CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Jia Shuilin

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INVESTMENT MANAGEMENT COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Ma Wenhao
Ms. Chen Yibei

COMPANY SECRETARY

Ms. Chen Yibei *(HKICPA)*

COMPLIANCE ADVISER

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

SOLICITOR

Howse Williams

PRINCIPAL BANKERS

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

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

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

19th Floor
Guoxin Plaza
Crossroad of Zhongzhou Avenue and Minghong Road
Jinshui District
Zhengzhou
Henan Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.dashanwaiyu.com
(information on the website does not form part of this report)

STOCK CODE

9986

DATE OF LISTING

15 July 2020

FINANCIAL HIGHLIGHTS

KEY HIGHLIGHTS

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

CHAIRMAN STATEMENT

To shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**", and each a "**Director**"), I am pleased to present this interim report of Dashan Education Holdings Limited (the "**Company**"), and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**").

The year of 2020 is a very important year of our Group. Despite of the unprecedented challenges caused by the outbreak of coronavirus disease 2019 (the "**COVID-19**") and the temporary suspension of our physical classes between end-January and mid-May 2020, our Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 July 2020 (the "**Listing**"). The Listing is an important milestone for our Group's development, and we will seize such opportunities to further enhance our brand awareness and reputation.

BUSINESS REVIEW

Since 2000, we have been using "大山" (DaShan) in providing our English tutoring services. We also provide primary and secondary after-school education services for Chinese under "御夫子" (Yufuzi) and Mathematics (as well as for other science subjects) under "小數點" (Xiaoshudian). In 2019, we were the largest primary and secondary after-school education service provider in Henan Province ("**Henan**") of the People's Republic of China (the "**PRC**" or "**China**") by number of student enrolments.

2020 has been a challenging and difficult year. The COVID-19 has spread across China and other countries, adversely affecting the global economy and livelihood of people. Since the outbreak of COVID-19, the PRC government has implemented various emergency measures to contain the spread of the disease. As a result, there was a temporary suspension of physical classes for after-school education service providers between end-January and mid-May 2020, which adversely affected our business operations. In response, we converted certain of our physical classes to online classes where students were able to attend classes through our proprietary online learning platform "學習8" (Learning Bar) to minimise impact to our business operations. Since mid-May 2020, we have resumed our physical classes and our business operations and student attendance at our self-operated teaching centres have been gradually recovering.

FUTURE PROSPECTS

The education industry is highly regulated. Education service providers are required to obtain and maintain various approvals, licences and permits and fulfil registration and filing requirements as required by different government authorities. In recent years, the PRC government has been implementing new laws, rules and regulations to strengthen regulations on the entire education industry. Market participants have to adequately and promptly respond to changes in the education system and may be subject to additional compliance obligations and incur additional compliance costs. We believe that tougher regulations will increase entry barriers and at the same time drive out competitors which do not have a scalable business to absorb relevant compliance costs. We are therefore of the view that the regulatory changes have provided us with opportunities to further strengthen our market position.

In October 2015, China's one-child policy was replaced by a universal two-child policy, which will lead to an increase in number of students and demand for after-school education services. Our strategic location, Henan, had the largest number of primary and secondary student enrolments and the largest number of students registered in the national college entrance examination in the PRC in 2019. Henan is a promising market characterised by high population of primary and secondary students, a relatively low top tier university admission rate and a relatively low penetration rate of tutoring services for primary and secondary students. In 2019, our Group was the largest primary and secondary after-school education service provider in Henan by number of student enrolments. Considering the market opportunities in Henan and our reputation, we believe that we are well positioned to benefit from the expected growing demand for after-school education services.

Meanwhile, we provide traditional physical classroom teaching, supplemented by our proprietary online learning platform "學習8" (Learning Bar). We believe that in addition to the traditional teaching in the classroom, online learning platform is the way forward in the future. The development and popularity of internet and in particular, mobile internet has enabled wider and more convenient access to online tutorial services. Especially, during the COVID-19 pandemic, usage for online learning platforms and tools surged as students globally shifted from traditional physical classroom learning to online learning. We believe that with our proprietary online learning platform "學習8" (Learning Bar), we will be able to capture the increasing demand for online learning platforms in Henan, as well as across the PRC.

Looking forward, we will continue to enhance our teaching and service quality to implement our teaching philosophy of stimulating student's learning initiatives, improving their academic performance, broadening their horizons and shaping their personal character. Building on our existing competitive strengths, we would be able to maintain sustainable growth in our business and create long-term shareholders' value.

In achieving that, we will place strong emphasis on retaining and recruiting talented employees in order to provide high standard after-school education services to our students. Therefore, we are considering to adopt a share award scheme in order to recognise the contribution of our employees, motivate, retain and recruit high-calibre employees and reward those who had made valuable contribution to our Group.

APPRECIATION

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

Zhang Hongjun
Chairman and Chief Executive Officer

21 September 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

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

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

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

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

Future Outlook

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

Other Income

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

Other Gains and Losses, Net

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

Selling and Marketing Expenses

Our selling and marketing expenses primarily include wages and salaries for our marketing personnel and advertising expenses. Our selling and marketing expenses decreased by approximately RMB6.7 million or approximately 62.6% from approximately RMB10.7 million for the six months ended 30 June 2019 to approximately RMB4.0 million for the six months ended 30 June 2020. Such decrease was mainly a result of the decrease in spending in advertisement and marketing.

Content and Information Technology Development and Training Expenses

Our content and information technology development and training expenses are primarily related to the creation and development of teaching materials, online content, graphic, animation and video clips, as well as the development and improvement of our internal monitoring system for the standardisation of our teaching standard and quality through the usage of the data obtained. Our content and information technology development and training expenses decreased by approximately RMB3.4 million or approximately 22.4% from approximately RMB15.2 million for the six months ended 30 June 2019 to approximately RMB11.8 million for the six months ended 30 June 2020. Such decrease was mainly attributable to the decrease in staff costs as a result of the temporary suspension of physical classes.

Administrative Expenses

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

Finance Costs

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

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

Our fair value change of financial liabilities designated at fair value through profit or loss relates to the convertible note issued by our Company to SCGC Capital Holding Company Limited on 31 October 2019. We recorded a fair value gain of approximately RMB14.2 million for the six months ended 30 June 2020.

Taxation

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

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

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

FINANCIAL POSITION

Inventories

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

Financial Assets Designated at Fair Value Through Profit or Loss

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

Other Receivables

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

Bank Balances and Cash

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

Trade Payables

Our trade payables are primarily related to purchases of books and teaching materials. Our trade payables amounted to approximately RMB2.3 million as at 30 June 2020, representing an increase of approximately RMB1.5 million or approximately 187.5% as compared to approximately RMB0.8 million as at 31 December 2019. Such increase was primarily attributable to the increase in purchase of books and teaching materials.

Lease Liabilities

Our Group leased various properties for the provision of after-school education services and these lease liabilities were measured at the present value of the lease payments that are not yet paid. Our total lease liabilities as at 30 June 2020 amounted to approximately RMB223.7 million, representing an increase by approximately RMB28.8 million or approximately 14.8% as compared with approximately RMB194.9 million as at 31 December 2019. Such increase was mainly attributable to the lease agreements our Group entered into during the Reporting Period for 11 of our new self-operated teaching centres.

Other Payables and Accrued Charges

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

Receipts In Advance

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

Indebtedness

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

We did not have any banking facilities as at 30 June 2020.

Liquidity and Capital Resources

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

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

Charge on Assets

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

Gearing Ratio

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

Current Ratio

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

Pledge of Assets

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

Foreign Exchange Exposure

The majority of the Group's revenue and expenditure are denominated in RMB. Most of the bank balances and cash of the Group as at 30 June 2020 were denominated in RMB, HK$ and USD. The Group currently does not have any foreign currency hedging policies. 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 2020, we did not have any material contingent liabilities.

CORPORATE GOVERNANCE AND 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. After deducting the underwriting fees and commissions and other estimated expenses 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**"), net proceeds from the Listing amounted to approximately HK$204.0 million. As stated in the prospectus of our Company dated 30 June 2020 (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 report, there had been no change in the intended use of proceeds as previously disclosed in the Prospectus. The table below sets out the details of the use of proceeds:

Intended usage	Amount of net proceeds	Approximate percentage	Utilised net proceeds from the Listing Date and up to the date of this report	Unutilised net proceeds from the Listing Date and up to the date of this report	Net proceeds planned to be utilised in 2020 from the date of this report	Net proceeds planned to be utilised in 2021	Net proceeds planned to be utilised in 2022
	HK$ million	%	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Expanding business and self-operated teaching centres network through organic growth	122.4	60.0	12.6	109.8	7.9	35.3	66.6
Expanding geographic presence through strategic acquisitions or setting up joint ventures	61.2	30.0	–	61.2	–	30.6	30.6
Working capital purposes	20.4	10.0	0.7	19.7	1.3	9.2	9.2
Total	**204.0**	**100.0**	**13.3**	**190.7**	**9.2**	**75.1**	**106.4**

During the Reporting Period and up to the date of this report, our Group had entered into 16 lease agreements for our new self-operated teaching centres, in which 11 were under renovation and five had completed renovation and were in the process of preparing the relevant documents for the private school operation permit application. As at the date of this report, we had utilised proceeds of approximately HK$12.6 million mainly for renovation and lease payments of 12 of these new self-operated teaching centres.

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

EMPLOYEES AND REMUNERATION POLICY

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

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

In addition, our Board is considering to adopt a share award scheme in order to recognise the contribution of our employees, motivate, retain and recruit high-calibre employees and reward those who had made valuable contribution to our Group.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

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

SIGNIFICANT INVESTMENTS

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

FUTURE PLANS FOR SIGNIFICANT INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in this report, the Group did not have any plans for significant investment as at 30 June 2020.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Reporting Period and up to the date of this report, our Group entered into lease agreements for five of our new self-operated teaching entities. As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of these lease agreements are less than 5%, these transactions do not give rise to discloseable obligations under the Listing Rules.

COMPLETION OF THE LISTING

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

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

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

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

As our Company's shares have not been listed on the Stock Exchange until 15 July 2020, neither our Company nor any of its subsidiaries had purchased, sold or redeemed any of our Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE

As our Company's shares have not been listed on the Stock Exchange until 15 July 2020, the Corporate Governance Code contained in Appendix 14 ("**Corporate Governance Code**") to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") was not applicable to our Company during the Reporting Period. Our Company has adopted to the Corporate Governance Code as our corporate governance code of practices upon Listing. To clarify, save as disclosed below, in the opinion of the Directors, the Company has complied with the relevant code provisions contained in the Corporate Governance Code since the Listing.

Pursuant to code provision A.2.1 of the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules, 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

As our Company's shares have not been listed on the Stock Exchange until 15 July 2020, related rules under the Listing Rules concerning the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**") was not applicable to our Company during the Reporting Period. Our Company has made specific enquiry with all our Directors and all our Directors confirmed that they have complied with the required standards set out in the Model Code from the Listing Date and up to the date of this report.

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 of the Audit Committee.

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

PUBLIC FLOAT

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

INTERIM DIVIDEND

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

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

There had been no change in the Board and the information of Directors since the Listing Date and up to the date of this report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As at the date of this report, the Company did not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

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

As at the Listing Date, the interests and short positions of the Directors and chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or any interest or short positions which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or any interests and short positions which have to be notified to our Company and the Stock Exchange, pursuant to the Model Code, were as follows:

Interests in our Shares

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

Notes:

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

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

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

4. These Shares are held by Bai Tai Investments Limited (百泰投資有限公司) ("**Bai Tai**"). The issued share capital of Bai Tai is legally and beneficially owned (i) as to approximately 24.35% by Mr. Jia Shuilin, as to approximately 10.35% by Mr. Shan Jingchao and as to approximately 7.30% by Mr. Ma Wenhao, each being a Director; (ii) as to approximately 2.44% by Mr. Guo Xianwei, being a member of the senior management of our Group; (iii) as to approximately 22.46% by Mr. Zhang Junying, being a director of 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**"), and as to approximately 17.04% by Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to approximately 7.30% by Mr. Cheng Yang, as to approximately 3.65% by Mr. Tang Enze, as to approximately 3.65% by Ms. Song Yifei, as to approximately 0.73% by Ms. Wang Weiping and as to approximately 0.73% by Ms. Sun Nuo, each being an employee of Dashan Training.

Interests in Ordinary Shares of Associated Corporations of our Company

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

Notes:

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

2. These shares are held by Zhengzhou Hou De Education Consultation Company Limited* (鄭州市厚德教育諮詢有限公司) ("**Hou De Education**"). The entire equity interest of Hou De Education is legally and beneficially wholly-owned by Mr. Zhang.

3. These shares are held by Zhengzhou Dashan Corporate Management Consultancy Company Limited* (鄭州大山企業管理諮詢有限公司) ("**Dashan Consultancy**"). The issued share capital of Dashan Consultancy is legally and beneficially owned as to approximately 99.74% by Zhengzhou Dashan Corporate Management Centre (LLP)* (鄭州大山企業管理中心(有限合夥)) (which is in turn owned as to, among others, approximately 21.01% by Mr. Jia Shuilin, approximately 6.30% by Mr. Shan Jingchao, and approximately 6.30% by Mr. Ma Wenhao) and as to approximately 0.26% by Mr. Zhang Junying, a director of Dashan Training and Jing Guang Dashan.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

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

Interests in our Shares

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

Notes:

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

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

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

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

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

SHARE OPTION SCHEME

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

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

STRUCTURED CONTRACTS

Background of the Structured Contracts

The following summarised generally the status of the structured contracts (the "**Structured Contracts**") adopted by our Group given the PRC legal restriction imposed on the shareholding structure over the business our Group is engaging. For further details of the Structured Contracts, please refer to the section headed "Structured Contracts" in the Prospectus. Capitalised terms used in this paragraph follow the meaning of those defined in the Prospectus, unless otherwise stated.

Our Group currently conducts, (i) through our Consolidated Affiliated Entities, primary and secondary after-school education business through physical classroom teaching and online teaching services through our proprietary online learning platform "學習8" (Learning Bar) and (ii) through Dashan Training, franchise business in the PRC, because the PRC laws and regulations (a) generally restrict foreign ownership in the primary and secondary education industry in the PRC; (b) prohibit foreign ownership in broad casting television program production business and internet cultural operations (except music); and (c) impose conditions on franchise business. Our Company does not hold any equity interest in our Consolidated Affiliated Entities in the PRC. The Structured Contracts, through which our Group obtains control over and derive the economic benefits from our Consolidated Affiliated Entities (as defined in Prospectus), have been narrowly tailored to achieve our business purpose and minimise the potential conflict with relevant PRC laws and regulations. Our Group has entered into the Structured Contracts for the existing Consolidated Affiliated Entities and expects to enter into structured contracts for the subsidiaries conducting primary and secondary after-school education business to be newly established and controlled by Dashan Training directly or indirectly, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects.

Unwinding of the Structured Contracts

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

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

Plan to Comply with the Qualification Requirement

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

Having said that with the aim of fulfilling the Qualification Requirement, we are currently looking for suitable opportunity, through Dashan Education (HK) Company Limited ("**Dashan Education (HK)**"), our wholly-owned subsidiary incorporated in Hong Kong, to serve as the main control hub of our overseas after-school education services business in the future. We have engaged a consultant to assist Dashan Education (HK) to fulfil the relevant law and regulatory requirements of establishing a private learning centre in Hong Kong. The approval process upon submission of the application is expected to take approximately six to seven months barring unforeseen circumstances, we are assessing the development of the outbreak of COVID-19 in Hong Kong, we expect to submit a formal application to the Education Bureau in Hong Kong regarding the establishment of the proposed learning centre as soon as practicable. In addition, to expand our online learning platform operations as and when appropriate, Dashan Education (HK) has registered a domain name overseas and is in process of establishing the website, which is expected to be completed by the end of September. As at the date of this report, Dashan Education (HK) had also applied for launching our online learning platform "學習8" (Learning Bar) on Google Play store and the application was still under review by Google.

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

Foreign Investment Law

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

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

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

No Material Change in the Structured Contracts

As at the date of this report, none of the Structured Contracts had been supplemented or modified since the date of execution of such Structured Contracts.

Compliance with the Structured Contracts

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Dashan Education Holdings Limited (the "**Company**") and its subsidiaries set out on pages 27 to 60, which comprise the condensed consolidated statement of financial position as at 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2020, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("**HKSRE 2410**") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2019 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**300,472**	279,313
Investment properties	12	**5,110**	5,163
Deferred tax assets		**166**	107
Rental deposits	14	**2,123**	2,208
Deposits for leasehold improvements		**1,120**	2,567
		308,991	289,358
CURRENT ASSETS			
Inventories		**10,578**	7,091
Financial assets designated at fair value through profit or loss	13	**80,000**	55,000
Other receivables	14	**21,842**	9,221
Bank balances and cash		**148,247**	176,939
		260,667	248,251
CURRENT LIABILITIES			
Trade payables	15	**2,328**	777
Other payables and accrued charges	16	**36,978**	30,261
Receipts in advance	17	**192,172**	170,892
Tax liabilities		**787**	3,017
Lease liabilities	18	**34,005**	26,704
		266,270	231,651
NET CURRENT (LIABILITIES) ASSETS		**(5,603)**	16,600
TOTAL ASSETS LESS CURRENT LIABILITIES		**303,388**	305,958

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2020

	NOTES	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Lease liabilities	18	189,662	168,227
Financial liabilities designated at fair value through profit or loss	19	35,639	49,810
		225,301	218,037
NET ASSETS		78,087	87,921
CAPITAL AND RESERVES			
Share capital	20	–	32,260
Reserves		78,087	55,661
TOTAL EQUITY		78,087	87,921

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital RMB'000	Capital surplus RMB'000	Statutory surplus reserve RMB'000 (Note)	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2019 (audited)	32,260	1,443	5,706	–	47,936	87,345
Profit and total comprehensive income for the period	–	–	–	–	20,076	20,076
Dividend paid (note 10)	–	–	–	–	(48,390)	(48,390)
At 30 June 2019 (unaudited)	32,260	1,443	5,706	–	19,622	59,031
At 1 January 2020 (audited)	**32,260**	**1,443**	**12,471**	**–**	**41,747**	**87,921**
Loss and total comprehensive expense for the period	**–**	**–**	**–**	**–**	**(9,834)**	**(9,834)**
Effect on reorganisation (note 20b)	**(32,260)**	**–**	**–**	**32,260**	**–**	**–**
At 30 June 2020 (unaudited)	**–***	**1,443**	**12,471**	**32,260**	**31,913**	**78,087**

* *Less than RMB1,000*

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(9,094)**	24,759
Adjustments for:		
Bank interest income	**(119)**	(159)
Income from financial assets designated at fair value through profit or loss	**(455)**	(806)
Finance costs	**3,717**	3,061
Loss on disposal of property, plant and equipment	**55**	50
Depreciation of investment properties	**53**	–
Depreciation of property, plant and equipment (including right-of-use assets for buildings)	**43,234**	34,660
Impairment loss recognised in respect of other receivables	**409**	–
Gain on derecognition of right-of-use assets and lease liabilities	**(872)**	(837)
Imputed interest income from rental deposits	**(74)**	(41)
Fair value change of financial liabilities designated at fair value through profit or loss	**(14,171)**	–
Covid-19-related rent concessions	**(2,281)**	–
Foreign exchange (gains)/losses	**(1,183)**	23
Operating cash flows before movements in working capital	**19,219**	60,710
Increase in receipts in advance	**21,280**	91,899
Other movements in working capital	**(5,508)**	(7,638)
Cash generated from operations	**34,991**	144,971
Income tax paid	**(3,029)**	(8,569)
NET CASH FROM OPERATING ACTIVITIES	**31,962**	136,402

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
INVESTING ACTIVITIES		
Bank interest received	**119**	159
Income from financial assets designated at fair value through profit or loss received	**455**	806
Purchase of property, plant and equipment	**(7,756)**	(16,399)
Addition of financial assets designated at fair value through profit or loss	**(85,000)**	(305,360)
Proceeds on redemption on financial assets designated at fair value through profit or loss	**60,000**	153,930
Other investing cash flows	**(333)**	(853)
NET CASH USED IN INVESTING ACTIVITIES	**(32,515)**	(167,717)
FINANCING ACTIVITIES		
Interest paid	**(3,717)**	(3,061)
Payment of lease liabilities	**(23,012)**	(24,278)
Dividend paid	**—**	(48,390)
Share issue costs paid	**(2,348)**	(221)
NET CASH USED IN FINANCING ACTIVITIES	**(29,077)**	(75,950)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(29,630)**	(107,265)
Effect of foreign exchange rate changes	**938**	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**176,939**	146,527
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**148,247**	39,262

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

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

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

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

1A. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

In response to the outbreak of coronavirus disease 2019 ("**Covid-19**"), the Group launched online course for students in February 2020 and converted physical class to online class temporarily where students were able to attend classes through the Group's online learning platform without physically present at the self-operated teaching centres. The operations of the self-operated teaching centres were resumed in May and June 2020. Certain lessors had provided rent concessions to the Group during the current interim period. As such, the financial positions and performance of the Group were affected in different aspects, including reduction of revenue and rent concessions from certain lessors as disclosed in notes 5 and 12, respectively.

2. BASIS OF PREPARATION

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

The principal steps of the Reorganisation are disclosed in the prospectus of the Company dated 30 June 2020 (the "**Prospectus**").

2. BASIS OF PREPARATION (continued)

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

Contractual arrangements

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

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

— exercise equity holders’ voting rights of the Consolidated Affiliated Entities;

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

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

2. BASIS OF PREPARATION (continued)

Contractual arrangements (continued)

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

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

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

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	**107,368**	174,794
(Loss) profit before taxation	**(17,465)**	26,552

2. BASIS OF PREPARATION (continued)

Contractual arrangements (continued)

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Non-current assets	**308,341**	289,111
Current assets	**215,078**	197,492
Current liabilities	**248,903**	215,134
Non-current liabilities	**189,356**	168,192

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

As at 30 June 2020, the Group had net current liabilities of RMB5,603,000. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the condensed consolidated financial statements. Taking into account the ongoing availability of finance to the Group, including the cash flows generated from its principal operations, bank balances and cash available and the net proceeds from the public offer and placing subsequent to the reporting period, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these condensed consolidated financial statements have been prepared on a going concern basis.

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

Application of amendments to HKFRSs

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

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

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

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

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

Application of amendments to HKFRSs (continued)

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

3.1 Impacts and accounting policies on early application of Amendment to HKFRS 16 "Covid-19-Related Rent Concessions"

3.1.1. Accounting policies

Leases

Covid-19-related rent concessions

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

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

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

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

3.1 Impacts and accounting policies on early application of Amendment to HKFRS 16 "Covid-19-Related Rent Concessions" (continued)

3.1.2. Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained profits at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of RMB2,281,000 in the profit or loss for the current interim period.

4. PRINCIPAL ACCOUNTING POLICIES

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

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

5. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers is as follows:

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

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.

5. REVENUE AND SEGMENT INFORMATION (continued)

Revenue (continued)

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

All unsatisfied contracts in respect of revenue from tuition programs, brand name licensing and advisory services arrangement, sales of books and teaching materials and other services at 30 June 2020 and 31 December 2019 are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

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

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

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

Geographical information

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

Information about major customers

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

6. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

Other income

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

Other gains and losses, net

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

Note: For the six months ended 30 June 2020, government grants mainly represents the subsidies from the local government for the recognition of Dashan Training as High and New Technology Enterprise in the PRC. These amounts have been recognised as other income upon receipt during the six months ended 30 June 2020, and there was no unfulfilled condition attached to these government grants.

7. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interests on lease liabilities	**3,717**	3,061

8. TAXATION

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	**799**	4,683
Deferred tax credit	**(59)**	–
	740	4,683

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries, except for Dashan Training, is 25% for the six months ended 30 June 2020 and 2019.

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

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

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

	Six months ended 30 June	
	2020	2019
	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	**881**	970
Other staff costs	**42,570**	56,154
Other staff's retirement benefits scheme contributions	**2,965**	7,889
	46,416	65,013
Cost of inventories sold	**431**	1,021
Depreciation of investment properties	**53**	—
Depreciation of property, plant and equipment (including right-of-use assets for buildings)	**43,234**	34,660
Covid-19-related rent concessions (note 12)	**(2,281)**	—

10. DIVIDEND

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

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

11. (LOSS) EARNINGS PER SHARE

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

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

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined and detailed in note 20) had been effective on 1 January 2019.

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

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2020, the Group's addition to property, plant and equipment (excluding right-of-use assets for buildings) was RMB9,203,000 (six months ended 30 June 2019: RMB15,663,000).

During the six months ended 30 June 2020, the Group disposed of certain furniture, fixture and equipment with an aggregate carrying amount of RMB67,000 (six months ended 30 June 2019: RMB248,000) for cash proceeds of RMB12,000 (six months ended 30 June 2019: RMB198,000), resulting in a loss on disposal of RMB55,000 (six months ended 30 June 2019: RMB50,000).

During the six months ended 30 June 2020, the Group entered into several new lease agreements for the use of buildings for one to eight years (six months ended 30 June 2019: one to ten years). On lease commencement during the six months ended 30 June 2020, the Group recognised right-of-use assets of RMB64,820,000 (six months ended 30 June 2019: RMB70,906,000) and lease liabilities of RMB64,632,000 (six months ended 30 June 2019: RMB69,466,000).

During the six months ended 30 June 2020, right-of-use assets for buildings with a total carrying amount of RMB9,563,000 (six months ended 30 June 2019: RMB11,013,000) and lease liabilities of RMB10,603,000 (six months ended 30 June 2019: RMB12,034,000) were derecognised upon early termination of relevant leases.

During the current interim period, as disclosed in Note 1A, the Group had to temporarily close its teaching centres in order to contain the spread of Covid-19. Lessors of the relevant teaching centres provided rent concessions to the Group through rent reductions ranging from 10% to 100% over one to three months. These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB2,281,000 were recognised as negative variable lease payments.

Investment properties of the Group are measured using the cost model. The fair value of the Group's investment properties as at 30 June 2020 was RMB6,640,000 (31 December 2019: RMB6,640,000), which was arrived at on the basis of a valuation carried out on 30 June 2020 by Cushman & Wakefield Limited, an independent qualified professional valuer which is not connected with the Group. The address of Cushman & Wakefield Limited is 16/F, Jardine House, 1 Connaught Place, Central, Hong Kong. The fair value was determined based on direct comparison approach making reference to comparable market observable transactions of similar locations and conditions as available in the relevant market.

13. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Current assets		
Financial assets designated at FVTPL	**80,000**	55,000

During the six months ended 30 June 2020, the Group entered into several contracts of wealth management products with financial institutions in the PRC. Except for the principals of RMB75,000,000 as at 30 June 2020 (31 December 2019: RMB45,000,000) which was guaranteed by the relevant financial institutions, the remaining principals of RMB5,000,000 as at 30 June 2020 (31 December 2019: RMB10,000,000) was not guaranteed by the relevant financial institutions. The returns of those wealth management products were determined by reference to the performance of the underlying investments and their expected return rates stated in the outstanding contracts as at 30 June 2020 range from 1.35% to 4.80% (31 December 2019: 3.55% to 4.80%) per annum.

14. OTHER RECEIVABLES

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

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

The Group applies 12m ECL approach to provide for ECL allowance on receivables from third-party payment platforms prescribed by HKFRS 9. The management of the Group are of the opinion that the credit risks of these receivables are minimal as these are from creditworthy third-party payment platforms with no history of defaults. Based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information, the management of the Group assessed the ECL for receivables from third-party payment platforms for the six months ended 30 June 2020 and 2019 were insignificant.

15. TRADE PAYABLES

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

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
0-30 days	**2,325**	522
31-60 days	**—**	208
61-90 days	**—**	2
Over 90 days	**3**	45
	2,328	777

16. OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Staff cost payables	**10,235**	12,052
Renovation cost payables	**274**	2,264
Refundable tuition deposits	**12,893**	3,076
Refundable deposits from Contracted Parties	**1,640**	889
Other taxes payables	**277**	685
Other payables	**1,154**	1,486
Accrued listing expenses	**8,126**	7,656
Accrued issue costs	**2,379**	2,153
	36,978	30,261

17. RECEIPTS IN ADVANCE

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

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Receipts in advance:		
— Tutoring fees	**190,119**	167,557
— Brand name licensing and advisory services income	**2,053**	3,335
	192,172	170,892

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

18. LEASE LIABILITIES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Non-current	**189,662**	168,227
Current	**34,005**	26,704
	223,667	194,931
Minimum lease payment due:		
— within one year	**41,102**	32,980
— more than one year but not exceeding two years	**55,676**	47,151
— more than two years but not exceeding five years	**118,763**	101,600
— more than five years	**29,367**	32,851
	244,908	214,582
Less: future finance charge	**(21,241)**	(19,651)
Present value of lease liabilities	**223,667**	194,931
Present value of lease liabilities		
— within one year	**34,005**	26,704
— more than one year but not exceeding two years	**50,277**	42,322
— more than two years but not exceeding five years	**110,859**	94,202
— more than five years	**28,526**	31,703
	223,667	194,931

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

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

The total cash outflows for leases including the payments of lease liabilities and interests for the six months ended 30 June 2020 were RMB26,729,000 (six months ended 30 June 2019: RMB27,339,000).

19. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

There is no term or condition of the convertible note granting any voting right to the investor to vote at any meetings of the Company by reason only of it being a holder of the convertible note.

So long as any sum remains outstanding under the convertible note, the investor is entitled to nominate one observer (the "Observer") to the board of directors of the Company (the "Board") who shall be entitled to receive all notices of meeting and attend all meetings of the Board. The right to nominate an Observer by the investor shall cease upon the occurrence of the Listing.

The convertible note was classified as non-current liabilities as at 30 June 2020 and 31 December 2019.

19. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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

The movement of fair value of the convertible note is set out as below:

	Convertible note RMB'000
At 1 January 2020	49,810
Fair value gain	(14,171)
At 30 June 2020	35,639

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

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

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

19. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Three scenarios were considered in the valuation of convertible note:

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

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

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

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

Key valuation assumptions used to determine the fair value of the convertible note are as follows:

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

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

On 30 June 2020, the Company issued the Prospectus with share offer at a price not less than HK$1.25 per share. The directors of the Company considered high probability of Listing and determined the equity value with reference to the offer price of HK$1.25 per share in determining the fair value of the convertible note as at 30 June 2020 of RMB35,639,000.

20. SHARE CAPITAL

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

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

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

* *Less than RMB1,000*

Notes:

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

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

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Fair value measurement of financial instruments

Financial assets	Fair value at 30 June 2020	Fair value at 31 December 2019	Fair value hierarchy	Valuation technique and key inputs
Financial assets designated at FVTPL	Wealth management products in the PRC: RMB80,000,000	Wealth management products in the PRC: RMB55,000,000	Level 3	Discounted cash flows Key unobservable inputs: 1. expected yields of underlying investments invested by financial institutions 2. a discount rate that reflects the credit risk of the financial institutions (note a)

Financial liabilities	Fair value at 30 June 2020	Fair value at 31 December 2019	Fair value hierarchy	Valuation technique and key inputs
Financial liabilities designated at FVTPL	Convertible note: RMB35,639,000	Convertible note: RMB49,810,000	Level 3	Refer to note 19 (note b)

Notes:

(a) The management of the Group consider that the impact of the fluctuation in expected yields of the underlying instruments to the fair value of the wealth management products was insignificant as the products have short maturities, and therefore no sensitivity analysis is presented.

No gains or losses are recognised in profit or loss relating to the change in fair value of wealth management products classified as Level 3 for the six months ended 30 June 2020 and 2019 as the amount involved is insignificant.

(b) The sensitivity analysis below has been determined mainly based on the exposure to the equity value of the Group as the directors of the Company consider that the change in other input variables may not have significant financial impact on the fair values of convertible note.

If the equity value to the valuation model had been 5% higher/lower while all other input variables of the valuation models were held constant, the Group's loss for the period ended 30 June 2020 would have been increased/decreased by RMB1,782,000.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value measurement of financial instruments (continued)

There were no transfers between levels of the fair value hierarchy during the six months ended 30 June 2020 and 2019.

22. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of the directors and other members of key management during the six months ended 30 June 2020 was as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term benefits	**1,287**	1,377
Post-employment benefits	**50**	153
	1,337	1,530

23. NON-CASH TRANSACTIONS

During the six months ended 30 June 2020, the Group has entered into the following major non-cash transactions:

(a) Right-of-use assets for buildings with a total capital value of RMB64,820,000 (six months ended 30 June 2019: RMB70,906,000) and lease liabilities of RMB64,632,000 (six months ended 30 June 2019: RMB69,466,000) were recognised on commencement date of new leases entered into by the Group during the six months ended 30 June 2020; and

(b) Right-of-use assets for buildings with a total carrying amount of RMB9,563,000 (six months ended 30 June 2019: RMB11,013,000) and lease liabilities of RMB10,603,000 (six months ended 30 June 2019: RMB12,034,000) were derecognised during the six months ended 30 June 2020 upon early termination of relevant leases during the six months ended 30 June 2020.

24. SUBSEQUENT EVENTS

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

(i) Subsequent to the reporting period, pursuant to the written resolutions of the shareholders dated 18 June 2020, conditional upon the share premium amount of the Company being credited as a result of the public offer and placing, the directors of the Company were authorised to capitalise the amount of HK$5,684,108 from the amount standing to the credit of the share premium account of the Company and applying such sum to pay up in full at par 568,410,800 shares for allotment and issue to the shareholders whose names appeared on the register of members of the Company at the close of business on 18 June 2020 (the "**Capitalisation Issue**"). Such shares rank pari passu in all respects with then existing shares of the Company. The Capitalisation Issue was completed on 15 July 2020.

(ii) The convertible note issued by the Company shall be mandatorily and automatically converted into Conversion Shares (as defined in note 19) which shall represent approximately 5.2632% of the entire issued share capital of the Company (as enlarged by the allotment and issue of Conversion Shares) should the grant of the Listing take place on or before its maturity date (being 31 December 2021), or may also be converted into Conversion Shares before the Listing and at the discretion of the investor (the "**Conversion**"). The Conversion was completed on 15 July 2020, through which the convertible note issued by the Company was mandatorily and automatically converted into 31,579,200 ordinary shares of the Company.

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