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DASHAN EDUCATION HOLDINGS LIMITED
大 山 教 育 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9986)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

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

The board (the "**Board**") of directors (the "**Directors**") of Dashan Education Holdings Limited (the "**Company**") hereby announces the audited consolidated financial information of our Company and its subsidiaries (collectively, the "**Group**", "**we**", "**our**" or "**us**") for the year ended 31 December 2021 (the "**FY2021**") together with the comparative figures for the year ended 31 December 2020 (the "**FY2020**") as set out in this announcement.

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

	NOTES	**2021**	2020
		RMB'000	*RMB'000*
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(61,423)**	2,053
Non-controlling interests		**(373)**	—
		(61,796)	2,053
(Loss) earnings per share	*8*		
— Basic (RMB cents)		**(7.31)**	0.30
— Diluted (RMB cents)		**(7.31)**	(1.75)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

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

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITY			
Lease liabilities		**17,477**	197,398
NET ASSETS		**246,763**	334,303
CAPITAL AND RESERVES			
Share capital	*11*	**7,223**	7,223
Reserves		**239,913**	327,080
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**247,136**	334,303
NON-CONTROLLING INTERESTS		**(373)**	—
		246,763	334,303

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

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

Going concern assessment

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

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

Prior to the Reorganisation, Zhengzhou Jinshui Dashan Training School Company Limited (鄭州市金水區大山培訓學校有限公司) ("**Dashan Training**") and its subsidiaries were owned by the Controlling Shareholder and the non-controlling interests. The Reorganisation involved steps of interspersing of the Company and certain investment holding companies, through issuance of shares and entering into the Contractual Arrangements (as defined below), between Dashan Training and its shareholders. Accordingly, the Company and the Consolidated Entities resulting from the Reorganisation was regarded as a continuing entity. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2020 have been prepared as if the current group structure had been in existence throughout the year ended 31 December 2020, or since the respective dates of incorporation/establishment where there was a shorter period.

Contractual arrangements

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

- exercise effective financial and operational control over the Consolidated Affiliated Entities;

- exercise equity holders' voting rights of the Consolidated Affiliated Entities;

- receive substantially all of the economic benefits generated by the Consolidated Affiliated Entities in consideration for the technical services, management support and consulting services necessary for the primary and secondary after-school education business and brand name licensing and advisory services business provided by WFOE;

- obtain an exclusive option to purchase all or part of the equity interests in the Consolidated Affiliated Entities directly and indirectly held by the shareholders of Dashan Training for the minimum amount of consideration permitted by the applicable PRC laws and regulations, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to, among others, distribute any reasonable return or other interest or benefit to the shareholders of Dashan Training without WFOE's prior written consent; and

- the shareholders of Dashan Training unconditionally and irrevocably pledged all of their equity interests in Dashan Training, respectively, to WFOE to guarantee the performance of, among others, the obligations of Dashan Training, the shareholders of Dashan Training and the Consolidated Affiliated Entities under the Contractual Arrangements.

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

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

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

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

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

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

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

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

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

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

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "**Conceptual Framework**") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK (IFRIC) — Int 21 *Levies*, an acquirer applies HKAS 37 or HK (IFRIC) — Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)*

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

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

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

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

4. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers is as follows:

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

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

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

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

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

All unsatisfied contracts in respect of revenue from tuition programs, brand name licensing and advisory services arrangement, sales of books and teaching materials and other services at 31 December 2021 and 2020 are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

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

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

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

Geographical information

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

Information about major customers

No service provided or goods sold to a single customer contributed to 10% or more of total revenue of the Group for both years.

5. TAXATION

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

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the certain PRC subsidiaries is 25% (2020: 25%) for the year.

Dashan Training was recognised as "High and New Technology Enterprise" and therefore entitled to a preferential tax rate of 15% for a period of three years from August 2018 to August 2021. The tax rate has changed back to 25% commencing on September 2021.

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

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

6. (LOSS) PROFIT FOR THE YEAR

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

7. DIVIDEND

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

8. (LOSS) EARNINGS PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
(Loss) profit for the year attributable to the owners of the Company for the purpose of basic earnings per share	**(56,423)**	2,053
Effect of dilutive potential ordinary shares:		
Fair value change of financial liabilities designated at FVTPL	**—**	(14,171)
Loss for the year attributable to the owners of the Company for the purpose of diluted loss per share	**(56,423)**	(12,118)

	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share *(Note)*	**772,276,438**	675,984,909
Effect of dilutive potential ordinary shares:		
Convertible note	**—**	16,911,266
Weighted average number of ordinary share for the purpose of diluted (loss) earnings per share	**772,276,438**	692,896,175

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

Note: The weighted average number of ordinary shares has been calculated taking into account the shares held by the Group under share award scheme.

9. OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Other receivables		
Deposits, prepaid taxes and other prepayments	**7,207**	3,502
Rental deposits	**112**	3,687
Receivables from third-party payment platforms	**79**	2,336
Others	**609**	292
Less: loss allowance	**(2,783)**	(1,210)
Total other receivables	**5,224**	8,607
Less: non-current rental deposits	**(92)**	(2,380)
Current portion	**5,132**	6,227

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

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

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of the year	**1,210**	659
Impairment losses recognised	**2,341**	551
Written-off	**(768)**	—
At end of the year	**2,783**	1,210

10. TRADE PAYABLES

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

	2021	2020
	RMB'000	*RMB'000*
0–30 days	**259**	957
31–60 days	**—**	42
	259	999

11. SHARE CAPITAL

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 2020	38,000,000	380	
Increase on 18 June 2020 *(note a)*	9,962,000,000	99,620	
At 31 December 2020 and 31 December 2021	10,000,000,000	100,000	
Issued and fully paid:			
At 1 January 2020	1	—	—
Issue of shares pursuant to the Reorganisation *(note b)*	9,999	—	—
Issue of shares pursuant to the Capitalisation Issue *(note c)*	568,410,800	5,684	5,132
Issue of shares pursuant to the full conversion of the convertible note *(note d)*	31,579,200	316	285
Issue of shares pursuant to the share offer *(note e)*	200,000,000	2,000	1,806
At 31 December 2020 and 31 December 2021	800,000,000	8,000	7,223

Notes:

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

(b) During the year ended 31 December 2020, for the purpose of the Reorganisation, in consideration of Lucky Heaven and Bai Tai transferring 8,727 shares and 1,273 shares respectively in Golden Town Ventures Limited (金城創投有限公司) ("**Golden Town**") to the Company, the Company allotted and issued 8,726 shares and 1,273 shares credited as fully paid to Lucky Heaven and Bai Tai, respectively, and credited as fully paid the one nil paid share held by Lucky Heaven on 18 June 2020. The difference between the aggregate paid up capital of Dashan Training and the Company of RMB32,260,000 and the share capital of the Company of HK$100 as at 18 June 2020 was accounted for in the other reserve of the Company.

(c) Pursuant to the written resolutions passed by the shareholders of the Company on 18 June 2020, upon the share premium account of the Company being credited as a result of the share offer of 200,000,000 new shares of the Company, the directors of the Company were authorised to capitalise the amount of HK$5,684,180 (equivalent RMB5,132,000) from the amount standing to the credit of the share premium account of the Company and applying such sum to pay up in full at par 568,410,800 ordinary shares of HK$0.01 each for allotment and issue to the shareholders at the close of business on 18 June 2020 (the "**Capitalisation Issue**").

(d) Upon the grant of the Listing, pursuant to the terms and conditions of the instrument constituting the convertible note, the Company allotted and issued 31,579,200 new ordinary shares of the Company of par value of HK$0.01 each to the holder of the convertible note.

(e) On 15 July 2020, the Company offered 200,000,000 new ordinary shares of the Company at HK$1.25 per share for a total gross proceeds of approximately RMB225,710,000. The proceeds will be used to finance the implementation plan as set forth in the section headed "Future Plan and Use of Proceeds" of the Company's prospectus dated 30 June 2020.

12. SUBSEQUENT EVENT

The Group entered into an agreement with independent third parties for the acquisition of 60% equity interest in Henan Zhongzhichuang Education Information Consulting Company Limited (the "**Target company**") with consideration of RMB1,000,000 on 14 February 2022. The acquisition has been accounted for as acquisition of business using the acquisition method and not yet completed at the date of approving these consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business overview

During FY2021, we were principally engaged in the provision of primary and secondary after-school education services in Zhengzhou, the PRC (the "**Existing Business**"). We offer primary and secondary school students online-merge-offline after-school education services which supplement their regular English, Chinese, Mathematics and other curriculum at school.

We divide our teaching centre network into two criteria, namely, self-operated and franchised teaching centres. We offer regular classes with class size of 20 to 25 students, small classes with class size of eight to 12 students as well as VIP classes with class size of one to three students.

During the FY2021, the total number of student enrolments was 281,765, and the total number of tutoring hours delivered by us was 5,539,289 hours, 102,197 hours and 504,271 hours, respectively, for regular classes, small classes and VIP classes.

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

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

In addition, as disclosed in the Announcements, the PRC government has been reforming its education system, and has circulated the Opinion on Further Alleviating the Homework and After-school Training Workload of Students in Compulsory Education Stage (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the "**Opinion**") for implementation. The Opinion sets out the policy guidance on, among others, the further tightening of regulations on the after-school tutoring sector. As a result, the Group has wound down its Existing Business and closed a majority of its self-operated teaching centres since August 2021 to fully comply with the policy under the Opinion.

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

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

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

Future outlook

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Notes:

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 year indicated:

	FY2021			FY2020		
	Revenue RMB'000	***Student enrolments***	***Total number of tutoring hours***	*Revenue RMB'000*	*Student enrolments*	*Total number of tutoring hours*
Primary school tutoring						
Regular classes	**173,421**	**166,053**	**4,215,413**	154,479	125,741	3,782,176
Small classes	**4,435**	**2,146**	**57,401**	6,822	3,829	87,871
VIP classes	**31,962**	**25,493**	**221,742**	38,747	16,565	258,871
Subtotal	**209,818**	**193,692**	**4,494,556**	200,048	146,135	4,128,918
Secondary school tutoring						
Regular classes	**60,409**	**67,011**	**1,323,876**	56,826	66,923	1,353,518
Small classes	**4,062**	**2,006**	**44,796**	4,026	2,643	46,662
VIP classes	**51,563**	**19,056**	**282,529**	43,745	17,074	240,484
Subtotal	**116,034**	**88,073**	**1,651,201**	104,597	86,640	1,640,664
Total	**325,852**	**281,765**	**6,145,757**	304,645	232,775	5,769,582

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Other Income

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

Other Gains and Losses, Net

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

The increase in impairment loss on property and equipment (including right-of-use assets) was primarily as a result of issuance of Opinion during FY2021. As a result of issuance of the Opinion, the Group concluded that impairment indicators existed and performed an impairment assessment on property and equipment (including right-of-use assets). When determining the value-in-use of the cash generating units (the "**CGUs**"), the directors have taken into consideration of relevant government regulations released and industry indicators presented as at 31 December 2021.

Based on the impact of the Opinion which the Group has planned to fully cease the Existing Business in FY2022, the Directors concluded that the Existing Business may not be able to generate positive cash flow in the foreseeable future. Our management concluded to write off the property and equipment for certain self-operated teaching centres related to our Existing Business. For the fair value less costs of disposal of the individual asset within the CGUs, the Directors have considered relevant publically available information, the alternative use of the assets, the remaining lease term, future lease payments and potential penalties charged by the lessor upon the earlier termination of leases associated with the Existing Business. Based on the result of the assessment, impairment losses of approximately RMB27.6 million (2020: RMB3.5 million) have been recognised against the carrying amount of property and equipment (including right-of-use assets).

The loss on disposal of property and equipment mainly represented the loss on disposal of leasehold improvements and furniture, fixture and equipment located in our certain self-operated teaching centres. The recognition of such loss was due to the closure of a majority of self-operated teaching centres related to our Existing Business as a result of issuance of Opinion during FY2021.

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

Selling and Marketing Expenses

Our selling and marketing expenses primarily include wages and salaries for our marketing personnel and advertising expenses. Our selling and marketing expenses decreased by approximately RMB4.9 million or 26.3% from approximately RMB18.6 million for FY2020 to approximately RMB13.7 million for FY2021. Such decrease was mainly a result of the decrease in spending in advertisement and marketing.

Content and Information Technology Development and Training Expenses

Our content and information technology development and training expenses are primarily related to the creation and development of teaching materials, online content, graphic, animation and video clips, as well as the development and improvement of our internal monitoring system for the standardisation of our teaching standard and quality through the usage of the data obtained. Our content and information technology development and training expenses increased by approximately RMB1.5 million or 5.3% from approximately RMB28.2 million for FY2020 to approximately RMB29.7 million for FY2021. Such increase was mainly a result of increase in staff costs for our content development staffs during FY2021.

Administrative Expenses

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

Finance Costs

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

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

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

Taxation

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

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

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

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

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

FINANCIAL POSITION

Inventories

Our inventories primarily consist of books and teaching materials used in tutorial classes and sale to other parties. Our inventories level was approximately RMB14,000 as at 31 December 2021, representing a decrease of approximately RMB9.3 million or 99.9% as compared to that of approximately RMB9.4 million as at 31 December 2020. As we have closed the majority of our self-operated teaching centres and wound down Existing Business as a result of the restrictions on the Existing Business imposed by the implementation of the Opinion during FY2021, we have written down our booking and teaching materials related to Existing Business, and there has been led to a decrease in inventories.

Financial Assets at Fair Value Through Profit or Loss

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

Other Receivables

Our other receivables was mainly (i) receivables from third-party payment platforms, which were mainly tuition fee received through third-party payment platforms; (ii) prepayment; and (iii) rental deposits. Our total other receivables were approximately RMB5.1 million as at 31 December 2021, representing a decrease of RMB1.1 million or approximately 17.7% as compared to that of approximately RMB6.2 million as at 31 December 2020 due to the decrease of rental deposits and receivables from third-party payment platforms as a result of the closure of a majority of self-operated teaching centres and winding down of our Existing Business.

Time Deposits

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

Bank Balances and Cash

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

Trade Payables

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

Lease Liabilities

Our Group leased various properties for the provision of after-school education services and these lease liabilities were measured at the present value of the lease payments that are not yet paid. Our total lease liabilities as at 31 December 2021 amounted to approximately RMB22.8 million, representing a decrease by approximately RMB211.2 million or approximately 90.3% as compared with that of approximately RMB234.0 million as at 31 December 2020. Such decrease was mainly attributable to the termination of lease agreements due to the closure of a majority of our self-operated teaching centres adapting to the new regulatory environment during FY2021.

Other Payables and Accrued Charges

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

Receipts In Advance

Our receipts in advance primarily relate to the advance consideration received from our students or parents, where revenue is recognised when the performance obligation is satisfied through service rendered. Our receipts in advance amounted to approximately RMB44.9 million as at 31 December 2021, representing a decrease of approximately RMB147.8 million or approximately 76.7% as compares to that of approximately RMB192.7 million as at 31 December 2020. Such decrease was mainly attributable to the decrease in the number of student enrolment towards the end of FY2021 as a result of winding down of our Existing Business in compliance of the policy under the Opinion and our business reorganisation during FY2021.

Indebtedness

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

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

Liquidity and Capital Resources

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

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

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

Charge on Assets

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

Gearing Ratio

Gearing ratio is calculated based on total debt at the end of the relevant year divided by total equity at the end of the respective year. Total debt represents lease liabilities arising from the adoption of Hong Kong Financial Reporting Standards 16 "Leases". Our gearing ratio as at 31 December 2021 was approximately 0.1 (31 December 2020: approximately 0.7).

Current Ratio

Current ratio is calculated based on the total current assets at the end of the relevant year divided by the total current liabilities at the end of the respective year. Our current ratio as at 31 December 2021 was approximately 4.1 times (2020: approximately 1.7 times).

Pledge of Assets

As at 31 December 2021, none of our assets was pledged (31 December 2020: None).

Foreign Exchange Exposure

The majority of our Group's revenue and expenditure are denominated in Renminbi. Most of the bank balances and cash of our Group as at 31 December 2021 were denominated in Renminbi, United States dollars and Hong Kong dollars. Our Group currently does not have any foreign currency hedging policies. The management will continue to monitor our Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Contingent Liabilities

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

OTHER INFORMATION

Proceeds from the Listing

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

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

- approximately 60.0% for the expansion of our business and self-operated teaching centres network, through organic growth by expanding nationally and in particular in Zhengzhou;

- approximately 30.0% for the expansion of our geographic presence and scale of operations in the PRC, through the strategic acquisitions of or setting up joint ventures with quality primary and secondary after-school education services companies in other parts of the PRC; and

- approximately 10.0% for general working capital.

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

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

During FY2021 and up to the date of this announcement, our Group had entered into 16 lease agreements for our new self-operated teaching centres, in which one were under renovation and none had completed renovation and were in the process of preparing the relevant documents for the private school operation permit application and eight had been terminated under the business reorganisation during FY2021. As at the date of this announcement, we had utilised proceeds of approximately HK$72.2 million mainly for renovation and rental payments for our new self-operated teaching centres.

As mentioned in the Business Overview section, the Directors considered that our business operations are facing challenges caused by the PRC education reform, therefore, the Directors decided to re-allocate some of the proceeds for utilisation in the year ending 31 December 2022. The Company will make further announcement in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") when detailed plan is formulated.

Employees and Remuneration Policy

As at 31 December 2021, we had 492 employees (31 December 2020: 1,433). Total staff-related cost, including Directors' emoluments, was approximately RMB135.0 million for FY2021 (2020: approximately RMB122.1 million). The decrease of number of employees at 31 December 2021 was mainly due to the closure of the majority of self-operated teaching centres and winding down our Existing Business since August 2021. The increase in staff costs was mainly due to (i) the increase in the teaching hours, in line with the increase in tutoring hours during FY2021; and (ii) the increase in directors' remuneration for FY2021 by approximately RMB 2.1 million or approximately 82.0% as compared to the directors' remuneration for FY2020 while the directors were appointed in June 2020.

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

Share Option Scheme

We have adopted a share option scheme on 18 June 2020 (the "**Share Option Scheme**"). The terms of the Share Option Scheme are in accordance with Chapter 17 of the Listing Rules. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and general information — D. Share Option Scheme" in Appendix V to the Prospectus. No share options had been granted or agreed to be granted under the Share Option Scheme since its adoption and up to the date of this announcement.

Share Award Scheme and Grant of Award Shares

On 14 December 2020, our Company adopted a share award scheme (the "**Share Award Scheme**").

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

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

As at the date of this announcement, all of the 56 Grantees had accepted the Grant of the Award Shares and none of the Award Shares had been vested. As at the date of this announcement, the Trustee held 29,400,000 ordinary shares under the Scheme.

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.

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

For further details of the Share Award Scheme and the Grant, please refer to the announcements of the Company dated 14 December 2020, 21 December 2020 and 14 January 2021, respectively (the "**Share Award Scheme Announcements**"). Unless otherwise defined in this announcement, capitalised terms used in this section shall have the same meaning as those defined in the Share Award Scheme Announcements.

Significant Acquisitions and Disposals

Save as disclosed in this announcement, during FY2021, we did not have any significant acquisitions and disposals.

Significant Investments

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

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

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

Public Float

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

EVENTS AFTER THE REPORTING PERIOD

Acquisition of Equity Interest in Henan Zhongzhichuang

On 14 February 2022, our Group has entered into an equity transfer agreement with Bai Yadong and Zhu Yanjun for the acquisition of 60% of the total equity interest of Zhongzhichuang, a company established in the PRC with limited liability with the principal business of provision of vocational training and technical education for adults in relation to computer science and information technology. The Acquisition is part of the Group's expansion plan through selective acquisitions of or strategic cooperation with established operation in the vocational education industry. This is also in line with the Group's intention to venture into the Expanded Business. For further details of the Acquisition, please refer to the announcement of the Company dated 14 February 2022.

Termination of the Lease Agreements and Entering into the Lease Agreements

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

Subsequent to FY2021 and up to the date of this announcement, further to the Group's plan to reorganise its business and assets as disclosed in the Announcements, the Group closed 10 of its existing self-operated teaching centres as a result of the restrictions on the Existing Business imposed by the implementation of the Opinion, where the Group has been carefully considering the plan to reorganise its assets and resources for potential new businesses. The Group has reached various agreements with the respective landlords to terminate the lease agreements for the 10 self-operated teaching centres (the "**Lease Termination Arrangements**"). The Group will be refunded the existing security deposit and prepayments for rents partially after the date of termination.

As the applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of each of the Lease Termination Arrangements, calculated separately, is less than 5%, these transactions do not give rise to disclosure obligations under the Listing Rules. The applicable percentage ratios were calculated separately for each of the Lease Termination Arrangements because the relevant landlords are different unrelated parties and the respective leased properties are different.

PRINCIPLES OF GOOD CORPORATE GOVERNANCE ("PRINCIPLES"), CODE PROVISIONS AND RECOMMENDED BEST PRACTICES

Save as disclosed below, in the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Principles throughout FY2021.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the audited consolidated financial statements for FY2021 of our Group. The Audit Committee has also discussed matters with respect to, amongst other things, the accounting policies and practices adopted by our Company, internal control measures and financial reporting matters with senior management members.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for FY2021 (FY2020: Nil).

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This annual results announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.dashanwaiyu.com**). The annual report of our Company for FY2021 containing all the information required by the Listing Rules will be despatched to our Company's shareholders and available on the above websites in due course.

APPRECIATION

The Board would like to thank the management of our Group and all the staff for their hard work and dedication, as well as our Shareholders, business partners, bankers and auditors for their support to our Group throughout FY2021.

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

Zhengzhou, 30 March 2022

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