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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9986)

INTERIM RESULTS ANNOUNCEMENT **FOR THE SIX MONTHS ENDED 30 JUNE 2022**

AND

CHANGE IN USE OF PROCEEDS FROM THE SHARE OFFER

| FINANCIAL HIGHLIGHTS | | | | |
|---|---|---|---------------------------|--------------------------------------|
| | For the six months ended 30 June | | Change RMB'000 | Percentage change (%) |
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) | | |
| Revenue | 9,874 | 216,144 | (206,270) | (95.4) |
| (Loss)/profit before taxation | (1,324) | 22,590 | (23,914) | N/A |
| (Loss)/profit and total comprehensive (expense)/income for the period | (1,313) | 18,665 | (19,978) | N/A |
| (Loss)/profit and total comprehensive (expense)/income for the period attributable to owners of the Company | (827) | 18,665 | (19,492) | N/A |
| (Loss)/earnings per share | | | | |
| — Basic (RMB cents) | (0.11) | 2.41 | (2.52) | N/A |
| — Diluted (RMB cents) | N/A | N/A | N/A | N/A |

The board (the “**Board**”) of directors (the “**Directors**”) of Dashan Education Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2022

| | NOTES | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Revenue | 5 | 9,874 | 216,144 |
| Cost of sales | | <u>(10,268)</u> | <u>(133,238)</u> |
| Gross (loss)/profit | | (394) | 82,906 |
| Other income | 6 | 901 | 2,757 |
| Other gains and losses, net | 6 | 10,234 | (477) |
| Selling and marketing expenses | | (604) | (5,784) |
| Content and information technology development and training expenses | | (956) | (16,933) |
| Administrative expenses | | (10,276) | (35,831) |
| Finance costs | 7 | <u>(229)</u> | <u>(4,048)</u> |
| (Loss)/profit before taxation | | (1,324) | 22,590 |
| Taxation | 8 | <u>11</u> | <u>(3,925)</u> |
| (Loss)/profit and total comprehensive (expense)/ income for the period | 9 | <u><u>(1,313)</u></u> | <u><u>18,665</u></u> |
| (Loss)/profit and total comprehensive (expense)/ income for the period attributable to: | | | |
| Owners of the Company | | (827) | 18,665 |
| Non-controlling interests | | <u>(486)</u> | <u>—</u> |
| | | <u><u>(1,313)</u></u> | <u><u>18,665</u></u> |
| (Loss)/earnings per share | 11 | | |
| — Basic (RMB cents) | | <u><u>(0.11)</u></u> | <u><u>2.41</u></u> |
| — Diluted (RMB cents) | | <u><u>N/A</u></u> | <u><u>N/A</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

| | | As at 30 June 2022 <i>RMB'000</i> (unaudited) | As at 31 December 2021 <i>RMB'000</i> (audited) |
|--|----|--|---|
| NON-CURRENT ASSETS | | | |
| Property and equipment | | 30,900 | 36,373 |
| Investment properties | | 4,898 | 4,951 |
| Goodwill | | 1,753 | – |
| Deferred tax assets | | 11 | – |
| Rental deposits | 12 | 182 | 92 |
| Deposits for leasehold improvements | | 430 | – |
| Financial asset at fair value through other comprehensive income | | – | – |
| Debt instruments at fair value through other comprehensive income | | – | 23,135 |
| | | 38,174 | 64,551 |
| CURRENT ASSETS | | | |
| Inventories | | 14 | 14 |
| Debt instruments at fair value through other comprehensive income | | 23,758 | – |
| Other receivables | 12 | 22,825 | 5,132 |
| Bank balances and cash | | 189,765 | 259,844 |
| | | 236,362 | 264,990 |
| CURRENT LIABILITIES | | | |
| Trade payables | 13 | 71 | 259 |
| Other payables and accrued charges | | 6,365 | 14,841 |
| Receipts in advance | | 14,543 | 44,921 |
| Lease liabilities | | 2,656 | 5,280 |
| | | 23,635 | 65,301 |
| NET CURRENT ASSETS | | 212,727 | 199,689 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 250,901 | 264,240 |

| | | As at 30 June 2022 RMB'000 (unaudited) | As at 31 December 2021 RMB'000 (audited) |
|---|-----------|---|--|
| NON-CURRENT LIABILITY | | | |
| Lease liabilities | | <u>5,623</u> | <u>17,477</u> |
| NET ASSETS | | <u>245,278</u> | <u>246,763</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | <i>14</i> | 7,223 | 7,223 |
| Reserves | | <u>239,086</u> | <u>239,913</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | 246,309 | 247,136 |
| NON-CONTROLLING INTERESTS | | <u>(1,031)</u> | <u>(373)</u> |
| | | <u>245,278</u> | <u>246,763</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION

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 during the period are provision of primary and secondary after-school academic education services (the “**Academic Education Business**”), which was ceased completely in March 2022; provision of vocational education services, extracurricular programmes for personal attainment in the People’s Republic of China (“**PRC**”) and overseas education consultation services in the PRC. 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 “Opinion on Further Alleviating the Homework and After-School Training Workload of Students in Compulsory Education Stage” (the “**Opinion**”). Subsequent to the release of the Opinion, the Group started to develop the 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 dancing programming targeting children and teenagers; and (iii) overseas education consultation services.

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

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

2. BASIS OF PREPARATION

Going concern assessment

Given the Group adjusted its business model and these new businesses are at beginning stage, the directors of the Company still have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue its operation for the foreseeable future. The directors consider that the Group are able to 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 reduce its costs and related expenses, mainly including rental expenses, staff costs, subcontracting charges and selling and marketing expenses related to the Academic Education Business resulting from the adjustment in principal activities described above. Accordingly, the Group continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

Contractual arrangements

Due to regulatory restrictions on foreign ownership in the operation of education institutions that provides primary and secondary after-school education in the PRC and impose conditions on brand name licensing and advisory services business, the Group conducts a substantial portion of the business through Zhengzhou Jinshui Dashan Training School Company Limited* (鄭州市金水區大山培訓學校有限公司) (“**Dashan Training**”) and Zhengzhou Jing Guang Dashan Training School Company Limited* (鄭州京廣大山培訓學校有限公司) (“**Jing Guang Dashan**”), Zhengzhou Wuzhujiao Education Consulting Company Limited* (鄭州舞主角教育諮詢有限公司) (“**Wuzhujiao**”) and Zhengzhou Youcai Education Technology Company Limited* (鄭州有彩教育科技有限公司) (“**Youcai**”), wholly-owned subsidiaries of Dashan Training, and Henan Zhongzhichuang Education Information Consulting Company Limited* (河南中之創教育信息諮詢有限公司) (“**Zhongzhichuang**”) and Zhengzhou Youni New Sports Club Company Limited* (鄭州優尼新體育俱樂部有限公司) (“**Xinyouni**”), non-wholly owned subsidiaries of Dashan Training (collectively “**Consolidated Affiliated Entities**”) in the PRC. Zhengzhou Dashan Yun Xiao Technology Company Limited* (鄭州大山雲效科技有限公司) (“**WFOE**”), Dashan Training, Jing Guang Dashan and shareholders of Dashan Training entered into a series of contractual agreements (the “**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 and its subsidiaries in the condensed consolidated financial statements for the six months ended 30 June 2022 and 2021.

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

| | Six months ended 30 June | |
|-------------------------------|---------------------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Revenue | 8,603 | 212,540 |
| (Loss)/profit before taxation | <u>(29,450)</u> | <u>33,722</u> |

| | As at 30 June 2022 RMB'000 (unaudited) | As at 31 December 2021 RMB'000 (audited) |
|-------------------------|---|--|
| Non-current assets | 49,874 | 41,003 |
| Current assets | 243,096 | 255,948 |
| Current liabilities | 198,967 | 193,686 |
| Non-current liabilities | <u>4,941</u> | <u>15,889</u> |

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

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

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|-----------------------|--|
| Amendments to HKAS 37 | Onerous Contracts — Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018–2020 |
| Amendments to HKAS 16 | Property, Plant and Equipment — Proceeds before Intended Use |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |

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

4. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to HKFRSs as set out in note 3, the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the financial information of the Group for the year ended 31 December 2021.

5. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers is as follows:

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited) |
| Tuition fees and consultancy income | 8,714 | 212,122 |
| Sales of books and teaching materials | 642 | 2,223 |
| Brand name licensing and advisory services income | 18 | 1,392 |
| Other services | 500 | 407 |
| | 9,874 | 216,144 |
| | 9,874 | 216,144 |
| Timing of revenue recognition | | |
| A point of time | 642 | 2,223 |
| Over time | 9,232 | 213,921 |
| | 9,874 | 216,144 |
| | 9,874 | 216,144 |

The Group's tuition fees and consultancy income consist of revenue generated from primary and secondary after-school academic education courses, which was ceased completely in March 2022; vocational education courses, extracurricular programmes for personal attainment and overseas education consultation. Prepaid fee received for tutoring and consulting programmes 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 tutoring and consulting 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 engaged in education business which is recognised over the services period.

All unsatisfied contracts in respect of revenue from tuition and consultancy programmes, brand name licensing and advisory services arrangement, sales of books and teaching materials and other services at 30 June 2022 and 2021 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 academic education services, which was ceased completely in March 2022; provision of vocational education services, extracurricular programmes for personal attainment and overseas education consultation services in the PRC.

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

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

Geographical information

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

Information about major customers

No service provided or goods sold to a single customer contributed to 10% or more of total revenue of the Group during the six months ended 30 June 2022 and 2021.

6. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

Other income

| | Six months ended 30 June | |
|--|---------------------------------|----------------|
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited) |
| Bank interest income | 258 | 2,025 |
| Government grants | 196 | 388 |
| Interest income from financial assets at fair value through profit or loss (“FVTPL”) | – | 1 |
| Interest income from debt instruments at fair value through other comprehensive income (“FVTOCI”) | 332 | – |
| Imputed interest income from rental deposits | 10 | 75 |
| Rental income | 86 | 76 |
| Others | 19 | 192 |
| | 901 | 2,757 |

Other gains and losses, net

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited) |
| Foreign exchange gains/(losses) | 735 | (576) |
| Impairment loss recognised in respect of other receivables, net | (834) | (502) |
| Gain on disposal of property and equipment | 283 | 81 |
| Gain on derecognition of right-of-use assets and lease liabilities | 10,050 | 520 |
| | <u>10,234</u> | <u>(477)</u> |

7. FINANCE COSTS

| | Six months ended 30 June | |
|--------------------------------|--------------------------|----------------|
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited) |
| Interests on lease liabilities | <u>229</u> | <u>4,048</u> |

8. TAXATION

| | Six months ended 30 June | |
|-------------------------------|--------------------------|----------------|
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited) |
| Current tax: | | |
| PRC Enterprise Income Tax | – | 3,803 |
| Deferred tax (credit)/expense | <u>(11)</u> | <u>122</u> |
| | <u>(11)</u> | <u>3,925</u> |

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% (2021: 25%) for the period.

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 applicable tax rate are 25% commencing on September 2021.

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

| | Six months ended 30 June | |
|---|---------------------------------|--------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| (Loss)/profit and total comprehensive (expense)/income for the period has been arrived at after charging/(crediting): | | |
| Staff costs: | | |
| Directors' remuneration | 648 | 5,405 |
| Other staff costs | 11,890 | 63,208 |
| Other staff's retirement benefits scheme contributions | 969 | 9,000 |
| | <u>13,507</u> | <u>77,613</u> |
| Staff subcontracting service fee | 1,060 | 24,689 |
| Cost of inventories sold | 23 | 1,074 |
| Reversal of write-down for inventories | (141) | – |
| Renting expenses | 90 | – |
| Depreciation of investment properties | 53 | 53 |
| Depreciation of property and equipment (included right-of-use assets for buildings) | 914 | 52,096 |
| | <u>914</u> | <u>52,096</u> |

10. DIVIDEND

No dividends were declared, paid or proposed during the interim period (six months ended 30 June 2021: Nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

11. (LOSS)/EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| (Loss)/profit for the period attributable to owners of the Company for the purpose of basic (loss)/earnings per share | <u>(827)</u> | <u>18,665</u> |
| Number of shares: | | |
| Weighted average number of ordinary share for the purpose of basic (loss)/earnings per share (<i>Note</i>) | <u>770,600,000</u> | <u>774,390,608</u> |

Note: The weighted average number of ordinary shares has been arrived at after deducting the shares held by the Group under Share Award Scheme.

No diluted (loss)/earnings per share for the six months ended 30 June 2022 and 2021 was presented as there were no potential ordinary shares in issue during the six months ended 30 June 2022 and 2021.

12. OTHER RECEIVABLES

| | As at 30 June 2022 <i>RMB'000</i> (unaudited) | As at 31 December 2021 <i>RMB'000</i> (audited) |
|--|--|---|
| Other receivables | | |
| Staff advance | 20 | – |
| Receivables from third-party payment platforms | 212 | 79 |
| Deposits, prepaid tax and other prepayments | 21,593 | 7,241 |
| Rental deposits | 1,047 | 112 |
| Interest receivables | 709 | 358 |
| Others | 1,200 | 217 |
| Less: loss allowance | (1,774) | (2,783) |
| | <hr/> | <hr/> |
| Total other receivables | 23,007 | 5,224 |
| Less: non-current rental deposits | (182) | (92) |
| | <hr/> | <hr/> |
| Current portion | <u>22,825</u> | <u>5,132</u> |

Customers of tutoring and consulting 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 12-month expected credit loss (the “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 the ECL for receivables from third-party payment platforms for the six months ended 30 June 2022 were insignificant.

13. TRADE PAYABLES

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

| | As at 30 June 2022 RMB'000 (unaudited) | As at 31 December 2021 RMB'000 (audited) |
|-----------|---|---|
| 0–30 days | <u>71</u> | <u>259</u> |
| | <u>71</u> | <u>259</u> |

14. SHARE CAPITAL

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

| | Number of shares | Amount HK\$'000 | Shown in the condensed consolidated financial statements RMB'000 |
|---|-----------------------------|----------------------------|---|
| Ordinary shares of HK\$0.01 each: | | | |
| Authorised: | | | |
| At 1 January 2021 (audited), 30 June 2021 (unaudited), 1 January 2022 (audited) and 30 June 2022 (unaudited) | <u>10,000,000,000</u> | <u>100,000</u> | |
| Issued and fully paid: | | | |
| At 1 January 2021 (audited), 30 June 2021 (unaudited), 1 January 2022 (audited) and 30 June 2022 (unaudited) | <u>800,000,000</u> | <u>8,000</u> | <u>7,223</u> |

15. SUBSEQUENT EVENT

Save as disclosed in these condensed consolidated financial statements, subsequent event of the Group took place after the Reporting Period is set out as below:

On 7 July 2022, Dashan Training, one of the Consolidated Affiliated Entities controlled by the Company through the Contractual Arrangements, entered into a cooperation agreement with Mr. Mei Xiangming (梅香明), Mr. Zhu Konghao (祝孔浩) and Zhongshu Cultural Artwork Trading (Jiangsu) Limited (中數文化藝術品交易(江蘇)有限公司) (“**Zhongshu Cultural**”), in relation to, among others, a subscription of 33.33% of the enlarged registered capital in Zhongshu Cultural by Dashan Training at a consideration of RMB5,000,000 (the “**Cooperation Agreement**”). Zhongshu Cultural proposes to engage in the development, publication and sale of non-fungible tokens products generated from antique artifacts, artwork and animations. Upon completion of the acquisition, Zhongshu Cultural became an associate of the Group using equity method. The acquisition was completed and consideration of RMB5,000,000 has been settled in cash as at the date of this announcement.

For further information in relation to the acquisition, please refer to the announcement of the Company dated 7 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business overview

The Group is principally engaged in (i) the provision of primary and secondary after-school academic education services in the People's Republic of China (“**PRC**”) (the “**Academic Education Business**”), which was ceased completely in March 2022; and (ii) the provision of extracurricular programmes for personal attainment in the PRC, the provision of vocational education in the PRC and provision of overseas education consultation services in the PRC (the “**Non-academic Education Business**”).

The Academic Education Business

Impact of 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”) on the Group

As disclosed in the annual report of the Company for the year ended 31 December 2021, the government of the PRC has been reforming its education system, and has promulgated the Opinion in July 2021 for implementation. The Opinion sets out the policy guidance on, among others, the further tightening of regulations on the after-school tutoring sector.

The Opinion provides that, among others, (i) existing private institutions providing academic related after-school tutoring services shall be registered as non-profit organisation; (ii) relevant local authorities shall screen the existing registered institutions which provide online academic related after-school tutoring and shall carry out approval procedures for such registered institutions; (iii) private institutions providing academic related after-school tutoring services are not allowed to conduct fund raising through listing; and (iv) listed companies are not allowed to invest in or acquire the assets of private institutions providing academic related after-school tutoring services.

As a result of the promulgation of the Opinion, the Group has closed down all of its self-operated teaching centres for the Academic Education Business since March 2022 in response to, and in compliance with, the restrictions imposed on the Academic Education Business offered by the Group.

After detailed assessment and review of the business strategies by the Group, the Group has realigned its business strategies in (i) the provision of extracurricular programmes for personal attainment in the PRC; (ii) the provision of vocational education in the PRC; and (iii) provision of overseas education consultation services in the PRC.

The Non-academic Education Business

Provision of extracurricular programmes for personal attainment in the PRC

During the Reporting Period, the Group commenced the provision of extracurricular programmes for personal attainment in sports targeting children and teenagers in the PRC. The Group carried out renovation to its existing self-operated teaching centres into training centres and set up new self-operated teaching centres for extracurricular classes for personal attainment in sports, arts and dancing and started offering extracurricular programmes for personal attainment in sports such as basketball classes in seven new self-operated training centres since the first quarter of 2022. During the Reporting Period, there was approximately 1,697 student enrolments in the extracurricular programmes for personal attainment.

The Group is also preparing for the offering of extracurricular programmes for personal attainment in arts and dancing programming, whereby the Group has (i) recruited experienced tutors and trainers to provide the relevant extracurricular courses for personal attainment; (ii) set up teaching centres for the provision of new programmes with existing self-operated teaching centres or newly rented premises; and (iii) been recruiting students to join the new courses offered.

Provision of vocational education in the PRC

On 30 May 2022, the Group completed the acquisition of 60% of the equity interest in Henan Zhongzhichuang Education Information Consulting Company Limited* (河南中之創教育信息諮詢有限公司), a company principally engaged in the provision of vocational training and technical education for adults in relation to computer science and information technology. The Group has since commenced the provision of vocational education in the PRC. During the Reporting Period, there was approximately 86 student enrolments in the vocation education services. The Directors believe that the acquisition represents one step further to the Group's plan in expanding and developing its business in the area of vocational education training.

Provision of overseas education consultation services in the PRC

Since December 2021, the Group operated a centre in Zhengzhou, the PRC to provide consulting services for students intending to apply for further education abroad and started to generate revenue through receiving consultation fees. During the Reporting Period, there was approximately 8 student enrolments in the overseas education consultation services.

The following table set out in the student enrolments and total number of tutoring hours of the Academic Education Business and the Non-academic Education Business of the Group:

| | Six months ended 30 June | | | |
|--|---------------------------------|---------------------------------------|---------------------------|---------------------------------------|
| | 2022 | | 2021 | |
| | Student enrolments | Total number of tutoring hours | Student enrolments | Total number of tutoring hours |
| Academic Education Business | 14,205 | 164,869 | 179,389 | 3,478,826 |
| Non-academic Education Business | | | | |
| — Provision of extracurricular programmes for personal attainment in the PRC | 1,697 | 11,898 | — | — |
| — Provision of vocational education in the PRC | 86 | 727 | — | — |
| — Provision of overseas education consultation services in the PRC | 8 | 8 | — | — |
| Subtotal | 1,791 | 12,633 | — | — |
| Total | 15,996 | 177,502 | 179,389 | 3,478,826 |

Future outlook

Although it is still unclear how the local authorities will interpret and implement the policy under the Opinion, the Group will continue to monitor closely the regulatory environment which may have material effects on the business operations and financial position of the Group and adjust its business plan and reallocate its resources from time to time as appropriate.

The Group would continue to deploy resources in the development the Non-academic Education Business in order to achieve higher student enrolment in the second half of 2022.

The Board is confident that the Group is able to leverage on the sound resources and solid experiences from the Academic Education Business to the Non-academic Education Business in order to generate return to its shareholders (the “**Shareholders**”). In view of the promulgation of the Opinion and the realignment of the business scope of the Group, the Group also considered to expand the geographical and business scope to the provision of primary and secondary private education such as operating private schools in countries outside the PRC, including but not limited to the United Kingdom or the United States of America, which are popular study abroad destinations of the students to whom the Group provided overseas education consultation services. The Group is actively exploring different business opportunities as and when appropriate so as to expand the geographical scope of the business of the Group, aiming at completing the spectrum of education services provided by the Group.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group was primarily generated from the tuition fees from the Academic Education Business from January to March 2022. For the six months ended 30 June 2022, the Group’s total revenue was approximately RMB9.9 million, representing a decrease of approximately RMB206.3 million or approximately 95.4% as compared to that of approximately RMB216.1 million for the six months ended 30 June 2021. The decrease was primarily due to the closure of all of the Group’s self-operated teaching centres for the Academic Education Business since March 2022 in response to, and in compliance with, the restrictions imposed on the Academic Education Business following the promulgation of the Opinion.

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

| | Six months ended 30 June | | | |
|--|--------------------------|--------------|----------------|--------------|
| | 2022 | | 2021 | |
| | RMB'000 | % | RMB'000 | % |
| Academic Education Business | | | | |
| — Primary and secondary after-school academic tutoring services | | | | |
| Regular classes, small classes and VIP classes | 7,623 | 77.2 | 200,038 | 92.5 |
| Other tutorial services ^(Note 1) | — | — | 12,084 | 5.6 |
| | <u>7,623</u> | <u>77.2</u> | <u>212,122</u> | <u>98.1</u> |
| Non-academic Education Business | | | | |
| — Provision of extracurricular programmes for personal attainment in the PRC | 232 | 2.3 | — | — |
| — Provision of vocational education in the PRC | 755 | 7.6 | — | — |
| — Provision of overseas education consultation services in the PRC | 104 | 1.1 | — | — |
| | <u>8,714</u> | <u>88.2</u> | <u>212,122</u> | <u>98.1</u> |
| Subtotal | | | | |
| Sales of books and teaching materials | 642 | 6.5 | 2,223 | 1.0 |
| Brand name licensing and advisory income | 18 | 0.2 | 1,392 | 0.6 |
| Other services ^(Note 2) | 500 | 5.1 | 407 | 0.3 |
| | <u>9,874</u> | <u>100.0</u> | <u>216,144</u> | <u>100.0</u> |

Notes:

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

Cost of Sales

The Group's cost of sales primarily consists of (i) staff costs which represents salaries and performance based payment attributable to the teaching staff of the Group; and (ii) depreciation in relation to property and equipment (included the right-of-use assets for buildings) used for the Academic Education Business and Non-academic Education Business of the Group. The Group recorded a decrease in cost of sales of approximately RMB123.0 million or approximately 92.3% from approximately RMB133.2 million for the six months ended 30 June 2021 to approximately RMB10.3 million for the six months ended 30 June 2022. Such decrease was primarily due to the closure of all of the Group's self-operated teaching centres for the Academic Education Business, which led to the decrease in staff costs and depreciation expenses as the related property and equipment used for the Academic Education Business were being disposed and discarded.

Gross (Loss)/Profit and Gross (Loss)/Profit Margin

The Group recorded a gross loss of approximately RMB0.4 million for the six months ended 30 June 2022 and recorded a gross profit of approximately RMB82.9 million for the six months ended 30 June 2021. The gross loss margin for the six months ended 30 June 2022 was approximately 4.0% whilst the gross profit margin for the six months ended 30 June 2021 was approximately 38.4%.

Other Income

Other income mainly consists of (i) bank interest income, (ii) government grants; and (iii) interest income from debt instruments at fair value through other comprehensive income. The Group's other income decreased by approximately RMB1.9 million or 67.3% from approximately RMB2.8 million for the six months ended 30 June 2021 to approximately RMB0.9 million for the six months ended 30 June 2022. Such decrease was mainly due to the decrease in bank interest income. The bank interest income for the six months ended 30 June 2021 mainly consisted of the interest income derived from time deposits during the six months ended 30 June 2021, which carried higher interest rates while the Group did not have any time deposits during the Reporting Period.

Other Gains and Losses, Net

Others gains and losses, net mainly consist of (i) foreign exchange gains/(losses); (ii) impairment loss recognised in respect of trade and other receivables, net; (iii) gain on disposal of property and equipment; and (iv) gain on derecognition of right-of-use assets and lease liabilities. The Group recorded net other gains of approximately RMB10.2 million for the six months ended 30 June 2022 and recorded net other losses of approximately RMB0.5 million for the six months ended 30 June 2021. Such change was mainly due to the increase in gain on derecognition of right-of-use assets and lease liabilities of approximately RMB9.5 million or approximately 1,832.7% from approximately RMB0.5 million for the six months ended 30 June 2021 to approximately RMB10.1 million for the six months ended 30 June 2022. The increase in gain on derecognition of right-of-use assets and lease liabilities was due to the termination of leases of premises of the self-operated teaching centres for the Academic Education Business during the Reporting Period.

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily include wages and salaries for our marketing personnel and advertising expenses. The Group's selling and marketing expenses decreased by approximately RMB5.2 million or 89.6% from approximately RMB5.8 million for the six months ended 30 June 2021 to approximately RMB0.6 million for the six months ended 30 June 2022. Such decrease was mainly a result of the decrease in spending in advertisement and marketing in view of the closure of self-operated teaching centres for the Academic Education Business during the Reporting Period.

Content and Information Technology Development and Training Expenses

The Group's 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 the Group's internal monitoring system for the standardisation of the Group's teaching standard and quality through the usage of the data obtained. The Group's content and information technology development and training expenses decreased by approximately RMB16.0 million or 94.4% from approximately RMB16.9 million for the six months ended 30 June 2021 to approximately RMB1.0 million for the six months ended 30 June 2022. Such decrease was mainly a result of the decrease in staff cost for the Group's content development staffs during the Reporting Period.

Administrative Expenses

The Group's administrative expenses mainly comprises staff costs for the Group's administrative staff at the Group's head office, legal and professional fees, office expenses and travelling expenses. The Group's administrative expenses decreased by approximately RMB25.6 million or 71.3% from approximately RMB35.8 million for the six months ended 30 June 2021 to approximately RMB10.3 million for the six months ended 30 June 2022. Such decrease was mainly due to the decrease in number of administrative staff, which in turn led to a decrease in salaries and wages and staff training costs.

Finance Costs

The Group's finance costs represented interests on leased liabilities, which decreased by approximately RMB3.8 million or 94.3% from approximately RMB4.0 million for the six months ended 30 June 2021 to approximately RMB0.2 million for the six months ended 30 June 2022. Such decrease was mainly attributable to the reduced number of leased properties of the Group during the Reporting Period.

Taxation

The Group recorded income tax credits of approximately RMB11,000 for the six months ended 30 June 2022 and recorded income tax expenses of approximately RMB3.9 million for the six months ended 30 June 2021. The effective tax rate was approximately 17.4% for the six months ended 30 June 2021. The change in income tax credits/(expenses) and decrease in effective tax rate was primarily due to the loss before taxation recorded of approximately RMB1.3 million for the six months ended 30 June 2022 as compared to profit before taxation of approximately RMB22.6 million for six months ended 30 June 2021.

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

As a result of the foregoing, the Group recorded a loss and total comprehensive expense of approximately RMB1.3 million for the six months ended 30 June 2022, as compared to a profit and total comprehensive income of approximately RMB18.7 million for the six months ended 30 June 2021.

FINANCIAL POSITION

Property and Equipment

The property and equipment of the Group primarily consists of self-use buildings, furniture, fixtures and equipment, leasehold improvements and right-of-use assets of leased properties. The property and equipment of the Group amounted to approximately RMB30.9 million, representing a decrease of approximately RMB5.5 million or approximately 15.0% as compared to approximately RMB36.4 million as at 31 December 2021. The decrease is mainly attributable to the termination of leases of premises of the self-operated teaching centres for the Academic Education Business during the Reporting Period.

Debt Instruments at Fair Value Through Other Comprehensive Income (“FVTOCI”)

The Group’s debt instruments at FVTOCI represented investments in promissory notes issued by several institutions in Hong Kong. The Group’s debt instruments at FVTOCI amounted to approximately RMB23.8 million as at 30 June 2022, representing an increase of approximately RMB0.6 million or approximately 2.7% as compared to that of approximately RMB23.1 million as at 31 December 2021. The increase in fair value was due to exchange differences.

Other Receivables

The Group’s other receivables was mainly (i) deposits, prepaid tax and other prepayments; and (ii) rental deposits. The Group’s total other receivables were approximately RMB22.8 million as at 30 June 2022, representing an increase of RMB17.7 million or approximately 344.8% as compared to that of approximately RMB5.1 million as at 31 December 2021 mainly attributable to the increase in prepayments to a supplier of the Group which provides design services of a learning online platform and database targeted to primary and secondary schools.

Lease Liabilities

During the Reporting Period, the Group entered into several leases of premises for the Non-academic Education Business and these lease liabilities were measured at the present value of the lease payments that are not yet paid. The Group’s total lease liabilities as at 30 June 2022 amounted to approximately RMB8.3 million, representing a decrease by approximately RMB14.5 million or approximately 63.6% as compared with that of approximately RMB22.8 million as at 31 December 2021. Such decrease was mainly attributable to the reduced number of leased properties arising from closure of self-operated teaching centres for the Academic Education Business during the Reporting Period.

Other Payables and Accrued Charges

The Group's other payables and accrued charges mainly comprised staff cost payables, renovation cost payables and refundable tuition and other deposits. The Group's other payables and accrued charges amounted to approximately RMB6.4 million as at 30 June 2022 representing a decrease of approximately RMB8.5 million or approximately 57.1% as compared to that of approximately RMB14.8 million as at 31 December 2021. Such decrease was primarily attributable to the decrease in the number of teaching staff as at 30 June 2022 as a result of the closure of self-operated teaching centres for the Academic Education Business during the Reporting Period.

Receipts in Advance

The Group's receipts in advance primarily relate to the consideration received in advance from the students enrolled in the Group's courses and their parents, where revenue is recognised when the performance obligation is satisfied through service rendered. The Group's receipts in advance amounted to approximately RMB14.5 million as at 30 June 2022, representing a decrease of approximately RMB30.4 million or approximately 67.6% as compares to that of approximately RMB44.9 million as at 31 December 2021. Such decrease was mainly attributable to the decrease in the number of tutoring hours and student enrolment during the Reporting Period and the refunding of tuition fee as a result of the closure of self-operated teaching centres for the Academic Education Business during the Reporting Period.

Indebtedness

As at 30 June 2022, the Group had outstanding lease liabilities amounted to approximately RMB8.3 million (31 December 2021: approximately RMB22.8 million). The indebtedness of the Group are denominated in Renminbi.

The Group did not have any banking borrowing and/or unutilised banking facilities as at 30 June 2022 (31 December 2021: Nil).

Liquidity and Capital Resources

During the Reporting Period, the Group financed its working capital and capital expenditure principally through the Group's operations. As at 30 June 2022, the Group's net current assets amounted to approximately RMB212.7 million, representing an increase of 6.5% as compared with that of approximately RMB199.7 million as at 31 December 2021. As at 30 June 2022, the Group's bank balance and cash amounted to approximately RMB189.8 million, representing a decrease of approximately 27.0% as compared with that of approximately RMB259.8 million as at 31 December 2021, primarily due to (i) the refunding of tuition fee as a result of restrictions imposed on the Academic Education

Business following the promulgation of the Opinion since July 2021; and (ii) net cash outflow used in the operations of the Group during the Reporting Period. As at 30 June 2022, the bank balances and cash of the Group were denominated in Hong Kong dollars, United States dollars and Renminbi.

As at 30 June 2022, the Group had no interest-bearing borrowings (31 December 2021: Nil).

The Group did not use any financial instruments for hedging purpose during the Reporting Period.

Treasury Policies

The Group adopts prudent treasury policies. The Group would evaluate its cash position from time to time to optimise the use of its bank balances and cash and may invest in different types of financial instruments to generate return to the Group if appropriate.

Gearing Ratio

Gearing ratio is calculated based on total debt at the end of the Reporting Period divided by total equity at the end of the respective period/year. Total debt represents lease liabilities. The Group's gearing ratio as at 30 June 2022 was approximately 0.03 (31 December 2021: approximately 0.1).

Current Ratio

Current ratio is calculated based on the total current assets at the end of the Reporting Period divided by the total current liabilities at the end of the respective year/period. The Group's current ratio as at 30 June 2022 was approximately 10.0 times (31 December 2021: approximately 4.1 times).

Charge on Assets and Pledge of Assets

As at 30 June 2022, the Group did not have any charges on the Group's assets (31 December 2021: Nil) and none of the Group's assets was pledged (31 December 2021: None).

Foreign Exchange Exposure

The majority of the Group's revenue and expenditure are denominated in Renminbi. The Group currently does not have any foreign currency hedging policies and the foreign currency net investments of the Group are not hedged by currency borrowings and other hedging instruments. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Contingent Liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities.

OTHER INFORMATION

Change in Use of Proceeds from the Share Offer

Planned use of net proceeds

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

Gross proceeds from the Share Offer amounted to 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 Share Offer amounted to approximately HK\$204.0 million. As stated in the prospectus of the Company dated 30 June 2020, the Company intended to use the proceeds in the following manner:

- approximately 60.0% for the expansion of the provision of primary and secondary after-school academic education services and self-operated teaching centres network, through organic growth by expanding nationally and in particular in the PRC;
- approximately 30.0% for the expansion of our geographic presence and scale of operations of the provision of primary and secondary after-school academic education services 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.

According to the unaudited management accounts of the Group, as at the date of this announcement, the utilised net proceeds amounted to approximately HK\$72.9 million, which was mainly used for the renovation and rental payments for the Group's self-operated teaching centres. The unutilised net proceeds amounted to approximately HK\$131.1 million. For the reasons set out in the paragraph headed Reasons for and benefits of the change in use of net proceeds below in this announcement, the Board has resolved to change the use of the unutilised net proceeds and the expected timeline of full utilisation of the unutilised net proceeds as follows:

| | Original allocation of net proceeds <i>HK\$ million</i> | Utilised net proceeds as at the date of this announcement <i>HK\$ million</i> | Unutilised net proceeds as at the date of this announcement <i>HK\$ million</i> | Proposed change in allocation of unutilised net proceeds <i>HK\$ million</i> | Revised allocation of unutilised net proceeds <i>HK\$ million</i> |
|--|--|---|---|---|---|
| Expansion of the provision of primary and secondary after-school academic education services and self-operated teaching centres network through organic growth | 122.4 | 52.4 | 70.0 | (70.0) | 0.0 |
| Expansion of geographic presence and scale of the provision of primary and secondary after-school academic education services in the PRC through the strategic acquisitions or setting up joint ventures | 61.2 | 6.1 | 55.1 | (55.1) | 0.0 |
| Expansion in education business outside the PRC | – | – | – | 60.0 | 60.0 |
| Expansion of education-related services, extracurricular programmes for personal attainment and vocational education through strategic acquisitions or setting up joint ventures | – | – | – | 50.0 | 50.0 |
| Expansion of education-related services, extracurricular programmes for personal attainment and vocational education through organic growth | – | – | – | 15.1 | 15.1 |
| Working capital purposes | 20.4 | 14.4 | 6.0 | – | 6.0 |
| Total | 204.0 | 72.9 | 131.1 | – | 131.1 |

It is expected that the unutilised net proceeds will be used by the end of 2023.

Reasons for and benefits of the change in use of net proceeds

In the second half of 2021, the Group was faced with unforeseen changes across the country and the education sector as a result of the changes in regulatory environment.

As disclosed in the annual report of the Company for the year ended 31 December 2021, the PRC government has been reforming its education system, and has circulated the Opinion in July 2021 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 closed down all of its self-operated teaching centres for the Academic Education Business since March 2022 in response to, and in compliance with, the restrictions imposed on the Academic Education Business of the Group following the promulgation of the Opinion.

Taking into account the inevitable transition in the industry following the promulgation of the Opinion, the Group has reviewed its business strategies and resources allocation and considered that it would no longer be suitable to use the net proceeds (i) for the expansion of the provision of primary and secondary after-school academic education services and self-operated teaching centres network, through organic growth by expanding nationally and in particular in Zhengzhou, the PRC; and (ii) for the expansion of geographic presence and scale of operations of the provision of primary and secondary after-school academic education services in the PRC, through strategic acquisitions or setting up joint ventures with quality primary and secondary after-school academic education services companies in other parts of the PRC.

The Group has since actively diversified the business portfolio of the Group to the provision of (i) extracurricular programmes for personal attainment in arts, sports and dancing programming targeting children and teenagers; (ii) vocational education targeting high school graduates and adults; and (iii) overseas education consultation.

In addition, the Group understands from its business operation in providing overseas education consultation services that there is consistent demand from the PRC students to study abroad and the United Kingdom or the United States of America are popular study abroad destinations. Therefore the Group also considered to expand the geographical and business scope to the provision of primary and secondary private education such as operating private schools in countries outside the PRC aiming at completing the spectrum of education services provided by the Group.

Based on the above, the Group decides to reallocate HK\$70 million of the unutilised net proceeds from the expansion of the provision of primary and secondary after-school academic education services and self-operated teaching centres network, through organic growth and HK\$55.1 million of the unutilised net proceeds from the expansion of geographic presence and scale of operations of the provision of primary and secondary after-school academic education services in the PRC through the strategic acquisitions or setting up joint ventures to (i) expansion in education business outside the PRC; (ii) expansion of education-related services, extracurricular programmes for personal attainment and vocational education through strategic acquisitions or setting up joint ventures; and (iii) expansion of education-related services, extracurricular programmes for personal attainment and vocational education through organic growth.

In view of the above, the Board is of the view that the re-allocation of the unutilised net proceeds as set out above is in line with its adjusted business strategies of the Group to cope with the challenging regulatory environment in the PRC and to deploy its financial resources more efficiently for generating return to the Shareholders. The Board believes that such change of the use of the unutilised net proceeds is fair and reasonable and will not have any material adverse effect on the existing businesses and operations of the Group, and is in the best interests of the Company and its Shareholders as a whole.

Employees and Remuneration Policy

As at 30 June 2022, the Group had 374 employees (31 December 2021: 492). Total staff-related cost, including Directors' emoluments, was approximately RMB14.6 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately RMB102.3 million).

The Group generally determine employees' compensation based on their qualification, experience, position and performance. The Group offers comprehensive compensation to its employees, including salary and performance bonus, and the Group also provides training to its employees. Pursuant to relevant laws and regulations in the PRC, the Group participates 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. The Group also provided periodic training schemes to its employees.

In addition, the Company has adopted a share option scheme on 18 June 2020 (the "**Share Option Scheme**") and a share award scheme on 14 December 2020 (the "**Share Award Scheme**") in order to recognise the contribution of the Group's employees, motivate, retain and recruit high-calibre employees and reward those who had valuable contribution to the Group.

Share Option Scheme

The Company adopted the Share Option Scheme on 18 June 2020. 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.

During the six months ended 30 June 2022, there were no share option of the Company (the “**Share Options**”) (six months ended 30 June 2021: Nil) being granted pursuant to the Share Option Scheme. As at 30 June 2022, there were no (30 June 2021: Nil) outstanding Share Option granted under the Share Option Scheme.

Share Award Scheme

On 14 December 2020, the Company adopted the Share Award Scheme. The specific purposes of the Share Award Scheme are to (i) recognise the contribution of the employees, Directors, officers, consultants, advisors, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners or service providers of any member of the Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board or its delegate(s) considers, in its/their sole discretion, to have contributed or will contribute to the Group and reward those who have made or will make valuable contribution to the Group (the “**Eligible Persons of the Share Award Scheme**”); (ii) motivate, retain and recruit high-calibre personnel for further development of the Group; (iii) synchronise the perspectives of the Eligible Persons of the Share Award Scheme with Shareholders through ownership of Shares; (iv) encourage or facilitate the holding of Shares by the Eligible Persons of the Share Award Scheme; and (v) encourage the Eligible Persons of the Share Award Scheme to work diligently in achieving the strategic planning of the Company and increasing the target value of the Company.

During the six months ended 30 June 2022, no award shares under Share Award Scheme (the “**Award Shares**”) (six months ended 30 June 2021: 30,000,000 award shares) was granted to the Eligible Persons of the Share Award Scheme pursuant to the Share Award Scheme.

During the six months ended 30 June 2022, an aggregate of 13,364,000 Award Shares had lapsed, among which (i) an aggregate of 2,652,000 Award Shares lapsed as the relevant grantees under the Share Award Scheme ceased to be employees of the Group prior to the vesting of the Award Shares; (ii) 10,712,000 Award Shares were not vested on 7 April 2022 as the Group’s performance target for the year ended 31 December 2021 was not met. The Trustee will hold such lapsed Award Shares subject to further grants to be made by the Board in its discretion in accordance with the rules of the Share Award Scheme.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 14 February 2022, Zhengzhou Dashan Yun Xiao Technology Company Limited* (鄭州大山雲效科技有限公司) (the “**Initial Transferee**”), a wholly owned subsidiary of the Company entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with Bai Yadong (白亞東) and Zhu Yanjun (朱岩軍) (collectively, the “**Transferors**”) and Henan Zhongzhichuang Education Information Consulting Company Limited* (河南中之創教育信息諮詢有限公司) (the “**Target Company**”), for the acquisition of an aggregate of 60% of the equity interest of the Target Company, at the consideration of RMB1,000,000 (the “**Acquisition**”).

On 22 April 2022, the Initial Transferee, Zhengzhou Jinshui Dashan Technology Training Company Limited* (鄭州市金水區大山科技培訓有限公司) (“**Dashan Training**”), the Transferors and the Target Company, entered into a supplemental agreement (the “**Supplemental Agreement**”), pursuant to which, the rights and obligations of the Initial Transferee under the Equity Transfer Agreement are transferred to Dashan Training.

The Target Company is a company established in the PRC with limited liability and is principally engaged in the provision of vocational training and technical education for adults in relation to computer science and information technology. Completion of the Acquisition took place on 30 May 2022, and the Target Company became an indirect non-wholly owned subsidiary of the Company.

For details of the Equity Transfer Agreement, the Supplemental Agreement and the Acquisition, please refer to the announcements of the Company dated 14 February 2022, 22 April 2022 and 30 May 2022.

Save as disclosed above, the Company did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Significant Investments

As at 30 June 2022, the Group 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 the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2022. In the event that the Group engages in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as and when appropriate.

EVENTS AFTER THE REPORTING PERIOD

Entering into Cooperation Agreement in relation to Non-Fungible Token (“NFT”) Business

On 7 July 2022, Dashan Training, one of the consolidated affiliated entities controlled by the Company through contractual arrangements, entered into a cooperation agreement with Mr. Mei Xiangming (梅香明), Mr. Zhu Konghao (祝孔浩) and Zhongshu Cultural Artwork Trading (Jiangsu) Limited (中數文化藝術品交易(江蘇)有限公司) (“**Zhongshu Cultural**”), in relation to, among others, a subscription of 33.33% of the enlarged registered capital in Zhongshu Cultural by Dashan Training at a consideration of RMB5,000,000 (the “**Cooperation Agreement**”). The Board is of the view that subscription in Zhongshu Cultural contemplated under the Cooperation Agreement will allow the Group a toehold in the NFT market which is booming and evolving quickly which the Group intends to further develop if the subscription in Zhongshu Cultural is proven to be successful, whilst the risk exposure of the Group are limited to a relatively insignificant financial commitment.

For further information in relation to the Cooperation, please refer to the Company's announcement dated 7 July 2022.

CORPORATE GOVERNANCE

Save as disclosed below, in the opinion of the Directors, the Company has complied with the applicable code provisions (the “**CG Code**”) contained in Appendix 14 to the Listing Rules throughout the Reporting Period.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and the chief executive should be segregated and should not be performed by the same individual. However, the Company does 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 the Group and is instrumental to the Group’s growth and business expansion since the founding of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, both of which comprise experienced and high-caliber individuals. The Board currently comprises two 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 complied with the required standards of dealing as set out in the Model Code throughout the Reporting Period.

AUDIT COMMITTEE

The Company has 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 the 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 Dr. Xie Xiangbing. Mr. Lui Siu Keung is the chairman.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 of the Group. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by our Company, auditing, internal control measures and financial reporting with senior management members.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the Reporting Period (six months ended 30 June 2021: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.dashanedu.com>). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

APPRECIATION

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

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

Zhengzhou, 29 August 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Hongjun and Mr. Shan Jingchao; 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 Dr. Xie Xiangbing.

* *for identification purposes only*