Tuesday, 1 June 2021.

FINAL DIVIDEND

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during FY2020 are set out in note 14 to the consolidated financial statements.

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

Normally our after-school education service is paid for by the students' parents, and the after-school education services are used by the students. Given that some parents may pay for one or more students and to give a better reflection of the number of customers we have, we regard the students as our customers. As at 31 December 2020, we had approximately 66,000 students (2019: approximately 63,000). The number of students enrolments refer to the cumulative total number of course registered and paid for by the students' parents during a given period of time, if one student enrols in multiple courses, it will be counted as multiple student enrolments.

Due to the nature of our business, we did not have a single customer who accounted for more than 5% of our revenue for each of the three years ended 31 December 2020.

During FY2020, the largest supplier and the five largest suppliers of the Group accounted for approximately 33.7% and 51.2% of the Group's total direct costs respectively.

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

TAXATION

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

SUBSIDIARIES

The information of the Company's principal subsidiaries are set out in note 36 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during FY2020 are set out in note 27 to the consolidated financial statements.

PUBLIC FLOAT

Since the Listing Date and up to the date of this annual report, based on the available public information of the Company, so far as the Directors are aware of, the Company had maintained the prescribed public float under the Listing Rules.

RESERVES

Details of movements in the reserves of the Company and the Group during FY2020 are set out on note 37 to the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB202,300,000 (2019: Nil).

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2020 the Group had no outstanding loans or borrowings.

DIRECTORS

The Directors during FY2020 and up to the date of this annual report were as follows:

Executive Directors

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

Non-executive Director

Mr. Jia Shuilin

Independent non-executive Directors

Mr. Lui Siu Keung (appointed on 18 June 2020)
Mr. Li Gang (appointed on 18 June 2020)
Mr. Zhang Jian (appointed on 18 June 2020)
Ms. Yang Min (appointed on 18 June 2020)

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and Senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 28 in this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent throughout FY2020.

DIRECTORS' SERVICE CONTRACT AND LETTERS OF APPOINTMENT

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

PERMITTED INDEMNITY PROVISION

Under the Company's Articles of Association, and subject to the applicable laws and regulations, the Directors and officers of the Company shall be indemnified out of the assets and profits of the Company from or against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain or by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the period from the Listing Date to 31 December 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no Director nor any entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during FY2020 and up to the date of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during FY2020 are set out in note 35 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DEED OF NON-COMPETITION

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

The Company has received confirmation from each of the Controlling Shareholders that they complied with the Deed of Non-competition for FY2020. The independent non-executive Directors have conducted such review for FY2020 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied with.

TAX RELIEF

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

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

Save as disclosed in this annual report, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during FY2020.

EMOLUMENT POLICY

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

REMUNERATION OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and five highest paid individuals during FY2020 are set out in note 11 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme" and "Share Award Scheme" in this annual report, at no time during FY2020 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries or any of its holding companies or any of subsidiaries of its holding companies a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DONATIONS

During FY2020, the Group made charitable donations of approximately RMB1,038,000.

EQUITY-LINKED AGREEMENT

Except as disclosed under the sections headed "Share Option Scheme" and "Share Award Scheme" below in this annual report, no equity-linked agreements were entered into by the Group, or existed during FY2020.

SHARE OPTION SCHEME

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

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

Purpose of the Share Option Scheme

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

Who may join

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

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

Maximum number of Shares

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

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 annual report, no options had been granted, exercised, cancelled or lapsed under the Share Option Scheme, nor any options were outstanding under the Share Option Scheme.

SHARE AWARD SCHEME

On 14 December 2020, our Company adopted the Share Award Scheme. As at the date of this annual report, 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 annual report. For further details of the Share Award Scheme, please refer to the announcements of the Company dated 14 December 2020 and 21 December 2020, respectively (the "**Share Award Scheme Announcements**"). Unless otherwise defined in this annual report, capitalised terms used in this section shall have the same meaning as those defined in the Share Award Scheme Announcements.

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 (in each case excluding any member of the Remuneration Committee who is the proposed Selected Participant).

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

(i) after a price sensitive event in relation to the securities of the Company has occurred or a price sensitive matter in relation to the securities of the Company has been the subject of a decision, until such price sensitive/inside information has been published in accordance with the Listing Rules and the inside information provisions under Part XIVA of the SFO;

(ii) on any day on which the Company's financial results are published; and during the period of 60 days immediately preceding the publication date of the Company's annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and during the period of 30 days immediately preceding the publication date of the Company's quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless there are circumstances of the Company that fall within the exceptions under the Listing Rules;

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

Operation of the Share Award Scheme

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

(i) instruct and procure the Trustee to subscribe for new Shares either under its available general mandate on the relevant date of Grant (the "**Grant Date**") or under a specific mandate approved or to be approved by the Shareholders at such subscription price as the Board may direct; and/or

(ii) instruct and procure the Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) at such range of purchase price as the Board may direct or authorise.

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

Vesting and lapse of Award Shares

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

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

Duration and Termination

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

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

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

As at 31 December 2020, the interests and short positions of the Directors and chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) have to be notified to our Company and the Stock Exchange, pursuant to the Model Code, were as follows:

Interests in our Shares

Name of Director	Capacity in which the interests are held	Number of Shares held (Note 1)	Approximate percentage of the issued share capital (%) (Note 2)
Mr. Zhang	Interest in controlled corporation (Note 3)	496,060,800 (L)	62.00
Mr. Jia Shuilin	Interest in controlled corporation (Note 4)	72,360,000 (L)	9.05
Mr. Shan Jingchao	Interest in controlled corporation (Note 4)	72,360,000 (L)	9.05
Mr. Ma Wenhao	Interest in controlled corporation (Note 4)	72,360,000 (L)	9.05

Notes:

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

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

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

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

Interests in Ordinary Shares of Associated Corporations of our Company

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

Notes:

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

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

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

Save as disclosed, as at 31 December 2020, none of the Directors, chief executive of our Company or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which: (a) were notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to our Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2020, according to the register of interest in Shares and underlying Shares and short positions kept by our Company pursuant to section 336 of the SFO and so far as is known to or can be ascertained after reasonable enquiries by the Directors, the persons (other than the Directors or chief executive of our Company) who were directly or indirectly interested in 5% or more in the Shares and underlying Shares of our Company are as follows:

Interests in our Shares

Name of Shareholder	Nature of interests	Number of Shares held (Note 1)	Approximate percentage of the issued share capital of our Company (%) (Note 2)
Lucky Heaven (Note 3)	Beneficial owner	496,060,800 (L)	62.00
Bai Tai (Note 4)	Beneficial owner	72,360,000 (L)	9.05

Notes:

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

2. The calculation is based on the total number of 800,000,000 Shares in issue as at the Listing Date.

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

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

Save as disclosed above, as at 31 December 2020, the Company had not been notified by any person (other than the Directors and chief executives of the Company) who had 5% or more interests and/or short positions in the Shares or underlying Shares that were required to be recorded in the register pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

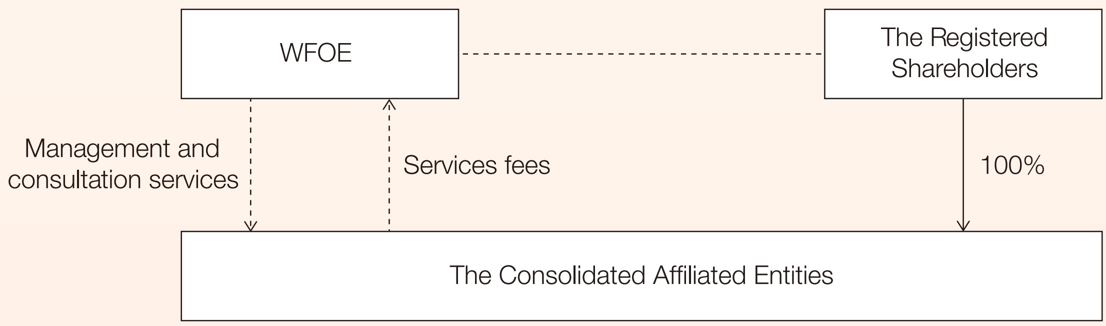
Save as the transactions contemplated under the Structured Contracts as set out below, during FY2020, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

Structured Contracts

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

1. Background and the reasons for using the Structured Contracts

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



Notes:

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

"---->" denotes contractual relationship.

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

2. Summary of the major terms of the Structured Contracts

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

(1) Exclusive Business Cooperation Agreement

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

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

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

(2) Exclusive Technical Service and Management Consultancy Agreement

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

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

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

(3) Exclusive Call Option Agreement

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

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

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

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

(4) Equity Pledge Agreement

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

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

(5) Shareholders' Rights Entrustment Agreement

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

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

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

(6) Shareholders' Powers of Attorney

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

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

(7) Individual Shareholder Spouse Undertaking

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

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

(8) Mr. Zhang's Undertaking

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

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

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

3. Risks relating to the Structured Contracts

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

- If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Structured Contracts and the relinquishment of our interest in our Consolidated Affiliated Entities.

- We may not be able to meet the Qualification Requirement (as defined in the Prospectus). If the Foreign Ownership Restriction (as defined in the Prospectus) and Foreign Control Restriction (as defined in the Prospectus) are lifted, we may be not be able to unwind the Structured Contracts by acquiring the interest in our Consolidated Affiliated Entities before we are in a position to comply with the Qualification Requirement.

- The Structured Contracts may not be as effective in providing operational control as direct ownership. If our Consolidated Affiliated Entities or their shareholders fail to perform their respective obligations under these Structured Contracts, we cannot direct the corporate action of our Consolidated Affiliated Entities as the direct ownership would otherwise entail.

- We may lose the ability to use and enjoy assets and licenses held by the Consolidated Affiliated Entities and their respective subsidiaries and branch company that are material to our business operations if any of Consolidated Affiliated Entities or their respective subsidiaries declare bankruptcy or become subject to a dissolution or liquidation proceeding.

- The beneficial owners of our Consolidated Affiliated Entities may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.

- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

- Our exercise of the option to acquire the equity interest of our Consolidated Affiliated Entities may be subject to certain limitations and we may incur substantial costs to enforce the option under the Structured Contracts.

- Our Structured Contracts may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our combined net income and the value of your investment.

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

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

(a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

(c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual and interim reports to update the Shareholders and potential investors;

(d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the Qualification Requirement and our status of compliance with the Foreign Investment Law and its accompanying explanatory notes as stipulated under the paragraph headed "Background of the Structured Contracts" and the latest development of the Foreign Investment Law and its accompanying explanatory notes as disclosed under the paragraph headed "Structured Contracts — Development in the PRC Legislation on Foreign Investment" in the section headed "Structured Contracts" of the Prospectus, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the Qualification Requirement;

(e) our Company will disclose, as soon as reasonably practicable (i) any updates of changes to the Foreign Investment Law that will materially and adversely affect our Company as and when they occur; and (ii) a clear description and analysis of the updates of changes in Foreign Investment Law as implemented, specific measures taken by us to fully comply with the changes in Foreign Investment Law supported by a PRC legal opinion and any material impact on our operations and financial position; and

(f) our Company will engage external legal advisers or other professional advisers, if necessary, to assist our Board to review the implementation of the Structured Contracts, review the legal compliance of WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Structured Contracts.

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

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

(b) each of our Directors is aware of his/her fiduciary duties as a Director which requires, amongst other things, that he/she acts for the benefits and in the best interests of our Group;

(c) we have appointed four independent non-executive Directors, comprising over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his/her associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

4. Unwinding of the Structured Contracts

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

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

5. Plan to Comply with the Qualification Requirement

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

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

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

Foreign Investment Law

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

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

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

6. No Material Change in the Structured Contracts

During FY2020, there was no material change in the Structured Contracts and/or the circumstances under which they were adopted, and none of the Structured Contracts has been unwound as none of the restrictions that led to the adoption of Structured Contracts has been removed.

7. Compliance with the Structured Contracts

Our Group has adopted certain measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts. The Company was not aware of any non-performance of the Structured Contracts or non-compliance with those relevant measures as at the date of this annual report.

8. Particulars of the Consolidated Affiliated Entities

Set out below is the registered owners and business activities of the Consolidated Affiliated Entities which had entered into the Structured Contracts with the Group during FY2020:

Name of the Consolidated Affiliated Entities	Registered owners as at 31 December 2020	Business activities
Dashan Training	approximately 42.62% by Hou De Education approximately 42.04% by Mr. Zhang approximately 0.39% by Mr. Shan Jingchao approximately 0.16% by Mr. Zhang Junying, and approximately 14.79% by Dashan Consultancy, respectively	After-school education services
Jing Guang Dashan	100% by Dashan Training	After-school education services

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

The revenues for FY2020 and total assets of the Consolidated Affiliated Entities are set out as follows:

Name of the Consolidated Affiliated Entities	Revenue for the year ended 31 December 2020 RMB'000	Total assets as at 31 December 2020 RMB'000
Dashan Training	283,329	606,887
Jing Guang Dashan	41,821	116,772

For FY2020, the revenues of Dashan Training and Jing Guang Dashan accounted for 85.1% and 12.6% of the total revenues of the Group respectively.

As at 31 December 2020, the total assets of Dashan Training and Jing Guang Dashan accounted for 76.7% and 14.8% of the total assets of the Group respectively.

For FY2020, there was no actual transaction amount under the Structured Contracts.

For FY2020, no dividend nor other distribution was made by the Consolidated Affiliated Entities to their respective holders of equity interests.

10. Listing Rules Implications and Waivers from the Stock Exchange

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

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

In addition, Dashan Consultancy is owned as to approximately 99.74% by Dashan Management (which is in turn owned as to, among others, approximately 21.01% by Mr. Jia Shuilin, a non-executive Director and a director of Dashan Training, approximately 6.30% by Mr. Shan Jingchao, an executive Director and a director of Dashan Training, and approximately 6.30% by Mr. Ma Wenhao, an executive Director) and as to approximately 0.26% by Mr. Zhang Junying, a director of Dashan Training and Jing Guang Dashan respectively. As such, the transactions under the Structured Contracts between our Group and Dashan Consultancy are Continuing Connected Transactions pursuant to Rule 14A.28 of the Listing Rules.

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

(1) No change to the Structured Contracts will be made without the approval of our independent non-executive Directors;

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

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

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

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

(5) We will disclose details relating to the Structured Contracts on an ongoing basis.

11. Confirmation of Independent Non-executive Directors

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

(1) the transactions carried out during FY2020 have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by our Consolidated Affiliated Entities has been substantially retained by our Group;

(2) no dividends or other distributions have been made by our Consolidated Affiliated Entities which are not otherwise subsequently assigned or transferred to our Group; and

(3) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during FY2020 under paragraph 10(4) above are fair and reasonable, or more favourable to our Group, so far as our Group is concerned and in the interests of our Shareholders as a whole.

12. Confirmation of the Company's Auditor

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

Deloitte Touche Tohmatsu has issued his unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions disclosed in this annual report in accordance with Rule 14A.56 of the Listing Rules, with an emphasis of matter paragraph in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Exclusive Business Cooperation Agreement and the Exclusive Technical Service and Management Consultancy Agreement for the year ended 31 December 2020.

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

a. have not been approved by the Company's board of directors;

b. were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

c. were dividends or other distributions made by our Consolidated Affiliated Entities to their equity interests holders which are not otherwise subsequently assigned or transferred to the Group.

Save as disclosed above, the other transactions set out in note 35 to the consolidated financial statements either do not constitute connected transactions or continuing connected transactions or are exempt from reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

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 annual report, all of the 56 Grantees had accepted the Grant of the Award Shares and none of the Award Shares had been vested.

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

For further 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 annual report, 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.

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

CORPORATE GOVERNANCE PRACTICE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions conducted by relevant Directors and employees. After making specific enquires to all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code during the period from the Listing Date until 31 December 2020.

BOARD OF DIRECTORS

Overall Accountability

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

Board Responsibilities and Delegation

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

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

(i) developing and reviewing the Company's policies and practices on corporate governance;

(ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

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

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

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

Liability Insurance for the Directors

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

Composition of the Board

As at 31 December 2020, the Board comprised eight Directors including three executive Directors, one non-executive Director and four independent non-executive Directors. The biographical details of the Directors and the senior management of the Group are set out on pages 23 to 28 of this annual report.

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

Executive Directors
Mr. Zhang Hongjun (張紅軍) *(Chairman and Chief Executive Officer)*
Mr. Shan Jingchao (單景超)
Mr. Ma Wenhao (馬文浩)

Non-executive Director
Mr. Jia Shuilin (賈水林)

Independent non-executive Directors and their Independence
Mr. Lui Siu Keung (呂小強)
Mr. Li Gang (李罡)
Mr. Zhang Jian (張健)
Ms. Yang Min (楊敏)

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

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

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

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

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

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

The Company regularly circulates training materials or briefings to all Directors in respect of the updates on, among other things, the Listing Rules, the SFO or guidelines, the Companies Ordinance and relevant financial or accounting standards which may be of the interest to Directors. During FY2020, all Directors participated in appropriate continuous professional development and provided the Company with their records of training they received. Directors participated in the training which included reading regulatory updates, attending seminars or conducting training sessions and exchanging views and the special training provided by lawyer.

Continuous Professional Development Training

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

Board Committees

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

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

Board Meetings

As the Company only became listed on the Main Board of the Stock Exchange on 15 July 2020 (the "**Listing Date**"), there was one board meeting held for the period from the Listing Date to 31 December 2020. Subsequent to FY2020 and up to date of this annual report, the Board held four Board meetings, among which one is for the main purposes of approving the annual results of the Group for FY2020. All Directors attended the meeting.

Details of the attendance records of Directors on Board meetings for the period from the Listing Date to the date of this annual report are as follows:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Investment Management Committee**
Executive Directors					
Mr. Zhang Hongjun	5/5	N/A	2/2	1/1	1/1
Mr. Shan Jingchao	5/5	N/A	N/A	N/A	1/1
Mr. Ma Wenhao	5/5	N/A	N/A	N/A	1/1
Non-executive Director					
Mr. Jia Shuilin	5/5	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Mr. Lui Siu Keung	5/5	2/2	N/A	N/A	1/1
Mr. Li Gang	5/5	2/2	2/2	N/A	1/1
Mr. Zhang Jian	5/5	2/2	2/2	1/1	1/1
Ms. Yang Min	5/5	2/2	N/A	1/1	1/1

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

For the period from the Listing Date to the date of this annual report no general meeting of the Company was convened.

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

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

AUDIT COMMITTEE

As at 31 December 2020, the Audit Committee consisted of four members, namely, Mr. Lui Siu Keung, Mr. Li Gang, Mr. Zhang Jian and Ms. Yang Min who are all independent non-executive Directors. Mr. Lui Siu Keung is the chairman of the Audit Committee.

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

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

During the period from the Listing Date to 31 December 2020, one Audit Committee meetings was convened for reviewing the interim results for the six months ended 30 June 2020. Subsequent to FY 2020 and up to the date of this annual report, one Audit Committee meetings were convened to, among others, review the annual results for FY2020.

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

The Audit Committee has reviewed with the management and external auditors the Group's consolidated financial statements for FY2020, including the accounting principles and practices. The Audit Committee endorsed the accounting treatment adopted by the Company, and the Audit Committee had to the best of its ability assured itself that the disclosure of the financial information in this annual report has complied with the applicable accounting standards, the Listing Rules and the Companies Ordinance. The Audit Committee therefore resolved to recommend for the Board's approval the consolidated financial statements for FY2020.

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

REMUNERATION COMMITTEE

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

As at 31 December 2020, the Remuneration Committee consisted of three members, including two independent non-executive Directors, namely, Mr. Zhang Jian and Mr. Li Gang and one executive Director, namely, Mr. Zhang Hongjun. Mr. Zhang Jian is the chairman of the Remuneration Committee.

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

The Remuneration Committee has not held any meeting during the period from the Listing Date to 31 December 2020. Subsequent to FY2020 and up to the date of this annual report, two meeting of the Remuneration Committee was held to discuss the remuneration policy of the Remuneration Committee and the remuneration of the executive Directors, non-executive Director and independent non-executive Directors.

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

NOMINATION COMMITTEE

As at 31 December 2020, the Nomination Committee consisted of three members, including one executive Director, namely, Mr. Zhang Hongjun, and two independent non-executive Directors, namely, Mr. Zhang Jian and Ms. Yang Min. Mr. Zhang Hongjun is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, but are not limited to, (i) reviewing the structure, size and composition of the Board, (ii) assessing the independence of the independent non-executive Directors; and (iii) making recommendations to the Board on matters relating to the appointment of Directors.

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

The Nomination Committee has not held any meeting during the period from the Listing Date to 31 December 2020. Subsequent to FY2020 and up to the date of this annual report, one meeting of the Nomination Committee was held to review the structure, composition, size and diversity of the Board and relevant recommendations were made to the Board, which included the re-election of retiring Directors.

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

Nomination Policy

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

Board Diversity Policy

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

In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will also consider factors based on the Company's business model, specific needs and meritocracy from time to time in determining the optimum composition of the Board.

During FY2020, the Board comprises eight Directors, including three executive Directors, one non-executive Director and four independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of professional experience, skill and knowledge. Having reviewed the Diversity Policy and the Board's composition, the Nomination Committee is satisfied that the requirements set out in the Diversity Policy had been met and the Board is sufficiently diversed.

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

INVESTMENT MANAGEMENT COMMITTEE

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

As at 31 December 2020, the Investment Management Committee consisted of seven members, including three executive Directors, namely, Mr. Zhang Hongjun, Mr. Shan Jingchao and Mr. Ma Wenhao, and four independent non-executive Directors, namely, Mr. Lui Siu Keung, Mr. Li Gang, Mr. Zhang Jian and Ms. Yang Min. Mr. Zhang Hongjun is the chairman of the Investment Management Committee.

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

The Investment Management Committee has not held any meeting during the period from the Listing Date to 31 December 2020. Subsequent to FY2020 and up to the date of this annual report, one meetings of the Investment Management Committee were held to discuss the investment policies of the Company.

DIVIDEND POLICY

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

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

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

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

REMUNERATION OF AUDITORS

For FY2020, remuneration paid or payable to the Company's auditors, Deloitte Touche Tohmatsu, for audit services was approximately RMB1,852,000 and non-audit services was approximately RMB3,923,000. The non-audit services provided by the Company's auditors for the FY2020 mainly represent reporting accountants' services relating to the Listing and the review of the interim results for six months ended 30 June 2020.

ACCOUNTABILITY AND AUDIT

Financial Statements and Financial Reporting

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

The Directors also acknowledge their responsibilities to ensure that the announcements in relation to the consolidated financial statements on annual and interim results of the Group are published in a timely manner, within three months and two months respectively of the year end and the half-year period end. The reporting responsibility of the external auditor of the Company on the consolidated financial statements of the Group are set out in "Independent Auditor's Report" on pages 109 to 113.

Going Concern

The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The Directors are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

The Company has engaged an external consultant to conduct internal audit review during FY2020. The external consultant has assisted the Audit Committee and the internal audit & compliance department in carrying out an independent review on the adequacy and effectiveness of the risk management and internal control systems of the Group, and has reported the status of its review to the Audit Committee and the internal audit & compliance department on a regular basis.

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

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

The Board's annual review in respect of FY2020 has considered, among other things, (i) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions; (ii) the scope and quality of the management's ongoing monitoring of risks and of the internal control systems (including the work of internal audit function); (iii) the effectiveness of the risk management and internal control systems (including the extent and frequency of monitoring results to the Board or the Audit Committee); and (iv) the effectiveness of the Company's processes for financial reporting and the Listing Rules compliance. The Board and the Audit Committee are of the view there are no material internal control defeats were identified by the external consultant or the internal audit & compliance department during the course of internal audit review. With the discussion between management, the external consultant, the internal audit & compliance department and the Audit Committee, the Board (with the concurrence of the Audit Committee) considered that the risk management and internal control systems of the Group are effective and adequate. The review of the risk management and internal control systems of the Group is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's control environment and processes.

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

COMPANY SECRETARY

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

Ms. Chen Yibei has taken no less than 15 hours of relevant professional training during FY2020 in compliance with the requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS AND INVESTOR RELATIONS

Communication Policy

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

AGM

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

Shareholders' Rights

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

(1) Procedures for Shareholders to convene an EGM

(a) Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may by written requisition to the Board or the Secretary of the Company to require an EGM to be convened and stating the subjects to be considered at the meeting by written requisition; and such meeting shall be held within two months after the deposit of such requisition.

(b) If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(2) Shareholders' enquiries to the Board

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

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

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

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

(b) Other proposals: If a Shareholder wishes to make other proposals (the "**Proposal(s)**") at a general meeting, he/she/it may lodge a written request, duly signed, at the principal place of business of the Company in Hong Kong presently at Room 1504, 15/F Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong marked for the attention of the Company Secretary.

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

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

(1) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal(s) require(s) approval in an AGM.

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

Disclaimer

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

CONSTITUTIONAL DOCUMENTS

The Company adopted an amended Memorandum and Articles of Association of the Company on 18 June 2020 which was effective upon Listing. There was no change in the Memorandum and Articles of Association for the period from the Listing Date to 31 December 2020. A copy of the latest Memorandum and Articles of Association is available on the website of the Stock Exchange and the Company's website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORT OVERVIEW

The Group is pleased to present its first Environmental, Social and Governance Report (this "**ESG Report**"). This ESG Report outlines the Group's strategy, vision and performance on environmental, social and governance issues for FY2020. As a responsible enterprise, the Group has always been committed to the concept of sustainable development, actively fulling its corporate social responsibility and integrating environmental management into its business decisions. The Board is responsible for the overall environmental, social and governance strategy and reporting of the Group, and comprehensively oversees the associated risks and opportunities. Going forward, the Group will continue to monitor and refine the Group's initiatives and performance on sustainable development in an effort to create long-term value for all stakeholders and the communities in which it operates.

REPORTING SCOPE AND REPORTING PERIOD

Unless otherwise stated, the scope of this ESG Report covers all the Group's self-operated teaching centres in Henan Province of China.

This ESG Report covers the period from 1 January 2020 to 31 December 2020 (the "**reporting period**"), which corresponds to the financial period covered by this annual report.

BASIS OF REPORT PREPARATION

This ESG Report is prepared in accordance with the disclosure obligations under the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules. This ESG Report has complied with all "comply or explain" provisions and the principles of materiality, quantitative, balance and consistency. The Group has adopted the emission factors and international standards set out in the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange in the preparation of this ESG Report. For more information on the application of materiality reporting principle, please refer to the subsection headed "Materiality Assessment" in this ESG Report.

CONTACT US

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

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

SOURCE AND RELIABILITY STATEMENT

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

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

STAKEHOLDER IDENTIFICATION AND COMMUNICATION

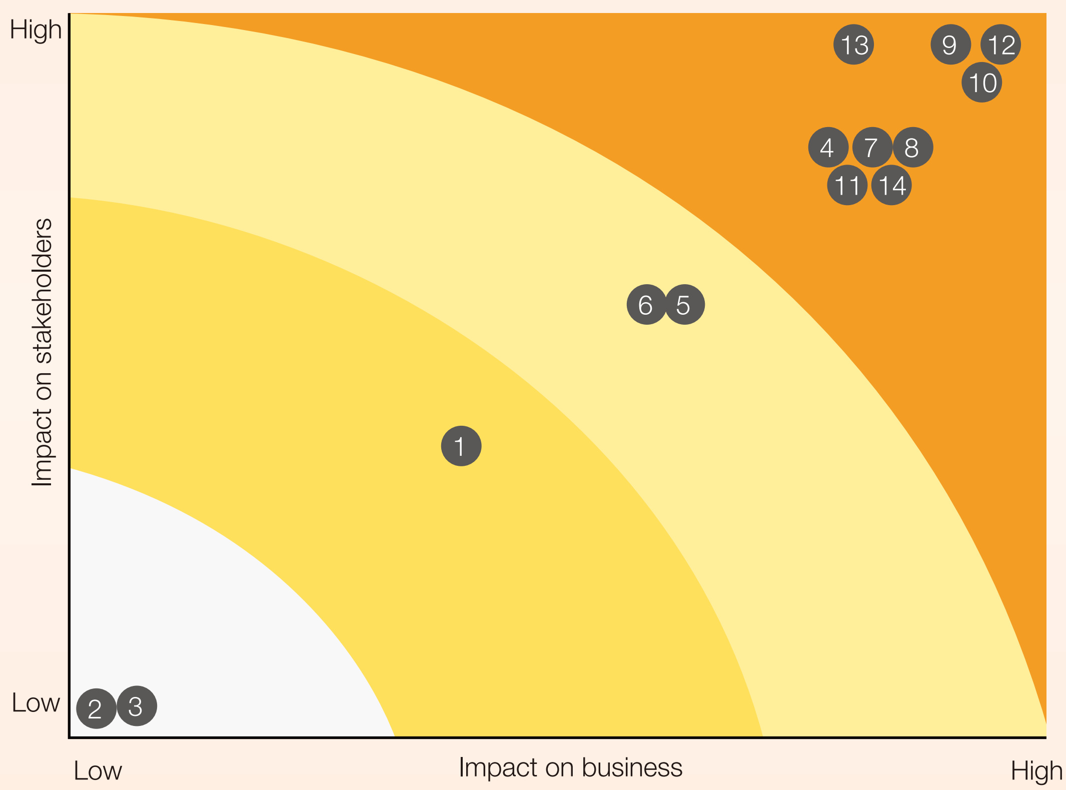
The Group continues to be mindful of key issues of concern to its stakeholders in its operation. By having comprehensive and transparent communication, the Group understands the expectations and needs of its stakeholders and continues to enhance the Group's strategies and plans on sustainable development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

Stakeholders	Issues of Concern	Communication Channels
Stock Exchange of Hong Kong	• Compliance with the Listing Rules • Timely and accurate announcements	• Meetings • The Company's Announcements • The Company's website
Shareholders and investors	• Business strategies • Investment returns • Corporate identity • Compliance in compliance	• General meetings • The Company's Announcements • The Company's website
Government and regulators	• Compliance in compliance • Taxation according to the law • Information disclosure and reporting materials	• The Company's website • The Company's Announcements
Suppliers and business partners	• Compliance in compliance • Quality of products and services • Curriculum offerings and intellectual property	• Agreements • Review and assessment • Meetings

Stakeholders	Issues of Concern	Communication Channels
Employees	• Salary and benefits • Working environment and safety • Diversity and equal opportunity • Training and career development	• Regular work meetings and conferences • Training activities • Interviews • Teaching seminars
Students and parents	• Teaching quality • Teaching philosophy • Teaching Management • Quality of teaching services • Environment of teaching centres • Health and safety of students	• The Company's website • The Company's WeChat platform • Online learning platform • Offline classes • Seminar for parents
Community	• Community development • Public welfare • Employment opportunities • Ecological environment	• Community activities • Volunteering activities • Media enquiry • Press releases and announcements

MATERIALITY ASSESSMENT

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



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

SOCIAL

Quality Education Services and Resources

The Group is committed to creating a bright future for its students by stimulating their motivation for learning, improving their academic performance, broadening their horizons, and shaping their personalities through our philosophy of "people-oriented, moral education, cultivating interest, and character building". There are four sub-brands of the Group, namely:

- Dashan Waiyu, English tutoring for primary and secondary students;
- Xiaoshudian, non-competition Mathematics tutoring;
- Yufuzi Dayuwen, Chinese tutoring for primary and secondary students; and
- Dashan Waiyu KIDS, English tutoring for pre-schoolers.

Curriculum

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

Outstanding talent training courses

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

Innovative courses

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

Regular specialised courses

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

Featured specialised courses

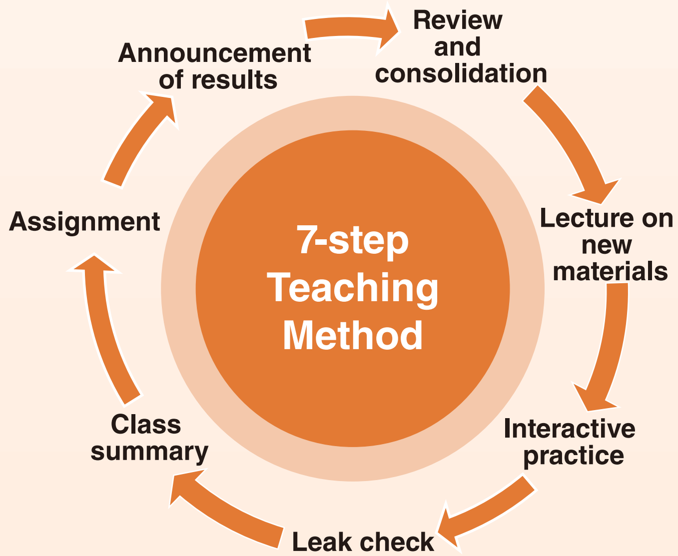
- Suitable for students in 3rd–8th grade
- Classes are held according to the actual schedule
- The course includes new concept English focus class, English final advanced specialised class for primary and secondary schools, foreign language talented class for high school

Teaching Method

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

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

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



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

Teaching Team and Teaching Quality

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

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

To implement the educational philosophy of "moral education", the Group has formulated the "Measures for Teachers Disciplinary Violations" to display teachers who violate the rules and regulations, and to maintain a clean and upright educational style.

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

Teaching Material Development and Intellectual Property

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

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

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

Advertising and Promotional Campaigns

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

Privacy Protection

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

Consultation and Compliant Handling

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

During the reporting period, the Group received one major complaint, which was satisfactorily resolved after the Group carried out follow-up actions.[1] Through feedback from its students and parents, the Group further improved the hospitality and teaching management process.

Nurturing Those with Talents

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

[1] A major complaint involving compensation.

Training for New Teachers

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

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

Teaching Training Camp

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

Continuous Training

The Group provides continuous training to all employees to help them upgrade their professional knowledge and skills. As for teachers, apart from the teaching services and professional knowledge training, the Group also provides curriculum mapping training to enable them to keep up with the changes in the curriculum and syllabus and teaching materials. In addition, the Group also provides training to other employees to enhance their professional skills such as illustration production, layout design and human resources performance management.

Details of the Group's employee training during the reporting period are as follows:

Employee Training		
	Number of employees	**Percentage of total number of employees**
Total number of employees trained	336	23%
Gender		
	Number of employees	**Percentage of total number of employees**
Female	318	95%
Male	18	5%
Employment type		
	Number of employees	**Percentage of total number of employees**
General employees	268	80%
Middle and Senior employees	68	20%
Hours trained		
	Number of training hours	
Total number of hours	10,164	
Average number of training hours completed per employee trained (by gender)		
Female (hours)	30.25	
Male (hours)	30.22	
Average number of training hours completed per employee trained (by employment type)		
General employees (hours)	36.01	
Middle and Senior employees (hours)	7.56	

CARE FOR OUR EMPLOYEES

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

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

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

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

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

Total Workforce and by Classifications

As at 31 December 2020, the Group had a total of 1,433 employees and details of the employees are as follows:

Total number of employees	
Total number of employees	1,433
Distribution of employees by gender	
Female	1,141
Male	292
Distribution by age	
<25	387
25-29	453
30-39	542
40-49	41
>50	10
Number of employees by different employment types	
Full-time	1,198
Part-time	235
Number of employees by region	
Mainland China	1,428
Hong Kong	5

SAFE AND HEALTHY TEACHING ENVIRONMENT

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

The Group has established strict safety management rules and guidelines for fire safety, facility and equipment management and smoking ban. Meanwhile, we have also incorporated fire safety into our daily safety management and developed fire safety emergency plans, school safety education and training guidelines, and fire safety system guidelines in order to ensure the safety of all teachers and students. The Group regularly holds fire drills to enhance the fire safety awareness of employees and students and to strengthen their response capability in case of fire emergencies. The Group also organises fire safety inspections to eliminate fire hazards in a timely manner.

The Group is in strict compliance with the applicable health and safety laws and regulations, which include but not limited to the Fire Control Law of the PRC and the Law of the PRC on Prevention and Treatment of Infectious Diseases. Due to the nature of the Group's business, employees mainly work in offices and are less likely to suffer from work-related injuries. The Group did not have any serious work-related injuries during the reporting period.

With the COVID-19 pandemic becoming a public health issue, to ensure the health and safety of the teachers and students, the Group has established a COVID-19 pandemic prevention and control leading group and adopted a range of pandemic prevention measures, including but not limited to:

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

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

SUPPLY CHAIN MANAGEMENT

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

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

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

ANTI-CORRUPTION

The Group strictly complies with relevant laws and regulations, such as the Anti-Money Laundering Law of the PRC, the Anti-Unfair Competition Law of the PRC and the Criminal Law of the PRC, and adheres to the basic standards of integrity and self-discipline. The Group has established the Anti-corruption and Anti-fraud Management System to regulate the professional conduct and ethics to be strictly observed by employees and to prohibit any corrupt practices such as bribery, corrupt and fraud.

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

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

CARE FOR THE SOCIETY

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

Suspending Classes without Suspending Learning

Since the COVID-19 Outbreak, the Group has adhered to the concept of "Suspending Classes without Suspending Learning, Keeping Away from Schools But Not Away from Teachers", promptly integrated high quality teachers with online course resources to launch a series of "online charity classes" campaign. This campaign provided a complete online and offline learning cycle for students. Apart from the playback of course videos to help students check their progress and reinforce their learning, teachers will also be available online to answer questions for students and parents if they have any questions during the learning process.

Caring Donation Campaign

During the period when the COVID-19 Outbreak was critical and there was an urgent need of medical suppliers, the Group organised a donation campaign and donated approximately RMB55,900 worth of pandemic prevention supplies to help fight against the COVID-19 in Henan Province. The Group also participated in the "Yu'ai Relief" charity project co-organised by the Henan Provincial Student Safety Relief Foundation and Henan New Class Charity Alliance to contribute to poverty alleviation. In addition, the Group enthusiastically responded to the "Charity Day" 2020 in Jinshui District co-organised by the CPC Jinshui District Committee and the People's Government of Jinshui District, held by the Jinshui District Civil Affairs Bureau and Jinshui District Charity Federation, in order to jointly promote the development of charity. To support the scientific research development, the Group donated RMB50,000 to Educational Development Foundation of Sias International University in Zhengzhou, Henan Province. On top of that, the Group participated in the "Stock Code Balloting for Charity Scheme" launched by the Stock Exchange, and donated approximately RMB912,000 to support projects that benefit the local communities. During the reporting period, the Group donated a total of approximately RMB1,038,000.

With the educational philosophy of "creating a better future for our students", the Group will actively fulfil our social responsibility and contribute to the future development and growth of our youth.

ENVIRONMENTAL

Emissions

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

Air Emissions

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

Main emissions	Unit	Emission in 2020
Nitrogen oxides (NO_x)	kg	11.30
Sulphur oxides (SO_x)	kg	0.02
Particulate matter	kg	1.08

Greenhouse Gas

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

Main emission types	Unit	Emission in 2020
Scope 1		
Carbon dioxide (CO_2)	tons CO_2 equivalent	3.58
Methane (CH_4)	tons CO_2 equivalent	0.01
Nitrous oxide (N_2O)	tons CO_2 equivalent	0.52
Total emissions from vehicle fuel combustion	tons CO_2 equivalent	4.11
Scope 2		
Electricity[2]	tons CO_2 equivalent	1,028.08
Total emissions	**tons CO_2 equivalent**	**1,032.19**
Total emission intensity	tons CO_2 equivalent/employee[3]	0.72

Emission Reduction Measures

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

2 The greenhouse gas emission factors for purchased electricity are based on the latest Baseline Emission Factors for Regional Power Grids in China issued by the Ministry of Ecology and Environment of the PRC.

3 As at 31 December 2020, the total number of employees of the Group was 1,433.

Hazardous and non-hazardous Waste

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

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

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

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

Use of Resource

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

Total Consumption of Resources

Type of resources	Unit	Consumption in 2020
Electricity		
Total electricity consumption	kWh	1,197,251.77
Total electricity consumption density	kWh/employee	835.49
Water		
Total water consumption	m^3	10,979
Total water consumption density	m^3/employee	7.66

Efficiency of Use of Resource

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

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

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

As a result of the adoption of the measures above, the Group has been able to maintain a relatively low electricity and water consumption density.

Suitable Water Source

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

Packaging Materials

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

THE ENVIRONMENT AND NATURAL RESOURCES

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

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

Item	Description	Reference Chapter
A. Environmental		
A.1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI	A1.1 The types of emissions and respective emissions data.	Air Emissions
	A1.2 Greenhouse gas emission and intensity.	Greenhouse Gas
	A1.3 Total hazardous waste produced and intensity.	Hazardous and non-hazardous Waste
	A1.4 Total non-hazardous waste produced and intensity.	Hazardous and non-hazardous Waste
	A1.5 Description of measures taken to reduce emissions and results achieved.	Emission Reduction Measures
	A1.6 Description of how hazardous and non-hazardous wastes are handled, measures taken to reduce emissions and results achieved.	Hazardous and non-hazardous Waste

Item	Description		Reference Chapter
A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.		Efficiency of Use of Resource
KPI	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Total Consumption of Resources
	A2.2	Water consumption in total and intensity.	Total Consumption of Resources
	A2.3	Description of energy use efficiency plans and results achieved.	Efficiency of Use of Resource
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency enhancement plans and results achieved.	Suitable Water Source
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Packaging Materials
A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.		The Environment and Natural Resources
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
B. Social			
B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Care for Our Employees
KPI	B1.1	Total workforce by gender, employment type, age group and geographical region.	Total Workforce and by Classifications
	B1.2	Employee turnover rate by gender, age group and geographical region.	Not disclosed

Item	Description	Reference Chapter
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Safe and Healthy Teaching Environment
KPI	B2.1 Number and rate of work-related fatalities occurred.	Safe and Healthy Teaching Environment
	B2.2 Lost days due to work injury.	Safe and Healthy Teaching Environment
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Safe and Healthy Teaching Environment
B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Nurturing Those with Talents
KPI	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Nurturing Those with Talents
	B3.2 The average training hours completed per employee by gender and employee category.	Nurturing Those with Talents
B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Care for Our Employees
KPI	B4.1 Description of measures to review employment practices to avoid child and forced labour.	Care for Our Employees
	B4.2 Description of steps taken to eliminate such practices when discovered.	Care for Our Employees

Item	Description	Reference Chapter
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI	B5.1 Number of suppliers by geographical region.	Supply Chain Management
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how these practices are implemented and monitored.	Supply Chain Management
B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Quality Education Services and Resources
KPI	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
	B6.2 Number of products and service related complaints received and how they are dealt with.	Consultation and Compliant Handling
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Teaching Material Development and Intellectual Property
	B6.4 Description of quality assurance process and recall procedures.	Quality Education Services and Resources
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Privacy Protection

Item	Description	Reference Chapter
B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
B8: Social Responsibilities		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Care for the Society
KPI	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Care for the Society
	B8.2 Resources contributed (e.g. money or time) to the focus area.	Care for the Society

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF DASHAN EDUCATION HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Dashan Education Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 114 to 197, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition — Occurrence of tuition fees income	
We identified revenue in relation to the occurrence of the tuition fees income as a key audit matter due to the significance of the balance in the consolidated financial statements as a whole, and large volume of transactions processed in current year. For the year ended 31 December 2020, tuition fees income amounted to RMB327,234,000 of which details are included in note 6 to the consolidated financial statements.	Our procedures in relation to revenue recognition included: • Understanding of relevant controls of the Group over the admission of students, collection of tuition fees and recognition of revenue and evaluating the operating effectiveness of key controls governing the recognition of revenue; • Reviewing whether the revenue from tuition fees income are recognised in accordance with HKFRSs; • Checking, on a sample basis, students' attendance records for the occurrence of revenue; • Checking, on a sample basis, the student payment records and tracing to the payment remittance receipts; and • Performing data analytical procedures, on a sample basis, for the tuition fees income for different classes, average tuition fees income for each class and hourly tuition fees income on monthly basis.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group‘s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group‘s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor‘s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor‘s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	6	**333,041**	383,647
Cost of sales		**(223,994)**	(213,992)
Gross profit		**109,047**	169,655
Other income	7	**5,182**	5,859
Other gains and losses, net	7	**(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	8	**(7,916)**	(6,687)
Fair value change of financial liabilities designated at FVTPL	26	**14,171**	65
Profit before taxation		**4,677**	57,234
Taxation	9	**(2,624)**	(8,268)
Profit and total comprehensive income for the year	10	**2,053**	48,966
Earnings (loss) per share	13		
— Basic (RMB cents)		**0.30**	8.61
— Diluted (RMB cents)		**(1.75)**	8.52

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**331,836**	279,313
Investment properties	15	**5,057**	5,163
Deferred tax assets	16	**1,016**	107
Rental deposits	20	**2,380**	2,208
Deposits for leasehold improvements		**853**	2,567
Financial asset at fair value through other comprehensive income	17	**5,000**	–
		346,142	289,358
CURRENT ASSETS			
Inventories	18	**9,356**	7,091
Financial assets at fair value through profit or loss	19	**10,000**	55,000
Other receivables	20	**6,227**	9,221
Time deposits	21	**119,700**	–
Bank balances and cash	21	**299,667**	176,939
		444,950	248,251
CURRENT LIABILITIES			
Trade payables	22	**999**	777
Other payables and accrued charges	23	**25,720**	30,261
Receipts in advance	24	**192,710**	170,892
Tax liabilities		**3,409**	3,017
Lease liabilities	25	**36,553**	26,704
		259,391	231,651
NET CURRENT ASSETS		**185,559**	16,600
TOTAL ASSETS LESS CURRENT LIABILITIES		**531,701**	305,958

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	25	**197,398**	168,227
Financial liabilities designated at fair value through profit or loss	26	**–**	49,810
		197,398	218,037
NET ASSETS		**334,303**	87,921
CAPITAL AND RESERVES			
Share capital	27	**7,223**	32,260
Reserves		**327,080**	55,661
TOTAL EQUITY		**334,303**	87,921

The consolidated financial statements on pages 114 to 197 were approved and authorised for issue by the Board of Directors on 31 March 2021 and are signed on its behalf by:

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital RMB'000 (note 27)	Share premium RMB'000	Other reserve RMB'000 (Note ii)	Capital surplus RMB'000	Statutory surplus reserve RMB'000 (Note i)	Retained profits RMB'000	Total RMB'000
At 1 January 2019	32,260	–	–	1,443	5,706	47,936	87,345
Profit and total comprehensive income for the year	–	–	–	–	–	48,966	48,966
Dividend paid (note 12)	–	–	–	–	–	(48,390)	(48,390)
Transfer from retained profits	–	–	–	–	6,765	(6,765)	–
At 31 December 2019	32,260	–	–	1,443	12,471	41,747	87,921
Profit and total comprehensive income for the year	–	–	–	–	–	2,053	2,053
Effect on reorganisation (note 27(b))	(32,260)	–	32,260	–	–	–	–
Issue of shares pursuant to the share offer	1,806	223,904	–	–	–	–	225,710
Issue of shares pursuant to the capitalisation issue	5,132	(5,132)	–	–	–	–	–
Issue of shares pursuant to the full conversion of the Convertible Note (as defined in note 26)	285	35,354	–	–	–	–	35,639
Transaction costs attributable to issue of shares	–	(17,020)	–	–	–	–	(17,020)
Transfer from retained profits	–	–	–	–	894	(894)	–
At 31 December 2020	7,223	237,106	32,260	1,443	13,365	42,906	334,303

Notes:

i. Pursuant to the Articles of Association of subsidiaries of the Company (as defined in note 1) in the People's Republic of China (the "**PRC**"), it requires the appropriation of 10% of their profit after tax determined under the relevant accounting principles and financial regulations applicable to companies established in the PRC each year to the statutory surplus reserve until the balance reaches 50% of the registered capital. The statutory surplus reserve shall only be used for making up losses, capitalisation into registered capital and expansion of the production and operation.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	4,677	57,234
Adjustments for:		
Bank interest income	(1,596)	(279)
Income from financial assets at fair value through profit or loss	(2,422)	(4,685)
Finance costs	7,916	6,687
Loss on disposal of property, plant and equipment	98	161
Depreciation of investment properties	106	38
Depreciation of property, plant and equipment (including right-of-use assets for buildings)	92,364	77,834
Impairment loss on property, plant and equipment	3,500	–
Impairment loss recognised in respect of other receivables, net	551	415
Gain on derecognition of right-of-use assets and lease liabilities	(1,090)	(3,303)
Imputed interest income from rental deposits	(135)	(98)
Fair value change of financial liabilities designated at fair value through profit or loss	(14,171)	(65)
Write-down for inventories	23	71
COVID-19-related rent concessions	(4,258)	–
Unrealised foreign exchange losses	3,653	587
Operating cash flows before movements in working capital	89,216	134,597
Increase in inventories	(2,288)	(2,896)
Increase in other receivables	(1,964)	(1,511)
Increase in trade payables	222	523
Decrease (Increase) in other payables and accrued charges	(2,076)	11,017
Increase in receipts in advance	21,818	7,343
Cash generated from operations	104,928	149,073
Income tax paid	(3,141)	(10,876)
NET CASH FROM OPERATING ACTIVITIES	101,787	138,197

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Bank interest received	**1,596**	279
Income from financial assets at fair value through profit or loss received	**2,422**	4,685
Refund of rental deposits upon early termination of leases	**145**	110
Payment for rental deposits	**(1,210)**	(1,553)
Purchase of property, plant and equipment	**(47,288)**	(41,929)
Addition of financial asset at fair value through other comprehensive income	**(5,000)**	–
Proceeds on disposal of property, plant and equipment	**13**	211
Addition of financial assets at fair value through profit or loss	**(95,000)**	(456,150)
Proceeds on redemption on financial assets at fair value through profit or loss	**140,000**	441,150
Addition to time deposits with original maturity over three months	**(119,700)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(124,022)**	(53,197)
FINANCING ACTIVITIES		
Proceeds on share issue	**225,710**	–
Interest paid	**(7,916)**	(6,687)
Payment of lease liabilities	**(54,922)**	(47,546)
Dividend paid	**–**	(48,390)
Share issue costs paid	**(14,256)**	(1,393)
Proceeds on issuance of convertible note	**–**	49,875
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**148,616**	(54,141)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**126,381**	30,859
Effect of foreign exchange rate changes	**(3,653)**	(447)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**176,939**	146,527
CASH AND CASH EQUIVALENTS AT END OF THE YEAR,	**299,667**	176,939

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;

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

(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.*

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 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;

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Contractual arrangements (continued)

- 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 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
	RMB'000	RMB'000
Revenue	**325,150**	379,633
Profit before taxation	**18,634**	65,827

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Contractual arrangements (continued)

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current assets	**345,599**	289,111
Current assets	**378,060**	197,492
Current liabilities	**406,966**	215,134
Non-current liabilities	**197,175**	168,192

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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

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. Details of the rent concession has been disclosed in note 14.

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

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 January 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);

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

Amendments to HKFRS 3 *Reference to the Conceptual Framework* (continued)

- 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. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation of consolidated financial statements

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of preparation of consolidated financial statements (continued)

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

Revenue from contracts with customers

Revenue is recognised to depict the transfer of a product or service to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those products or services.

The Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

A contract liability (receipts in advance) represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The contract liability is recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

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

Output method

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

Leases

Definition of a lease

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

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

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

COVID-19-related rent concessions

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

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

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

The Group as a lessor

Classification and measurement of leases

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor (continued)

Refundable rental deposits

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

Lease modification

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

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

Foreign currencies

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

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

Borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Government grants

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

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

Retirement benefit scheme contribution

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

Short-term employee benefits

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

Research and development costs

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

Taxation

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Taxation (continued)

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Taxation (continued)

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

Property, plant and equipment

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

Ownership interests in leasehold land and building

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

Investment properties

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and the costs necessary to make the sale.

Financial instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

Amortised cost and interest income

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Equity instruments designated as at FVTOCI

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

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

Financial assets at FVTPL

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

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

Impairment of financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

Significant increase in credit risk

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

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

Definition of default

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

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

Credit-impaired financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Write-off policy

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

Measurement and recognition of ECL

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

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

The Group recognises an impairment in profit or loss through a loss account for other receivables, refundable deposits, time deposits and bank balances.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

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

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

Financial liabilities at amortised cost

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

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

Critical judgements in applying accounting policies (continued)

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

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

Key sources of estimation uncertainty

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

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

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

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

Key sources of estimation uncertainty (continued)

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

Management of the Group will increase the depreciation charge where useful lives are shorter than previously estimated lives, or will write off or write down obsolete assets that have been abandoned or sold.

Property, plant and equipment (including right-of-use assets) and investment properties are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's education operations.

As at 31 December 2020, the carrying amounts of property, plant and equipment (including right-of-use assets) and investment properties were RMB331,836,000 and RMB5,057,000 (2019: RMB279,313,000 and RMB5,163,000) respectively. Impairment loss of RMB3,500,000 has been recognised during the year (2019: nil). Details of the useful lives of property, plant and equipment and investment properties are disclosed in notes 14 and 15, respectively.

6. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers is as follows:

	2020 RMB'000	2019 RMB'000
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
	333,041	383,647
Timing of revenue recognition		
A point of time	**1,274**	4,311
Over time	**331,767**	379,336
	333,041	383,647

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.

6. REVENUE AND SEGMENT INFORMATION (continued)

Revenue (continued)

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

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

7. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

Other income

	2020 RMB'000	2019 RMB'000
Bank interest income	**1,596**	279
Government grants (note)	**400**	573
Income from financial assets at FVTPL	**2,422**	4,685
Imputed interest income from rental deposits	**135**	98
Rental income	**127**	132
Others	**502**	92
	5,182	5,859

Other gains and losses, net

	2020 RMB'000	2019 RMB'000
Foreign exchange losses	**(6,535)**	(587)
Impairment loss on property, plant and equipment	**(3,500)**	–
Impairment loss recognised in respect of other receivables, net	**(551)**	(415)
Loss on disposal of property, plant and equipment	**(98)**	(161)
Gain on derecognition of right-of-use assets and lease liabilities	**1,090**	3,303
	(9,594)	2,140

Note: During the current year, the Group recognised government grants mainly in respect of COVID-19-related subsidies of RMB270,000 (2019: nil). These amounts have been recognised as other income upon receipt, and there was no unfulfilled condition attached to these government grants at the end of the reporting period.

8. FINANCE COSTS

	2020	2019
	RMB'000	RMB'000
Interests on lease liabilities	**7,916**	6,687

9. TAXATION

	2020	2019
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**3,533**	8,319
Deferred tax credit (Note 16)	**(909)**	(51)
	2,624	8,268

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.

9. TAXATION (continued)

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	**4,677**	57,234
Tax at the domestic income tax rate of 25%	**1,169**	14,309
Tax effect of income not taxable for tax purposes	**(2,388)**	–
Tax effect of expenses not deductible for tax purposes	**6,780**	2,252
Utilisation of tax losses not recognised	**–**	(28)
Effect of different tax rates under other jurisdiction	**1,422**	982
Effect of concessionary rates	**125**	(3,380)
Effect of super deduction for content and information technology development and training expenses	**(4,484)**	(5,867)
Taxation for the year	**2,624**	8,268

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2020 RMB'000	2019 RMB'000
Profit and total comprehensive income for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' remuneration (note 11)	2,508	1,933
Other staff costs	107,500	110,033
Other staff's retirement benefits scheme contributions	12,047	16,850
	122,055	128,816
Write-down for inventories	23	71
Auditor's remuneration	1,852	–
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) (note 14)	(4,258)	–

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

Mr. Zhang Hongjun, Mr. Shan Jingchao and Mr. Ma Wenhao were appointed as executive directors of the Company on 30 November 2018, 22 March 2019 and 22 March 2019, respectively.

Mr. Jia Shuilin was appointed as non-executive director on 22 March 2019 and Mr. Lui Siu Keung, Mr. Li Gang, Ms. Yang Min and Mr. Zhang Jian were appointed as independent non-executive directors of the Company on 18 June 2020.

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

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

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Directors' and chief executive's emoluments (continued)

Details of the emoluments paid or payable by the Group to the directors of the Company (including emoluments for services as employee or directors of the group entities prior to becoming the directors of the Company) for the year are as follows:

	2020				2019		
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement scheme contributions RMB'000	Total RMB'000	Salaries and other benefits RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors							
Mr. Zhang Hongjun							
(Chief executive officer)	–	1,423	48	1,471	1,222	53	1,275
Mr. Shan Jingchao	–	345	46	391	285	44	329
Mr. Ma Wenhao	–	345	46	391	285	44	329
Non-executive director							
Mr. Jia Shuilin	65	–	–	65	–	–	–
Independent non-executive directors							
Mr. Lui Siu Keung	65	–	–	65	–	–	–
Mr. Li Gang	50	–	–	50	–	–	–
Ms. Yang Min	75	–	–	75	–	–	–
Mr. Zhang Jian	–	–	–	–	–	–	–
	255	2,113	140	2,508	1,792	141	1,933

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

For the year ended 31 December 2020, Mr. Zhang Jian waived emoluments of RMB50,000. Other than this, there was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2020 (2019: nil).

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments

The five highest paid individuals included three (2019: three) directors whose emoluments are included in the disclosures above for the year ended 31 December 2020. The emoluments of the remaining two (2019: two) individuals for the year ended 31 December 2020, were as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries and other benefits	**839**	739
Retirement benefit scheme contributions	**26**	42
	865	781

Their emoluments were within the following band:

	2020 **Number of** **Individuals**	2019 Number of individuals
nil to HK$1,000,000	**2**	2

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

12. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 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.

13. 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 27) 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:

	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	**(14,171)**	(65)
(Loss) profit for the year attributable to the owners of the Company for the purpose of diluted (loss) earnings per share	**(12,118)**	48,901
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**675,984,909**	568,420,800
Effect of dilutive potential ordinary shares:		
Convertible note	**16,911,266**	5,364,138
Weighted average number of ordinary share for the purpose of diluted (loss) earnings per share	**692,896,175**	573,784,938

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

14. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets for buildings RMB'000	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2019	236,794	31,946	61,685	20,570	2,966	353,961
Additions	118,327	–	25,788	14,804	–	158,919
Disposals/written off	–	–	(3,980)	(1,023)	–	(5,003)
Derecognition upon early termination of leases	(33,160)	–	–	–	–	(33,160)
Transfer to investment properties	–	(5,574)	–	–	–	(5,574)
At 31 December 2019	321,961	26,372	83,493	34,351	2,966	469,143
Additions	110,742	–	36,186	12,504	–	159,432
Disposals/written off	–	–	(1,352)	(816)	–	(2,168)
Derecognition upon early termination of leases	(15,534)	–	–	–	–	(15,534)
At 31 December 2020	417,169	26,372	118,327	46,039	2,966	610,873
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2019	83,850	1,141	36,550	8,365	913	130,819
Provided for the year	51,451	569	18,701	6,460	653	77,834
Eliminated on disposals/written off	–	–	(3,980)	(651)	–	(4,631)
Eliminated on derecognition upon early termination of leases	(13,819)	–	–	–	–	(13,819)
Eliminated upon transfer to investment properties	–	(373)	–	–	–	(373)
At 31 December 2019	121,482	1,337	51,271	14,174	1,566	189,830
Provided for the year	**60,158**	**502**	**21,856**	**9,265**	**583**	**92,364**
Impairment loss recognised in profit or loss	**2,868**	**–**	**426**	**206**	**–**	**3,500**
Eliminated on disposals/written off	**–**	**–**	**(1,352)**	**(705)**	**–**	**(2,057)**
Eliminated on derecognition upon early termination of leases	**(4,600)**	**–**	**–**	**–**	**–**	**(4,600)**
At 31 December 2020	**179,908**	**1,839**	**72,201**	**22,940**	**2,149**	**279,037**
CARRYING VALUES						
At 31 December 2020	**237,261**	**24,533**	**46,126**	**23,099**	**817**	**331,836**
At 31 December 2019	**200,479**	**25,035**	**32,222**	**20,177**	**1,400**	**279,313**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

During the year ended 31 December 2020, the Group leases various teaching centres, offices and staff quarters for its operations. Lease contracts are entered into for fixed term of one year to eight years (2019: one year to ten years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has termination option in a number of leases for the teaching centres, offices and staff quarters. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of termination options held are exercisable only by the Group and not by the respective lessors. The Group assesses at lease commencement date whether it is reasonably certain not to exercise the termination options. As at 31 December 2020, there was no termination options in which the Group was not reasonably certain not to exercise.

During the year ended 31 December 2019, certain previously self-used properties of the Group have been rented out to independent third parties. Accordingly the carrying amount of the properties of RMB5,201,000 was transferred to investment properties of the Group. Investment properties are measured using the cost model as detailed in note 15.

The Group is in the process of obtaining title deeds from relevant government authorities for its land and buildings in the PRC amounting to RMB4,025,000 (2019: RMB4,106,000). In the opinion of the directors of the Company, the Group is not required to incur additional cost in obtaining the title deeds for its land and buildings in the PRC.

The directors of the Company considered that the payments for the leasehold land and building elements of the Group's owned properties located in the PRC with a carrying value of RMB24,533,000 (2019: RMB25,035,000) cannot be allocated reliably.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

During the current year, the Group had to temporarily close its teaching centres in order to contain the spread of coronavirus disease 2019 ("**COVID-19**"). In response to the outbreak of COVID-19, the Group launched online course for students in February 2020 and converted physical class to online class temporarily where students were 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. As such, the financial positions and performance of the Group were affected in different aspects, including reduction of revenue as disclosed in note 6 and rent concessions from certain lessors. Lessors of the relevant teaching centres provided rent concessions to the Group through rent reductions ranging from 10% to 100% over one to three months. These rent concessions occurred as a direct consequence of COVID-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the current year, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB4,258,000 were recognised as negative variable lease payments.

Impairment assessment

Due to the impact of COVID-19 pandemic, the management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment particularly the right-of-use assets for buildings with carrying amounts of RMB11,697,000 (including RMB9,768,000 related to right-of-use assets for buildings). The Group estimates the recoverable amount of the each training center, which represent separate cash-generating units ("**CGUs**") of 4 training centers to which the asset belongs as it is not possible to estimate the recoverable amount individually.

The recoverable amount of CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group which included forecast cash flow of tuition fees income and operating costs of the remaining lease period of the relevant right-of-use assets of the buildings for respective teaching centers. The annual growth rate is based on the historical growth rate of other teaching centers within the Group and management expectations for the after school education market development.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGUs is lower than the carrying amount. The impairment amount has been allocated to each category of property, plant and equipment (including right-of-use assets for buildings) such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment of RMB3,500,000 has been recognised against the carrying amount of property, plant and equipment (including right-of-use assets for buildings) (2019: nil).

15. INVESTMENT PROPERTIES

During the year ended 31 December 2019, certain previously self-used properties of the Group have been rented out to independent third parties. Accordingly the carrying amount of the properties of RMB5,201,000 was transferred to investment properties of the Group. Investment properties are measured using the cost model.

	RMB'000
COST	
At 1 January 2019	–
Transfer from property, plant and equipment	5,201
At 31 December 2019 and 2020	5,201
ACCUMULATED DEPRECIATION	
At 1 January 2019	–
Provided for the year	38
At 31 December 2019	38
Provided for the year	**106**
At 31 December 2020	**144**
CARRYING VALUES	
At 31 December 2020	**5,057**
At 31 December 2019	5,163

The fair value of the Group's investment properties as at 31 December 2020 was RMB6,890,000 (2019: RMB6,640,000) which was arrived at on the basis of a valuation carried out on 31 December 2020 by Cushman & Wakefield Limited, an independent qualified professional valuer which is not connected with the Group. The fair value was determined based on direct comparison approach making reference to comparable market observable transactions of similar locations and conditions as available in the relevant market.

15. INVESTMENT PROPERTIES (continued)

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value measurement of the Group's investment properties is classified as Level 3 under the fair value hierarchy. The above investment properties are depreciated on a straight-line basis over the shorter of the relevant lease terms or 47 years.

16. DEFERRED TAX ASSETS

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

	Tax loss RMB'000	Impairment loss on property, plant and equipment RMB'000	Loss allowance for other receivables RMB'000	Total RMB'000
At 1 January 2019	–	–	56	56
Credit to profit or loss (Note 9)	–	–	51	51
At 31 December 2019	–	–	107	107
Credit to profit or loss (Note 9)	297	525	87	909
At 31 December 2020	297	525	194	1,016

As 31 December 2020, the Group has unused tax losses of RMB1,979,000 (2019: nil) available for offset against future profits. A deferred tax asset has been recognised, with a tax rate of 15% adopted, in respect of approximately RMB1,974,000 (2019: nil).

17. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Unlisted:		
— Equity investment (Note)	5,000	–

Note: The above unlisted equity investment represent the Group's equity interest in a private entity operating online education business in the PRC. The directors of the Company have elected to designate this investment as financial asset at FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Group's strategy of holding this investment for long-term purposes and realising its performance potential in the long run. Details of the fair value measurement as disclosed in note 33.

18. INVENTORIES

	2020 RMB'000	2019 RMB'000
Books and teaching materials	9,356	7,091

19. FINANCIAL ASSETS AT FVTPL

	2020 RMB'000	2019 RMB'000
Current asset:		
Financial assets at FVTPL	10,000	55,000

As at 31 December 2020, the Group entered into 1 contract (2019: 4 contracts) of wealth management products with financial institutions in the PRC. As at 31 December 2019, the principals of RMB45,000,000 was guaranteed by the relevant financial institutions, while the principals of RMB10,000,000 was not guaranteed by the relevant financial institutions. As at 31 December 2020, the whole amount of RMB10,000,000 was not guaranteed by the relevant financial institutions. The returns of the wealth management products were determined by reference to the performance of the underlying investments and their expected return rates stated in the outstanding contracts as at 31 December 2020 was 4.20% per annum (2019: 3.55% to 4.80% per annum).

19. FINANCIAL ASSETS AT FVTPL (continued)

In the opinion of the management of the Group, the fair value of the wealth management products at 31 December 2020 and 2019 approximated their principal amounts. All wealth management products will be matured within twelve months from the end of the reporting period.

20. OTHER RECEIVABLES

	2020 RMB'000	2019 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

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

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

20. OTHER RECEIVABLES (continued)

Movements in the loss allowance for other receivables are as below:

	2020 RMB'000	2019 RMB'000
At beginning of the year	659	348
Impairment losses recognised	551	417
Reversal of impairment losses	–	(2)
Write off	–	(104)
At end of the year	1,210	659

21. TIME DEPOSITS/BANK BALANCES AND CASH

Time deposits include bank deposits with original maturity of over three months carrying effective interest rates ranging from 1.65% to 2.10% per annum.

Bank balances and cash comprise bank deposits, cash and bank balances held by the Group with original maturity of three months or less and carry interest at prevailing market rates ranging from 0.001% to 0.35% per annum (2019: 0.001% to 0.35% per annum).

The bank balances and cash of the Group that are dominated in a currency other than the functional currency of the relevant group entity are set out below:

	2020 RMB'000	2019 RMB'000
United States Dollars ("**USD**")	47,228	42,944
Hong Kong Dollars ("**HK$**")	33,613	2,124

22. 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:

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

23. OTHER PAYABLES AND ACCRUED CHARGES

	2020 RMB'000	2019 RMB'000
Staff cost payables	14,639	12,052
Renovation cost payables	1,952	2,264
Refundable tuition deposits	3,305	3,076
Refundable deposits from Contracted Parties	1,905	889
Other taxes payables	398	685
Other payables	3,521	1,486
Accrued listing expenses	–	7,656
Accrued issue costs	–	2,153
	25,720	30,261

24. RECEIPTS IN ADVANCE

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

	2020 RMB'000	2019 RMB'000
Receipts in advance:		
— Tutoring fees	**190,022**	167,557
— Brand name licensing and advisory services income	**2,688**	3,335
	192,710	170,892

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

Changes in receipts in advance during the year are as follows:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	**170,892**	163,549
Amount refunded due to contract termination that was included in the contract liabilities at the beginning of the year	**(8,116)**	(6,840)
Revenue recognised that was included in the contract liabilities at the beginning of the year	**(162,294)**	(147,034)
Increase due to cash received, excluding amounts recognised as revenue during the year	**192,228**	161,217
At the end of the year	**192,710**	170,892

25. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Non-current	**197,398**	168,227
Current	**36,553**	26,704
	233,951	194,931
Minimum lease payment due:		
— within one year	**44,249**	32,980
— more than one year but not exceeding two years	**61,325**	47,151
— more than two years but not exceeding five years	**129,610**	101,600
— more than five years	**19,669**	32,851
	254,853	214,582
Less: Future finance charge	**(20,902)**	(19,651)
Present value of lease liabilities	**233,951**	194,931
Present value of lease liabilities		
— within one year	**36,553**	26,704
— more than one year but not exceeding two years	**55,547**	42,322
— more than two years but not exceeding five years	**122,276**	94,202
— more than five years	**19,575**	31,703
	233,951	194,931

The Group leases various properties for provision of after-school education services and these lease liabilities were measured at the present value of the lease payments that are not yet paid.

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

The total cash outflows for leases including the payments of lease liabilities and interests are RMB67,096,000 (2019: RMB54,233,000).

26. FINANCIAL LIABILITIES DESIGNATED AT FVTPL

On 31 October 2019, the Company issued the convertible note to an investor in the principal amount of US$7,083,959 (equivalent to approximately RMB49,875,000) ("**Principal**"), which was irrevocably settled in cash and cash received by the Company on 6 December 2019 ("**Convertible Note**"). The Convertible Note shall be mandatorily and automatically converted into ordinary shares of the HK$0.01 each of the Company ("**Conversion Shares**") which shall represent approximately 5.2632% of the entire issued share capital of the Company (as enlarged by the allotment and issue of Conversion Shares and the Capitalisation Issue (as defined in Note 27)) should the grant of the Listing take place on or before its maturity date (being 31 December 2021), or may also be converted into Conversion Shares before the Listing and at the discretion of the investor.

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

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

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

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

The Convertible Note was classified as non-current liabilities as at 31 December 2019.

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

26. FINANCIAL LIABILITIES DESIGNATED AT FVTPL (continued)

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

	Convertible Note RMB'000
At 1 January 2019	–
Issued during the year	49,875
Fair value gain	(65)
At 31 December 2019	49,810
Fair value gain	**(14,171)**
Conversion to Conversion Shares (Note 27)	**(35,639)**
At 31 December 2020	**–**

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

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

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

26. FINANCIAL LIABILITIES DESIGNATED AT FVTPL (continued)

Three scenarios were considered in the valuation of Convertible Note:

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

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

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

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

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

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

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

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

27. 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	Shown in the consolidated financial statements
		HK$'000	RMB'000
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 (note a)	9,962,000,000	99,620	
At 31 December 2020	10,000,000,000	100,000	
Issued and fully paid:			
At 1 January 2019 and 31 December 2019	1	–	–
Issue of shares pursuant to the Reorganisation (note b)	9,999	–	–
Issue of shares pursuant to the Capitalisation Issue (note c)	568,410,800	5,684	5,132
Issue of shares pursuant to the full conversion of the Convertible Note (note d)	31,579,200	316	285
Issue of shares pursuant to the share offer (note e)	200,000,000	2,000	1,806
At 31 December 2020	800,000,000	8,000	7,223

27. SHARE CAPITAL (continued)

Notes:

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

(b) During the year ended 31 December 2020, for the purpose of the Reorganisation, in consideration of Lucky Heaven and Bai Tai transferring 8,727 shares and 1,273 shares respectively in Golden Town 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.

28. RETIREMENT BENEFITS SCHEMES

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefit scheme.

The total expense recognised in profit or loss of RMB12,187,000 (2019: RMB16,991,000), represents contributions paid and payable to these plans by the Group at rates specified in the rules of the plans.

29. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme

The 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 the Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest.

The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Group shall not exceed 80,000,000 shares, being 10% of the total number of shares in issue (assuming the over-allotment option is not exercised) as at 15 July 2020 unless the Group obtains the approval of the shareholders in general meeting for renewing the 10% limit.

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

The Share Option Scheme will remain in force until 17 June 2030. During the year ended 31 December 2020, no options had been granted, exercised, cancelled or lapsed under the Share Option Scheme, nor were any options outstanding under the Share Option Scheme.

29. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share Award Scheme

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

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

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

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

No awarded shares have been granted under the Scheme during the year ended 31 December 2020.

30. OPERATING LEASING ARRANGEMENTS

The Group as lessor

All of the properties held for rental purposes have committed lessees for the next two (2019: two to five) years. Undiscounted lease payments receivable on leases are as follows:

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Within one year	171	193
In the second year	11	203
In the third year	–	160
In the fourth year	–	168
In the fifth year	–	101
	182	825

31. CAPITAL COMMITMENTS

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	4,275	7,933

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities disclosed in note 25, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising paid up capital, other reserves and retained profits.

32. CAPITAL RISK MANAGEMENT (continued)

Management of the Group reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividend, new share issues and raise of new borrowings.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Amortised cost (including cash and cash equivalents)	424,472	182,493
Financial assets at FVTPL	10,000	55,000
Financial asset designated at FVTOCI	5,000	–
	439,472	237,493
Financial liabilities		
Amortised cost	11,682	18,301
Financial liabilities designated at FVTPL	–	49,810
	11,682	68,111

Financial risk management objectives and policies

The Group's major financial instruments include other receivables, financial assets at FVTPL, financial asset designated at FVTOCI, refundable deposits, time deposits, bank balances and cash, trade and other payables and financial liabilities designated at FVTPL. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

33. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk

Currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities which are denominated in a currency other than the functional currency of the relevant group entities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**47,228**	42,944	**–**	49,810
HK$	**33,613**	2,124	**–**	–

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

The Group are mainly exposed to US$ and HK$ exchange rate risk.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$ and HK$ during the year ended 31 December 2020 (2019: 5%). 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The sensitivity analysis includes bank balances and financial liabilities designated at FVTPL that are denominated in US$ and HK$. A positive (negative) number below indicates a decrease (an increase) in post-tax profit for the year where US$ and HK$ weaken 5% against the functional currency of the relevant group entities. For a 5% strengthening of US$ and HK$ against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

33. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis (continued)

	US$ Impact		HK$ Impact	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Post-tax profit for the year	**2,361**	(343)	**1,681**	106

Interest rate risk

The Group's interest rate risk arises primarily from time deposits, cash at banks and lease liabilities. Bank balances at variable rates and, lease liabilities and time deposits at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's time deposits and bank balances are placed with certain financial institutions and the management of the Group manages this risk by placing deposits at various maturities and interest rate terms. The Group currently does not hedge its exposure to cash flow and fair value interest rate risk.

Sensitivity analysis

No sensitivity analysis is presented since the management of the Group considers the exposure of cash flow interest rate risk arising from variable-rate bank balance is insignificant.

33. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to its receivables from third-party payment platforms, other receivables, time deposits and bank balances.

The Group's carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of reporting period represent the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligation by counterparties.

The credit risk for receivables from third-party payment platforms with gross carrying amounts of RMB2,336,000 (2019: RMB468,000) is considered low as such amounts are the cash settlement from creditworthy third-party payment platforms within one month. The credit risk for time deposits and bank balances with gross carrying amounts of RMB119,700,000 and RMB299,667,000, respectively, (2019: RMB nil, RMB176,939,000) are considered low as such amounts are placed in banks with good reputation.

The Group also considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on an asset as at the end of reporting period with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information, especially the actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligation.

The management of the Group considers that there is no material increase in the credit risk on receivables from third-party payment platforms, time deposits and bank balances for the year and the risk of default is insignificant. The ECL for receivables from third-party platforms, time deposits and bank balances were insignificant for the year.

For other receivables with gross carrying amounts of RMB3,979,000 (2019: RMB3,178,000), management of the Group makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience and also available reasonable and supportive forward-looking information.

33. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table shows the movement in ECL that has been recognised for other receivables.

	12m ECL RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2019	346	–	346
Transfer	(104)	104	–
Changes due to financial instruments recognised as at 1 January 2019:			
— Amounts written off (note)	–	(104)	(104)
New financial assets originated or purchased	417	–	417
At 31 December 2019	659	–	659
New financial assets originated or purchased	**551**	**–**	**551**
At 31 December 2020	**1,210**	**–**	**1,210**

Note: During the year ended 31 December 2019, the Group reassessed the impaired receivable and considered that there is no realistic prospect of recovery, the relevant receivable of RMB104,000 was written off accordingly.

The Group have concentration of credit risk on liquid funds which are deposited with several banks and receivables from third-party payment platforms. However, the credit risk on time deposits, bank balances and receivables from third-party payment platforms is limited because the counterparties are with high credit ratings assigned by international credit-rating agencies, and ECL is insignificant.

33. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Taking into account the cash from the operating activities and proceeds from the Listing, the directors consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly the financial statement has been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. The undiscounted amount is derived from interest rate at the end of the reporting period.

	Effective interest rate %	On demand RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	Over 5 year RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
As at 31 December 2020								
Trade payables	N/A	–	999	–	–	–	999	999
Other payables and accrued charges	N/A	–	10,683	–	–	–	10,683	10,683
Lease liabilities	3.25	–	13,227	31,022	190,935	19,669	254,853	233,951
		–	24,909	31,022	190,935	19,669	266,535	245,633
As at 31 December 2019								
Trade payables		–	777	–	–	–	777	777
Other payables and accrued charges	N/A	–	17,524	–	–	–	17,524	17,524
Lease liabilities	3.25	–	9,709	23,271	148,751	32,851	214,582	194,931
Financial liabilities designated at FVTPL	N/A	–	–	–	49,462	–	49,462	49,810
		–	28,010	23,271	198,213	32,851	282,345	263,042

33. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments

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

Fair value of Group's financial assets and liabilities that are measured at fair value on a recurring basis

Financial assets	Fair value at 31 December 2020 RMB'000	31 December 2019 RMB'000	Fair value hierarchy	Valuation technique and key inputs
Equity instrument at FVTOCI (Note a)	5,000	–	Level 3	Market approach Key inputs: 1. average price-to-sales ratio of the listed companies in same industry 2. the discount of lack of marketability of the unlisted company
Financial assets at FVTPL (Note b)	Wealth management products in the PRC: 10,000	Wealth management products in the PRC: 55,000	Level 3	Discounted cash flows Key unobservable inputs: 1. expected yields of underlying investments invested by financial institutions 2. a discount rate that reflects the credit risk of the financial institutions
Financial liabilities designated at FVTPL (Note c)	–	Convertible Note: RMB49,810	Level 3	Refer to note 26

33. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

Fair value of Group's financial assets and liabilities that are measured at fair value on a recurring basis (continued)

Notes:

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

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

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

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

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

(c) The sensitivity analysis below have been determined mainly based on the exposure to the equity value of the Group as the directors of the Company consider that the change in other input variables may not have significant financial impact on the fair values of convertible note.

If the equity value to the valuation model had been 5% higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year ended 31 December 2019 would have been decreased/increased by RMB1,953,000.

There were no transfers between levels of the fair value hierarchy during the both years.

33. FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair value measurements

	Financial liabilities designated at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
At 1 January 2019	–	–	40,000	40,000
Fair value change recognised in profit or loss	65	–	–	65
Purchased	–	–	456,150	456,150
Issued	(49,875)	–	–	(49,875)
Settlements	–	–	(441,150)	(441,150)
Fair value change recognised in profit or loss	14,171	–	–	14,171
Purchased	–	5,000	95,000	100,000
Settlements	35,639	–	(140,000)	(104,361)
At 31 December 2020	–	5,000	10,000	15,000

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, for future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Accrued share issue costs RMB'000	Dividends payable RMB'000	Lease liabilities RMB'000	Financial liabilities designated at FVTPL RMB'000	Total RMB'000
At 1 January 2019	416	–	147,447	–	147,863
Net financing cash flows	(1,393)	(48,390)	(54,233)	49,875	(54,141)
Finance costs	–	–	6,687	–	6,687
Recognition of lease liabilities (note 38)	–	–	117,945	–	117,945
Derecognition of lease liabilities (note 38)	–	–	(22,915)	–	(22,915)
Dividends declared	–	48,390	–	–	48,390
Share issue costs recognised	3,130	–	–	–	3,130
Fair value change of financial liabilities designated at fair value through profit or loss	–	–	–	(65)	(65)
At 31 December 2019	2,153	–	194,931	49,810	246,894
Net financing cash flows	**(14,256)**	**–**	**(62,838)**	**–**	**(77,094)**
Finance costs	**–**	**–**	**7,916**	**–**	**7,916**
Recognition of lease liabilities (note 38)	**–**	**–**	**110,453**	**–**	**110,453**
Derecognition of lease liabilities (note 38)	**–**	**–**	**(12,253)**	**–**	**(12,253)**
COVID-19-related rent concessions	**–**	**–**	**(4,258)**	**–**	**(4,258)**
Share issued costs recognised	**12,103**	**–**	**–**	**–**	**12,103**
Fair value change of financial liabilities designated at fair value through profit or loss	**–**	**–**	**–**	**(14,171)**	**(14,171)**
Conversion of convertible note (note 38)	**–**	**–**	**–**	**(35,639)**	**(35,639)**
At 31 December 2020	**–**	**–**	**233,951**	**–**	**233,951**

35. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of the directors and other members of key management during the year ended 31 December 2020 and 2019 were as follows:

	2020 RMB'000	2019 RMB'000
Short-term benefits	3,592	2,766
Post-employment benefits	286	301
	3,878	3,067

36. PARTICULARS OF SUBSIDIARIES

The Company has equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Paid up capital	As at 31 December		Principal activities
				2020 %	2019 %	
Subsidiaries:						
Golden Town^	British Virgin Islands	Hong Kong	US$50,000	100	100	Investment holding
Dashan Education (HK)	Hong Kong	Hong Kong	HK$1	100	100	Investment holding
WFOE	PRC	PRC	RMB1,000,000	100	100	Sales of books and teaching materials and provision of technical services
Structured entities (note):						
Dashan Training	PRC	PRC	RMB32,260,000	100	100	After-school education services
Jing Guang Dashan	PRC	PRC	RMB1,000,000	100	100	After-school education services

^ The equity interest is directly held by the Company upon completion of the Reorganisation.

None of the subsidiaries had any debt securities during the year or at the end of the reporting period.

Note: The Company does not have direct or indirect legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, Contractual Arrangements have been entered into with these structured entities and the equity holders of these structured entities on 12 January 2020 as detailed in note 2.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	–	–
Amounts due from subsidiaries	168,386	–
	168,386	–
CURRENT ASSETS		
Other receivables	92	5,344
Bank balances and cash	55,591	45,068
	55,683	50,412
CURRENT LIABILITIES		
Amounts due to subsidiaries	12,694	8,864
Other payables and accrued charges	1,852	9,809
	14,546	18,673
NET CURRENT ASSETS	41,137	31,739
TOTAL ASSETS LESS CURRENT LIABILITIES	209,523	31,739
NON-CURRENT LIABILITY		
Financial liabilities designated at fair value through profit or loss	–	49,810
NET ASSETS (LIABILITIES)	209,523	(18,071)
CAPITAL AND RESERVES		
Share capital	7,223	–
Reserves	202,300	(18,071)
Equity (deficit in equity)	209,523	(18,071)

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's capital and reserves:

	Share capital RMB'000	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	–	–	(6,517)	(6,517)
Loss and total comprehensive expense for the year	–	–	(11,554)	(11,554)
At 31 December 2019	–	–	(18,071)	(18,071)
Loss and total comprehensive expense for the year	–	–	(16,735)	(16,735)
Issue of shares pursuant to the share offer (note 27)	1,806	223,904	–	225,710
Issue of shares pursuant to the capitalisation issue (note 27)	5,132	(5,132)	–	–
Issue of shares pursuant to the full conversion of the Convertible Note (note 27)	285	35,354	–	35,639
Transaction costs attributable to issue of shares	–	(17,020)	–	(17,020)
At 31 December 2020	7,223	237,106	(34,806)	209,523

38. NON-CASH TRANSACTIONS

During the year, the Group has entered into the following major non-cash transactions:

(a) Right-of-use assets for buildings with a total amount of RMB110,742,000 (2019: RMB118,327,000) and lease liabilities of RMB110,453,000 (2019: RMB117,945,000) were recognised on commencement date of new leases entered into by the Group during the year ended 31 December 2020.

(b) Right-of-use assets for buildings with a total carrying amount of RMB10,934,000 (2019: RMB19,341,000) and lease liabilities of RMB12,253,000 (2019: RMB22,915,000) were derecognised during the year ended 31 December 2020 upon early termination of relevant lease agreements.

The Convertible Note was fully converted into 31,579,200 ordinary shares of the HK$0.01 each of the Company with a total amount of RMB35,639,000.

39. 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 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 31 December 2021, 31 December 2022 and 31 December 2023, respectively, in accordance with the rules of the 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.

FINANCIAL SUMMARY

	Year ended 31 December			
	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	217,343	289,787	383,647	**333,041**
Profit (loss) for the year attributable to:				
Owners of the Company	28,062	44,943	48,966	**2,053**
Non-controlling interests	(2)	–	–	**–**
	28,060	44,943	48,966	**2,053**

	As at 31 December			
	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets and liabilities				
Total assets	321,202	421,676	537,609	**791,092**
Total liabilities	255,152	334,331	449,688	**456,789**
	66,050	87,345	87,921	**334,303**
Equity attributable to owners of the Company	65,952	87,345	87,921	**334,303**
Non-controlling interests	98	–	–	**–**
	66,050	87,345	87,921	**334,303**

"2020 AGM"	the AGM proposed to be held on 7th day, June 2021
"AGM"	the annual general meeting of the Company
"Articles" or "Articles of Association"	the articles of association of our Company as amended from time to time
"associate(s)"	has the same meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Award Shares"	award shares granted under the Share Award Scheme
"Bai Tai"	Bai Tai Investments Limited (百泰投資有限公司), a company incorporated in the BVI with limited liability
"Board of Directors" or "Board"	our board of Directors
"CG Code"	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
"Company," "our Company" or "the Company"	Dashan Education Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 9986)
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"connected person(s)"	has the same meaning ascribed thereto under the Listing Rules
"Consolidated Affiliated Entity(ies)"	an entity or the entities controlled by our Company through the Contractual Arrangements which comprised, as at the date of this annual report, Dashan Training and Jing Guang Dashan
"Contractual Arrangements"	the arrangements under the Structured Contracts, details of which are described in the section headed "Structured Contracts" in the Prospectus
"Controlling Shareholder(s)" or "our Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, being Lucky Heaven and Mr. Zhang or any of them
"Conversion"	the conversion of the Convertible Note into Conversion Shares pursuant to the terms and conditions of the Convertible Note
"Conversion Shares"	the new Shares fall to be allotted and issued upon the Conversion rights attached to the Convertible Note being exercised
"Convertible Note"	the convertible note issued by our Company to the Pre-IPO Investor on 31 October 2019 in the principal amount of USD equivalent to RMB50,000,000 (equivalent to approximately US$7.08 million) convertible into approximately 5.2632% of the entire issued share capital of our Company (as enlarged by the allotment and issue of the Conversion Shares and the Capitalisation Issue) from time to time but without taking into account the new Shares to be allotted and issued under the Share Offer

"COVID-19"	coronavirus disease 2019
"COVID-19 Outbreak"	The outbreak of COVID-19
"Dashan Consultancy"	Zhengzhou Dashan Corporate Management Consultancy Company Limited* (鄭州大山企業管理諮詢有限公司), a Company established in the PRC with limited liability on 18 October 2018
"Dashan Management"	Zhengzhou Dashan Corporate Management Centre (LLP)* (鄭州大山企業管理中心(有限合夥)), a limited partnership established in the PRC on 31 May 2016
"Dashan Training"	Zhengzhou Jinshui Dashan Training School Company Limited* (鄭州市金水區大山培訓學校有限公司) (formerly known as Zhengzhou Dashan Education Consultancy Company Limited* (鄭州大山教育諮詢有限公司) and Zhengzhou Dashan Education Technology Company Limited* (鄭州大山教育科技股份有限公司)), a company established in the PRC with limited liability on 30 December 2010, one of the Consolidated Affiliated Entities
"Deed of Non-competition"	the deed of non-competition dated 23 June 2020 given by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of each of our subsidiaries)
"Director(s)"	the director(s) of our Company
"Equity Pledge Agreement"	the equity pledge agreement entered into by and among WFOE, Dashan Training and the Registered Shareholders dated 12 January 2020
"Exclusive Business Cooperation Agreement"	the exclusive business cooperation agreement entered into by and among WFOE, Dashan Training, Jing Guang Dashan, and the Registered Shareholders dated 12 January 2020
"Exclusive Call Option Agreement"	the exclusive call option agreement entered into by and among WFOE, Dashan Training, Jing Guang Dashan and the Registered Shareholders dated 12 January 2020
"Exclusive Technical Service and Management Consultancy Agreement"	the exclusive technical service and management consultancy agreement entered into by and among WFOE, Dashan Training and Jing Guang Dashan dated 12 January 2020
"FY2019"	the year ended 31 December 2019
"FY2020"	the year ended 31 December 2020
"Group" or "our Group" "we" or "us"	our Company, its subsidiaries, its predecessor and the Consolidated Affiliated Entities from time to time
"Hou De Education"	Zhengzhou Hou De Education Consultation Company Limited* (鄭州市厚德教育諮詢有限公司), a company established in the PRC with limited liability on 25 March 2008, which is wholly-owned by Mr. Zhang

"Individual Shareholder Spouse Undertaking(s)"	collectively, the spouse undertakings dated 12 January 2020 respectively signed by Ms. Peng Xin who is the spouse of Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, and Ms. Yuan Zhaoxia who is the spouse of Mr. Shan Jingchao, being an executive Director and a director of Dashan Training
"Investment Management Committee"	the investment committee of the Company
"Jing Guang Dashan"	Zhengzhou Jing Guang Dashan Training School Company Limited* (鄭州京廣大山培訓學校有限公司) (formerly known as Zhengzhou Jing Guang Dashan Education Consultation Limited* (鄭州市京廣大山教育諮詢有限公司)), a company established in the PRC with limited liability on 21 September 2015, which is one of the Consolidated Affiliated Entities and is wholly-owned by Dashan Training
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	15 July 2020, being the date on which dealings of our Shares on the Main Board of the Stock Exchange first commenced
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Lucky Heaven"	Lucky Heaven International Limited (瑞天國際有限公司), a company incorporated in the BVI with limited liability on 23 October 2018 which is wholly-owned by Mr. Zhang, and one of our Controlling Shareholders
"Memorandum and Articles of Association"	the memorandum and articles of association of the Company, as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Zhang"	Mr. Zhang Hongjun (張紅軍), an executive Director, the chairman of our Board, the chief executive officer and founder of our Group and one of our Controlling Shareholders
"Mr. Zhang's Undertaking"	an undertaking signed by Mr. Zhang who currently does not have a spouse, dated 12 January 2020, pursuant to which, among others, Mr. Zhang irrevocably undertakes and ensures to procure his future spouse to sign the same Individual Shareholder Spouse Undertaking
"Nomination Committee"	the nomination committee of the Company
"Placing"	the conditional placing of our Shares, as defined in the Prospectus and further described in "Structure of the Share Offer" in the Prospectus

"PRC" or "China"	People's Republic of China
"Pre-IPO Investor" or "SCGC Capital"	SCGC Capital Holding Company Limited (SCGC資本控股有限公司), a company incorporated in the BVI with limited liability on 16 November 2006, and the pre-IPO investor of our Company
"Prospectus"	the prospectus issued by the Company dated 30 June 2020
"Public Offer"	the issue and offer for subscription of our Shares to the public in Hong Kong for cash, as defined in the Prospectus and further described in "Structure of the Share Offer" in the Prospectus
"Registered Shareholders"	Mr. Zhang, Mr. Shan Jingchao, being an executive Director and a director of Dashan Training, Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, Hou De Education and Dashan Consultancy
"Remuneration Committee"	the remuneration committee of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company
"Share Award Scheme"	the share award scheme of our Company adopted on 14 December 2020
"Share Offer"	the Public Offer and the Placing
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Powers of Attorney"	the powers of attorney executed by each of the Registered Shareholders in favour of WFOE, all dated 12 January 2020
"Shareholders' Rights Entrustment Agreement"	the shareholders' rights entrustment agreement executed by WFOE, Dashan Training and the Registered Shareholders dated 12 January 2020
"Share Option Scheme"	the share option scheme of our Company conditionally adopted on 18 June 2020
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"WFOE"	Zhengzhou Dashan Yun Xiao Technology Company Limited* (鄭州大山雲效科技有限公司), a wholly foreign owned enterprise established in the PRC on 9 January 2019 and an indirect wholly-owned subsidiary of our Company