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

(incorporated in the Cayman Islands with limited liability)

Stock Code: 9986

SHARE OFFER

Sole Sponsor

Alliance Capital Partners Limited
同人融資有限公司

Joint Global Coordinators and Joint Bookrunners
(in alphabetical order)

Alliance Capital Partners Limited
同人融資有限公司

交銀國際
BOCOM International

海通國際
HAITONG

Joint Bookrunners
(in alphabetical order)

阿尔法国际证券
ALPHA INTERNATIONAL SECURITIES

愛保信國際證券有限公司
AWSG International Securities Limited

招銀国际
CMB INTERNATIONAL

民銀證券
CMBC SECURITIES COMPANY LIMITED

安信國際
ESSENCE INTERNATIONAL

富途證券

盛源
SHENG YUAN

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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

(incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	:	200,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	:	20,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	180,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	HK$1.75 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund) and expected to be not less than HK$1.25 per Offer Share
Nominal value	:	HK$0.01 per Share
Stock code	:	9986

Sole Sponsor

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安信國際 ESSENCE INTERNATIONAL
富途證券
盛源 SHENG YUAN

Joint Lead Managers
(in alphabetical order)

ASTRUM
源盛證券 BRADBURY SECURITIES
第一上海 FIRST SHANGHAI GROUP
民眾證券 FREEMAN SECURITIES
富昌證券 FULBRIGHT SECURITIES
六福金融 LUKFOOK FINANCIAL
脈搏資本 Pulsar Capital
TD KING TD KING FINANCE
華盛証券 Valuable Capital Limited
中泰國際 ZHONGTAI INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection — Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk factors" in this prospectus.

The Offer Price is expected to be determined by agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 7 July 2020 or such later time as may be agreed by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), but in any event no later than Wednesday, 8 July 2020. The Offer Price will be not more than HK$1.75 per Offer Share and is currently expected to be not less than HK$1.25 per Offer Share. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK$1.75 per Offer Share, unless otherwise announced, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$1.75.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), with the consent of our Company, may reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Share Offer and/or of the indicative Offer Price range will be published on the websites of our Company at *www.dashanwaiyu.com* and the Stock Exchange *at www.hkexnews.hk* not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure of the Share Offer" and "How to apply for Public Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Wednesday, 8 July 2020, the Share Offer will not proceed and will lapse.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Public Offer Shares, are subject to termination by the Joint Global Coordinators, for themselves and on behalf of the Public Offer Underwriters, if certain circumstances arise prior to 8:00 a.m. on the Listing Date. Such circumstances are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination of the Public Offer Underwriting Agreement" in this prospectus. It is important that you carefully read that section for further details.

The Public Offer Shares have not been and will not be registered under the Securities Act or any state securities law of the United States and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and in accordance with any applicable state securities laws in the United States. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

30 June 2020

If there is any change in the following expected timetable of the Public Offer, we will issue an announcement in Hong Kong to be published on the Stock Exchange's website at ***www.hkexnews.hk*** and our Company's website at ***www.dashanwaiyu.com***.

Latest time to complete **electronic applications** under **HK eIPO White Form** service through one of the below ways[2][3]: (1) the designated website at ***www.hkeipo.hk*** (2) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at ***www.hkeipo.hk/IPOApp*** or ***www.tricorglobal.com/IPOApp***	11:30 a.m. on Monday, 6 July 2020
Application lists open[3]	11:45 a.m. on Monday, 6 July 2020
Latest time to lodge **WHITE** and **YELLOW** Application Forms[3]	12:00 noon on Monday, 6 July 2020
Latest time to give **electronic application instructions** to HKSCC[3][4]	12:00 noon on Monday, 6 July 2020
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)[2][3]	12:00 noon on Monday, 6 July 2020
Application lists close[3]	12:00 noon on Monday, 6 July 2020
Expected Price Determination Date[5]	Tuesday, 7 July 2020

Announcement of:	
(i) the final Offer Price;	
(ii) the level of indications of interest in the Placing;	
(iii) the level of applications in the Public Offer; and	
(iv) the basis of allocations of the Public Offer (with successful applicants' identification document numbers, where applicable) to be published on our website at ***www.dashanwaiyu.com***[6] and the website of the Stock Exchange at ***www.hkexnews.hk*** on or before	Tuesday, 14 July 2020
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for Public Offer Shares — Publication of results" from	Tuesday, 14 July 2020
Results of allocations in the Public Offer will be available at ***www.tricor.com.hk/ipo/result*** and ***www.hkeipo.hk/IPOResult*** or the "Allotment Result" in the **IPO App**, with a "search by ID" function from	Tuesday, 14 July 2020
Despatch/collection of Share certificates or deposit of Share certificates into CCASS in respect of wholly or partially successful applications on or before[7][8]	Tuesday, 14 July 2020
Despatch/collection of refund cheques or **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Public Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications on or before[8][9]	Tuesday, 14 July 2020
Dealings in Shares on the Stock Exchange to commence on	Wednesday, 15 July 2020

Notes:

(1) All times and dates refer to Hong Kong local time, except otherwise stated.

(2) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at ***www.hkeipo.hk*** or the **IPO App** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website or the **IPO App** prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning or an Extreme Condition in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 6 July 2020, the application lists will not open and close on that day. Further information is set out in the section headed "How to apply for Public Offer Shares — Effect of bad weather and Extreme Conditions on the opening of the application lists" in this prospectus. If the application lists do not open and close on Monday, 6 July 2020, the dates mentioned in this section may be affected. We will make an announcement in such event.

(4) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for Public Offer Shares — Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or about Tuesday, 7 July 2020, and in any event will not be later than Wednesday, 8 July 2020. If, for any reason, the Offer Price is not agreed on or before Wednesday, 8 July 2020, the Share Offer will not proceed and will lapse.

(6) None of the information contained on the websites forms part of this prospectus.

(7) Share certificates for the Public Offer Shares are expected to be issued on Tuesday, 14 July 2020 but will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects, and (ii) the Underwriting Agreements have not been terminated in accordance with their terms. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible.

(8) Applicants who have applied on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more and have provided all required information may collect Share certificates (if applicable) and refund cheques (if applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 14 July 2020, or any other day that we publish in the newspaper as the date of despatch of Share certificates/refund cheques. Individual applicants who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more may collect their refund cheques (if applicable) in person but may not collect in person their Share certificates which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through a single bank account may have e-Auto Refund payment instructions (if any) despatched to their application payment bank account on Tuesday, 14 July 2020. Applicants who have applied through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts may have refund cheque(s) sent to the address specified in their application instructions through the **HK eIPO White Form** service, on Tuesday, 14 July 2020, by ordinary post and at their own risk.

Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for Public Offer Shares — Despatch/Collection of Share certificates and refund monies" in this prospectus.

(9) Refund cheques will be issued (if applicable) and e-Auto Refund payment instructions will be despatched (where applicable) in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application.

For details of the structure of the Share Offer, including conditions of the Public Offer, please refer to the section headed "Structure of the Share Offer" in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any jurisdiction other than Hong Kong and in any other circumstances.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Joint Global Coordinators, the Sole Sponsor, the Underwriters, any of their respective directors, or any other person involved in the Share Offer.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including the appendices hereto, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read this section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are principally engaged in the provision of primary and secondary after-school education services in Zhengzhou and our history can be traced back to 1998. We offer primary and secondary school students OMO after-school education services which supplement their regular English, Chinese, Mathematics and other curriculum at school. According to the Frost & Sullivan Report, we were the largest primary and secondary after-school education service provider in Henan by number of student enrolments in 2019 and the second largest primary and secondary after-school education service provider in Henan in terms of revenue in 2019, with a market share of approximately 2.5% among all such service providers in Henan.

As the leading after-school education service provider in Henan, we believe that we are uniquely positioned to enjoy the growth potential offered in Zhengzhou and in Henan. According to the Frost & Sullivan Report, revenue of primary and secondary after-school education service market in Henan rose from approximately RMB19.6 billion in 2014 to approximately RMB36.4 billion in 2019, representing a CAGR of approximately 13.2% and is expected to further grow at a CAGR of approximately 8.6% to approximately RMB54.9 billion in 2024. In 2019, the market share of Henan's primary and secondary after-school education services in the overall PRC market was approximately 7.9%.

As at the Latest Practicable Date, we had 80 self-operated teaching centres, among which 79 of them were located in Zhengzhou and one of them was located in Xinxiang. In addition, we had 12 franchisees located in areas other than Zhengzhou. For details, please refer to the section headed "Business — Our network" in this prospectus. Within each of our self-operated teaching centres, we provide services for three key subjects through three different brands, namely "大山" (DaShan) for English, "御夫子" (Yufuzi) for Chinese and "小數點" (Xiaoshudian) for Mathematics (as well as for other science subjects). These subjects are offered in the forms of regular class, small class and VIP class for our students to choose from according to their individual studying needs and preferences.

Our goal is "Creating a bright future for students 為學生創造美好未來", by implementing our teaching philosophy of stimulating student's learning initiatives, improving their academic performance, broadening their horizons and shaping their personal character. In reaching our goal, it is also our mission to combine technology and innovation with physical tutoring to improve student's learning interest and efficiency. As an OMO after-school education service provider, we deliver our tutoring services mainly at our self-operated 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 our teaching materials.

Our research and development team is in charge of designing our teaching materials. To ensure the standard and quality of our teaching materials, we engaged several top tier universities or their associated publishing house in Beijing to customise or advise us on the design of our teaching materials.

We emphasise on developing a standardised teaching system through the use of uniform teaching materials, provision of continuous training to our teachers and the integration of our proprietary online learning platform "學習8" (Learning Bar) as an essential part of the tutoring services that we offer. We believe that this allows us not to rely on any individual teacher and at the same time to prepare ourselves for a replicable operation model for future growth.

As part of our standardised teaching system, we strive to ensure consistent and stable teaching quality. All of our courses are taught or delivered by our teachers that have passed no less than 12 weeks of our training program at our teacher training centre, which comprises subject specific training and skills training. Our teacher training centre commenced operation in 2017, and it occupies a total GFA of not less than 6,100 sq.m. and allows up to 1,900 teachers to undergo training simultaneously. As at the Latest Practicable Date, we had a total of 891 teachers. We encourage our teachers to update and share their teaching experiences in our teacher training centre for no less than once per week.

Utilisation rates of our self-operated teaching centres

The following table illustrates the utilisation rates of our existing self-operated teaching centres as at the Latest Practicable Date during the Track Record Period:

	For the year ended 31 December		
	2017	**2018**	**2019**
30 self-operated teaching centres opened prior to 2017	58.8%	65.1%	68.7%
26 self-operated teaching centres opened in 2017	39.5%	60.9%	70.1%
10 self-operated teaching centres opened in 2018	N/A	30.4%	57.3%
14 self-operated teaching centres opened in 2019	N/A	N/A	23.3%
One self-operated teaching centre closed during 2017	54.4%	N/A	N/A
Two self-operated teaching centres closed during 2018	32.3%	27.2%	N/A
Five self-operated teaching centres closed during 2019	56.4%	56.3%	43.3%
Overall	**51.2%**	**60.8%**	**64.2%**

Notes:

1. The utilisation rates are calculated by dividing the actual number of tutoring hours by the capacity of each year for our regular classes, small classes and VIP classes based on (a) the number of students each classroom can accommodate at the same time; and (b) the number of classroom during the same year.

2. Student enrolment information during the Track Record Period was based on our internal records.

COMPETITIVE STRENGTHS

Our Directors believe that we have the following competitive strengths to differentiate ourselves from our competitors in the primary and secondary after-school education services industry: (i) we were the largest primary and secondary after-school education service provider in Henan by number of student enrolments in 2019; (ii) we strive to offer OMO after-school education services in the PRC; (iii) we provide continuous tutoring services to students from primary school to upper secondary school with a strong research and development capability; (iv) we have a sizable teacher training centre and an all-rounded teachers' training program; and (v) we have an experienced and stable management team.

For details, please refer to the section headed "Business — Competitive strengths" in this prospectus.

BUSINESS STRATEGIES

To create long-term shareholders' value, our principal business strategies are to: (i) increase market penetration and expand our 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 merger and acquisitions or cooperation opportunities within the industry.

For details, please refer to the section headed "Business — Business strategies" in this prospectus.

SUMMARY OF BUSINESS OPERATIONAL DATA

The following table illustrates some operating statistics of our self-operated teaching centres as at the dates indicated below:

	As at 31 December		
	2017	**2018**	**2019**
Number of self-operated teaching centres			
Small size (500 sq.m. or below)	12	13	14
Medium size (500 sq.m. to 1,000 sq.m.)	42	46	52
Large size (Above 1,000 sq.m.)	9	12	14
Total number of self-operated teaching centres	63	71	80
Total area of self-operated teaching centres (sq.m.) (approximately)	44,830	51,752	59,625
Average area per self-operated teaching centre (sq.m.) (approximately)	712	729	745
Number of classrooms	1,147	1,307	1,520
Number of teachers	830	889	1,012

	For the year ended 31 December		
	2017	**2018**	**2019**
Number of students for the year (approximately)	41,000	54,000	63,000
Number of student enrolments for the year *(Note 1)*	137,225	187,728	248,134
Average course registration per student (approximately)	3.3	3.5	3.9
Average revenue per student (RMB) (approximately) *(Note 2)*	5,217	5,281	5,936

Notes:

1. It represents the number of student enrolments for our regular classes, small classes and VIP classes only.

2. The average revenue per student is calculated by dividing tuition fees income of each year by the number of students for the same year.

As at 31 December 2017, 2018 and 2019, we had a total of 63, 71 and 80 self-operated teaching centres, respectively. The increase in number of self-operated teaching centres was generally in response to the increasing demand for after-school education services and such increase led to a general increasing trend for the number of classrooms, teachers and students. For further information about our network of self-operated teaching centres, please refer to the section headed "Business — Our network — Self-operated teaching centres" in this prospectus.

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

	For the year ended 31 December																			
	2016					2017					2018					2019				
	Revenue		Student enrolments	Total number of tutoring hours	Average tuition fees per tutoring hour	Revenue		Student enrolments	Total number of tutoring hours	Average tuition fees per tutoring hour	Revenue		Student enrolments	Total number of tutoring hours	Average tuition fees per tutoring hour	Revenue		Student enrolments	Total number of tutoring hours	Average tuition fees per tutoring hour
	(RMB'000)	*%*			*(RMB)*	*(RMB'000)*	*%*			*(RMB)*	*(RMB'000)*	*%*			*(RMB)*	*(RMB'000)*	*%*			*(RMB)*
Primary school tutoring																				
Regular classes	40,581	52.4	41,401	1,651,152	25	102,751	49.3	76,533	2,990,712	34	128,792	46.9	99,939	3,685,673	35	187,315	51.5	135,853	4,437,250	42
Small classes	812	1.0	893	27,940	29	100	0.0	111	2,482	40	21,263	7.7	10,191	309,751	69	16,002	4.4	8,099	214,727	75
VIP classes	8,602	11.1	4,752	131,299	66	32,677	15.7	13,029	355,265	92	33,889	12.3	12,059	249,678	136	40,595	11.2	17,541	270,237	150
	49,995	64.5	47,046	1,810,391	28	135,528	65.0	89,673	3,348,459	40	183,944	66.9	122,189	4,245,102	43	243,912	67.1	161,493	4,922,214	50
Secondary school tutoring																				
Regular classes	14,135	18.3	20,365	517,614	27	35,531	17.1	32,318	888,760	40	39,888	14.5	44,506	1,035,517	39	60,105	16.5	63,525	1,397,477	43
Small classes	764	1.0	1,121	23,687	32	54	0.0	35	1,320	41	12,798	4.7	6,920	173,603	74	12,700	3.5	7,409	156,286	81
VIP classes	12,557	16.2	6,588	157,559	80	37,325	17.9	15,199	329,634	113	38,233	13.9	14,113	230,213	166	46,885	12.9	15,707	254,209	184
	27,456	35.5	28,074	698,860	39	72,910	35.0	47,552	1,219,714	60	90,919	33.1	65,539	1,439,333	63	119,690	32.9	86,641	1,807,972	66
Total	**77,451**	**100.0**	**75,120**	**2,509,251**	**31**	**208,438**	**100.0**	**137,225**	**4,568,173**	**46**	**274,863**	**100.0**	**187,728**	**5,684,435**	**48**	**363,602**	**100.0**	**248,134**	**6,730,186**	**54**

We experienced significant growth during the Track Record Period. During the three years ended 31 December 2019, the total number of student enrolments were 137,225, 187,728 and 248,134, respectively, and the total number of tutoring hours delivered by us were approximately 4.6 million hours, 5.7 million hours and 6.7 million hours, respectively, for our regular classes, small classes and VIP classes. For further information, please refer to the section headed "Business — Our tutoring services — Our classes" in this prospectus.

MAJOR RISK FACTORS

There are certain risks involved in the operations of our Group, some of which are beyond our Group's control. Any of the factors set forth under the section headed "Risk factors" in this prospectus may limit our ability to execute our business strategy successfully. These include: (i) our business relies on the market recognition of our brand and reputation; (ii) we operate in a highly regulated industry and require licences, permits and certificates to operate; (iii) failure to adequately and promptly respond to changes in the PRC's education systems, admission standards, test materials and/or teaching methods may adversely affect our business; and (iv) we may not be able to recruit and/or retain right talents to be our teachers to render our services properly.

You should read the entire section headed "Risk factors" in this prospectus carefully before you decide to invest in the Offer Shares and should not place any reliance on any information contained in our website, press articles, research analysts' reports or other media regarding us and the Share Offer.

TEACHERS

As at the Latest Practicable Date, we had a total of 891 teachers. All of them were university graduates in the PRC and approximately 11.1% of them possessed master degree or above. We believe that we have a team of dedicated and highly qualified teachers with a strong passion for education, who are crucial to our success. We are committed to maintaining a consistent and high teaching quality through our selective teacher hiring process, emphasis on continued teacher training and rigorous evaluation, as well as performance-based compensation and career advancement opportunities.

CUSTOMERS

Normally our after-school education service is paid for by the students' parents, and the after-school education services are used by the students. Given that some parents may pay for one or more students and to give a better reflection of the number of customers we have, we regard students as our customers. For the three years ended 31 December 2019, we had approximately 41,000, 54,000 and 63,000 students, respectively. The number of student enrolments refers to the cumulative total number of courses registered and paid for by the students' parents during a given period of time, if one student enrols in multiple courses, it will be counted as multiple student enrolments.

Due to the nature of our business, we did not have a single customer who accounted for more than 5% of our revenue for each of the three years ended 31 December 2019.

SUPPLIERS

Our suppliers consist primarily of decoration, renovation, design and construction service providers, human resources outsourcing service providers and book distributors. For the three years ended 31 December 2019, fees and expenses attributable to our five largest suppliers in aggregate accounted for approximately 44.7%, 37.9% and 52.8% of our total purchases, respectively, and purchases from our largest supplier amounted to approximately RMB11.3 million, RMB14.0 million and RMB44.0 million, which accounted for approximately 17.9%, 18.3% and 30.2% of our total purchases, respectively.

To the best knowledge of our Directors, none of our Directors, their respective close associates, or any Shareholders who owned more than 5% of our issued capital as at the Latest Practicable Date had any interest in any of our five largest suppliers during Track Record Period.

COMPETITION

According to the Frost & Sullivan Report, the primary and secondary after-school education service market is relatively consolidated in Zhengzhou, with top five players accounted for approximately 63.5% of the total revenue of the industry in Zhengzhou. In 2019, the revenue we generated from tuition fees income from our operation in Zhengzhou amounted to approximately RMB373.7 million, representing a market share of approximately 19.4%, and we ranked first among all primary and secondary after-school education service providers in Zhengzhou.

According to the Frost & Sullivan Report, the entry barriers of the primary and secondary after-school education service market are low when the primary and secondary after-school education service providers are able to (i) obtain licences and permits to conduct teaching activities; (ii) establish brand awareness and reputation; and (iii) have sufficient amount of initial capital for investments in campus construction, facilities and equipment and be able to afford the continuous additional investments. Therefore, there is a large number of registered institutions and individual service providers engaged in the primary and secondary after-school education service market, and the market is highly fragmented in Henan and in the PRC. For details of the competitive landscape of the primary and secondary after-school education service market, please refer to the section headed "Industry overview" in this prospectus.

In 2019, the top five players in Henan accounted for approximately 10.3% of the total primary and secondary after-school education service market.

SHAREHOLDERS INFORMATION

Immediately after completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), approximately 62.00% of the issued share capital of our Company will be owned by Lucky Heaven, which is an investment holding company wholly-owned by Mr. Zhang, an executive Director, the chief executive officer of our Company and the chairman of our Board.

Accordingly, Lucky Heaven and Mr. Zhang will be our Controlling Shareholders within the meaning of the Listing Rules upon Listing.

For details of our shareholdings and information about our Controlling Shareholders, please refer to the sections headed "History, development and Reorganisation" and "Relationship with Controlling Shareholders", respectively, in this prospectus.

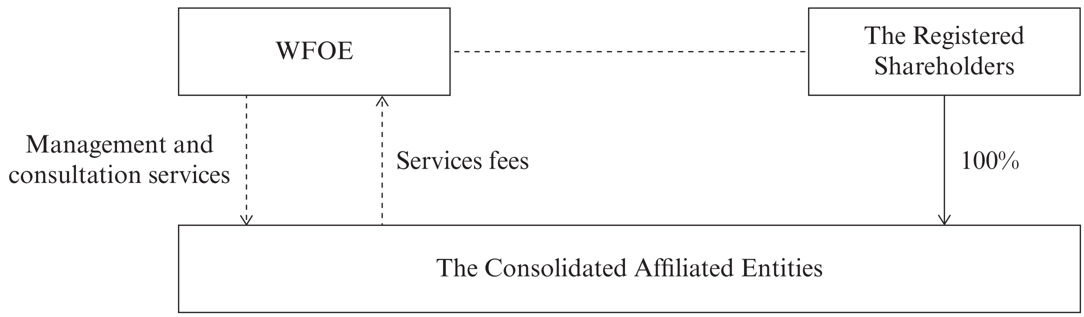
PRE-IPO INVESTMENT

On 31 October 2019, the Pre-IPO Investor subscribed for, and our Company issued, the Pre-IPO Convertible Note in the principal amount of approximately US$7.08 million convertible into approximately 5.2632% of the entire issued share capital of our Company (as enlarged by the allotment and issue of the Conversion Shares and the Capitalisation Issue) from time to time but without taking into account the new Shares to be allotted and issued under the Share Offer. The subscription price was irrevocably settled in cash and received by our Company on 6 December 2019. The Pre-IPO Convertible Note shall be mandatorily and automatically converted into Shares should the grant of the Listing take place on or before its maturity date (being 31 December 2021). For further details of the Pre-IPO Convertible Note, please refer to the section headed "History, development and Reorganisation — Pre-IPO investment" in this prospectus.

STRUCTURED CONTRACTS

We currently conduct, (i) through our Consolidated Affiliated Entities, our primary and secondary after-school education business through traditional physical classroom teaching and online teaching through our proprietary online learning platform "學習8" (Learning Bar) and (ii) through Dashan Training, our franchise business in the PRC. As PRC law and regulations (i) generally restrict foreign ownership in the primary and secondary after-school education industry in the PRC; (ii) prohibit foreign ownership in broadcasting television program production business and internet cultural operations (except music); and (iii) impose conditions on franchise business, we do not hold any equity interest in our Consolidated Affiliated Entities. The Structured Contracts, through which we obtain control over and derive the economic benefits from our Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimise the potential conflict with relevant PRC laws and regulations. For details, please refer to the section headed "Structured Contracts" in this prospectus.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Structured Contracts:



Notes:

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

"---->" denotes contractual relationship.

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

For details, please refer to the section headed "Structured Contracts — Operation of the Structured Contracts" in this prospectus.

Risk Relating to the Structured Contracts

The PRC Government may find that the Structured Contracts do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected. For details, please refer to the section headed "Risk factors — Risks relating to Contractual Arrangements" in this prospectus.

Foreign Investment Law

On 15 March 2019, the Foreign Investment Law was formally passed by the 13th NPC and it has taken effect on 1 January 2020. As advised by our PRC Legal Advisers, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisers, since contractual arrangements are not specified as foreign investments 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 after-school 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 this, 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 Latest Practicable Date, how the above-mentioned Structured Contracts will 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. Please refer to the section headed "Risk factors" in this prospectus on the impact and potential consequence of the Foreign Investment Law on our Structured Contracts. For further details of the Foreign Investment Law, please refer to the section headed "Structured Contracts — Development in the PRC legislation on foreign investment" in this prospectus.

SUMMARY OF FINANCIAL INFORMATION

The following tables present a summary of our financial information during the Track Record Period and should be read in conjunction with our financial information included in the Accountants' Report set forth in Appendix I to this prospectus, including the notes thereto.

Highlight of our combined statements of profit or loss and other comprehensive income

The table below set out the selective items from our combined statements of profit or loss and other comprehensive income:

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	217,343	289,787	383,647
Gross profit	94,897	128,862	169,655
Profit before taxation	37,011	53,556	57,234
Profit and total comprehensive income for the year	28,060	44,943	48,966

Non-HKFRS measures

The following table sets forth a reconciliation between our net profit and total comprehensive income for the year as presented in accordance with HKFRS, and (i) our non-HKFRS adjusted profit and total comprehensive income for the year; and (ii) our non-HKFRS adjusted profit before interest and taxation for the year (which was used for the calculation of our adjusted net profit margin before interest and taxation, and adjusted net profit margin):

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Profit and total comprehensive income for the year	28,060	44,943	48,966
Adjusted for:			
Listing expenses	545	6,337	10,572
Non-HKFRS adjusted profit and total comprehensive income for the year	28,605	51,280	59,538
Add: Interests on lease liabilities	4,115	4,815	6,687
Add: taxation	8,951	8,613	8,268
Non-HKFRS adjusted profit before interest and taxation for the year	41,671	64,708	74,493
Adjusted net profit margin before interest and taxation *(Note 1)*	19.2%	22.3%	19.4%
Adjusted net profit margin *(Note 2)*	13.2%	17.7%	15.5%

Notes:

1. Adjusted net profit margin before interest and taxation is calculated based on the non-HKFRS adjusted profit before interest and taxation for the respective year divided by the revenue for the respective year and multiplied by 100%.

2. Adjusted net profit margin is calculated based on the non-HKFRS adjusted profit and total comprehensive income for the respective year divided by the revenue for the respective year and multiplied by 100%.

We had excluded our listing expenses during the Track Record Period in the calculation of (i) our adjusted profit and total comprehensive income; (ii) our adjusted profit before interest and taxation; (iii) our adjusted net profit margin before interest and taxation; and (iv) our adjusted net profit margin. As non-HKFRS measures, the adjusted financial information is presented because we believe that such information will be helpful for investors in assessing the effect of listing expenses on our net profit. The use of the adjusted financial information as an analytical tool has material limitations as they do not include all items that have impact on our profit during the Track Record Period. We believe that the presentation of non-HKFRS measures in conjunction with the corresponding HKFRS measures, by excluding our one-off listing expenses which is considered by our Directors to be irrelevant to our operating performance, serves to provide useful information to investors regarding our financial and business trends and results of operation. We also believe that such non-HKFRS measures are appropriate for evaluating our Group's operating performance.

Revenue

Our revenue was generated primarily from the tuition fees we collect from our students through our self-operated teaching centres. We recognise the tuition fees after our services were delivered. We generated revenue of approximately RMB217.3 million, RMB289.8 million and RMB383.6 million, respectively, for the three years ended 31 December 2019. The increase in our revenue during the Track Record Period primarily reflected the increase in the number of student enrolments and the total number of tutoring hours we delivered to our students following an expansion in the number of our self-operated teaching centres from 35 as at 1 January 2017 to 80 as at 31 December 2019.

The following table sets out our revenue contribution by different segments for the years indicated:

	For the year ended 31 December					
	2017		**2018**		**2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Primary school tutoring						
— *English*	81,035	37.3	115,411	39.9	158,009	41.2
— *Chinese*	21,697	10.0	29,626	10.2	38,958	10.2
— *Mathematics*	32,796	15.1	38,907	13.4	45,389	11.8
— *Others*	—	—	—	—	1,556	0.4
Subtotal	135,528	62.4	183,944	63.5	243,912	63.6
Secondary school tutoring						
— *English*	29,229	13.5	37,770	13.0	53,224	13.9
— *Chinese*	4,869	2.2	6,208	2.1	8,238	2.2
— *Mathematics*	26,332	12.1	31,157	10.8	38,864	10.1
— *Others*	12,480	5.8	15,784	5.5	19,364	5.0
Subtotal	72,910	33.6	90,919	31.4	119,690	31.2
— Online courses	—	—	106	0.0	398	0.1
— Other tutorial services*(Note 1)*	5,447	2.5	10,216	3.5	9,952	2.6
Sales of books and teaching materials	1,327	0.6	2,338	0.8	4,311	1.1
Brand name licensing and advisory services income	1,601	0.7	1,938	0.7	4,801	1.2
Other services*(Note 2)*	530	0.2	326	0.1	583	0.2
Total	**217,343**	**100.0**	**289,787**	**100.0**	**383,647**	**100.0**

Notes:

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

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

Gross profit and gross profit margin

Our gross profit represents our revenue less cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. Our gross profit was approximately RMB94.9 million, RMB128.9 million and RMB169.7 million for the three years ended 31 December 2019, representing a gross profit margin of approximately 43.7%, 44.5% and 44.2%, respectively.

Highlight of certain items of our combined statements of financial position

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	179,048	226,207	289,358
Current assets	142,154	195,469	248,251
Current liabilities	152,785	208,867	231,651
Net current (liabilities) assets	(10,631)	(13,398)	16,600
Total assets less current liabilities	168,417	212,809	305,958
Net assets	66,050	87,345	87,921

As at 31 December 2017 and 2018, we had net current liabilities of approximately RMB10.6 million and RMB13.4 million, respectively, which was primarily due to (i) the receipts in advance related to the advance payment received from our students, which would be recognised as revenue subsequently; (ii) the adoption of HKFRS 16 "Leases", of which leases have been recognised in the form of a non-current asset (for the right-of-use) and a financial liability (for the payment obligation) in our Group's combined statements of financial position during the Track Record Period, which in turn decreased our current assets (prepayment for leases are reclassified to non-current assets) and recognised additional current liabilities (arising from the presence of lease liabilities); and (iii) the declaration and payment of dividends during the year ended 31 December 2018, which in turn decreased our bank balances and cash. For further details, please refer to the sections headed "Risk factors — Risks relating to our business and industry — We had net current liabilities as at 31 December 2017 and 2018" and "Financial information — Selected items of financial position" in this prospectus.

Highlight of our combined statements of cash flows

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Net cash from operating activities	135,930	151,908	138,197
Net cash (used in) from investing activities	(94,016)	7,083	(53,197)
Net cash used in financing activities	(36,360)	(66,726)	(54,141)
Net increase in cash and cash equivalents	5,554	92,265	30,859
Effect of foreign exchange rate changes	—	—	(447)
Cash and cash equivalents at the beginning of the year	48,708	54,262	146,527
Cash and cash equivalents at the end of the year, represented by bank balances and cash	54,262	146,527	176,939

Our Group records cash inflow from operating activities principally from the receipt of tuition fees, which are typically paid in advance before the relevant tutoring services are rendered. During the Track Record Period, our net cash generated from operating activities amounted to approximately RMB135.9 million, RMB151.9 million and RMB138.2 million, respectively, which was primarily contributed by the operating cash flows before movements in working capital of approximately RMB83.0 million, RMB108.8 million and RMB134.6 million for the corresponding year, respectively. For further details about our cash position, please refer to the section headed "Financial information — Liquidity and capital resources — Cash flows" in this prospectus.

Key financial ratios

	As at/For the year ended 31 December		
	2017	**2018**	**2019**
Current ratio	0.9	0.9	1.1
Quick ratio	0.9	0.9	1.0
Gearing ratio	1.8	1.7	2.8
Gross profit margin	43.7%	44.5%	44.2%
Net profit margin	12.9%	15.5%	12.8%
Interest coverage	10.0	12.1	9.6
Return on assets	8.7%	10.7%	9.1%
Return on equity	42.5%	51.5%	55.7%

Note: For detailed calculation method of those financial ratios, please refer to the section headed "Financial information — Key financial ratios" in this prospectus.

OFFER STATISTICS

	Offer Price of HK$1.25 per Offer Share (low-end of Offer Price)	Offer Price of HK$1.75 per Offer Share (high-end of Offer Price)
Market capitalisation of our Shares	HK$1,000 million	HK$1,400 million
Unaudited pro forma adjusted combined net tangible assets per Share(Note)	HK$0.47	HK$0.59

Note: For the assumptions and calculation method, please refer to the section headed "Unaudited pro forma financial information" set out in Appendix II to this prospectus.

IMPACT OF LISTING EXPENSES

Our Group's listing expenses primarily consist of professional fees, underwriting commission and other fees and expenses payable by us in connection with the previous listing on the NEEQ, the Listing and the Share Offer.

For the year ended 31 December 2017, we recorded, in the combined statements of profit or loss and other comprehensive income, the listing expenses of approximately RMB0.5 million for our previous listing on the NEEQ on 21 December 2016, before we subsequently delisted on 30 July 2018.

In respect of the Listing and the Share Offer, assuming an Offer Price of HK$1.50 per Offer Share, being the mid-point of the indicative range of the Offer Price, our Directors estimated the listing expenses to be approximately HK$48.0 million (equivalent to approximately RMB43.9 million), representing approximately 16.0% of the gross proceeds from the Share Offer, of which (i) approximately RMB6.3 million and RMB10.6 million have been recognised in our combined statements of profit or loss and other comprehensive income for the two years ended 31 December 2019, respectively; (ii) approximately RMB7.7 million is expected to be recognised in the combined statements of profit or loss and other comprehensive income for the year ending 31 December 2020; and (iii) the remaining of approximately RMB19.3 million is expected to be recognised as a deduction from equity upon the Listing.

Accordingly, the financial results of our Group for the year ending 31 December 2020 are expected to be affected by the estimated expenses in relation to the Listing, and as a result, it is expected that there will be a significant decrease in net profit for the year ending 31 December 2020. Our Directors would like to emphasise that the listing expenses of approximately HK$48.0 million is a current estimate for reference only, and therefore the actual amount may differ from our estimate and the final amount to be recognised in the combined statement of profit or loss and other comprehensive income for the year ending 31 December 2020 is subject to adjustment based on any changes in variables and assumptions.

USE OF PROCEEDS

Assuming an Offer Price of HK$1.50 per Offer Share, being the mid-point of the stated Offer Price range of HK$1.25 to HK$1.75 per Offer Share, the net proceeds of the Share Offer would be approximately HK$252.0 million. We intend to use the net proceeds of the Share Offer as follows: (i) approximately 60%, or approximately HK$151.2 million, to be used for the expansion of our business and self-operated teaching centres network, through organic growth by expanding nationally and in particular in Zhengzhou; (ii) approximately 30%, or approximately HK$75.6 million, to be used 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 beyond our geographic reach during the Track Record Period, such as second and third tier city; and (iii) approximately 10%, or approximately HK$25.2 million, to be used for general working capital. For details, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

DIVIDEND POLICY

For each of the three years ended 31 December 2019, we declared and paid dividends of nil, approximately RMB23.6 million and RMB48.4 million, respectively. The dividends were declared to provide returns to our Shareholders on their respective investments, and are not an indicator of the dividends to be declared in the future. As at the Latest Practicable Date, all declared dividends payable had been fully settled.

We intend to adopt, after our Listing, a general dividend policy of declaring and paying dividends on an annual basis up to 30% of our distributable net profit attributable to our Shareholders in the future but subject to, among others, our results of operations, cash flows, financial conditions, future prospects and regulatory restrictions on the payment of dividends by us or our operating subsidiaries. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in the future.

RECENT DEVELOPMENT

According to the Frost & Sullivan Report, up to 31 May 2020, the outbreak of COVID-19 had resulted in 1,273 confirmed cases in total including 22 deaths in Henan, and 157 confirmed cases in total including five deaths in Zhengzhou. The situation in Henan was not as serious as Hubei Province, which had 68,135 confirmed cases in total including 4,512 deaths up to 31 May 2020.

Suspension and resumption of our self-operated teaching centres

In response to the outbreak of COVID-19, the Zhengzhou Municipal Education Bureau (鄭州市教育局) required all after-school education institutions in Zhengzhou to suspend physical classes from 24 January 2020. As such, we converted certain of our physical regular classes, small classes and VIP classes, scheduled to be delivered to our students from 1 February to 30 April 2020 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. Although we converted our physical classes to online classes, we did not adjust our tuition fees.

After-school education institutions in Zhengzhou have been allowed to resume physical classes since 18 May 2020 upon application with the competent authorities. As at the Latest Practicable Date, all of our self-operated teaching centres had received the competent authorities' approval on the resumption of physical classes. Our Directors expect that students' attendance in our physical classes will recover soon, taking into account (i) the number of tutoring hours delivered by our existing self-operated teaching centres opened prior to 1 January 2019 from January to March 2020 and from January to April 2020 as a percentage of that of the corresponding periods in 2019 has gradually improved from approximately 41.8% to approximately 76.5%; and (ii) in particular during May 2020, such percentage further reached to approximately 82.4%, of which we noted a relatively high attendance rate in our resumed physical classes from 20 May 2020 and up to 31 May 2020, the total number of student enrolments attending our resumed physical classes were approximately 18,970, representing approximately 98.1% of the total number of student enrolments under our resumed physical classes.

Unaudited net loss for the four months ended 30 April 2020

Our business, results of operations and financial condition (in particular, our revenue and net profit) are temporarily affected by the outbreak of COVID-19, which were mainly attributable to (i) temporarily suspension of our physical classes which induced our total number classes decreased by approximately 9.1% from approximately 11,000 for the four months ended 30 April 2019 to approximately 10,000 for the four months ended 30 April 2020; (ii) average duration per class decreased by approximately 32.4% from approximately 17.9 hours for the four months ended 30 April 2019 to approximately 12.1 hours for the four months ended 30 April 2020 resulting from our online classes have shorter duration as compared to the physical classes; and (iii) average students enrolments per class decreased by approximately 14.2% from approximately 9.3 for the four months ended 30 April 2019 to approximately 8.0 for the four months ended 30 April 2020;

In light of the above, our tutoring hours decreased from approximately 1.9 million hours for the four months ended 30 April 2019 to approximately 1 million hours for the four months ended 30 April 2020 and the following table sets out certain of our operational data for the periods indicated:

	For the four months ended 30 April		
	2019	**2020**	**Variance (%)**
Unaudited revenue *(RMB'000)*	109,144	61,981	–43.2
Unaudited tuition fees income *(RMB'000)*	106,203	60,100	–43.4
Total number of classes (approximately)	11,000	10,000	–9.1
Average duration per class during the four months period (number of hours) (approximately)	17.9	12.1	–32.4
Average students enrolments per class (approximately)	9.3	8.0	–14.2
Tutoring hours	1,905,265	987,045	–48.2
Tutoring hours for physical classes	1,905,265	312,128	–83.6
Tutoring hours for online classes	—	674,917	N/A
Average tuition fees per tutoring hour *(RMB)* (approximately)	56	61	+8.9
Number of student enrolments (approximately)	106,000	81,000	–23.6

Based on the unaudited combined financial information of our Group for the four months ended 30 April 2020, which have been reviewed by the Reporting Accountants in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, our unaudited revenue for the four months ended 30 April 2020 amounted to approximately RMB62.0 million, representing a decrease of approximately 43.2% from approximately RMB109.1 million as compared to the corresponding period in 2019, of which our Directors considered that it was mainly attributable to the decrease in the total number of tutoring hours delivered by us during the four months ended 2020 as compared to the same period in 2019 with the abovementioned reasons. Our unaudited net loss for the four months ended 30 April 2020 amounted to approximately RMB14.2 million (which included listing expenses of approximately RMB2.8 million) as compared to our unaudited net profit of approximately RMB12.3 million (which included listing expenses of approximately RMB2.8 million) for the corresponding period in 2019.

Our unaudited refund in receipts in advance during the four months ended 30 April 2019 and 2020 amounted to approximately RMB3.6 million and RMB1.7 million, representing approximately 3.4% and 2.8% of the tuition fees income during the same period, respectively. In addition, following the implementation of a variable interest entity structure with the execution of the Structured Contracts on 12 January 2020, we may not be subject to the preferential tax treatments as a high and new technology enterprise, and are subject to the EIT and value-added tax under the Contractual Arrangements which may increase our Group's effective tax rate. As a result, our Directors expect that our financial performance for the year ending 31 December 2020 will decrease as compared to that of 2019.

Having regard to the loss we sustained for the first four months in 2020, we plan to cancel the summer holiday of our teaching staff in August 2020 and offer more summer tutorial courses with a more intensive course schedule for our primary and secondary school students as compared to last year. Our Directors believe that we can turnaround from the net loss we sustained for the first four months in 2020 to net profit for the year ending 31 December 2020 after we resumed physical classes for our self-operated teaching centres in May 2020 and in June 2020.

Opening of the new self-operated teaching centres

After the Track Record Period and up to the Latest Practicable Date, (i) there was no closure of self-operated teaching centre; and (ii) we entered into lease agreements for 11 of our new self-operated teaching centres, in which eight self-operated teaching centres were under renovation, two self-operated teaching centres were in the preparation of renovation and one self-operated teaching centre had completed renovation and in the process of preparing the relevant documents for the private school operation permit application. As at the Latest Practicable Date, we had 80 self-operated teaching centres. To the best of our Directors' knowledge, as at the Latest Practicable Date, there had been no confirmed case of COVID-19 infection of our employees and students.

Our Directors will continue to (i) assess the impact of the COVID-19 outbreak on our Group's business operations and financial performance; and (ii) closely monitor our Group's exposure to the relevant risks and uncertainties and respond accordingly.

Our Directors confirm that the outbreak of COVID-19 had an adverse impact on our Group's business operation in the short run in terms of the decreased tutoring hours, student enrolments and revenue due to the temporary suspension of our physical classes. However, it is unlikely to have a material adverse impact on our Group's continuing business operation and sustainability in the long run as (i) our Group are able to provide tutoring services online and students can attend classes without physically present at our self-operated teaching centres, which reduce the impact on our business operation; (ii) as at the Latest Practicable Date, all of our self-operated teaching centres had been approved by the competent authorities to resume physical classes; (iii) our Group is able to discharge our obligations under the existing lease agreements; and (iv) our Group has sufficient cash and cash equivalents to maintain our business operation.

In the event that we are forced to temporarily reduce or suspend part of our business operations, whether due to government policy or any other reasons beyond our control, due to the COVID-19 outbreak, we estimate our existing financial resources as at 30 April 2020 could satisfy our necessary costs for approximately 40 months. Our key assumptions include: (i) approximately 10% of the net proceeds of the Share Offer to be used for general working capital and all Pre-IPO Convertible Note is converted into Shares; (ii) we will not generate any income due to the suspension of business; (iii) all of our staff, including operational and administrative staff, are encouraged to take unpaid leave under mutual consent or dismissed upon proper notice in accordance with the employment contract and no significant compensation is incurred; (iv) we may incur one-month staff costs to dismiss front line staff assuming no mutual consent to take unpaid leave is obtained from them; (v) the rental related payments including rentals, management fees and other miscellaneous charges are paid monthly; (vi) minimal operating and administrative expenses will be incurred to maintain our operations at a minimum level (including basic head office maintenance cost, utilities expenses, fees to be incurred for the purpose of listing such as annual listing fee, annual audit fee, financial reports and compliance adviser fee); (vii) the expansion plan is delayed under such condition; (viii) there will be no further internal or external financing from Shareholders or financial institutions; and (ix) no further dividends will be declared and paid under such situation. The abovementioned extreme situation may or may not occur. The abovementioned analysis is for illustrative purpose only and our Directors assessed that the likelihood of such situation is remote. The actual impact caused by the outbreak of COVID-19 will depend on its subsequent development, therefore it is possible that the impact to our Group may be out of our control and beyond our estimation and assessment.

For details, please see the sections headed "Business — Impact of outbreak of COVID-19 on our business" and "Business — Health, workplace safety and environmental measures" in this prospectus.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraphs headed "Recent development" and "Impact of Listing expenses" in this section, our Directors confirm that after the Track Record Period and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there had been no material adverse change in the trading, operating and financial position or prospects of our Group; and (iii) no event had occurred in all material respects after the Track Record Period and up to the Latest Practicable Date that would adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

We are not a party to, and we are not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group that would have a material adverse effect on our results of operations or financial condition.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the section headed "Business — Legal proceedings and non-compliance" in this prospectus, including (i) the lack of private school operation permit; (ii) the failure to pass the fire control design examination and/or the fire control acceptance inspection or complete the fire safety filing; (iii) the lack of requisite licences for the online tutorial service operation during the Track Record Period; (iv) failure to make social insurance premiums contribution and housing provident funds in full for our employees during the two years ended 31 December 2018 and; (v) failure to register and file the lease agreements with the relevant real estate management departments, there were no non-compliance incidents of our Group which are considered material or systemic in nature. For details, please refer to the section headed "Business — Legal proceedings and non-compliance" in this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"Accountants' Report"	the accountants' report prepared by the Reporting Accountants set out in Appendix I to this prospectus
"Ai Zhi Tang"	Zhengzhou Ai Zhi Tang Corporate Management Consultation Company Limited* (鄭州愛智堂企業管理諮詢有限公司), a company established in the PRC with limited liability on 25 August 2016, which was wholly-owned by Dashan Training prior to its deregistration on 13 June 2019
"Alliance Capital" or "Sole Sponsor"	Alliance Capital Partners Limited, a corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Share Offer
"Amended Private Education Promotion Law"	the amended Law on the Promotion of Private Education of the PRC (《中華人民共和國民辦教育促進法》) pursuant to the Decision on Amending the Law on the Promotion of Private Education of the PRC (《全國人民代表大會常務委員會關於修改《中華人民共和國民辦教育促進法》的決定》) promulgated by the Standing Committee of the NPC on 7 November 2016, which came into force on 1 September 2017 and last amended on 29 December 2018
"An Li Chen"	Zhengzhou An Li Chen Corporate Management Consultation Company Limited* (鄭州市安立辰企業管理諮詢有限公司), a company established in the PRC with limited liability on 18 September 2017, which was owned as to 98% by Ai Zhi Tang and 2% by Ms. Xing Bing (邢冰) prior to its deregistration on 27 December 2018
"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Public Offer
"Articles" or "Articles of Association"	the articles of association adopted by our Company on 18 June 2020 to take effect on the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the same meaning ascribed thereto under the Listing Rules

"Bai Tai"	Bai Tai Investments Limited (百泰投資有限公司), a company incorporated in the BVI with limited liability on 25 October 2018 which 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 Dashan Training and Jing Guang Dashan, and as to approximately 17.04% by Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to approximately 7.30% by Mr. Cheng Yang, as to approximately 3.65% by Mr. Tang Enze, as to approximately 3.65% by Ms. Song Yifei, as to approximately 0.73% by Ms. Wang Weiping and as to approximately 0.73% by Ms. Sun Nuo, each being an employee of Dashan Training
"Board of Directors" or "Board"	our board of Directors
"business day"	any day (excluding a Saturday, or a Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate, a measurement to assess the growth rate of value over time
"Capitalisation Issue"	the issue of 568,410,800 Shares to be made upon the capitalisation of sums standing to the credit of the share premium account of our Company referred to in the section headed "Statutory and general information — A. Further information about our Group — 3. Written resolutions of our Shareholders dated 18 June 2020" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant(s)"	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation

"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant(s)"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Circular 3"	the Circular on Special Enforcement Campaign concerning After-school Education Institutions to Alleviate Extracurricular Burden on Students of Primary Schools and Middle Schools (《關於切實減輕中小學生課外負擔開展校外培訓機構專項治理行動的通知》) jointly issued by the MOE, the SAIC, the MCA and the MOHRSS on 13 February 2018
"Circular 10"	the Circular on Improving Several Working Mechanisms for Special Governance and Rectification of After-School Training Institutions (《關於健全校外培訓機構專項治理整改若干工作機制的通知》) jointly issued by the MOE, the SAMR and the Ministry of Emergency Management of the PRC (中華人民共和國應急管理部) on 20 November 2018
"Circular 13"	the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Director Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) issued by the SAFE on 13 February 2015 and came into force on 1 June 2015
"Circular 37"	the Circular on the Management of Offshore Investment and Financing and Round Trip Investment by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) issued by the SAFE on 4 July 2014
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Dashan Education Holdings Limited (大山教育控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 30 November 2018
"connected person(s)"	has the same meaning ascribed thereto under the Listing Rules
"Consolidated Affiliated Entity(ies)"	an entity or the entities controlled by our Company through the Contractual Arrangements which comprised, as at the Latest Practicable Date, Dashan Training and Jing Guang Dashan
"Contractual Arrangements"	the arrangements under the Structured Contracts, details of which are described in the section headed "Structured Contracts" in this prospectus
"Controlling Shareholder(s)" or "our Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, being Lucky Heaven and Mr. Zhang or any of them. Please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus for further details
"Conversion Shares"	the new Shares fall to be allotted and issued upon the conversion rights attached to the Pre-IPO Convertible Note being exercised
"COVID-19"	coronavirus disease 2019
"Dashan Consultancy"	Zhengzhou Dashan Corporate Management Consultancy Company Limited* (鄭州大山企業管理諮詢有限公司), a Company established in the PRC with limited liability on 18 October 2018 which is owned as to approximately 99.74% by Dashan Management and as to approximately 0.26% by Mr. Zhang Junying, a director of Dashan Training and Jing Guang Dashan, respectively
"Dashan Education (HK)"	Dashan Education (HK) Company Limited (大山教育(香港)有限公司), a company incorporated in Hong Kong with limited liability on 10 December 2018, and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation

"Dashan Management"	Zhengzhou Dashan Corporate Management Centre (LLP)* (鄭州大山企業管理中心(有限合夥)), a limited partnership established in the PRC on 31 May 2016 which is owned (i) as to approximately 21.01% by Mr. Jia Shuilin, as to approximately 6.30% by Mr. Shan Jingchao and as to approximately 6.30% by Mr. Ma Wenhao, each being a Director; (ii) as to approximately 2.10% by Mr. Guo Xianwei, being a member of the senior management of our Group; (iii) as to approximately 18.07% by Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, and as to approximately 14.71% by Mr. Ou Junzhan, being a director of Dashan Training; (iv) as to approximately 17.65% by Hou De Education; and (v) as to approximately 6.30% by Mr. Cheng Yang, as to approximately 3.15% by Mr. Tang Enze, as to approximately 3.15% by Ms. Song Yifei, as to approximately 0.63% by Ms. Wang Weiping and as to approximately 0.63% by Ms. Sun Nuo, each being an employee of Dashan Training
"Dashan Ruan Jian"	Zhengzhou Dashan Ruan Jian Development Company Limited* (鄭州大山軟件開發有限公司), a company established in the PRC with limited liability on 16 March 2011, which was directly held as to 100% by Dashan Training prior to its deregistration on 23 May 2019
"Dashan Training"	Zhengzhou Jinshui Dashan Training School Company Limited* (鄭州市金水區大山培訓學校有限公司) (formerly known as Zhengzhou Dashan Education Consultancy Company Limited* (鄭州大山教育諮詢有限公司) and Zhengzhou Dashan Education Technology Company Limited* (鄭州大山教育科技股份有限公司)), a company established in the PRC with limited liability on 30 December 2010 which was listed on the NEEQ on 21 December 2016. It was subsequently delisted on 30 July 2018. It is one of the Consolidated Affiliated Entities and is held as to approximately 42.62% by Hou De Education, approximately 42.04% by Mr. Zhang, being a Director, approximately 0.39% by Mr. Shan Jingchao, being a Director, approximately 0.16% by Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, and approximately 14.79% by Dashan Consultancy, respectively, upon completion of the Reorganisation

"Deed of Indemnity"	the deed of indemnity dated 23 June 2020 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of each of our subsidiaries), pursuant to which our Controlling Shareholders agree to provide us with certain indemnities, a summary of which is set out in the section headed "Statutory and general information — E. Other information — 1. Tax and other indemnities" in Appendix V to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 23 June 2020 given by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of each of our subsidiaries), particulars of which are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-competition" in this prospectus
"Director(s)"	the director(s) of our Company
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), enacted on 16 March 2007, effective from 1 January 2008 and amended on 24 February 2017 and 29 December 2018
"Equity Pledge Agreement"	the equity pledge agreement entered into by and among WFOE, Dashan Training and the Registered Shareholders dated 12 January 2020
"Exclusive Business Cooperation Agreement"	the exclusive business cooperation agreement entered into by and among WFOE, Dashan Training, Jing Guang Dashan, and the Registered Shareholders dated 12 January 2020
"Exclusive Call Option Agreement"	the exclusive call option agreement entered into by and among WFOE, Dashan Training, Jing Guang Dashan and the Registered Shareholders dated 12 January 2020
"Exclusive Technical Service and Management Consultancy Agreement"	the exclusive technical service and management consultancy agreement entered into by and among WFOE, Dashan Training and Jing Guang Dashan dated 12 January 2020
"Extreme Condition(s)"	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong

"Foreign Investment Catalogue"	Catalogue of Industries for Encouraged Foreign Investment (2019 Edition) (《鼓勵外商投資產業目錄(2019年版)》), which was promulgated jointly by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on 30 June 2019 and came into force on 30 July 2019
"Foreign Investment Law"	the Foreign Investment Law of the PRC (中華人民共和國外商投資法), as enacted by the 13th NPC on 15 March 2019 which came into force on 1 January 2020
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), an independent market research consulting firm
"Frost & Sullivan Report"	an industry report on primary and secondary after-school education service market in the PRC issued by Frost & Sullivan and commissioned by us
"GFA"	gross floor area
"Golden Town"	Golden Town Ventures Limited (金城創投有限公司), a company incorporated in the BVI with limited liability on 25 October 2018 and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider
"Group" or "our Group" "we" or "us"	our Company, its subsidiaries, its predecessor and the Consolidated Affiliated Entities from time to time, or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Henan"	Henan Province of the PRC
"Hong Kong dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"**HK eIPO White Form**"	the application for the Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at ***www.hkeipo.hk*** or the **IPO App**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified on the website at ***www.hkeipo.hk***

"HKFRS(s)"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Share Registrar"	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
"Hou De Education"	Zhengzhou Hou De Education Consultation Company Limited* (鄭州市厚德教育諮詢有限公司), a company established in the PRC with limited liability on 25 March 2008, which is wholly-owned by Mr. Zhang
"ICP Licence"	internet content provider licence
"Implementation Opinions"	Implementing Opinions on Encouraging and Guiding the Entry of Private Funds into the Field of Education to Promote Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) promulgated by the MOE on 18 June 2012
"Independent Third Party(ies)"	any entity or person who is not a connected person within the meaning ascribed thereto under the Listing Rules
"Individual Shareholder Spouse Undertaking(s)"	collectively, the spouse undertakings dated 12 January 2020 respectively signed by Ms. Peng Xin who is the spouse of Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, and Ms. Yuan Zhaoxia who is the spouse of Mr. Shan Jingchao, being an executive Director and a director of Dashan Training
"**IPO App**"	the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO APP**" in App Store or Google Play or downloaded at ***www.hkeipo.hk/IPOApp*** or ***www.tricorglobal.com/IPOApp***

"Issue Mandate"	the general mandate to allot, issue and deal with Shares, given by our Shareholders, particulars of which are summarised in the section headed "Statutory and general information — A. Further information about our Group — 3. Written resolution of our Shareholders dated 18 June 2020" in Appendix V to this prospectus
"Jing Guang Dashan"	Zhengzhou Jing Guang Dashan Training School Company Limited* (鄭州京廣大山培訓學校有限公司) (formerly known as Zhengzhou Jing Guang Dashan Education Consultation Limited* (鄭州市京廣大山教育諮詢有限公司)), a company established in the PRC with limited liability on 21 September 2015, which is one of the Consolidated Affiliated Entities and is wholly-owned by Dashan Training
"Joint Bookrunners" (in alphabetical order)	Alliance Capital Partners Limited, Alpha International Securities (HONG KONG) Limited, AWSG International Securities Limited, BOCOM International Securities Limited, CMB International Capital Limited, CMBC Securities Company Limited, Essence International Securities (Hong Kong) Limited, Futu Securities International (Hong Kong) Limited, Haitong International Securities Company Limited and Sheng Yuan Securities Limited
"Joint Global Coordinators" (in alphabetical order)	Alliance Capital Partners Limited, BOCOM International Securities Limited and Haitong International Securities Company Limited
"Joint Lead Managers" (in alphabetical order)	Astrum Capital Management Limited, Bradbury Securities Limited, First Shanghai Securities Limited, Freeman Securities Limited, Fulbright Securities Limited, Luk Fook Securities (HK) Limited, Pulsar Capital Limited, TD King Capital Limited, Valuable Capital Limited and Zhongtai International Securities Limited
"Latest Practicable Date"	21 June 2020, being the latest practicable date for the purpose of ascertaining certain information prior to the printing of this prospectus
"LIBOR"	London inter-bank offered rate, an interest-rate average calculated from estimates submitted by the leading banks in London
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange

"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealings of our Shares on the Main Board of the Stock Exchange first commences, which is expected to be on or around Wednesday, 15 July 2020
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Lucky Heaven"	Lucky Heaven International Limited (瑞天國際有限公司), a company incorporated in the BVI with limited liability on 23 October 2018 which is wholly-owned by Mr. Zhang, and one of our Controlling Shareholders
"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel to the GEM of the Stock Exchange
"MCA"	the Ministry of Civil Affairs of the PRC (中華人民共和國民政部)
"Memorandum"	the memorandum of association of our Company, and as amended from time to time
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"MOJ"	the Ministry of Justice of the PRC (中華人民共和國司法部)
"MOJ Draft"	the Revised Draft of Implementation Rules for the Law on the Promotion of Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》), which was issued by the MOJ on 10 August 2018
"Mr. Zhang"	Mr. Zhang Hongjun (張紅軍), an executive Director, the chairman of our Board, the chief executive officer and founder of our Group and one of our Controlling Shareholders

"Mr. Zhang's Undertaking"	an undertaking signed by Mr. Zhang who currently does not have a spouse, dated 12 January 2020, pursuant to which, among others, Mr. Zhang irrevocably undertakes and ensures to procure his future spouse to sign the same Individual Shareholder Spouse Undertaking
"M&A Rules"	the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors《關於外國投資者併購境內企業的規定》which was promulgated on 8 August 2006 and was amended on 22 June 2009
"NEEQ"	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統), a PRC over-the-counter system for trading shares of public companies
"Negative List"	Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Version) (《外商投資准入特別管理措施(負面清單)》 (2019年版)), which was promulgated jointly by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on 30 June 2019, and came into force on 30 July 2019
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$1.75 and expected to be not less than HK$1.25, such price to be agreed upon by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date
"Offer Share(s)"	the Public Offer Shares and the Placing Shares
"Over-allotment Option"	the option to be granted by our Company to the Placing Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters), pursuant to which our Company is required to allot and issue up to an aggregate of 30,000,000 Shares (representing 15% of our Shares initially being offered under the Share Offer) at the Offer Price to cover over-allocation in the Placing, details of which are described in the section headed "Structure of the Share Offer" in this prospectus

"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters with professional, institutional, corporate and/or other investors at the Offer Price, as further described in "Structure of the Share Offer" in this prospectus
"Placing Share(s)"	the 180,000,000 Shares initially being offered by us for subscription under the Placing together, where relevant, with any Shares that may be issued by us pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure of the Share Offer" in this prospectus
"Placing Underwriter(s)"	the underwriters of the Placing who are expected to enter into the Placing Underwriting Agreement
"Placing Underwriting Agreement"	the placing underwriting agreement relating to the Placing expected to be entered into by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators and the Placing Underwriters, as further described in the section headed "Underwriting" in this prospectus
"PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities, or, where the context requires, any of them
"PRC Legal Advisers"	Commerce & Finance Law Offices, our legal advisers as to the laws of the PRC
"Pre-IPO Convertible Note"	the convertible note issued by our Company to the Pre-IPO Investor on 31 October 2019 in the principal amount of USD equivalent to RMB50,000,000 (equivalent to approximately US$7.08 million) convertible into approximately 5.2632% of the entire issued share capital of our Company (as enlarged by the allotment and issue of the Conversion Shares and the Capitalisation Issue) from time to time but without taking into account the new Shares to be allotted and issued under the Share Offer
"Pre-IPO Investor" or "SCGC Capital"	SCGC Capital Holding Company Limited (SCGC資本控股有限公司), a company incorporated in the BVI with limited liability on 16 November 2006, and the pre-IPO investor of our Company

"Price Determination Date"	the date, expected to be on or around Tuesday, 7 July 2020, but no later than Wednesday, 8 July 2020, on which the Offer Price is fixed for the purposes of the Share Offer
"Public Offer"	the issue and offer for subscription of the Public Offer Shares to the public in Hong Kong for cash (subject to reallocation as described in the section headed "Structure of the Share Offer") at the Offer Price (plus brokerage, SFC transaction levies, and Stock Exchange trading fees), subject to and in accordance with the terms and conditions described in this prospectus and the Application Forms as further described in the section headed "Structure of the Share Offer — The Public Offer" in this prospectus
"Public Offer Share(s)"	the 20,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Public Offer subject to reallocation as described in "Structure of the Share Offer" in this prospectus
"Public Offer Underwriter(s)"	the underwriter(s) of the Public Offer named in the section headed "Underwriting — Public Offer Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the conditional underwriting agreement dated 29 June 2020 relating to the Public Offer entered into by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators and the Public Offer Underwriters, as further described in the section headed "Underwriting" in this prospectus
"Registered Shareholders"	Mr. Zhang, Mr. Shan Jingchao, being an executive Director and a director of Dashan Training, Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, Hou De Education and Dashan Consultancy
"Regulation S"	Regulation S under the Securities Act
"Reorganisation"	the reorganisation of entities comprising our Group for the purpose of Listing, details of which are set out in the section headed "History, development and Reorganisation — Reorganisation" in this prospectus
"Reporting Accountants"	Deloitte Touche Tohmatsu, the reporting accountants of our Company

"Repurchase Mandate"	the general mandate to repurchase shares, given to our Directors by our Shareholders, particulars of which are summarised in the section headed "Statutory and general information — A. Further information about our Group — 3. Written resolutions of our Shareholders dated 18 June 2020" in Appendix V to this prospectus.
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently consolidated into the SAMR
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Securities Act"	the United States Securities Act of 1933, as amended from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Powers of Attorney"	the powers of attorney executed by each of the Registered Shareholders in favour of WFOE, all dated 12 January 2020
"Shareholders' Rights Entrustment Agreement"	the shareholders' rights entrustment agreement executed by WFOE, Dashan Training and the Registered Shareholders dated 12 January 2020
"Share Offer"	the Public Offer and the Placing

"Share Option Scheme"	the share option scheme of our Company conditionally adopted on 18 June 2020, the principal terms of which are summarised in the section headed "Statutory and general information — D. Share Option Scheme" in Appendix V to this prospectus
"Sino-foreign Regulations"	the Regulations of the PRC on Sino-foreign Cooperation in Operating Schools (《中華人民共和國中外合作辦學條例》), promulgated by the State Council on 1 March 2003 and amended on 18 July 2013 and 2 March 2019
"SPV(s)"	special purpose vehicle(s)
"sq.m."	square meter(s)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"State Council Opinions 80"	the Opinions on Regulating the Development of After-School Training Institutions (《關於規範校外培訓機構發展的意見》) issued by the General Office of the State Council on 6 August 2018
"Structured Contracts"	collectively, the Exclusive Business Cooperation Agreement, Exclusive Technical Service and Management Consultancy Agreement, Exclusive Call Option Agreement, Equity Pledge Agreement, Shareholders' Rights Entrustment Agreement, Shareholders' Powers of Attorney, Individual Shareholder Spouse Undertaking and Mr. Zhang's Undertaking
"Stabilising Manager"	BOCOM International Securities Limited
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Lucky Heaven on or about the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by SFC, as amended, supplemental or otherwise modified from time to time
"Track Record Period"	the three financial years ended 31 December 2019

"Underwriter(s)"	the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD" or "U.S. dollar(s)"	United States dollar(s), the lawful currency of the U.S.
"WFOE"	Zhengzhou Dashan Yun Xiao Technology Company Limited* (鄭州大山雲效科技有限公司), a wholly foreign owned enterprise established in the PRC on 9 January 2019 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
"**WHITE** Application Form(s)"	the form(s) of application for the Public Offer Shares for use by members of the public who require such Public Offer Shares to be issued in the applicant's own name
"Xinxiang"	Xinxiang (新鄉市), a city of Henan
"**YELLOW** Application Form(s)"	the form(s) of application for the Public Offer Shares for use by members of the public who require such Public Offer Shares to be deposited directly into CCASS
"Zhengzhou"	Zhengzhou (鄭州市), the capital city of Henan
"%"	per cents.

In this prospectus, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), addresses in the PRC, institutions, natural persons, facilities, certificates, licences, permits, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails. English translation of company names in Chinese which are marked with "" are for identification purpose only.*

All times and dates refer to Hong Kong times and dates. Unless otherwise specified, references to years in this prospectus are to calendar years.

This glossary contains explanations of certain terms used in this prospectus in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

"first-tier universities"	the first batch of universities that students enrol after Gaokao. Except for students with specialties in arts and sports, among other things, the basic admission requirement for the relevant secondary school graduates is that they achieved certain level of scores in Gaokao as designated by the relevant PRC provincial education authorities, and they choose such universities for their college entrance application. Generally, these universities have stronger comprehensive strengths, such as school facilities, academic resources and scientific research capabilities, among other things, and frequently gain special support from the PRC central and local government
"Gaokao"	the national college entrance examination (普通高等學校招生全國統一考試) in the PRC, which is a prerequisite for entrance into almost all higher educational institutions at the undergraduate level in the PRC
"lower secondary school(s)"	schools that provide education for students from grade seven to grade nine
"national central city(ies)"	national central city(ies) (國家中心城市), being the highest level of city of the PRC urban planning system, which includes Beijing, Tianjin, Shanghai, Chongqing, Chengdu, Guangzhou, Wuhan, Zhengzhou and Xi'an
"OMO"	online-merge-offline
"one-child policy"	China's population control policy implemented by the Population and Family Planning Law of the PRC, according to which a family can have only one child, with certain exceptions. The one-child policy was replaced by the two-child policy implemented in 2016
"primary school(s)"	schools that provide education for students in grade one to grade six
"secondary school(s)"	lower secondary school(s) and upper secondary school(s)
"student enrolments"	refers to the cumulative total number of courses registered and paid for by our students during a given period of time; if one student enrols in multiple courses, it will be counted as multiple student enrolments

"teaching district(s)"	a unit for administration of our teaching centres located in the same area
"two-child policy"	China's population control policy implemented in 2016 by the Decision of the Central Committee of the Communist Party of China and the State Council on Implementing the Universal Two-Child Policy and Reforming and Improving the Management of Family Planning Services (《中共中央、國務院關於實施全面兩孩政策改革完善計劃生育計劃服務管理的決定》), according to which a family is allowed to have up to two children
"upper secondary school(s)"	schools that provide education for students from grade 10 to grade 12
"Zhongkao"	also known as the Upper Secondary School Entrance Examination (高級中等學校招生考試), the academic examination held annually in the PRC to distinguish lower secondary school students

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and plans for the development of existing and new businesses, our ability to implement such strategies and plans, and the expected timetable of such implementation;
- our financial condition;
- our dividend distribution plans;
- the prospects of our business and operations, including development plans for our existing and new businesses;
- the regulatory environment, as well as the general industry outlook of the relevant industry and markets in general;
- capital market development;
- certain statement in the sections headed "Risk factors", "Industry overview", "Regulations", "Business", "Financial information", "Relationship with Controlling Shareholders", and "Future plans and use of proceeds" with respect to trends in interest rates, exchange rates, prices, volumes, operations, margins, risk management and overall market trend;
- the general economic trend of China;
- the future development in relevant industry and markets; and
- other factors referenced in this prospectus.

The words "aim", "anticipate", "believe", "contemplate", "continue", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "potential", "predict", "project", "schedule", "seek", "should", "target", "will", "would" the negatives forms of these terms, as well as similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of our Group or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospectus of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking information or statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

There are certain risks involved in the operations of our Group, some of which are beyond our Group's control. These risks can be broadly categorised into: (i) risks relating to our business and industry; (ii) risks relating to Contractual Arrangements; (iii) risks relating to conducting business in China; (iv) risks relating to the Share Offer; and (v) risks relating to statements in this prospectus. Prospective investors investing in our Shares should consider carefully all the information set forth in this prospectus and, in particular, this section, in connection with an investment with our Group.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business relies on the market recognition of our brand and reputation

We operate our teaching centres under our brand names "大山" (DaShan) for English, "御夫子" (Yufuzi) for Chinese and "小數點" (Xiaoshudian) for Mathematics (as well as for other science subjects). We believe that the market awareness and reputation of our brand names is important to the success and growth of our business. As we continue to grow in size and expand our services, it may become difficult to maintain the quality and consistency of the services we offer, which may lead to diminishing confidence in our brand name.

Our ability to maintain our reputation may be affected by various factors, including but not limited to, the levels of students and parents satisfaction with our curriculums, our teachers and their teaching quality, the grades achieved by our students in the examinations, accidents in our teaching centres, scandals, negative press, disruptions to our teaching services, loss of certifications and approvals that enable us to operate our teaching centres, performance of our competitors, unauthorised use or infringement of our brand or intellectual properties by third parties and use of our brand by our licensees without adhering to our standards of education. Our brand and any action of our Group may attract attention from the media or the public, which may from time to time result in some negative comments, news or media coverage. We cannot assure that we will not be the subject of any future negative media coverage, whether expressly or implicitly directed against us and/or our teachers. Such negative publicity could have material adverse effect on our brand and reputation. If we are unable to maintain or enhance our brand image and recognition, or if our brand image is damaged by negative publicity, or if we are required to incur substantial marketing and promotional expenses in order to remain competitive, we may also be unable to maintain or increase student enrolment, which may have a material adverse effect on our business, financial conditions and operating results. In addition, our services may not be able to meet our students' and their parents' expectations in terms of students' academic performance, or to ensure that students enrolled in our self-operated teaching centres would be accepted by schools or university of their choice. A student may not be able to achieve his or her expected academic results and/or other achievements and, at any time, his or her performance may fluctuate due to reasons beyond our control. Students and parents' satisfaction with our courses may also be affected. This may also have a negative impact to our brand and reputation.

We have been able to source new students through word-of-mouth and media advertisement. We have conduct extensive marketing and advertising campaign in Henan. During the Track Record Period, our selling and marketing expenses amounted to approximately RMB16.7 million, RMB20.4 million and RMB22.9 million, respectively. We cannot assure you that our marketing efforts will be successful or sufficient in further promoting our brand or in helping us remain competitive. In particular, despite our efforts and costs incurred in advertising and hosting marketing campaigns, it may not necessarily lead to higher course enrolments, or resulting an increase in revenue, or at all. Further, the content of our advertisement may be investigated by the relevant authorities and we cannot assure you there will be no complaints about our advertisement. We may be subject to administrative penalties should the relevant authorities found our advertisement in violation of the applicable advertising laws and regulations.

We operate in a highly regulated industry and require licences, permits and certificates to operate

We are operating in a highly regulated industry and we are required to obtain and maintain various approvals, licences and permits and fulfil registration and filing requirements in order to conduct our services and operate our teaching centres. We see continual promulgations of new laws, rules and regulations relevant to our industry during the Track Record Period. For details, please refer to the sections headed "Regulations" and "Business — New education laws and regulations" in this prospectus. For example, on 6 November 2018, the Education Department of Henan Province and other three provincial departments promulgated the Standards for the Establishment of After-school Tutoring Institutions in Henan Province (Trial) (《河南省校外培訓機構設置標準(試行)》) which requires, among other, after-school education institutions to file their teaching materials with local education authorities. Also, according to the State Council Opinions 80 promulgated in August 2018, to establish and operate a teaching centre, we are required to obtain a private school operation permit from the local education bureau and to register with the local civil affairs bureau or industry and commerce department to obtain a certificate of registration for a private non-enterprise unit or legal entity. With the assistance of our PRC Legal Advisers, we consulted the Zhengzhou Municipal Education Bureau (鄭州市教育局) and the Education Department of Henan Province (河南省教育廳)

and we have been advised that, among other things, (i) they provide a transitional period to all after-school education institutions in Zhengzhou for the application for private school operation permits, subject to the promulgation of detailed rules to confirm the expiry of such transition period; (ii) our Group and our self-operated teaching centres have satisfied the conditions for obtaining the private school operation permits, and the legal procedures are currently being processed without any substantive obstacle; and (iii) before the completion of the abovementioned legal procedures by our Group and our self-operated teaching centres, the daily operation of our Group and our self-operated teaching centres will not be affected, and the Zhengzhou Municipal Education Bureau (鄭州市教育局) and the Education Department of Henan Province (河南省教育廳) will not consider the abovementioned situation as non-compliance during the transitional period, and will not request our Group and our self-operated teaching centres to cease school operation, confiscate the income of tuition fees, or impose other administrative penalties against us. We have also been advised by the Education Department of Henan Province (河南省教育廳) that there has not been a concrete time frame of the transitional period and such transitional period will be at least until the end of 2021. However, there can be no assurance that a concrete time frame of the transitional period will be stipulated and there can be no assurance that we will be able to obtain all required permits and complete all necessary filings, renewals and registrations on a timely basis for our self-operated teaching centres. Also, according to the State Council Opinions 80, teachers engaging in knowledge-based tutoring in Chinese, Mathematics, English, Physics, Chemistry, Biology and other subjects shall obtain teacher qualification certificates. Some of our teachers have not obtained the teacher qualification certificates. There can be no assurance that all our teachers can obtain or renew the teacher qualification certificates given the significant amount of discretion the local competent authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control and anticipation. If we or our teachers fail to receive required permits or certificates in a timely manner or renew any permits or certificates, we may be subject to fines, suspension of our operations or claims for compensation of any economic loss suffered by our students or other relevant parties, which may materially and adversely affect our business and results of operations. There is no guarantee that the relevant competent authorities will not promulgate more stringent laws, rules or regulations that would affect the business we are operating. Such new laws, rules or regulations may increase our cost of compliance and operation, or our competitive environment, which may in turn adversely affect our profitability. In the event that any new laws, rules or regulations about our industry or our relevant licences being promulgated, our ability to maintain our existing licences or our ability to apply for new licences may be adversely affected.

Failure to adequately and promptly respond to changes in the PRC's education systems, admission standards, test materials and/or teaching methods may adversely affect our business

School admissions rely on examination results in the PRC and students' performance in these examinations is critical to their future employment prospects. Therefore, it is common for students to enrol in after-school tutoring classes to improve their academic performances. Admission and assessment processes undergo continuous changes and we are therefore required to continuously update and enhance our curriculums, teaching materials and teaching methods. In order for us to keep up and respond to changes and maintain our competitiveness in the industry, we keep abreast of any new development or advancements and would, provided that we have the required resources, invest and devote our resources into new technologies, teaching equipment and/or techniques.

However, there is no assurance that we can respond to changes in a timely and cost-effective manner and any failure of doing so may adversely impact the marketability of our services. Alternatively, our competitors may have more resources or financial backing to keep up with this change in market demands and meet the needs of our customers in a more timely manner. As a result of our failure to keep up with our competitors in the change in market demands or technological advancements, our competitiveness in the industry may be diminished and our business, results of operations and financial condition may be materially and adversely affected.

We experienced an increase in refund rate of our tuition fees during the Track Record Period

For the three years ended 31 December 2019, the refund rate of our tuition fees was approximately 3.5%, 4.4% and 7.8%, respectively. The increase in the refund rate of our tuition fees from 2018 to 2019 was primarily due to (i) the change in student admission method for secondary school in Zhengzhou from traditional entrance examination to computer programme allocation and school interview; and (ii) the change of curriculum and teaching materials relevant to an English course targeting primary school students who want to participate in internationally-recognised examinations. For further details, please refer to the section headed "Business — Our tutoring services — Refund policy and cancellation policy" in this prospectus. The demand for our tuition services may be affected by various factors and some of which may be beyond our control, such as the government adopts laws, rules or regulations that place additional restrictions or limitations on our industry or any change in the education system in Zhengzhou and Xinxiang. There is no assurance that we will not experience any event which may negatively affect the demand for our after-school education services, and if materialise, our overall business and results of operations could be materially and adversely affected.

We may not be able to recruit and/or retain right talents to be our teachers to render our services properly

Although we continue to standardise and improve our teaching materials for a quality teaching services, we have to rely on our teachers to deliver such materials to our students. As at the Latest Practicable Date, we had a total of 891 teachers, who are responsible for, among others, teaching our students in classes, communicating with parents as well as recording online clips for our online contents. We put a lot of emphasis on recruiting qualified teachers and providing them with necessary trainings. We mainly recruit our teachers through direct advertisements. There is no assurance that we are able to properly recruit teachers that meet our standard requirements at costs acceptable to us, or at all.

We require our teachers to undergo a series of training in our teacher training centre, and they have to pass relevant examinations before they teach in our self-operated teaching centres. There is no assurance that all prospective teachers to whom we have put resources on are able to pass our examinations. We may end up losing our resources in providing trainings to prospective teachers who eventually cannot become our employees. Also, as we are facing continuous competition, our teachers may be poached by our competitors or other educational institutes from time to time. If we are not able to effectively retain our teachers, we may not be able to render our services properly.

Any of the above events, or failure to expand our teaching team in pace with our business expansion would result in an adverse effect on our business, results of operations and financial condition.

Failure to continue to attract students to enrol in our courses would result in the decline of our revenue and we may not be able to maintain our profitability

Our revenue was generated primarily from the tuition fees we collect from our students through our self-operated teaching centres. During the three years ended 31 December 2019, our total student enrolments were 137,225, 187,728 and 248,134, respectively, for our regular classes, small classes and VIP classes. We consider that our growth and profitability are substantially affected by, among others, the growth of the number of our students, the number of courses enrolled by each student and the level of fees on each course. Therefore, our ability to continue to maintain and attract students to enrol in our courses at our target tuition fees is critical to the continuous success and growth of our business. This will depend on a number of factors, including our ability to develop new courses and enhance existing programmes to respond to changes in market trends, competition and student demands, expand our geographic coverage while maintaining the teaching quality, effectively market our programmes to our existing and potential students. Any inability to maintain or achieve the aforesaid could materially and adversely affect our revenue and profitability.

We may not be able to maintain or increase our tuition fees

Our results of operations are affected by the pricing of our tutoring services. We determine our tuition fees according to a number of factors, including the (i) teachers' salary; (ii) rental costs of our network of self-operated teaching centres; and (iii) the demand for the relevant subjects. During the Track Record Period, as part of our promotional efforts, we offered discounts to our students. Such discounts would lower our average tuition fee per class and in turn lower our gross profit margin. Please refer to the section headed "Business — Our tutoring services — Our classes" in this prospectus for details. We believe our ability to maintain or raise tuition fees is primarily dependent on the innovative and high-quality services we offer and the perception of our brand. We cannot guarantee that we will be able to maintain or increase our tuition fees in the future without adversely affecting the demand for our tutoring services.

Failure to keep up with technology advancement or a change in learning mode may negatively affect our results of operations

Like every industry, the education and tutoring industry is constantly changing and there are constant developments of new technology or equipment available which can be adopted to enhance our teaching quality or learning experience by our students. We rely on technology in our teaching and for some of our classes we deliver through media including our proprietary online learning platform "學習8" (Learning Bar), audio-visual systems and pre-recorded videos. In the event that rapid change in technology affects students' preferences of the mode of delivery, there is no assurance that we will be able to replace our existing system and update it in a timely manner, or at all. If our competitors adopt new technologies in their classes or in delivering their services that we are not offering, we cannot guarantee that we can update our systems to be as advanced as our competitors.

As a result of our failure to keep up with any technological advancement, our results of operations may be negatively affected. In addition, there is no assurance that our investment into new technologies, teaching equipment and/or techniques will achieve the expected result in enhancing our teaching quality or learning experience by our students or adapt to the change in market demands. Further, our general method of teaching requires the attendance of students at our teaching centres. If the general mode of learning shifts towards a technology-based distance learning or self-study approach in future, there is no assurance that our Group will be able to maintain student enrolments and thus our profitability in view of such developments.

If our systems, software, applications, database or source code contain "bugs" or other undetected errors, or encounter unexpected network interruptions, security breaches or computer virus attacks, our operations may be seriously disrupted

Major risks involving the network infrastructure on which we operate our business include (i) breakdowns or system failures resulting in a prolonged shutdown of our servers, including failures attributable to power shutdowns, attempts to gain unauthorised access to our systems, or undetected errors or "bugs" in our database systems and source codes, which may cause loss or corruption of data or malfunctions of software or hardware; (ii) disruption or failure in the national backbone network, which would make it impossible for visitors, parents or students to log on to our websites; (iii) damage from fire, flood, power loss and telecommunications failures; and (iv) any infection by or spread of computer virus.

Any network interruption or inadequacy that causes interruptions in the availability of our websites or deterioration in the quality of access to our websites could reduce customer satisfaction and result in a reduction in the number of students using our services.

In addition, proprietary and confidential student and teacher information, such as names, contact details, and other personal information, is primarily stored in our digital database. If our security measures are breached as a result of actions by third parties, employee error, malfeasance or otherwise, third parties may gain unauthorised access to our records, which could subject us to liabilities, interrupt our business and adversely impact our reputation.

If we encounter errors or other service quality or reliability issues, or if we are unable to design, develop, implement and utilise information systems and the data derived from these systems, our ability to realise our strategic objectives and our profitability could be adversely affected, and this may cause us to lose market share, harm our reputation and brand names, and materially and adversely affect our business and results of operations.

We may face risks and uncertainties in the licensing requirements of our online tutorial services

The revenue generated from our online tutorial services constitutes a small portion of our revenue for each of the two years ended 31 December 2019.

For a certain period during the Track Record Period, we operated online tutorial services without (i) ICP Licence; (ii) Broadcasting and TV Program Production and Operation Licence* (廣播電視節目製作經營許可證); (iii) Online Publishing Services Licence* (網絡出版服務許可證); and (iv) Online Cultural Operation Licence* (網絡文化經營許可證).

In respect of our online tutorial services, we did not obtain the ICP Licence, the Broadcasting and TV Program Production and Operation Licence (廣播電視節目製作經營許可證) and the Online Cultural Operation Licence (網絡文化經營許可證) until 12 February 2019, 10 January 2019 and 4 January 2019, respectively. In addition, as certain of our tutoring videos and course materials are accessible through our online platform and mobile applications, such activities may fall within "online publishing" which requires the Online Publishing Service Licence (網絡出版服務許可證). We do not possess such licence but we have commenced collaboration with an Independent Third Party with such licence since 18 March 2019.

According to the relevant laws and regulations, we may be subject to deregistration, an order to shut down the relevant website, deletion of all related publications, confiscation of gain, facilities and operating tools, and penalties due to the lack of the abovementioned licences during the Track Record Period. Based on the confirmations we obtained from the relevant competent authorities, our PRC Legal Advisers are of the view that the risk of us being subject to any administrative penalties due to the lack of the above licences is relatively low. For details, please refer to the section headed "Business — Legal proceedings and non-compliance" in this prospectus.

However, there is no assurance that the relevant authorities would not take any enforcement action against us in relation to the above non-compliance. In the event that such enforcement action is taken, our business, financial condition and results of operations may be materially and adversely affected. If we do not observe an order issued by government authorities which requires us to suspend our business operations, we shall be blacklisted in the market by government authorities according to relevant PRC laws and regulations as credit penalty.

In addition, since it is not stipulated in the regulations whether online educational video belongs to the audio-visual program under regulations such as Administrative Provisions on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》), the production, editing, transmission of audio-visual content to the public through our online platform or mobile applications may be deemed as audio-visual program services which requires Licence for Online Transmission of Audio-Visual Programs (信息網絡傳播視聽節目許可證). As confirmed by the relevant official of Henan Provincial Radio and Television Bureau* (河南省廣播電視局) during the government consultation, the official is of the view that online education video is not audio-visual program and we are not required to obtain the Licence for Online Transmission of Audio-Visual Programs (信息網絡傳播視聽節目許可證). However, we cannot assure that the competent government authorities will not subsequently take a contrary view, especially in light of new regulatory developments. If the government authorities determine that our online tutorial services fall within the scope of business operations that require the abovementioned licence or other licences or permits, we may not be able to obtain or renew such licences or permits on reasonable terms or in a timely manner or at all, and failure to obtain or renew such licences or permits may subject us to fines, legal sanctions or an order to suspend our online tutorial services.

Our blacklisted self-operated teaching centres may not be able to be removed from the "Black List", which may affect our brand and reputation

Under the Circular 3 and the State Council Opinions 80, the relevant education departments are required to publish a "White List" listing the after-school education institutions without any misconduct, and a "Black List" listing the after-school education institutions with safety risks, misconduct or without qualification. See "Business — New education laws and regulations — Circular 3 — Impact on our business" in this prospectus for further detail. As at the Latest Practicable Date, eight of our self-operated teaching centres were blacklisted, among which, six self-operated teaching centres had obtained the private school operation permits, one self-operated teaching centre was closed down so that no private school operation permit would be required to obtain, and one self-operated teaching centre was in the process of obtaining the private school operation permit. For details, please refer to the section headed "Business — New education laws and regulations — Circular 3".

We cannot assure you that we will be able to have our blacklisted self-operated teaching centres removed from the "Black List". Since parents and students may take into consideration, amongst others, our brand name and reputation when deciding whether or not to choose us for after-school tutoring services, such negative publicity could have material adverse effect on our brand and reputation which in turn may cause us to lose students and market share.

Failure to effectively and efficiently manage the expansion of our business and network may materially adversely affect our business

We plan to expand our operations in different geographic locations in Henan as well as other cities throughout China. This expansion involves, among others, the right assessment of the markets where we want to expand to, the identification of right locations, the recruitment of additional qualified teachers, management and/or operational staff, and other resources that may be required for our expansion for such locations. Our planned expansion will also place significant demand on us to maintain the consistency of our teaching quality.

We cannot assure you that we will be able to effectively and efficiently manage the growth of our operations and integrate new self-operated teaching centres into our operations. Any failure to effectively and efficiently manage our expansion could materially and adversely affect our ability to capitalise on new business opportunities, which in turn may have a material adverse impact on our financial condition and results of operations.

Our self-operated teaching centres have physical constraint which could cause us to lose students to our competitors

Our self-operated teaching centres are limited in number and size of classrooms. Our ability to serve our students is constrained by the capacity of our self-operated teaching centres as well as the number of teachers we have. As we may not be able to admit all students who would like to enrol in our classes due to the capacity constraint, this would restrict our opportunity to serve those students and to potentially develop a long-term relationship with them for continued tutoring services. If we fail to expand our physical capacity as quickly as the demand for our services increases, we could lose potential students to our competitors, and our results of operations and business prospects could be affected as a result.

If we fail to protect our intellectual property rights or prevent the loss or misappropriation of our intellectual property rights, we may lose our competitive edge

We believe our teaching materials, reputation and trademarks are vital to our continued success in appealing to the parents and attracting more new students. However, there can be no assurance that the steps we have taken to monitor and protect our intellectual property rights are adequate to prevent infringement. Unauthorised use of any of our intellectual property may adversely affect our business and reputation. We rely on a combination of our copyrights and trademarks to protect our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property without our due authorisation. Infringement of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business and reputation.

We may encounter disputes from time to time relating to our use of the intellectual property of third parties.

We may be subject to litigation involving claims by third parties that we infringed other's intellectual property rights. While we do not believe that our course materials and other education content infringe on the intellectual property rights of our competitors or any third parties, we cannot assure you that they would not raise a claim of intellectual property infringement against us. As at the Latest Practicable Date, we did not receive notices of any material claims or complaints against us for intellectual property infringement that have not been amicably resolved. However, there can be no guarantee that no third parties will raise such claims in the future. Any claims brought by or against us, whether successful or not, can be both costly and may significantly reduce our resources and diversion of management attention. Any similar claim against us, even one without any merit, could also affect our reputation and brand image. Any such event or any unfavourable ruling in any such proceedings could materially and adversely affect our reputation, financial condition and results of operations.

Our reputation and operations may be adversely impacted by employee misconduct

We are exposed to the risk of employees' misconduct, which includes, among others, failure to comply with government regulations, engagement in unauthorised activities, misrepresentation of our services in marketing activities and improper use of students' and teachers' sensitive information. Employees' misconduct could harm our reputation and result in regulatory sanctions against us, all of which could materially affect our business. We may not be able to deter employee misconduct, and the precautions we take to prevent and deter employee misconduct may not be effective.

We had net current liabilities as at 31 December 2017 and 2018

As at 31 December 2017 and 2018, we had net current liabilities of approximately RMB10.6 million and RMB13.4 million, respectively, which was primarily due to (i) the receipts in advance related to the advance payment received from our students, which would be recognised as revenue subsequently; (ii) the adoption of HKFRS 16 "Leases", of which leases have been recognised in the form of a non-current asset (for the right-of-use) and a financial liability (for the payment obligation) in our Group's combined statements of financial position during the Track Record Period, which in turn decreased our current assets (prepayment for leases are reclassified to non-current assets) and recognised additional current liabilities (arising from the presence of lease liabilities); and (iii) the declaration and payment of dividends during the year ended 31 December 2018, which in turn decreased our bank balances and cash. For further details, please see the section headed "Financial information — Selected items of financial position" in this prospectus.

Our net current liabilities expose us to liquidity risk. Our future liquidity, the payment of trade payables and the repayment of other payables and obligations as and when they become due will primarily depend on our ability to generate adequate operating cash flows and our ability to obtain adequate financing. Although we recorded net current asset position as at 31 December 2019, we may record net current liabilities in the future, which may limit our operating working capital for the purpose of operations or future capital expenditures which may materially and adversely affect our business, financial condition and results of operations. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external fundings. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plan, and our business, financial condition and results of operations may be materially and adversely affected.

The adoption of HKFRS 16 affected our statement of financial position, profile of profit and loss statement and certain key ratios (including gearing ratio) due to our operating lease arrangements

As at the Latest Practicable Date, we operated our business through 102 leased properties in Zhengzhou and Xinxiang, with a total GFA of approximately 76,405.7 sq.m. Our leased properties in the PRC mainly serve as our self-operated teaching centres and office premises. Under HKFRS 16, which we have adopted on a consistent basis throughout the Track Record Period, leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by us. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Our current accounting policy for such leases is stated in note 4 to the Accountants' Report set out in Appendix I to this prospectus. As at 30 April 2020, our total lease liabilities amounted to approximately RMB212.6 million.

During the Track Record Period, our future operating lease commitments have been discounted and recognised as "lease liabilities" in our consolidated statements of financial position. HKFRS 16 "Leases" provides new provisions for the accounting treatment of leases and no longer allows lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The adoption of HKFRS 16 affected virtually all commonly used financial ratios and performance metrics, such as total debt to equity ratio, gearing ratio, current ratio, quick ratio, interest coverage, return on assets, return on equity, earnings per share, operating cash flows and cash flows from financing activities. The recognition of right-of-use assets and lease liabilities expanded our consolidated statement of financial position and will materially affect our related financial ratios, resulted in an increase in total debt to equity ratio and a decrease in our net current assets, current ratio and quick ratio. In our combined statements of comprehensive income, the adoption of HKFRS 16 gave rise to recognition of depreciation of the right-of-use assets, instead of recognition of lease payments as rental expenses. Depreciation expense associated with the right-of-use assets is charged on a straight-line basis over the shorter of its estimated useful life and the lease term. Interest expenses on the lease liability are recorded under finance costs with reference to the incremental borrowing rate of the lessee and are expected to reduce over the life of the leases as lease payments are made. As a result, the rental expenses under otherwise identical circumstances decreased, while depreciation and interest expense increased and led to an increase in gearing ratio and decrease in interest coverage ratio. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liabilities resulted in a change of expenses recognition pattern, in particular, a higher total charge to the statement of comprehensive income in the initial years of the lease, and decreasing expenses during the latter part of the lease term, and it led to a decrease in profit before taxation in the initial years of the lease as a result.

Our plan to expand our business and self-operated teaching centres network may result in an increase in depreciation and other operational expenses which may adversely affect our operating results and financial position

We expect to set up 60 additional self-operated teaching centres, with an aim to achieving a total of 140 self-operated teaching centres directly operated by us by the end of 2022 in response to the increasing demand for after-school education services. For details of our expansion plan, please refer to the section headed "Business — Business strategies — Increase market penetration and expand our geographical coverage" of this prospectus. With the intended expansion plan, it is expected that there will be an increase in our depreciation expenses and other operational expenses, such as repair and maintenance costs, the amount of which will be proportional to actual usage, which may adversely affect our operating results and financial position.

We derive substantially all of our revenue in Henan particularly in Zhengzhou. Any event negatively affecting our tutoring services could have a material adverse effect on our results of operations

During the Track Record Period, substantially all of our revenue was derived in Henan particularly in Zhengzhou. Any material adverse social, economic and political developments, such as a serious economic downturn, natural disaster, health epidemics such as human swine flu (also known as Influenza A (H1N1)), H5N1 avian flu, severe acute respiratory syndrome ("**SARS**") or COVID-19, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business and may negatively affect the demand for and/or our ability to provide tutoring services, cause uncertainties in the area where we conduct business, and may cause material disruptions to our operations such as temporary closure of our self-operated teaching centres or cause significant declines in the number of students enrolled in our self-operated teaching centres, which in turn cause our business to suffer in ways that we cannot predict and materially and adversely affect our business, financial condition and results of operations. While we will expand our geographic coverage by setting up new self-operated teaching centres in other areas in Zhengzhou and other cities in China, the new locations and services may or may not increase our revenue or prove to be successful. If we experience an event negatively affecting our tutoring services, such as a serious economic downturn, a natural disaster or outbreak of contagious disease, our overall business and results of operations could be materially and adversely affected.

For instance, the outbreak of the COVID-19 in Wuhan and other areas of the PRC resulted in numerous confirmed cases and deaths and temporary closures of our self-operated teaching centres. Access was restricted in some areas of the PRC. The development of the said epidemic in China and especially in Zhengzhou and Xinxiang, where all of our self-operated teaching centres located, are beyond our control. After-school education institutions in Zhengzhou are allowed to resume physical classes from 18 May 2020 upon application with the competent authorities. As at the Latest Practicable Date, all of our self-operated teaching centres had received the competent authorities' approval on the resumption of physical classes. Having regard to the loss we sustained for the first four months in 2020, we plan to cancel the summer holiday of our teaching staff in August 2020 and offer more summer tutorial courses with a more intensive course schedule for our primary and secondary school students as compared to last year. Despite we are allowed to resume physical classes, the epidemic may restrict student flow and reduce students' willingness in visiting our self-operated teaching centres or students may withdraw from the courses. Our operations could also be disrupted if any of our employees were suspected of contracting or contracted an epidemic disease, since this could require us to quarantine some or all of our employees and disinfect the buildings or teaching centres. Also, office premises were required to have sufficient epidemic prevention supplies in place in order to continue to operate. Any future outbreak of COVID-19 or other similar adverse epidemics may also severely affect and restrict the level of economic activity as the government may impose regulatory or administrative measures quarantining affected areas or other measures to control or contain the outbreak of the infectious disease which may, among others, significantly disrupt our business. We may incur additional costs in order to comply with such regulatory or administrative measures. There may also be material decline in the number of students and disruptions to our operations, which in turn could materially adversely affect our business and results of operations.

A portion of our self-operated teaching centres are not in compliance with the relevant fire safety regulations

As at the Latest Practicable Date, we had 25 self-operated teaching centres which have not completed the fire safety filing. If we cannot complete the fire safety filing according to the relevant requirements, we may be subject to a fine or may be ordered to make rectification within a specified period of time or suspend our operation on the affected properties. For details, please refer to the sections headed "Business — Legal proceedings and non-compliance" and "Regulations — Regulations on fire safety" in this prospectus.

We face certain risks relating to the self-operated teaching centres leased by us

Most of our self-operated teaching centres are currently located on leased properties. At the end of the lease term, we may not be able to renew such leases at acceptable terms, or at all and may therefore be required to relocate. In addition, there is no assurance that the lease agreements will not be terminated prior to their expiration. Termination of our leases may occur beyond our control, such as breaches of the lease agreements by the landlord.

Moreover, we may not be able to renew the leases at the existing locations on the same or similar terms, and the landlords may increase the rent significantly. Leases which are subject to renewal or with scheduled rental increase could result in substantial rental increase. At the same time, we also compete with other retailers for premises situated in prime locations. As a result, if we are not able to enter into leases for our self-operated teaching centres on commercially acceptable terms at our desired locations, it could materially and adversely affect our business and operating results. In addition, as we do not own these leased properties, we are not in a position to effectively control the quality, maintenance and management of such premises, buildings and facilities.

As at the Latest Practicable Date, among our 102 leased properties, 56 of which had defects that may adversely affect our ability to continue to use them in the future. The cause of the defects includes, among others, failure of the lessors to provide property ownership certificates regarding their legal rights to lease such properties, inconsistency with the planned usage on building ownership certificates, failure of the lessors to obtain authorisation to lease the properties to us and incompletion of the fire safety filing. In the event of any disputes arise due to title encumbrances to such properties or government action, we may encounter difficulties in continuing to lease such properties and may be required to relocate. In such event, we may not be able to find suitable alternative premises or obtain new leases at desirable locations or on desirable terms. Further, we may incur additional costs arising from the relocation as well as business disruption. Therefore, our business, financial condition and results of operations may be adversely affected if we are unable to find suitable alternative premises or obtain new leases at desirable locations or on desirable terms in the event that we are required to vacate from these properties.

As at the Latest Practicable Date, (i) we had not registered and filed the lease agreements of 73 self-operated teaching centres with the relevant land and real estate management departments in the PRC; and (ii) we were renewing the registration of the lease agreement of one self-operated teaching centre which had expired. Under the relevant PRC laws and regulations, we may be required to register and file with the relevant government authorities the executed leases. According to our PRC Legal Advisers, while the lack of registration will not affect the validity and enforceability of the lease agreements, a fine ranging from RMB1,000 to RMB10,000 may be imposed on the parties for each non-registered lease in case we do not observe an order issued by relevant government authorities which requires us to file the registration in a specific period of time. We may incur additional expenses if any fines are imposed upon us, which may adversely affect our business and results of operations.

For details of the above title defects, see "Business — Properties — Leased properties — Defects of the leased properties" and "Business — Legal proceedings and non-compliance" in this prospectus.

Our investments in wealth management products may be subject to certain counterparty risks and market risks

During the Track Record Period, we invested certain amounts of cash in structured deposits and wealth management products. These investments are generally short-term low-risk wealth management products issued by licensed commercial banks in the PRC. As at 31 December 2017, 2018 and 2019, financial assets designated at fair value through profit or loss amounted to RMB80.0 million, RMB40.0 million and RMB55.0 million, respectively.

Accordingly, we are subject to the risks that any of our counterparties, such as the licensed banks that issued the structured deposits/wealth management products, may not perform their contractual obligations, such as in the event that any such counterparty declares bankruptcy or becomes insolvent. Any material non-performance of our counterparties with respect to the structured deposits/wealth management products we invested in could materially and adversely affect our financial position and cash flow. Furthermore, our short-term investments are subject to the overall market conditions, including the capital markets. Any volatility in the market or fluctuations in interest rates may reduce our financial position or cash flow, which, in turn, could materially and adversely impact our financial condition. In addition, general economic and market conditions affect the fair value of these wealth management investments. If circumstances indicate that the carrying amount of these investments may not be recoverable, such investments may be considered impaired, and an impairment loss would be recognised in accordance with accounting policies and charged to our combined statements of profits or loss and other comprehensive income for the relevant period. Accordingly, any material decline in the fair value of these investments may have a material adverse effect on our results of operations.

Our Pre-IPO Convertible Note is subject to fair value changes, and there are inherent uncertainties associated with its fair value measurement

We issued the Pre-IPO Convertible Note in the principal amount of approximately US$7.08 million on 31 October 2019. Please refer to the section headed "History, development and Reorganisation — Pre-IPO Investment — Subscription of the Pre-IPO Convertible Note" in this prospectus for further details.

Our fair value change of financial liabilities designated at fair value through profit or loss relates to our Pre-IPO Convertible Note issued by our Company to the Pre-IPO Investor on 31 October 2019. For details of the valuation of the Pre-IPO Convertible Note, please refer to note 26 to the Accountants' Report set out in Appendix I to this prospectus.

Valuation of the Pre-IPO Convertible Note is based on assumptions with respect to such economic market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in the valuation exercise. It further requires consideration of relevant factors affecting the operating of our business and its ability to generate future investment returns. The factors considered in the valuation include the nature of our business and our assets, the financial condition of our business and the economic outlook in general, the projected operating results, the operational contracts and agreements in relation to our business, and the financial and business risk including the continuity of income and the projected future results.

Given the inherent uncertainties associated with the measurement, the fair value of our Pre-IPO Convertible Note is subject to various variations, adjustment and alterations, as well as market conditions and other factors. Any material and adverse changes in the value of the Pre-IPO Convertible Note may have a material and adverse effect on our business, financial condition and results of operations.

Higher labour costs, particularly increasing teachers' salary, may adversely affect our business and our profitability

Labour costs in the PRC have risen in recent years as a result of social development and increasing inflation in the PRC. The increase in labour cost may erode our profitability and materially harm our business, financial conditions and results of operations. For the three years ended 31 December 2019, our staff costs included in cost of sales were approximately RMB68.5 million, RMB95.2 million and RMB119.0 million, respectively, representing approximately 56.0%, 59.2% and 55.6% of our total cost of sales, respectively. If labour costs in the PRC continue to increase, our operating costs will increase. We may not be able to pass on these increased costs to our customers by increasing our tuition fees in light of competitive pressure in the markets. In such circumstances, our profit margin may decrease, which could have an adverse effect on our business, financial condition and results of operations.

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

The tutoring sector in the PRC is rapidly evolving, highly fragmented and competitive, and we face competition in the courses we offer in each geographic market in which we operate. We compete with these after-school education service providers across a range of factors, including, program and curriculum offerings, level of tuition fees, school locations and premises, quality of teaching materials and competency of teachers and other key personnel. Some of our competitors may have stronger brand names, greater access to capital, longer operating histories, and greater marketing and other resources than we do and can deploy more resources to the development, promotion and sale of their services and respond more quickly than we can to market changes, changes in student needs or changes in technology.

Our competitors may be able to reduce our market share by adopting more aggressive pricing policies than we can or by developing services that gain wider market acceptance than our service does. There can be no guarantee that the competition will not intensify in the future and if we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

If we fail to respond to any changes, we may be required to reduce course tuition fees or increase investment in response to competition in order to retain or attract students. As a result, our revenue and profitability may decrease. We cannot assure you that we will be able to compete successfully against current or future competitors. If we are unable to maintain our competitive position or otherwise respond to market competition effectively, we may lose our market share and our profitability could be adversely affected.

Accidents or injuries suffered by our students or our employees or other personnel on or outside our self-operated teaching centres may adversely affect our reputation and subject us to liabilities and we have no insurance coverage for our business and operations

We could be held liable for the accidents or injuries or other harm to students or other people at our self-operated teaching centres, including those caused by or otherwise arising in connection with our facilities or employees. We could also face claims alleging that we were negligent or we provided inadequate maintenance to our facilities or supervision of our employees and therefore may be held liable for accidents or injuries suffered by our students or other people at our self-operated teaching centres. In addition, if any of our students or teachers is involved in any physical confrontation or act of violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for his or her actions. We may also face reputation risk if our students or employees suffer injuries outside our self-operated teaching centre. Such incidents may discourage prospective students from applying to or attending our classes.

During the Track Record Period, we had not maintain any insurance policy to safeguard against certain risks and unexpected events, such as school liability insurance, student personal accident insurance and employer liability insurance. In addition, we do not carry property insurance, including fire insurance, for the properties that are owned by third parties and are not required to do so under applicable PRC laws and regulations. As a result, we are exposed to various risks associated with our business and operations. Such risks include accidents or injuries in our self-operated teaching centres that are beyond the scope of our insurance coverage, loss of key management and personnel, business interruption, natural disasters, fire accidents, terrorist attacks and social instability or any other events beyond our control.

Particularly, the occurrence of fire accident may result in students' injury, death and property damage at our self-operated teaching centres. Since we do not maintain any student personal accident insurance, employer liability insurance and fire insurance, we may be subject to substantial costs due to the occurrence of fire accident, which may have a material adverse effect on our business operation and financial condition.

Any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or other events beyond our control could result in substantial costs and the diversion of our resources. Our business, financial condition and results of operations may be materially and adversely affected as a result.

We rely on our senior management and qualified professionals

We attribute our success to the leadership and contribution of our senior management members, in particular, our Chairman, executive Director and chief executive officer, Mr. Zhang, our executive Director, Mr. Shan Jingchao, and our senior management member, Mr. Guo Xianwei, who have over 21, ten and ten years of experience in education industry, respectively. If one or more of our executive Directors, senior management or other key personnel are unable or unwilling to continue working for our Group, we may not be able to replace them easily, in a timely manner, or at all and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected.

The competition in recruiting senior management or qualified professional is intense, and any failure to recruit and retain the necessary management personnel in a timely or reasonable manner could harm our business and prospects.

Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability

For the three years ended 31 December 2019, our revenue amounted to approximately RMB217.3 million, RMB289.8 million and RMB383.6 million, respectively. However, such trend of historical financial information of our Group is an analysis of our past performance only and does not have any implication or may not necessarily reflect our financial performance in the future which will solely depend on our capability to secure new contracts, maintain our reputation or relationships with our clients and keep our costs at the current level. We cannot assure you that such growth rate can be sustained and if our Group experiences any stagnant or negative growth in the future, our profitability will be adversely affected.

Our historical dividend payments should not be taken as an indication of our future dividend policy

For details about the dividends we declared and paid during the Track Record Period, please refer to the section headed "Financial information — Dividends" in this prospectus. In the future, the amount of dividends we may declare and pay will be subject to, among other things, the discretion of our Board, and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition and any other factors which our Directors may consider relevant. Accordingly, the amounts of dividends that we have declared and paid in the past do not indicate the dividends that we may pay in the future.

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

Our business is subject to seasonal fluctuations, primarily due to seasonal changes in student enrolments. We have a larger number of classes during school holidays and especially during summer holidays. As a result, we tend to have higher revenue in July. However, our expenses vary, and certain of our expenses do not necessarily correspond with changes in our student enrolments and revenue. As a result, our results of operations fluctuate and our interim results may not proportionately reflect our annual results.

We cannot assure you that we will not be subject to liability claims for any inaccurate or inappropriate content in our course programs, which could cause us to incur legal costs and damage our reputation

We develop the content of the course programs ourselves and engaged third parties to advise us on the design of our textbooks. We cannot assure you that there will be no inaccurate or inappropriate materials included in our course programs or textbooks. Therefore, we may face civil, administrative or criminal ability if an individual or corporate, governmental or other entity believes that the content of any of our course programs or textbooks violates any laws, regulations or governmental policies or infringes upon its legal rights. Even if such a claim were not successful, defending such a claim may cause us to incur substantial costs and damage our reputation. Moreover, any accusation of inaccurate or inappropriate conduct could lead to significant negative publicity, which could harm our reputation and future business prospects.

Failure to make adequate contributions to various employee benefits plans as required by PRC regulations may subject us to penalties

Companies operating in the PRC are required to participate in various employee benefit plans, including social insurance. During the Track Record Period, we did not make adequate social insurance premiums contributions to the social insurance plans for certain employees. For details, please refer to the section headed "Business — Legal proceedings and non-compliance" in this prospectus. We cannot assure you that our employees will not complain to the relevant authorities regarding the basis of how we had made the contribution for them, which may in turn result in the relevant authorities ordering us to make supplemental contribution and/or imposing penalties and overdue fines on us, among other things. Such regulatory intervention may adversely affect our financial condition.

RISKS RELATING TO CONTRACTUAL ARRANGEMENTS

The PRC government may determine that the Structured Contracts do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected.

We are a Cayman Islands company and thus, we are classified as a foreign enterprise under the PRC laws. On 12 October 2018, with the assistance of our PRC Legal Advisers, we consulted the Education Department of Henan Province (河南省教育廳), being the responsible and competent authority in Henan as advised by our PRC Legal Advisers which confirmed that the operation of education institutions that provide primary and secondary after-school education is restricted to sino-foreign joint venture. The official of the Education Department of Henan Province (河南省教育廳) consulted serve in Foreign Cooperation and Exchange Department of the Education Department of Henan Province (河南省教育廳對外合作與交流處). The Foreign Cooperation and Exchange Department of the Education Department of Henan Province (河南省教育廳對外合作與交流處) is mainly in charge of the approval and management of sino-foreign cooperation, coordinating and guiding the educational institutions in Henan to carry out overseas education activities and other international activities thereto. Based on the above and the understanding of the business that our Group operates, our PRC Legal Advisers are of the view that the official of the Education Department of Henan Province (河南省教育廳) are competent to provide the above confirmation. We expect to continue to be dependent on the Structured Contracts to operate our business.

If the Structured Contracts that establish the structure for operating our business in the PRC are found to be in violation of any PRC laws, rules or regulations in the future or fail to obtain or maintain any of the required licences, permits or approvals, the relevant PRC regulatory authorities, including the MOE, which regulates the education industry, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licences of our Consolidated Affiliated Entities;
- discontinuing or restricting the operations of any related-party transactions among our Consolidated Affiliated Entities;
- imposing fines, additional conditions or other requirements in which we or our Consolidated Affiliated Entities may not be able to comply;
- requiring us to restructure our operations in such a way as to compel us to establish new entities, re-apply for the necessary licences or relocate our businesses, staff and assets;
- restricting or prohibiting the use of proceeds from public offering or other financing activities to finance our business and operations in China; or
- taking other regulatory or enforcement actions, including fines, which could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear about the impact that the PRC government actions would have on us and on our ability to consolidate the financial results of any of our Consolidated Affiliated Entities in our combined financial statements, if the PRC governmental authorities find our legal structure and Structured Contracts to be in violation of PRC laws, rules and regulations.

We may not be able to meet the Qualification Requirement

Pursuant to the Sino-foreign Regulations and as confirmed by the Education Department of Henan Province (河南省教育廳), foreign investors must establish and operate the education institution with target students being mainly PRC citizens through a sino-foreign joint venture with a domestic partner (the "**Sino-foreign Education Institution(s)**") and such foreign investors must be a foreign education institution with relevant qualification and experience (the "**Qualification Requirement**") and hold less than 50% of the capital in a Sino-foreign Education Institution (the "**Foreign Ownership Restriction**") and the domestic party must play a dominant role (the "**Foreign Control Restriction**").

As at the Latest Practicable Date, while we did not meet the Qualification Requirement as we had no experience in operating education institutions outside of the PRC, we had taken concrete steps towards the compliance with the Qualification Requirement. See "Structured Contracts — PRC laws and regulations relating to foreign ownership in the education industry — Plan to comply with the Qualification Requirement" in this prospectus for details. However, according to the consultation with the Education Department of Henan Province (河南省教育廳), there had been no implementing measures or specific guidance on the Qualification Requirement and they had not historically approved any application to establish a Sino-foreign Education Institution offering primary and secondary after-school education services.

Therefore, we cannot assure you that we will be able to meet the Qualification Requirement in the future and the plan we have adopted will be sufficient to satisfy the Qualification Requirement. If the Foreign Ownership Restriction and Foreign Control Restriction are lifted, we may be not be able to unwind the Structured Contracts by acquiring the interest in our Consolidated Affiliated Entities before we are in a position to comply with the Qualification Requirement. If we otherwise attempt to unwind the Structured Contracts by acquiring the interest in our Consolidated Affiliated Entities before we satisfy the Qualification Requirement, we may be considered by the regulatory authorities as ineligible for operating teaching centres and forced to cease operation of our Consolidated Affiliated Entities, which could have a material adverse effect on our business, financial condition and results of operations.

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

As advised by our PRC Legal Advisers, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisers, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations and provisions of the State Council do not incorporate contractual arrangements as a form of foreign investment and the competent authorities still take the same view in respect of matters relating to the Sino-foreign Education Institutions offering primary and secondary after-school 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*". There are possibilities that future laws, rules, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Structured Contracts will be deemed to be in violation of the foreign investment access requirements and how the abovementioned Structured Contracts will be handled. Therefore, there is no guarantee that the Structured Contracts and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws, rules and regulations. If future laws, rules, administrative regulations or provisions prescribed by the State Council mandate further actions to be completed by companies with existing contractual arrangements, we may face substantial uncertainties as to the timely completion of such actions. In the extreme case scenario, we may be required to unwind the Structured Contracts and/or dispose of the Consolidated Affiliated Entities, which could have a material and adverse effect on our business, financial conditions and results of operations. In the event that our Company no longer has a sustainable business after the aforementioned unwinding or disposal or when such requirements are not complied with, the Stock Exchange may consider us to be no longer suitable for Listing on the Stock Exchange and delist our Shares.

For details of the Foreign Investment Law, please refer to the section headed "Regulations — PRC laws and regulations relating to foreign investment — Regulations on Foreign Investment Law" in this prospectus.

The Contractual Arrangements may not be as effective in providing us with control over our Consolidated Affiliated Entities as direct ownership

We have relied, and expect to continue to rely, on the Contractual Arrangements to operate our primary and secondary after-school education services in China. For a description of these Contractual Arrangements, please refer to the section headed "Structured Contracts" in this prospectus. These Contractual Arrangements may not be as effective in providing us with control over our Consolidated Affiliated Entities as direct ownership. If we were the controlling shareholder of our Consolidated Affiliated Entities with direct ownership, we would be able to exercise our rights as a shareholder, rather than our rights under the powers-of-attorney, to effect changes to its board of directors, which in turn could implement changes at the management and operational level. However, under the current Contractual Arrangements, as a legal matter, if our Consolidated Affiliated Entities or their shareholders fail to perform their respective obligations under these Contractual Arrangements, we cannot direct the corporate action of our Consolidated Affiliated Entities as the direct ownership would otherwise entail, and therefore we will be unable to maintain an effective control over the operations of our Consolidated Affiliated Entities. If we were to lose effective control over our Consolidated Affiliated Entities, we would no longer be able to consolidate their results of operations, which would materially and adversely affect our financial condition and results of operations, and it may also impair our access to their cash flow from operations which may reduce our liquidity. In addition, losing effective control over our Consolidated Affiliated Entities may negatively impact our operational efficiency and brand image.

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

The Registered Shareholders are the beneficial owners of our Consolidated Affiliated Entities and their interests may differ from the interests of our Company as a whole. We cannot assure you that when conflicts of interest arise, the Registered Shareholders will act in the best interests of our Company or that such conflicts will be resolved in our favour. In addition, the Registered Shareholders may breach, or cause our Consolidated Affiliated Entities to breach, or refuse to renew, the existing Structured Contracts with us. If we cannot resolve any conflict of interest or dispute between us and the Registered Shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainties as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the Contractual Arrangements. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles or subject to claims from third parties as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

In addition, although the Equity Pledge Agreement we entered into with the Registered Shareholders provides that the pledged equity interests constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the principal service agreements, it is possible that a PRC court could take the position that the amounts listed on the equity pledge registration forms or estimated in the Equity Pledge Agreement represent the full amounts of the collateral that have been registered and perfected. If this were to happen, the obligations that are supposed to be secured in the Equity Pledge Agreement in excess of the amounts listed on the equity pledge registration forms or estimated in the Equity Pledge Agreement could be deemed unsecured debts by the PRC court, which take the last priority among creditors.

Our exercise of the option to acquire the equity interest of our Consolidated Affiliated Entities may be subject to certain limitations and we may incur substantial costs

We may incur substantial cost in the exercise of the option to acquire the equity interests in our Consolidated Affiliated Entities. Pursuant to the Contractual Arrangements, the Registered Shareholders irrevocably agreed to grant WFOE or its designated third party an exclusive option to purchase all or part of the equity interests in the Consolidated Affiliated Entities directly and indirectly held by Registered Shareholders, for the minimum amount of consideration permitted by the applicable PRC laws and regulations, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of the Consolidated Affiliated Entities. If the relevant PRC authorities determine that the purchase prices for acquiring our Consolidated Affiliated Entities are below the market value, they may require WFOE to pay EIT for ownership transfer income with reference to the market value. The amount of the tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

Any failure by our Consolidated Affiliated Entities or their respective shareholders to perform their obligations under our Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on our part to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue

Under the Contractual Arrangements, if any of our Consolidated Affiliated Entities or their respective shareholders fails to perform their respective obligations under these Contractual Arrangements, we may incur substantial costs and resources to enforce such arrangements and rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief and claiming damages.

The Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts will be interpreted in accordance with PRC laws and any disputes will be resolved in accordance with PRC legal procedures. Under PRC laws, rulings by arbitrators are final and the parties to a dispute cannot appeal the arbitration results in any court based on the substance of the case. The prevailing party may enforce the arbitration award by instituting arbitration award recognition proceedings with a competent PRC court. The legal environment in the PRC is not as developed as in other jurisdictions, such as Hong Kong and the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. If we are unable to enforce these Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities and their shareholders. As a result, our business and operations could be severely disrupted, which could damage our reputation and materially and adversely affect our business, financial condition, results of operations and prospects.

We are subject to additional amounts of EIT, value-added tax (VAT) and surcharges following the implement of a variable interest entity structure, and the Contractual Arrangements may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operations

Following the implementation of a variable interest entity structure with the execution of the Structured Contracts on 12 January 2020, we are subject to additional amounts of EIT, VAT and surcharges. While WFOE is subject to EIT at the rate of 25%, our Consolidated Affiliated Entities (i.e. Dashan Training and Jing Guang Dashan) are subject to EIT at the rates of 15% to 25%. If Consolidated Affiliated Entities accrue service fees to WFOE according to the Structured Contracts, WFOE would recognise such service fees as taxable income which is subject to EIT at 25%. The Consolidated Affiliated Entities, on the other hand, would treat them as tax deductible expenses. As one of the Consolidated Affiliated Entities is entitled to preferential EIT at 15%, our Group would incur additional EIT costs in reallocating such service fees to WFOE. In the meantime, the input VAT incurred by Consolidated Affiliated Entities in relation to the service fees would be able to set off against the output VAT incurred on its future income. In the event where the Consolidated Affiliated Entities do not have sufficient taxable income in the future years, such input VAT would not be fully utilised to set off against the output VAT associated with its future income. If the Structured Contracts had been in effect during the Track Record Period, 10% of the net profit of our Consolidated Affiliated Entities would have been required to be retained for our Consolidated Affiliated Entities' working capital as the development fund and the companies' statutory surplus reserve. We estimate, based on the prevailing laws and regulations up to date, that in the worst case scenario our net profit would have decreased by approximately 1.9%, 15.9% and 14.5% for the three years ended 31 December 2019, respectively. However, such impact is estimated without taking into consideration of potential tax reductions with respect to factors such as the operational costs and expenses primarily comprising employee benefits, rental expenses and other operating-related expenses that were incurred by WFOE in the process of providing corporate and education management consulting services as well as technical and business support services, as such mitigating factors cannot be estimated accurately at this moment. The actual impact on our financial results during the Track Record Period, therefore, may not have been as significant as set out above.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Exclusive Technical Service and Management Consultancy Agreement and Exclusive Business Cooperation Agreement we have with our Consolidated Affiliated Entities do not represent an arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. As WFOE has the right to receive service fees under the Contractual Arrangements, our Group as a whole would pay a higher effective tax rate as the service fees received by WFOE under the Contractual Arrangements are subject to the EIT and value-added tax. In addition, PRC tax authorities may take the view that our subsidiaries or Consolidated Affiliated Entities have improperly minimised their tax obligations, and we may not be able to rectify any such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which could materially and adversely affect our business, financial condition and results of operations.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission in Beijing, the PRC. The Contractual Arrangements provide that the arbitral body may award remedies over the equity interests and/or assets of our Consolidated Affiliated Entities, injunctive relief and/or winding up of our Consolidated Affiliated Entities. In addition, the Contractual Arrangements provide that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisers that the abovementioned provisions contained in the Structured Contracts may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any equity interest in our Consolidated Affiliated Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Structured Contracts. PRC laws allow an arbitral body to award the transfer of assets of or equity interests in our Consolidated Affiliated Entities in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally do not grant injunctive relief or the winding-up order against our Consolidated Affiliated Entities as interim remedies to preserve the assets or equity interests in favour of any aggrieved party. Our PRC Legal Advisers are also of the view that, even though the Contractual Arrangements provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognised or enforced by PRC courts. As a result, in the event that any of our Consolidated Affiliated Entities or their shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our tutoring services business could be materially and adversely affected. Please refer to the section headed "Structured Contracts — Dispute resolution" in this prospectus for further details regarding the enforceability of the dispute resolution provisions in the Contractual Arrangements as opined by our PRC Legal Advisers.

We rely on dividends and other payments from WFOE to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of WFOE to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders

Our Company is a holding company and our ability to pay dividends and other cash distributions to our Shareholders, service any debt we may incur and meet our other cash requirements depends significantly on our ability to receive dividends and other distributions from WFOE, our PRC subsidiary. The amount of dividends paid to our Company by WFOE depends solely on the service fees paid to WFOE by our Consolidated Affiliated Entities. However, there are restrictions under PRC laws for the payment of dividends to us by WFOE. For example, relevant PRC laws and regulations permit payments of dividends by WFOE only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, WFOE is required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve, until the accumulated amount of such reserve has exceeded 50% of its registered capital and may only distribute after-tax dividends after deduction of statutory reserve and other expenses as required by the regulations. Consequently, WFOE is restricted in its ability to transfer a portion of its net assets to us or any of our other subsidiaries in the form of dividends, loans or advances. The foregoing restrictions on the ability of WFOE to pay dividends to us and the limitations on the ability of Consolidated Affiliated Entities to pay service fees to WFOE could materially and adversely limit our ability to borrow money outside of China or pay dividends to holders of our Shares.

If any of our Consolidated Affiliated Entities becomes subject to winding up or liquidation proceedings, we may lose the ability to use and enjoy certain important assets held by our Consolidated Affiliated Entities, which could negatively impact our business and materially and adversely affect our ability to generate revenue

Our Consolidated Affiliated Entities hold assets that are essential to the operation of our business, including operating permits and licences, intellectual property rights, lease agreements, buildings, groups of buildings and other educational facilities related to our self-operated teaching centres. Under the irrevocable powers of attorney, the Registered Shareholders may not unilaterally, without our consent, decide to voluntarily liquidate our Consolidated Affiliated Entities.

If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our Consolidated Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Our Company does not have any insurance which covers the risks relating to the Structured Contracts and the transactions contemplated thereunder

The insurance of our Group does not cover the risks relating to the Structured Contracts and the transactions contemplated thereunder and our Company has no intention to purchase any new insurance in this regard. If any risk arises from the Structured Contracts in the future, such as those affecting the enforceability of the Structured Contracts and the relevant agreements for the transactions contemplated thereunder, the results of our Group may be adversely affected. Our Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Changes in PRC economic, political and social situation, laws and the policies adopted by PRC Government may have material adverse effects on our business operations, financial condition, results of operations and prospects

We conduct all of our business operations and derive all of our revenue from the PRC. Accordingly, our business, growth prospects, financial condition and results of operations are materially subject to economic, political, social and legal developments in the PRC. The economy of the PRC differs from the economies of the most developed countries in many respects, including but not limited to the level of government involvement, economic structure and the control of foreign exchange. As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to those of some of the most developed countries. The PRC Government has been reforming the PRC economic system and government structure. For example, the PRC Government has implemented economic reform and measures emphasising the utilisation of market forces in the development of the PRC economy in the past three decades. These reforms have resulted in significant economic growth and social prospects. However, economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country.

The various macroeconomic measures adopted by the PRC Government to stimulate economic growth may not be as effective as expected in sustaining the current growth of the PRC economy. In addition, many of the economic reforms carried out by the PRC Government are unprecedented or experimental and are subject to refinement and improvement over time. Such refinement and improvement process may not necessarily have a positive effect on our operations and business development. Furthermore, our business performance is sensitive to demographic changes in China. Student enrolment is directly affected by the number of potential students in an area, which in turn may be affected by various external factors, including policies of the PRC Government on family planning. In the event that the PRC Government introduces policies that further restrict child birth in the future, it could have a negative impact on the growth of the education industry in China, resulting in further competitive pressure on us. Other political, economic and social factors may also lead to further adjustments of the reform measures. Any such developments could have a material adverse effect on our business, growth prospects, financial condition and results of operations.

New legislation or changes in the PRC regulatory requirements regarding private education may affect our business operations and prospects

The private education industry in the PRC is subject to regulations in various aspects. Relevant rules, laws and regulations could be changed to accommodate the development of the education, in particular, the private education market from time to time. For example, the Law on the Promotion of Private Education of the PRC (《中華人民共和國民辦教育促進

法》) was effective on 1 September 2003 and amended in June 2013, November 2016 and December 2018, respectively. Pursuant to the Amended Private Education Promotion Law, (1) school sponsors of a private school which provides tutoring services may choose for the school to be a for-profit private school or a non-profit private school, provided that, a private school which provides compulsory education is not allowed to become a for-profit school; (2) school sponsors of a for-profit school are entitled to the distribution of the operation earnings and profits subject to the Company Law of the PRC (《中華人民共和國公司法》) and other relevant laws and regulations, while school sponsors of a non-profit private school are not allowed to do so; (3) a non-profit private school are entitled to the same preferential tax treatment as public schools, while a for-profit private school may enjoy the preferential tax treatment; and (4) a for profit private school may determine the tuition and other miscellaneous fees by itself while a non-profit private school shall charge tuition and other miscellaneous fees subject to the restrictions imposed by the provincial, autonomous regional or municipal governments. For further details, please refer to the section headed "Regulations — Regulations on private education in the PRC — Law on the Promotion of Private Education of the PRC and Implementation Rules for the Law on the Promotion of Private Education of the PRC" in this prospectus.

Further, pursuant to the Amended Private Education Promotion Law, private education institutions must submit the qualification certificates of their school principals, teachers and financial personnel in order to obtain the private school operation permits. As uncertainties exist with respect to the interpretation and enforcement of new and existing laws and regulations that may be proposed, we cannot assure you that we will be in compliance with these or any other new laws, rules and regulations, interpretation of which may remain uncertain, or that we would be able to efficiently change our business practice in line with any new regulatory environment. Any such failure could materially and adversely affect our business, financial condition and results of operations.

In addition, regulations and policies that decrease the weight of scholastic competition achievements in the admissions process mandated by government authorities or adopted by schools have had, and may continue to have, an impact on our enrolments. For example, the General Office of the MOE, together with three other government authorities, promulgated the Circular 3, which aims to alleviate after-school burden on primary and lower secondary school students through inspection and rectification on after-school education institutions. The Circular 3 prohibits, among other things, after-school education institutions from providing academic training services beyond the scope or above the level of school textbooks, or organising any academic competitions (such as Olympiad competitions) or level tests for and lower secondary schools students. Since the Circular 3 provides that primary and lower secondary schools may not reference a student's performance in the after-school education institutions as one of the admission criteria, students and their parents may be less motivated to enrol in our entrance-examination-related courses. These policies may affect the enrolments in our programs, especially our small-group teaching and individualised tutoring courses.

On 31 August 2018, the General Office of the MOE promulgated the Circular regarding the Truly Implementation of Special Measures and Rectification Work on the Private Education Institutions (《教育部辦公廳關於切實做好校外培訓機構專項治理整改工

作的通知》), which provides detailed requirements for the provincial education departments to enforce the State Council Opinions 80. Among other things, it provides that teaching staff engaging in knowledge-based tutoring in Chinese, Mathematics, English, Physics, Chemistry, Biology and other subjects shall obtain teacher qualification certificate shall participate in the teacher qualification examination in the second half of 2018, and if such teaching staff fail to pass the teacher qualification examination, they shall not engage in the teaching of the abovementioned subjects in compulsory education stage. We have required those teachers of our Group who have not obtained relevant teacher qualifications to participate in the teacher qualification examination and obtain relevant teacher qualification certificates by the end of qualification accreditation period for the first 2020 teacher qualification examination. We will dismiss the teachers who fail to obtain the teacher qualification certificate and register as a qualified teacher, or rotate them to positions which do not require the teacher qualification certificate by the end of the school term after the qualification accreditation period, which could affect our business, financial conditions and results of operation.

On 10 August 2018, the MOJ issued the MOJ Draft and an explanatory note to invite public comments on the MOJ Draft. The main changes compared to the current Implementation Rules for the Law on Promotion of Private Education of the PRC in effect that may be related to our Group are as follows:

(i) Article 5 of the MOJ Draft provides foreign invested enterprises incorporated within the territory of the PRC and social organisations in the PRC whose ultimate controlling owners are foreign nationals shall not invest or participate in investing or have ultimate and actual control over any private school engaged in compulsory education. Our Directors consider that since our Group does not operate or plan to invest in compulsory education schools, this revision will not have any substantial impact on our Group.

(ii) Article 12 of the MOJ Draft provides that any social organisation that invests in or actually controls a number of private schools and implements collectivisation in operating private schools shall have (a) the legal capacity, and (b) the funds, personnel, qualification and ability suitable for the education activities it carries out, and shall undertake the responsibilities of management and supervision over the private schools sponsored by it. The social organisations implementing collectivisation in operating private schools are prohibited from controlling any non-profit private schools through mergers and acquisitions, franchising or controlling contracts. Clause 1(6) of the explanatory note to the MOJ Draft clarifies that, in view of the fact that some private schools are concurrently sponsored by, or operated by, the same sponsor, Article 12 of the MOJ Draft recognises such operations of the existing group schools. Our Directors are of the view that since our Group does not plan to expand its business to establish or acquire any non-profit private schools, the MOJ Draft will not have any substantial adverse impact on our Group if it is enacted.

(iii) Article 16 provides that any institution that uses internet technology to engage in online training education activities and/or operate an internet technology platform that provides services for such institution shall obtain the relevant internet business licence and make a filing with the education department of the relevant provincial government authorities for record purposes. The institutions that provide formal education (學歷教育) services through internet technology would need to obtain the private school operation permits. We will duly make the filings of our online services associated with our tutoring services in accordance with the then effective implementation rules.

(iv) Article 45 provides that connected transactions by private education institutions shall be transparent, just and fair, and shall not jeopardise the interests of the state, the private education institutions, and the teachers and students. The private education institutions shall establish information disclosure mechanism for such connected transactions. Article 45 further provides that for agreements between non-profit private education institutions and their connected persons, which involve material interests or are long-term and recurring, the relevant government authorities shall review and audit such agreements regarding their necessity, legitimacy, and compliance. The Structured Contracts may be regarded as connected transactions between the WFOE and our Consolidated Affiliated Entities engaged in provision of primary and secondary after-school education services. Our Directors undertake to establish disclosure mechanisms and make appropriate arrangement to ensure that the Structured Contracts, if deemed as connected transactions, are transparent, just, and fair, and do not jeopardise the interests of the state, the private education institutions, and our teachers and students if and when Article 45 is enacted. Our Directors further undertake to comply with the review and audit requirements if our Group enters into any agreement with non-profit private education institutions and their connected persons if and when Article 45 is enacted.

(v) the MOJ Draft further provides that (1) the chairman of the board of directors or management committee or similar committee of a private school must be a PRC national; (2) there must be representative(s) of the employees and communist party in the board of directors or the management committee or similar committee and the board of supervisors of a private school; (3) any import of foreign education materials must be legitimate and subject to pre-filing with provincial educational authorities; (4) private training school must not carry out any competition or assessment which may link to the school entrance targeting students in kindergarten, primary school, and lower secondary school or teenagers. Our Directors consider that we will make appropriate adjustment after the MOJ Draft is enacted, where necessary.

Based on the aforementioned discussion, our Directors do not foresee any material adverse impact on our Group, taken as a whole, if the MOJ Draft is enacted. The MOJ Draft was released for public comments in August 2018 and may be subject to further revision. Thus, there are substantial uncertainties on, among other things, the final provisions of MOJ draft and its effective date.

As uncertainties exist with respect to the interpretation and enforcement of new and existing laws and regulations that may be proposed, we cannot assure you that we will be in compliance with these or any other new rules and regulations, interpretation of which may remain uncertain, or that we would be able to efficiently change our business practice in line with any new regulatory environment. Any such failure could materially and adversely affect our business, financial condition and results of operations.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Share Offer to make loans or additional capital contributions to our Consolidated Affiliated Entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business operations

As an offshore holding company of our PRC subsidiaries, we may use the net proceeds from the Share Offer to (i) extend loans to our Consolidated Affiliated Entities; (ii) make additional capital contributions to our PRC subsidiaries; (iii) establish new subsidiaries in China and make additional new capital contributions to them; and (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

- loans by us to WFOE, our subsidiary in China and a foreign-invested enterprise, cannot exceed statutory limits and must be registered with the SAFE, or its local counterparts; and

- loans by us to our Consolidated Affiliated Entities, over a certain threshold, must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterparts.

We expect that the PRC laws and regulations may continue to limit our use of net proceeds from the Share Offer or from other financing sources. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our entities in China. If we fail to receive such registrations or approvals, our ability to use the net proceeds from the Share offer and to capitalise our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Restrictions on currency exchange under PRC laws may limit our ability to convert cash derived from our operating activities into foreign currencies and may materially and adversely affect the value of your investment.

The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Substantially all of our revenue is denominated in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from WFOE, our PRC subsidiary. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiary and our Consolidated Affiliated Entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under the existing PRC foreign exchange regulations, the Renminbi is currently convertible, without prior approval from the SAFE, under current account transactions, including profit distributions, interest payments and expenditures from trade-related transactions, as long as certain procedural requirements are complied with. However, approval from and registration with the SAFE and other PRC regulatory authorities are required to convert Renminbi into foreign currencies and remit out of China for capital account transactions, which includes foreign direct investment and repayment of loans denominated in foreign currencies. The PRC Government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. Any existing and future restrictions on currency exchange in China may limit our ability to convert cash derived from our operating activities into foreign currencies to fund expenditures denominated in foreign currencies. If the foreign exchange restrictions in China prevent us from obtaining Hong Kong dollars or other foreign currencies we need, we may not be able to pay dividends in Hong Kong dollars or other foreign currencies to our Shareholders in currencies other than Renminbi. Furthermore, foreign exchange control in respect of the capital account transactions could affect our PRC subsidiaries' and Consolidated Affiliated Entities' ability to obtain foreign exchange or conversion into Renminbi through debt or equity financing, including by means of loans or capital contributions from us.

Fluctuations in the value of the Renminbi could have an adverse effect on our business, results of operations and financial condition

Substantially all of our revenue and costs are denominated in Renminbi and most of our financial assets are also denominated in Renminbi. We rely entirely on dividends and other fees paid to us by our PRC subsidiary and our Consolidated Affiliated Entities. Our proceeds from the Share Offer will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, as Renminbi is the functional currency of our PRC subsidiary and Consolidated Affiliated Entities. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in PRC could limit the legal protections available to our investors and Shareholders

PRC laws and regulations govern our businesses and operations in the PRC. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws.

Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. The PRC may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated laws and regulations.

The interpretation of PRC laws and regulations involves a degree of uncertainty. All of the abovementioned uncertainties may limit the legal protections available to our investors and Shareholders. Any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management attention.

It may be difficult to effect service upon, or to enforce judgments against us or our Directors or senior management residing in the PRC, in connection with judgments obtained from courts other than PRC courts

Majority of our Directors and members of our senior management reside in the PRC. Almost all of our assets and most of the assets of our Directors and the members of our senior management are located within the PRC. The PRC does not have treaties with most other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement in the PRC of the judgment of a non-PRC court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Judgments obtained in a Hong Kong court may be enforced in the PRC, provided that certain conditions are satisfied. However, there are uncertainties as to the outcome of any applications to recognise and enforce such judgments in the PRC.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other European countries or Japan. Hence, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

If we are classified as a PRC "resident enterprise", we could be subject to PRC income tax at the rate of 25% on our worldwide income, and holders of our Shares may be subject to a PRC withholding tax upon the dividends payable by us and upon gain from the sale of our Shares.

We are a holding company incorporated under the laws of Cayman Islands and indirectly hold interests in our Consolidated Affiliated Entities. Under the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and be subject to the unified EIT rate of 25% on its worldwide income. Under the implementation rules for the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, SAT released the Notice Regarding the

Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), "**SAT Circular 82**") to clarify certain criteria for the determination of the "de facto management body" for foreign enterprises controlled by PRC enterprises. Aforementioned criteria include: (1) the enterprise's day-to-day operational management is primarily exercised in the PRC; (2) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by institutions or personnel in the PRC; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (4) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. In addition, SAT issued the Administrative Measures for Income Tax of Chinese-Controlled Resident Enterprises Registered Abroad (Trial) (《境外註冊中資控股企業所得稅管理辦法(試行)》, "**SAT Bulletin 45**") on 7 July 2011, which was effective from 1 September 2011 and last amended on 15 June 2018, providing more guidance on the implementation of the SAT Circular 82. The SAT Bulletin 45 clarifies matters including residence status determination, post-determination administration and competent tax authorities. Although both the SAT Circular 82 and the SAT Bulletin 45 apply only to offshore enterprises controlled by PRC enterprises and there are currently no further rules or precedents governing the procedures and specific criteria for determining "de facto management body" for companies like ours, the determination criteria set forth in SAT Circular 82 and the SAT Bulletin 45 may reflect SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented with respect to such enterprises, regardless of whether they are controlled by PRC enterprises or PRC individuals. Since all of our management is currently located in the PRC, we may be recognised as a PRC tax resident enterprise for the purpose of the EIT Law and therefore we would be subject to PRC income tax at the rate of 25% on our worldwide income. In such event, our income tax expenses may increase significantly and our net profit and profit margin could be materially and adversely affected.

Under the EIT Law and its implementation rules, we might be deemed as a PRC resident enterprise by the PRC tax authorities for tax purposes. As a result, dividends payable by us and gains obtained from sales of our Shares will be subject to PRC withholding tax since such income may be regarded as the PRC-sourced income. Under the circumstances, aforementioned dividends and gains obtained by our foreign corporate Shareholders, who are not deemed as PRC resident enterprises, may be subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential tax rate under relevant tax treaties. If the PRC tax authorities deem us to be a PRC resident enterprise, Shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties need to apply to the PRC tax authorities to be recognised as eligible for such benefits in accordance with the Announcement of SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》, the "**Circular 60**"), which was issued on 27 August 2015. According to the Circular 60, the preferential tax rate does not automatically apply. With respect to dividends, the "beneficial owner" tests under the Bulletin on Certain Issues of Beneficial Owner under Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) issued by SAT on 3 February 2018 will also apply. If we are determined to be ineligible for the abovementioned tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of such foreign Shareholders' investment in our Shares sold in the Share Offer may be materially and adversely affected.

The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business or our acquisition or restructuring strategies

On 3 February 2015, SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**SAT Bulletin 7**"), which provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise. On 17 October 2017, SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) ("**SAT Bulletin 37**"), which came into effect and superseded the Circular on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) on 1 December 2017. SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident EIT. For further details, please refer to the section headed "Regulations — Regulations on tax — Circular on Strengthening the Administration of Enterprise Income Tax for Share Transfer by Non-PRC Resident Enterprises" in this prospectus.

There is uncertainty as to the application of the SAT Bulletin 7 and SAT Bulletin 37. The SAT Bulletin 7 and SAT Bulletin 37 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries, where non-resident enterprises being transferors were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with the SAT Bulletin 7 and SAT Bulletin 37 or to establish that we and our non-resident enterprises should not be taxed under the SAT Bulletin 7 and SAT Bulletin 37 for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

Failure to continue to be recognised as a high and new technology enterprise may subject us to a higher tax rate

For each of the three years ended 31 December 2019, our income tax expenses amounted to approximately RMB9.0 million, RMB8.6 million and RMB8.3 million, respectively. Our effective tax rate was approximately 24.2%, 16.1% and 14.4% for each of the three years ended 31 December 2019, respectively. The decrease in effective tax rate for the two years ended 31 December 2019 was mainly due to Dashan Training being recognised as a high and new technology enterprise and therefore entitled to a preferential tax rate of 15% for a period of three years from 2018 to 2020, compared to a rate of 25% on taxable income for the year ended 31 December 2017. If we fail to continue to be recognised as a high and new technology enterprise and enjoy the preferential tax rate, our business, financial condition and results of operations may be materially and adversely affected as a result.

PRC regulations relating to the establishment of offshore SPVs by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

SAFE promulgated the Circular 37 on 4 July 2014. According to the Circular 37, PRC residents (including PRC citizens and PRC enterprises) shall apply to SAFE or its local bureau to register foreign exchange for overseas investments before contributing to SPVs with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration, or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

To the best of our knowledge, as at the Latest Practicable Date, all of our Shareholders that were being subject to SAFE regulations had completed all necessary registrations required by the Circular 37. However, we may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of the Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares and an active trading market for our Shares may not develop

Prior to the Listing, no public market for our Shares existed. We cannot guarantee the development of an active public market for our Shares or the sustainability thereof following completion of the Share Offer. Factors such as variations in our revenues, earnings and cash flows, strategic alliances or acquisitions made by our Company or our competitors, loss of key personnel, litigation or fluctuation in the performance of our investment projects, the liquidity of the market for our Shares, the general market sentiment regarding the industry could cause the market price and trading volume of our Shares to change substantially.

In addition, both the market price and liquidity of our Shares could be adversely affected by factors beyond our control and unrelated to the performance of our business, especially if the financial market in Hong Kong and/or the PRC experience a significant price and volume fluctuation. In such cases, you may not be able to sell our Shares at or above the Offer Price.

Any disposal by our Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of our Shares

There is no guarantee that our Controlling Shareholders will not dispose their Shares following the expiration of their respective lock-up periods after the Listing. We cannot predict the effect, if any, of any future sales of our Shares by any of our Controlling Shareholders, or that the availability of our Shares offered by any of our Controlling Shareholders for purchase may have on the market price of our Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of our Shares.

Additional equity fund raising may cause dilution in shareholding

After the Listing, we may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to existing operations, any acquisitions or otherwise that cannot be anticipated at present. Such fund raising activities may be made through the issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders. In such event, the percentage ownership of our existing Shareholders may be reduced and/or such newly issued securities may have rights, preferences or privileges superior to those of our Shares held by our existing Shareholders. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after the Listing, such new Shares may also be priced at a discount to the then prevailing market price. Inevitably, if existing Shareholders are not being offered with an opportunity to participate, their shareholding interest in our Company will be diluted.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market or the issuance of new Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Company's securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our Shareholders may experience dilution in their holdings to the extent our Company issues additional securities in future offerings. A certain amount of our Shares currently outstanding will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Share Offer. After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares, or the possibility of such sales, by us could negatively impact the market price of our Shares and our ability to raise equity capital in the future.

We may need additional capital to fund the expansion plan and growth in the future, which we may not be able to obtain on acceptable terms, or at all

We may need additional capital to fund our capital expenditure associated with our expansion plans. There is no assurance that we will generate sufficient cash flow from our operating activities for our intended expansion plans. In the event that we do not have sufficient operating cash flow, we will need to obtain alternative financing. There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. Our ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, including:

- investor perceptions of and appetite for securities of companies engaged in the industry in which we are operating our business;
- conditions in the capital and financial markets in which we may seek to raise funds;
- our future cash flows, financial condition and results of operations; and
- economic, political and other conditions in Zhengzhou, Xinxiang and the rest of the world.

We may be required to scale down our planned capital expenditures, which may adversely affect our ability to implement our planned growth strategy. If we raise additional funding, our interest and debt repayment obligations will increase. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business and operations or result in dilution of shareholding of our Shareholders in the case of equity financing. Our inability to raise additional funds in a timely manner and on terms favourable to us, or at all, may have a material adverse effect on our financial condition, results of operations and prospects.

The trading price and volume of our Shares may be volatile, which could result in substantial loss to our investors

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of our Shares, changes in securities analysts' (if any) estimates of our financial performance, investors' perceptions of our Group and the general investment environment, changes in laws, regulations and taxation systems which affect our operations, and general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors whose securities are listed on the Stock Exchange may affect trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing business and growth strategies and involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of our Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins. The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date.

Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

New business strategies formulated in the future could disrupt our Company's ongoing business and present risks not originally contemplated

Our Company may in the future invest in new business strategies or acquisitions. Such endeavours may involve significant risks and uncertainties, including distraction of management from current operations, insufficient revenue to offset the liabilities assumed and expenses associated with the strategy, inadequate return of capital and unidentified issues not discovered in our Company's due diligence. As these new ventures are inherently risky, no assurance can be given that such strategies and initiatives will be successful and will not materially and adversely affect our Company's financial conditions and operating results.

Because the initial public Offer Price per Share is higher than the net tangible book value per Share, purchasers of our Shares in the Share Offer will experience immediate dilution

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Share Offer. Therefore, purchasers of our Offer Shares in the Share Offer will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value of a range from HK$0.47 per Share to HK$0.59 per Share (assuming our Offer Price range of HK$1.25 to HK$1.75 per Offer Share) and existing Shareholders will receive an increase in the pro forma adjusted combined net tangible asset value per share of their shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

We have significant discretion as to how we will use the net proceeds of the Share Offer, and you may not necessarily agree with how we use them

Our management may spend the net proceeds from the Share Offer in ways you may not agree with or that do not yield a favourable return to our Shareholders. For details of our plan to use the net proceeds from the Share Offer, please refer to the section headed "Future plans and use of proceeds — Use of proceeds" in this prospectus. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net proceeds from this Share Offer.

Our Controlling Shareholders have substantial influence over us and their interests may not be aligned with the interests of our other Shareholders

Upon completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer, our Controlling Shareholders will beneficially own approximately 62.00% of the issued Shares, without taking into account our Shares that may be issued under the Over-allotment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme. Hence, our Controlling Shareholders will be able to have an overwhelming control or influence on matters which require Shareholders' approval, including election of Directors and approval of our Company's major and very substantial transactions. Subject to the relevant provisions of the Listing Rules, the Companies Law and other laws of the Cayman Islands, our Controlling Shareholders can also exercise their voting power to suppress any action by our minority Shareholders or to support matters which require approval by simple majority votes. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased Shares in the Share Offer. In addition, the interests of our Controlling Shareholders may differ from the interest of our other Shareholders.

You may face difficulties in protecting your interests under Cayman Islands laws

Our corporate affairs are governed by our Memorandum and Articles and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong and other jurisdictions. Such differences may mean that our minority Shareholders may have different protections than they would have under the laws of Hong Kong and other jurisdictions. For more details, please refer to the section headed "Summary of the constitution of our Company and Cayman Islands Companies Law" in Appendix IV to this prospectus.

Waivers have been granted from compliance with certain requirements of the Listing Rules by the Stock Exchange. Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations

We have applied for, and the Stock Exchange has granted to us, a number of waivers from strict compliance with the Listing Rules. Please refer to the section headed "Waivers from strict compliance with the Listing Rules" in this prospectus for further details. There is no assurance that the Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could adversely affect us and our Shareholders.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Certain facts, information, forecasts and statistics contained in this prospectus with respect to the PRC and its economies and financial industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date

We have derived certain facts, information, forecasts and other statistics in this prospectus, relating to the PRC, the PRC economy and the industry in which we operate, including our market share information, from information provided by the PRC and other government authorities, industry associations, independent research institutes or other third-party sources which are generally believed to be reliable. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Underwriters or any of our or their respective affiliates or advisers. Therefore, we cannot assure you as to the accuracy and reliability of such facts, information, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC, and may not be complete or up-to-date. Such facts, information, forecasts and statistics include those set out in this section and the sections headed "Industry overview" and "Business" in this prospectus.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the information, forecasts and statistics in this prospectus may be inaccurate or may not be comparable to information, forecasts and statistics produced with respect to other economies. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case in other jurisdictions. As such, these information, forecasts and statistics should not be unduly relied upon.

Investors should read the entire prospectus and should not place reliance on any information (if any) contained in press articles or other media coverage regarding our Company and the Share Offer

Prior to the publication of this prospectus, there may be press and media coverage which contain certain information referring to our Company and the Share Offer that does not appear in this prospectus. We have not authorised the disclosure of such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility and liability in connection therewith or resulting therefrom. Accordingly, you should not rely on any such information.

There is no assurance that our Shares will remain listed on the Stock Exchange

Although it is currently intended that our Shares will remain listed on the Stock Exchange, there is no guarantee of the continued listing of our Shares. Among other factors, our Company may not continue to satisfy the listing requirements of the Stock Exchange. Holders of Shares would not be able to sell their Shares through trading on the Stock Exchange if our Shares are no longer listed on the Stock Exchange.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "aim", "anticipate", "believe", "could", "estimate", "expect", "may", "ought to", "should" or "will" or similar terms. Those statements include, among other things, the discussion of our Group's growth strategy and expectations concerning our future operations, liquidity and capital resources. Prospective investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although our Company believes the assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Group's control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and prospective investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed "Forward-looking statements" in this prospectus for further details.

Certain industry statistics contained in this prospectus are derived from various publicly available government or official sources and may not be accurate or reliable

Certain facts and statistics in this prospectus related to the PRC, their economy and the industries in which we operate within the PRC are based on the Frost & Sullivan Report or are derived from official government publications generally believed to be reliable. We believe that the sources of these facts and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. These facts and statistics have not been independently verified by us, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Share Offer (excluding Frost & Sullivan in respect of the Frost & Sullivan Report and the information therein) and therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated with the same degree of accuracy as may exist elsewhere. In all cases, investors should give consideration as to how much weight or importance they should place on all such facts and statistics.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our Group's core business and operation are primarily located, managed and conducted in the PRC. Our Group's principal management headquarters and assets are primarily located in the PRC. The business operations of our Group have been managed and conducted in the PRC, and the turnover of our Group is also generated in the PRC. Our Group does not have any material operation in Hong Kong and none of our Group's business is located, conducted or managed in Hong Kong. Moreover, all the executive Directors are ordinarily based in the PRC. Since all of our Group's current operations are located, and substantially all will still in the foreseeable future be located in the PRC, our Group does not and, in the foreseeable future, will not have management presence in Hong Kong.

In terms of our Group's management and operations, the appointment of additional executive Directors who are ordinarily residents in Hong Kong or the reallocation of our executive Directors who are ordinarily based in other jurisdictions to Hong Kong would not only increase our Group's administrative expenses, but would also reduce the effectiveness of our Board in making decisions for our Group, especially when business decisions are required to be made within a short period of time. In addition, appointing new executive Directors, who may not be familiar with the operations of our Group or reallocating our executive Directors who are ordinarily based in other jurisdictions to Hong Kong for the sole purpose of satisfying the requirements of Rule 8.12 of the Listing Rules may not be in the best interest of our Company and our Shareholders as a whole. If additional executive Directors who are ordinarily residents in Hong Kong are appointed, they may not be able to understand fully the daily operations of our Group, or appreciate fully the circumstances surrounding or affecting the business operations and development of our Group from time to time, as they will not be physically present in the operational and management centre of our Group in the PRC all the time. As such, such executive Directors may not be able to exercise their discretion on a fully informed basis, or make appropriate business decisions or judgments that are most beneficial to the operation and development of our Group.

For the reasons abovementioned, our Directors believe that it would be practically difficult and commercially unfeasible for our Company to appoint Hong Kong residents as executive Directors or to relocate our executive Directors who are ordinarily based in other jurisdictions to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules.

In view of the above, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

(a) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange and ensure that our Group complies with the Listing Rules at all times. The two authorised representatives are Mr. Ma Wenhao, an executive Director, and Ms. Chen Yibei, the company secretary and financial controller of our Company. Ms. Chen Yibei is ordinarily resident in Hong Kong. In addition, each of the authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon request of the Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(b) each of the authorised representatives has means to contact all members of our Board and senior management promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance communications between the Stock Exchange, the authorised representatives and our Directors, we will also implement a policy that (i) each Director will have to provide their respective office phone numbers, mobile phone numbers, residential phone numbers, fax numbers and email addresses (if applicable) to the authorised representatives and his or her respective alternates; and (ii) in the event that a Director expects to travel and be out of office, he or she will have to provide the phone number of the place of his or her accommodation to the authorised representatives;

(c) each Director possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

(d) all Directors will provide their mobile phone numbers, residential phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange to ensure that they will be readily contactable when necessary to deal promptly with enquiries from the Stock Exchange; and

(e) in compliance with Rule 3A.19 of the Listing Rules, we have appointed Alliance Capital as our compliance adviser (the "**Compliance Adviser**"), who will act as the alternate channels of communications with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial commencing after the Listing Date. The Compliance Adviser will provide professional advice on matters relating to compliance with the Listing Rules and other obligations for companies listed in Hong Kong. The Compliance Adviser will, in addition to the authorised representatives and alternative authorised representative, act as an additional channel of communication with the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details, please refer to the section headed "Connected transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The Listing is sponsored by Alliance Capital Partners Limited. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement, subject to the agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date. The Share Offer is managed by the Joint Global Coordinators. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

No action has been taken in any jurisdiction other than Hong Kong to permit the public offering of the Offer Shares or the distribution of this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an unauthorised offer or invitation.

Each person acquiring the Offer Shares will be required under the Share Offer and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the U.S..

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Joint Global Coordinators, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to apply for Public Offer Shares" in this prospectus and on the relevant Applications Forms.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares issued and to be issued on the Main Board of the Stock Exchange immediately after completion of the Share Offer and any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

Save as disclosed in this prospectus, no part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be void if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants should consult their professional advisers if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in our Shares. It is emphasised that none of our Group, the Joint Global Coordinators, the Sole Sponsor, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of or dealing in our Shares.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Share Offer will be registered on our Company's share register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in our Shares registered in the share register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each shareholder.

STOCK BORROWING ARRANGEMENT

Details of the stock borrowing arrangement are set out in the section headed "Structure of the Share Offer" in this prospectus.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, 15 July 2020.

Our Shares will be traded in board lots of 2,000 Shares each and the stock code is 9986.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The application procedures for the Public Offer Shares are set out in the section headed "How to apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed our Hong Kong Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Hong Kong Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Law and the Memorandum and the Articles of Association;
- agrees with us and each of our Shareholders that our Shares are freely transferable by the holders thereof; and
- authorises us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus.

ROUNDING

Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Hong Kong dollars have been translated, for the purpose of illustration only, into Renminbi and U.S. dollars, and vice versa, in this prospectus at the following rate:

HK$1.00: RMB0.9150

RMB7.0825: US$1.00

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

WEBSITE

The contents of any website mentioned in this prospectus do not form part of this prospectus.

LANGUAGE

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. if there should be any inconsistency between the English and Chinese versions, the English version shall govern.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhang Hongjun (張紅軍)	No. 105, Building 8 Jiuruyuan, Jiuru Road East Chaoyang Road South Zhengdong New District Zhengzhou, Henan Province the PRC	Chinese
Mr. Shan Jingchao (單景超)	No. 91, Unit 2, Building 10 Rongbangcheng No. 38 Mudan Road, Gaoxin District Zhengzhou, Henan Province the PRC	Chinese
Mr. Ma Wenhao (馬文浩)	Room 16, 2/F West Unit 2, Building 59 Hualindushi Jiayuan Zhengzhou, Henan Province the PRC	Chinese
Non-executive Director		
Mr. Jia Shuilin (賈水林)	No. 26, Building 4 No. 113 Yuan, Fengchan Road Jinshui District Zhengzhou, Henan Province the PRC	Chinese

Independent non-executive Directors

Mr. Lui Siu Keung (呂小強)	Flat D, 14/F Butler Towers 1–5 Boyce Road Hong Kong	Chinese
Mr. Li Gang (李罡)	No. 1402, Building 3 No. 9 Yuan, Chegongzhuang Street Xicheng District, Beijing the PRC	Chinese
Mr. Zhang Jian (張健)	1-2-10-1001 Unit 2, 1st Floor, Shiguanju No. 30 Weier Road Southwest Conjunction between Jingsan Road and Weier Road, Jinshui District Zhengzhou, Henan Province the PRC	Chinese
Ms. Yang Min (楊敏)	No. 603, Unit 15, Building 7 Zone B, Jiamingyuan Chaoyang District, Beijing the PRC	Chinese

For further information, please refer to the section headed "Directors and senior management" in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**Alliance Capital Partners Limited** Room 1502–1503A Wing On House 71 Des Voeux Road Central Central Hong Kong
Joint Global Coordinators (in alphabetical order)	**Alliance Capital Partners Limited** Room 1502–1503A Wing On House 71 Des Voeux Road Central Central Hong Kong
	BOCOM International Securities Limited 15/F Man Yee Building 68 Des Voeux Road Central Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Bookrunners (in alphabetical order)	**Alliance Capital Partners Limited** Room 1502–1503A Wing On House 71 Des Voeux Road Central Central Hong Kong
	Alpha International Securities (HONG KONG) Limited Unit 2301, 23/F Far East Consortium Building 121 Des Voeux Road Central Hong Kong
	AWSG International Securities Limited Room 804B, 8/F K. Wah Centre 191 Java Road North Point Hong Kong

BOCOM International Securities Limited
15/F Man Yee Building
68 Des Voeux Road
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Essence International Securities (Hong Kong) Limited
39/F, One Exchange Square
Central
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1–2, 13/F
United Centre
No. 95 Queensway
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Sheng Yuan Securities Limited
Room 2202, 22/F.
No. 238 Des Voeux Road Central
Hong Kong

Joint Lead Managers (in alphabetical order)	**Astrum Capital Management Limited** Room 2704, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
	Bradbury Securities Limited 5106–07, 51/F The Center 99 Queen's Road Central Hong Kong
	First Shanghai Securities Limited 19/F & Room 2505–10 Wing On House 71 Des Voeux Road Central Hong Kong
	Freeman Securities Limited 13/F, Fortis Tower 77–79 Gloucester Road Wanchai Hong Kong
	Fulbright Securities Limited 33/F Cosco Tower Grand Millennium Plaza 183 Queen's Road Central Hong Kong
	Luk Fook Securities (HK) Limited Units 2201–2207 & 2213–2214 22/F Cosco Tower 183 Queen's Road Central Hong Kong

Pulsar Capital Limited
Room 1204, 12/F
Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

TD King Capital Limited
13/F Printing House
6 Duddell Street
Central
Hong Kong

Valuable Capital Limited
Room 2808, 28/F
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Zhongtai International Securities Limited
19/F Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:
Michael Li & Co.
Solicitors, Hong Kong
19/F, Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

	As to PRC law: **Commerce & Finance Law Offices** 6/F NCI Tower A12 Jianguomenwai Avenue Beijing The PRC
	Win-Full Law Firm 5th/6th Floor, Building 2 No. 51, Jiu Ru Road Zhengdong New District Zhengzhou Henan Province The PRC
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Howse Williams** 27/F, Alexandra House 18 Chater Road Central Hong Kong
	As to PRC law: **King & Wood Mallesons** 17th Floor, One ICC Shanghai ICC 999 Middle Huai Hai Road Xuhui District Shanghai, China
Auditors and Reporting Accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F One Pacific Place 88 Queensway Hong Kong
Internal control consultant	**BT Corporate Governance Limited (originally known as "Baker Tilly Hong Kong Risk Assurance Limited" and subsequent known as "Corporate Governance Professionals Limited")** 2nd Floor 625 King's Road North Point Hong Kong

Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B Greenland Hui Centre No. 500 Yunjin Road Xuhui District Shanghai, 200232, China
Property valuer	**Cushman & Wakefield Limited** 16/F, Jardine House 1 Connaught Place Central Hong Kong
Valuer	**Cushman & Wakefield International Property Advisers (Guangzhou) Co., Ltd.** Suite 2704, TaiKoo Hui Tower 1 385 Tianhe Road Tianhe District Guangzhou, China
Compliance Adviser	**Alliance Capital Partners Limited** Room 1502–1503A Wing On House 71 Des Voeux Road Central Central Hong Kong
Receiving banks	**CMB Wing Lung Bank Limited** CMB Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong
	Bank of Communications Co., Ltd. **Hong Kong Branch** Unit B B/F & G/F, Unit C G/F, 1–3/F 16/F Room 01 & 18/F Wheelock House 20 Pedder Street Central Hong Kong

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters 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 contained in this website does not form part of this prospectus)*
Company secretary	Ms. Chen Yibei (*HKICPA*) Flat 4810, 48/F IndiHome 138 Yeung Uk Road Tsuen Wan New Territories Hong Kong

Authorised representatives	Mr. Ma Wenhao Room 16, 2/F West Unit 2, Building 59 Hualindushi Jiayuan Zhengzhou Henan Province The PRC
	Ms. Chen Yibei Flat 4810, 48/F IndiHome 138 Yeung Uk Road Tsuen Wan New Territories Hong Kong
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
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
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

This section contains certain information, statistics and data which are derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan, an Independent Third Party. The information from official government publications and the Frost & Sullivan Report may not be consistent with information available from other sources within or outside the PRC and Hong Kong. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer (other than Frost & Sullivan) and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct a detailed analysis of China's primary and secondary after-school education service market and the primary and secondary after-school education service market in Henan. Frost & Sullivan is an independent global market research and consulting company that provides market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have agreed to pay a base commission fee of RMB1.18 million for the Frost & Sullivan Report. The Frost & Sullivan Report was compiled using both primary and secondary research conducted in the PRC and globally. The primary research involved interviews with industry insiders. Secondary research involved reviewing annual reports of companies, independent research reports and Frost & Sullivan's proprietary database. Frost & Sullivan adopted the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic and political environment is likely to remain stable in the forecast period from 2020 to 2024; and (iii) market drivers, such as Chinese families' attention on children's education, the support from central and local governments, and the increase of household income and wealth, are likely to drive China's primary and secondary after-school education service market.

Except as otherwise noted, all data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm, after making reasonable inquiries, that there has been no adverse change in the market information since the date of publication of the Frost & Sullivan Report, which may qualify, contradict with or have an impact on the information included in this section.

ASSUMPTIONS USED IN THE FROST & SULLIVAN REPORT

The Frost & Sullivan Report was compiled based on the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic and political environment is likely to remain stable in the forecast period from 2020 to 2024; and (iii) market drivers, such as Chinese families' attention on children's education, the support from central and local governments, and the increase of household income and wealth, are likely to drive China's primary and secondary after-school education service market.

OVERVIEW OF PRIMARY AND SECONDARY AFTER-SCHOOL EDUCATION SERVICE MARKET IN CHINA

Definition of primary and secondary after-school education service market in China

China's primary and secondary education system comprises of nine years of compulsory education in primary and lower secondary schools, followed by three years in upper secondary school. Students may then proceed to matriculate at colleges or universities.

Primary and secondary after-school education service refers to extra tutoring programs for these students after they finish their day in school for academic purpose, including school subjects' supplementary tutoring and language tutoring. It is important for the after-school education service providers to focus on improving the academic performance of students as this is one of the main factors that prospective students will take into account when selecting the tutoring centres.

In order to be admitted to colleges in China, upper secondary school students are required to take the college entrance examinations, or Gaokao. Gaokao is the most critical set of examinations for a student as the results determine whether a student will be able to attend a high-ranked college, or any at all, which in turn has a significant impact on the student's future job prospects. In addition, there is a gap between the huge number of students and the limited number of quality schools and universities. Take Henan as an example, the enrolment rate for first-tier universities in Henan was 12.5% in 2019, ranking at the 26th among 28 provinces in China.

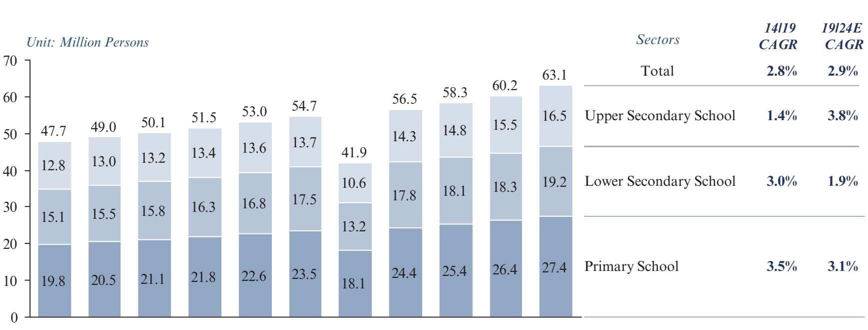
Due to such fierce competition for quality undergraduate education in China, students prepare themselves fervently for the upper secondary school entrance examinations, or Zhongkao ("中考"), such that they can enter the best upper secondary schools in China to increase their chances of entering top universities. Prior to Zhongkao, they also compete to enter into the best lower secondary schools typically based on the students' academic performance in primary schools. Therefore, in order to increase their chances of getting into top universities, many students start working diligently at a very young age in the hope of excelling in "Xiao Sheng Chu" ("小升初") process and Zhongkao, for a spot in the schools of their choice. Individualised and adaptive learning is important for students, especially primary school students to build a strong interest in learning.

Student enrolment in China's primary and secondary after-school education service

The average enrolment rate for first-tier universities in China was 18.7% in 2019. Given the limited education resources, especially quality education resources, the number of students participated in primary and secondary after-school education to enhance their performance in examinations has shown an upward trend. Total number of students participating in primary and secondary after-school education in China has grown from 47.7 million persons in 2014 to 54.7 million persons in 2019, representing a CAGR of 2.8%.

In the forecast period, total number of students participating in primary and secondary after-school education in China is expected to reach 63.1 million persons in 2024 with a CAGR of 2.9% from 2019 to 2024.

Total number of student participating in primary and secondary after-school education in China, 2014–2024E



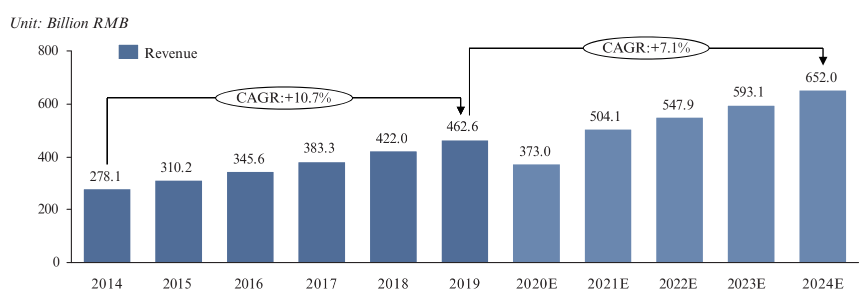
Sources: Frost & Sullivan

Market size of China's primary and secondary after-school education service market

Primary and secondary after-school education service market in China has shown a rapid growth from 2014 to 2019. Revenue of primary and secondary after-school education service market in China has grown from RMB278.1 billion in 2014 to RMB462.6 billion in 2019, representing a CAGR of 10.7% from 2014 to 2019.

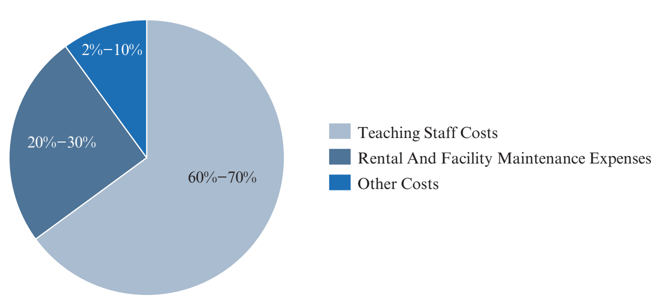
Along with growing demand for education resources and increasing income level in China, revenue of the primary and secondary after-school education service market is expected to continuously grow from RMB462.6 billion in 2019 to RMB652.0 billion in 2024, representing a CAGR of 7.1% from 2019 to 2024. The revenue of primary and secondary after-school education service market in China is expected to grow at a CAGR of approximately 9.0% from 2021 to 2024. Due to the outbreak of COVID-19 in China in 2020, there was a temporary suspension of physical classes for primary and secondary after-school education service providers, resulting in a decrease in total number of students participating in primary and secondary after-school education, and hence a decrease in revenue of the primary and secondary after-school education service market in China in 2020. The primary and secondary education service market in China in 2021 is expected to pick up to the level as estimated, mainly because (i) the market demand stays as the number of primary and secondary school students remains unchanged despite the temporary suspension of physical classes, and (ii) the market is expected to have resumed to the level of the same period in 2019 from June or July 2020, given that primary and secondary schools have resumed classes gradually since May 2020.

Total revenue of primary and secondary after-school education service market in China, 2014–2024E



Sources: *Frost & Sullivan*

Cost structure of primary and secondary after-school education service market in China



Teaching staff costs: Teaching staff costs refer to compensation paid to teaching staff, and usually are the largest component of total cost of revenues. Those generally account for 60% to 70% of total cost of revenue. Teaching staff costs depend on the number of teaching staff and their level of compensation.

Rental and facility maintenance expenses for learning centres: Rental and facility maintenance expenses for learning centres include fees paid for renting properties, property management fees, expenditure on power and water, fees paid for maintaining the daily operation of facilities, that generally account for 20% to 30% of total cost of revenue.

Other costs: Other costs primarily include depreciation and amortisation, expenditure on procuring teaching materials, and other miscellaneous fees, that usually account for 2% to 10% of total cost of revenue.

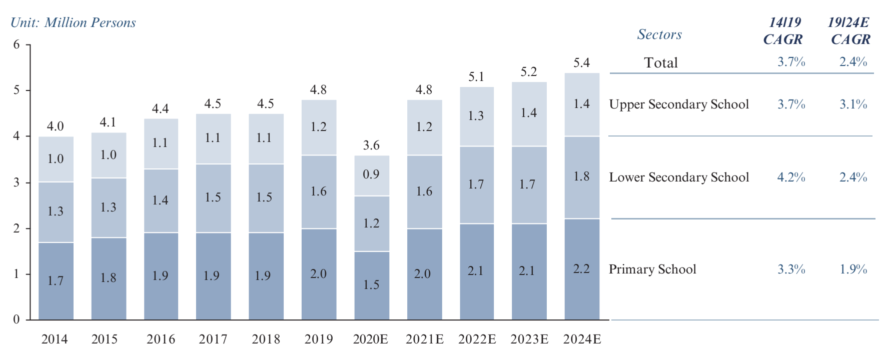
OVERVIEW OF PRIMARY AND SECONDARY AFTER-SCHOOL EDUCATION SERVICE MARKET IN HENAN

Student enrolment in primary and secondary after-school education service in Henan

With increasing income, rising awareness of after-school education and relatively low first-tier university enrolment rate of 12.5% in Henan in 2019, a growing number of students have participated in primary and secondary after-school education to enhance their performance in examinations. Total number of students participating in primary and secondary after-school education in Henan has grown from 4.0 million persons in 2014 to 4.8 million persons in 2019, representing a CAGR of 3.7%.

In the forecast period, total number of students participating in primary and secondary after-school education in Henan is expected to keep an upward trend and reach 5.4 million persons in 2024 with a CAGR of 2.4% from 2019 to 2024.

Total number of student participating in primary and secondary after-school education in Henan, 2014–2024E



Sources: Frost & Sullivan

Market size of primary and secondary after-school education service market in Henan

In Henan there is a large number of students participating in primary and secondary education. The enrolment rate for first-tier universities in Henan was 12.5% in 2019, ranking at the 26th among 28 provinces (excluding Hainan Province, Xinjiang Uygur Autonomous Region and Xizang Autonomous Region since the rates of these three regions are not disclosed). Due to the fierce competition for education resources, a growing number of students in Henan tend to participate in primary and secondary after-school tutoring classes. The primary and secondary after-school education service market in Henan has shown a rapid growth from 2014 to 2019. Revenue of primary and secondary after-school education service market in Henan has grown from RMB19.6 billion in 2014 to RMB36.4 billion in 2019, representing a CAGR of 13.2%. Henan is a sizeable market for the industry of primary and secondary after-school education service.

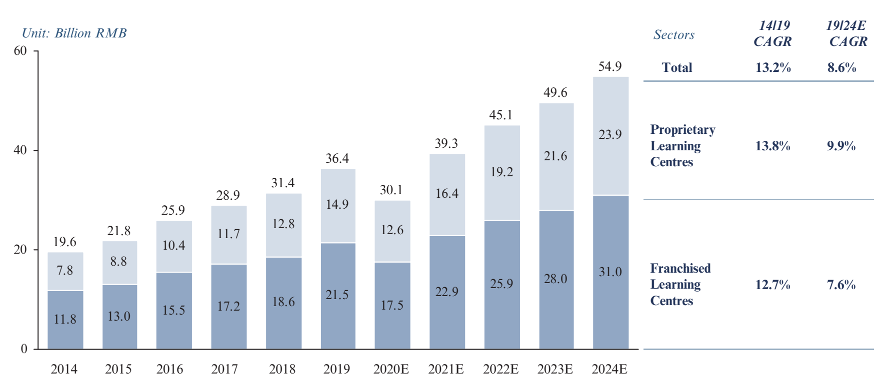
Along with the growing demand for education resources and increasing income level in Henan, revenue of primary and secondary after-school education service market is expected to continuously grow from RMB36.4 billion in 2019 to RMB54.9 billion in 2024, representing a CAGR of 8.6%. Due to the outbreak of COVID-19 in China in 2020, there was a temporary suspension of physical classes for primary and secondary after-school education service providers, resulting in a decrease in total number of students participating in primary and secondary after-school education, and hence a decrease in revenue of the primary and secondary after-school education service market in Henan in 2020. The primary and secondary education service market in Henan in 2021 is expected to pick up to the level as estimated, mainly because (i) the market demand stays as the number of primary and secondary school students remains unchanged despite the temporary suspension of physical classes, and (ii) the market is expected to have resumed to the level of the same period in 2019 from June or July 2020, given that primary and secondary schools have resumed classes in May 2020.

Up to 8 May 2020, the outbreak of COVID-19 had resulted in 1,273 confirmed cases in total including 22 deaths in Henan, and 157 confirmed cases in total including five deaths in Zhengzhou. Up to 31 May 2020, there was no increase in the number of confirmed cases or deaths in Henan and Zhengzhou, respectively. The situation in Henan was not as serious as Hubei Province, which had 68,128 confirmed cases in total including 4,512 deaths up to 8 May 2020, and 68,135 confirmed cases in total including 4,512 deaths up to 31 May 2020.

According to the Education Department of Henan Province (河南省教育廳), after-school education institutions should not provide offline education services until normal schools fully resume classes. According to the Leading Group on COVID-19 Prevention and Control of Zhengzhou, secondary schools and primary schools have resumed classes since 6 and 11 May 2020 in Zhengzhou, respectively. After-school education institutions in Zhengzhou are allowed to resume physical class from 18 May 2020 upon application with the competent authorities.

Franchised learning centre is a suitable model for primary and secondary after-school education service brands to expand penetration into tier 3 and tier 4 cities in Henan. The revenue of primary and secondary after-school education service market for franchised learning centres has grown from RMB11.8 billion in 2014 to RMB21.5 billion in 2019, representing a CAGR of 12.7%, and is expected to grow at a CAGR of 7.6%, reaching a total revenue of RMB31.0 billion in 2024. Meanwhile, revenue of proprietary learning centres has also grown rapidly with a CAGR of 13.8% from RMB7.8 billion to RMB14.9 billion in 2019. In the forecast period, with stronger capital platforms and better control on service quality, growth of proprietary learning centres is expected to outpace franchised learning centres at a CAGR of 9.9% and reach a total revenue of RMB23.9 billion in 2024. Adopting both proprietary and franchised operation model allows primary and secondary after-school education service provider to build its brand and earn high loyalty in the marketplace at a fast pace.

Revenue of primary and secondary after-school education service market in Henan, 2014–2024E



Sources: Frost & Sullivan

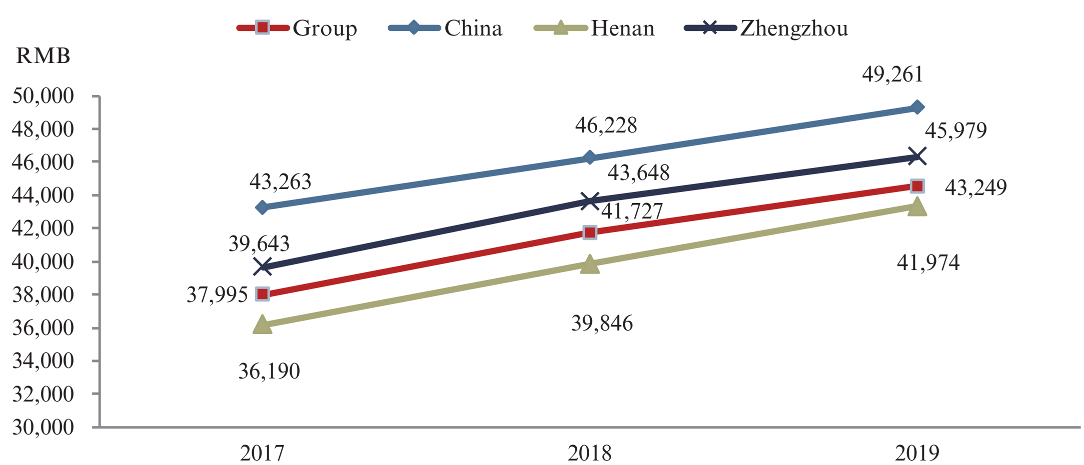
Cost structure of primary and secondary after-school education service market in Henan

The cost structure of primary and secondary after-school education service providers in Henan is similar to cost structure in China. However, due to the difference in average annual salary of employed persons in education in China and Henan, teaching staff costs generally account for around 50% to 65% of total cost of revenue in Henan. Other costs primarily include rental and facility maintenance expenses for learning centres, depreciation and amortisation, expenditure on procuring teaching materials, and other miscellaneous fees.

Staff costs refer to compensation paid to employees, which are majorly teaching staff, and usually are the largest component of total cost of the primary and secondary after-school education institutions in Henan.

Under the continuous development of economy in China, average annual salary of employees in education industry also showed an upward trend from 2017 to 2019 and reached RMB49,261 in 2019, indicating a continuous increase of teaching staff costs. Meanwhile, average annual salary of employees in education industry in Henan and in Zhengzhou, increasing from RMB36,190 and RMB39,643 in 2017 to RMB41,974 and RMB45,979 in 2019. Looking forward, the average annual salary of employees in education industry in China, Henan and Zhengzhou is still expected to have a sustained rise, driven by the inflation and development of economy. The CAGRs of average annual salary in China, Henan and Zhengzhou from 2019 to 2024 are expected to be around 5% to 8%.

Average annual salary of employees in education industry
(Our Group vs. Zhengzhou, Henan and China), 2017 – 2019



The average annual salary of employees of our Group is relatively higher than the average annual salary of employees in education industry in Henan and lower than that in Zhengzhou and in China, and thus within the market range.

Average price of class in Henan's primary and secondary after-school education service market

Among all three types of class formats in Henan's primary and secondary after-school education service market, average price of class differed by class format. VIP class maintains at a premium pricing level for customised teaching services and better interaction. In Henan's primary and secondary after-school education service market, the average prices of VIP class has increased from RMB134.8 in 2017 to RMB148.1 in 2019. Meanwhile, average price of small group class has increased from RMB65.9 in 2017 to RMB71.5 in 2019. The average price of regular class has increased from RMB33.1 in 2017 to and RMB36.4 in 2019. The CAGRs of average price of class in Henan from 2019 to 2024 is expected to be around 5% to 10%.

Average price of class by class format (Our Group vs. Henan), 2017 – 2019

Class Format \ Year	Average Price (RMB/hour)	2017	2018	2019
VIP class	Henan	134.8	142.5	148.1
	Our Group	102.2	150.3	166.8
Small Group class	Henan	65.9	69.0	71.5
	Our Group	40.7	70.5	77.4
Regular class	Henan	33.1	34.8	36.4
	Our Group	35.6	35.7	42.4

In general, the average price of class of our Group is relatively higher than that of Henan, it is because (1) our Group's business is mainly in Zhengzhou,where the costs including employee cost are higher than the average level in Henan; (2) our Group has developed in the field of primary and secondary after-school education since 2000 and has established a wide range of brand awareness in Zhengzhou, which is the capital and economic centre of Henan; (3) our Group provide teachers with professional training programmes to ensure a standard delivery of quality teaching services. The average price of our Group's VIP classes was significantly lower than that of Henan in 2017, primarily due to the different class sizes. Generally, our Group's VIP classes have been maintained with class size of one to three students since 2018, which is similar to other competitors in Henan; however, most of our Group's VIP classes were with the size of six students in 2017, resulting in lower average price. The average price of our Group's small group classes was significantly lower than that of Henan in 2017. In 2017, revenue derived from small group classes accounted for merely 0.1% of our Group's total revenue, primarily because our Group focused its resources on the development of the regular classes and VIP classes. Only a few small group classes were opened in 2017 which were mainly registered in 2016 when our Group offered relatively big promotional discount to compete with other market players, resulting in lower average price.

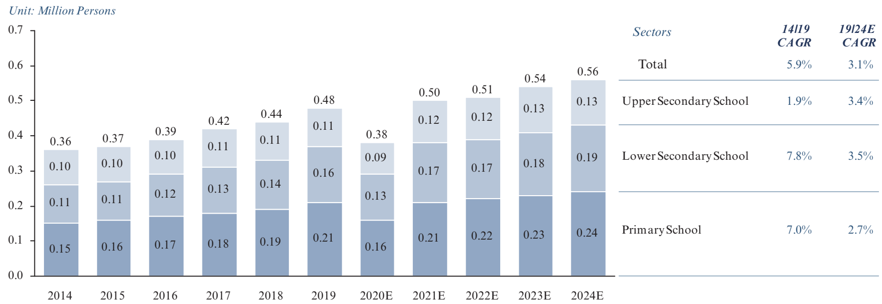
OVERVIEW OF PRIMARY AND SECONDARY AFTER-SCHOOL EDUCATION SERVICE MARKET IN ZHENGZHOU

Student enrolment in primary and secondary after-school education service in Zhengzhou

The number of students participating in primary and secondary after-school education in Zhengzhou has increased from 0.36 million in 2014 to 0.48 million in 2019, mainly driven by the increase of student enrolments in nine-year compulsory education system.

With the government relaxed the "one-child policy" in 2013, the total number of students participating in primary and secondary after-school education is expected to continue its growth and reach 0.56 million in 2024, representing a CAGR of 3.1% from 2019 to 2024.

Total number of students participating in primary and secondary after-school education in Zhengzhou, 2014–2024E



Sources: Frost & Sullivan

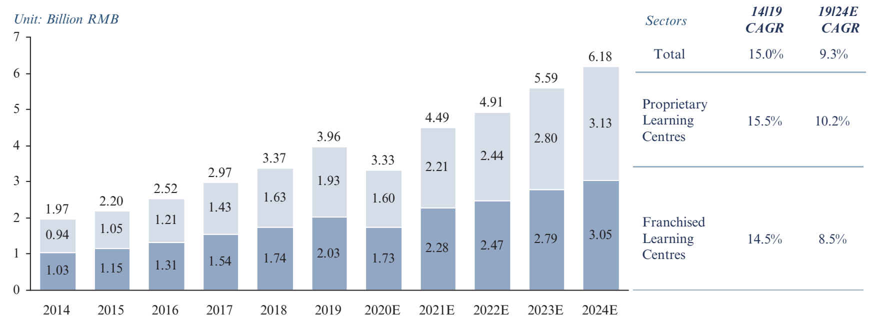
Market size of primary and secondary after-school education service market in Zhengzhou

With a large number of students participating in primary and secondary after-school education, the primary and secondary after-school education service market in Zhengzhou has shown a rapid growth from 2014 to 2019. Revenue of primary and secondary after-school education service market in Zhengzhou has grown from RMB1.97 billion in 2014 to RMB3.96 billion in 2019, representing a CAGR of 15.0% from 2014 to 2019.

Along with the growing demand for education resources and increasing income level in Zhengzhou, revenue of primary and secondary after-school education service market is expected to continuously grow from RMB3.96 billion in 2019 to RMB6.18 billion in 2024, representing a CAGR of 9.3% from 2019 to 2024. Due to the outbreak of COVID-19 in China in 2020, there was a temporary suspension of physical classes for primary and secondary after-school education service providers, resulting in a decrease in total number of students participating in primary and secondary after-school education, and hence a decrease in revenue of the primary and secondary after-school education service market in Zhengzhou in 2020. The primary and secondary education service market in Zhengzhou in 2021 is expected to pick up to the level as estimated, mainly because (i) the market demand stays as the number of primary and secondary school students remains unchanged despite the temporary suspension of physical classes, and (ii) the market is expected to have resumed to the level of the same period in 2019 from June or July 2020, given that primary and secondary schools have resumed classes in May 2020. The student admission method for private lower secondary schools in Zhengzhou has changed from traditional entrance examination to a combination of computer programme allocation and school interview in 2019, and has now turned to computer programme allocation in 2020. The change of student admission method has certain impact on the demand for the after-school education services from the students who are about to enter lower secondary schools but its impact on the overall demand for the primary and secondary after-school education services in Zhengzhou is limited, as students still need to face fierce competition and prepare themselves for Zhongkao and Gaokao.

Zhengzhou is one of the major second-tier cities in China and the provincial capital of Henan. Many primary and secondary after-school education service providers have opened their proprietary learning centres in Zhengzhou. The revenue of proprietary learning centres has grown rapidly with a CAGR of 15.5% and reached RMB1.93 billion in 2019. In the forecast period, with stronger capital platforms and better control on service quality, revenue of proprietary learning centres is expected to grow at a CAGR of 10.2% and realise a total revenue of RMB3.13 billion in 2024. Meanwhile, the revenue of franchised learning centres in Zhengzhou's primary and secondary after-school education service market has grown from RMB1.03 billion in 2014 to RMB2.03 billion in 2019, representing a CAGR of 14.5%, and is expected to grow at a CAGR of 8.5%, realising a total revenue of RMB3.05 billion in 2024.

Revenue of primary and secondary after-school education service market in Zhengzhou, 2014–2024E



Sources: Frost & Sullivan

MARKET DRIVERS OF PRIMARY AND SECONDARY AFTER-SCHOOL EDUCATION SERVICE MARKET IN HENAN

Increasing disposable income and expenditure on education: Along with the growth of macro economy, the disposable income of Henan residents has also witnessed stable growth during 2014 and 2019. Benefiting from the growing disposable income, the per capita annual expenditure on education in Henan grew from RMB452 in 2014 to RMB697 in 2019, while per capita annual expenditure on education in China has increased from RMB624 to RMB942 during the same period. With increasing disposable income and proportion of expenditure on education, spending on tutoring services will continue to increase in Henan, particularly in Zhengzhou. The growing spending on education is likely to sustain and further drive the development of primary and secondary after-school education service market.

Huge and rising student enrolments: Henan leads the market of primary and secondary education in China in terms of student enrolment. In 2019, the total number of primary and secondary schools' student enrolments of Henan was 16.7 million. Despite the huge student base, the after-school education service market in Henan is not as developed as Jiangsu, Shandong or other developed regions. In 2019, the penetration rate of students participating after-school education is over 60% in Jiangsu and over 50% in Shandong, while the rate in Henan was approximately 27%. This shows that the penetration rate of students participating after-school education in Henan still has plenty of room for further development. The total number of primary and secondary schools' student enrolments of Henan is expected to witness a sustained growth from 2019 to 2024, with a CAGR of 1.4%, bringing about rising demand for primary and secondary after-school education service.

Fierce competition among primary and secondary students: Being one of the provinces with large number of students participating in Gaokao, Henan's competition among primary and secondary students, especially upper secondary school students is rather intense. In 2019, approximately 1.1 million students registered Gaokao in Henan, ranking at the top place among all 31 provinces in China. The number is approximately 1.4 times of the number of Guangdong province, which ranked at the second place in 2019. The large participation led to a fierce competition in Gaokao for Henan students. The enrolment rate for first-tier universities in Henan was 12.5% in 2019, ranking at the 26th among 28 provinces (excluding Hainan Province, Xinjiang Uygur Autonomous Region and Xizang Autonomous Region since the rates of these three regions are not disclosed). Students have to put more effort in their studies in order to be enrolled in better universities. The tough competition has forced and is likely to further drive the development of primary and secondary after-school education service market.

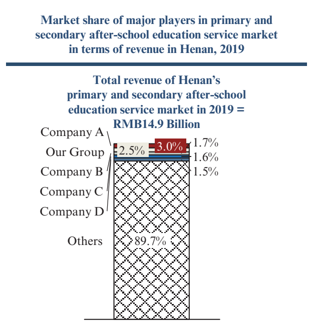
COMPETITIVE LANDSCAPE

Competitive landscape of primary and secondary after-school proprietary learning centres market in Henan

The primary and secondary after-school education service market is highly fragmented in Henan, with large number of registered institutions and individual service providers engaged in the market. By the end of 2019, there were approximately 15 to 18 thousand service providers engaged in Henan's primary and secondary after-school education service market. In 2019, the top five players accounted for 10.3% of the total primary and secondary after-school education service market. There is a consolidation trend in the highly fragmented primary and secondary after-school education service market. Leading primary and secondary after-school education service providers with good brand reputation, high teaching quality and professional management team are expected to see further development in the consolidation trend.

In 2019, our Group achieved a revenue of RMB374.0 million, ranking second in terms of revenue generated from primary and secondary after-school education, with a market share of 2.5% among all primary and secondary after-school education service providers in Henan.

Ranking of top five primary and secondary after-school education service providers by revenue in Henan, 2019



Rank	Company	Total Revenue (RMB Million)	Market Share (%)
1	Company A	446.0	3.0%
2	**Our Group**	**374.0**	**2.5%**
3	Company B	246.9	1.7%
4	Company C	239.3	1.6%
5	Company D	229.3	1.5%
	Top 5 Subtotal	**1,535.5**	**10.3%**
	Others	**13,364.5**	**89.7%**
	Total	**14,900**	**100%**

Sources: *Frost & Sullivan*

Notes:

1. Total revenue refers to an institution's revenue generated from the primary and secondary after-school education services in its proprietary learning centres in Henan in the calendar year of 2019, excluding other revenues, such as revenue derived from sales of books and teaching materials, and brand name licensing and advisory services, etc.

2. Company A was founded in 1993 in Beijing. Its business mainly covered primary and secondary after-school education services, online education, overseas study consulting and textbook publishing, etc.

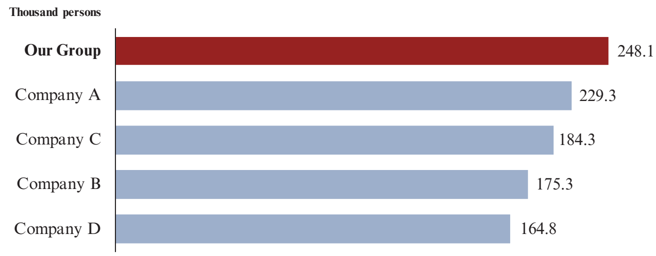
3. Company B was founded in Zhengzhou, Henan in 2000 and provides services in primary and secondary after-school education, non-formal vocational education, etc.

4. Company C was established in Beijing in 2003 and is focusing on providing primary and secondary after-school education services, online education, overseas study consulting services, etc.

5. Company D focuses on primary and secondary after-school education and online education. It was founded in Zhengzhou, Henan in 2009.

Our Group ranked first in terms of student enrolments of primary and secondary after-school education service courses among all primary and secondary after-school education service providers in Henan. 248.1 thousand students were enrolled in our Group's primary and secondary after-school education service courses in 2019.

Top five primary and secondary after-school education service providers by student enrolments in Henan, 2019



Sources: *Frost & Sullivan*

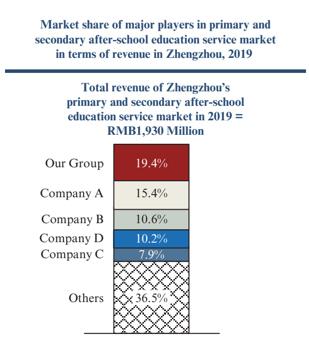
Note: Student enrolments refers to the cumulative total number of courses registered and paid for by students during a given period of time; if one student enrols in multiple courses, it will be counted as multiple student enrolments.

Competitive landscape of primary and secondary after-school education proprietary learning centres market in Zhengzhou

The primary and secondary after-school education service market is relatively consolidated in Zhengzhou, with top five players accounted for approximately 63.5% of the total revenue of such service market in Zhengzhou. By the end of 2019, there were approximately 1.5 thousand service providers engaged in primary and secondary after-school education service market in Zhengzhou.

In 2019, our Group achieved a revenue of RMB373.7 million, ranking first in terms of revenue generated from primary and secondary after-school education, with a market share of 19.4% among all primary and secondary after-school education service providers in Zhengzhou.

Ranking of top five primary and secondary after-school education service providers by revenue, in Zhengzhou, 2019



Rank	Company	Total Revenue (RMB Million)	Market Share (%)
1	Our Group	373.7	19.4%
2	Company A	297.6	15.4%
3	Company B	204.5	10.6%
4	Company D	196.5	10.2%
5	Company C	152.7	7.9%
	Top 5 Subtotal	1,225.0	63.5%
	Others	705.0	36.5%
	Total	1,930.0	100%

Sources: *Frost & Sullivan*

Note: Total revenue refers to an institution's revenue generated from the primary and secondary after-school education services in its proprietary learning centres in Zhengzhou in the calendar year of 2019, excluding other revenues, such as revenue derived from sales of books and teaching materials, and brand name licensing and advisory services, etc.

ENTRY BARRIERS OF PRIMARY AND SECONDARY AFTER-SCHOOL EDUCATION SERVICE MARKET IN HENAN

The entry barriers of the primary and secondary after-school education service market are low when the primary and secondary after-school education service providers are able to (i) obtain government approval; (ii) establish brand awareness and student source; and (iii) have sufficient capital and afford continuous investments. Therefore, there is a large number of registered institutions and individual service providers engaged in the primary and secondary after-school education service market, and the market is highly fragmented in Henan and in the PRC.

Approval of the government: Since 2018, the Chinese government has started to standardise the market of after-school education. The establishment of after-school education or teaching centres must firstly be approved by the relevant governmental authorities. Under comprehensive rectification and supervision, primary and secondary after-school education institutions in Henan are expected to acquire licences or permits to conduct teaching activities and to stop misconduct in teaching, such as contents that beyond the school teaching syllabus. The increasingly strict standard for after-school education institutions may set a barrier for new entrants.

Brand awareness and student source: Brand awareness is especially essential for education institutions, since it has always been one of the top criteria for students and parents to consider when choosing institutions. Well-known brands with long operating history and well-established reputation are relatively more welcomed by students and parents. However, it takes years to establish brand awareness and reputation for new entrants in the market. Accordingly, it is relatively harder for new entrants to admit sufficient students when compared with existing brands.

Sufficient initial capital and continuous investment: When establishing after-school teaching centres, a large amount of initial capital is required to be invested in campus construction, facilities and equipment and so on. Moreover, this kind of investment is continuous rather than one-off. The players in the market must have sufficient capital and be able to afford the continuous additional investment. Therefore, it may set up high capital barriers for new entrants.

OPPORTUNITIES, THREATS AND CHALLENGES OF PRIMARY AND SECONDARY AFTER-SCHOOL EDUCATION SERVICE MARKET IN HENAN

Opportunities

Implementation of the two-child policy: Two-Child Policy has been implemented in China instead of One-Child Policy since 2015. Contributed by the new policy, the student enrolments of primary and secondary school in Henan increased from 15.2 million in 2014 to 16.7 million in 2019, representing a CAGR of approximately 1.9%. The larger base of total student enrolments is likely to drive the market of primary and secondary after-school education service market.

Increasing penetration: With the increase in disposable income of Chinese families and the improvement of living conditions in China, the young generation parents are now having a stronger consumption power and lay special emphasis on the education of their children, and the after-school tutoring institutions are expected to benefit from this trend. Meanwhile, the fierce competition among students in the college entrance examination is likely to continuously drive the demand of primary and secondary after-school education, leading to the higher penetration rate in the market in Henan.

Local brand development: Another key trend is expected to be the rise of local education brands. Henan relatively lags behind developed regions in terms of the development of primary and secondary after-school education in spite of its strong demand. Hence the market in Henan is rather fragmented. However, along with the development of economy, the improvement in policy environment, local brands, who are more familiar with local education service market, are expected to be more competitive and develop rapidly in the future.

Widespread use of technology: Use of technology is also likely to be a significant trend for primary and secondary after-school education service market. In the recent years, technologies like interactive teaching apps and internet live broadcasting have been applied to the primary and secondary after-school education service market. Various technology applications on education have largely transformed students' learning experience and is expected to promote the development of the overall market in the future.

Threats and Challenges

Industry consolidation: Henan's primary and secondary after-school education service market is also undergoing reform process. Local government has started to reform and standardise the market. A number of small institutions that could not meet the requirements are closed or are merged with larger brands. The market is expected to observe increasing consolidation with the emergence and further development of leading after-school education operators based primarily on stronger management power and organic growth strategy.

OVERVIEW

We operate our business in China under a legal regime created and made by PRC lawmakers consisting of the NPC, which is the country's highest legislative body, the State Council, which is the highest authority of the executive branch of the PRC Government, and several ministries and agencies under its authority, including the MOE, the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (the "**MIIT**"), the SAMR and their respective local offices. This section summarises the principal PRC regulations related to our business.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Regulations on Foreign Investment Law

On 15 March 2019, the Foreign Investment Law was formally passed by the 13th NPC and it has taken effect on 1 January 2020. The Foreign Investment Law is the fundamental law for foreign investment in PRC, which 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》) as the general law applicable for the foreign investment within the PRC.

The Foreign Investment Law defines foreign investment as any investment activity directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organisations ("**Foreign Investor(s)**"), and specifically stipulates three forms of investment activities as foreign investment, namely, (a) establishment of a foreign-invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor; (c) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor, and investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

The Foreign Investment Law establishes the administration systems for foreign investment, which mainly consists of pre-establishment national treatment plus Negative List, foreign investment information report system and security review system. The said systems, together with other administration measures stipulated under the Foreign Investment Law, constitute the frame of foreign investment administration. The pre-establishment national treatment refers to granting foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the Negative List refers to special administrative measures for access of foreign investments in certain fields and the national treatment will be given to the foreign investments that do not fall within any of the categories set out in the Negative List. The Negative List shall be released by or upon approval by the State Council.

The Foreign Investment Law sets forth principles and measures to promote foreign investment in the PRC and specifically provides that the PRC legally protects Foreign Investors' investment, earnings and other legitimate rights and interests in the PRC.

The Foreign Investment Law further provides that foreign-invested enterprises established before the Foreign Investment Law coming into effect may retain their original form of organisations within five years after the Foreign Investment Law comes into effect. The specific implementing measures will be prescribed by the State Council.

Foreign Investment Catalogue and Negative List

Under the Foreign Investment Catalogue which was promulgated by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) (the "**NDRC**") and the MOFCOM on 30 June 2019 and became effective on 30 July 2019, foreign-invested industries are classified into two categories, namely (i) those included on the Catalogue of Industries for Encouraging Foreign Investment and (ii) those included on the Catalogue of Priority Industries for Foreign Investment in Central and Western China.

The Negative List further reduces restrictions on the foreign investment. After the implementation of the Foreign Investment Catalogue and the Negative List, the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision) (《外商投資產業指導目錄》(2017年修訂)) and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Version) (《外商投資准入特別管理措施(負面清單)》(2018年版)) were repealed simultaneously.

Pursuant to the Negative List, the provision of pre-school, ordinary upper secondary school and higher education services ("學前教育", "普通高中" and "高等教育", respectively) in the PRC is under the category of "restricted industries" for foreign investors. Foreign investments in such education institutions are only allowed in the form of sino-foreign cooperative educational institutions in which the domestic party shall play a dominant role. The Negative List further provides that foreign investors are prohibited from providing compulsory education ("義務教育") service. However, the provision of primary and secondary after-school education services is not expressly included as one of the restricted industries listed in the Negative List.

Sino-foreign Regulations

Sino-foreign cooperation in operating schools or training programs is specifically governed by the Sino-foreign Regulations and the Implementing Measures for the Regulation on Sino-Foreign Cooperative Education of the PRC (《中華人民共和國中外合作辦學條例實施辦法》, the "**Implementing Measures**") which was promulgated on 2 June 2004 and took effect as from 1 July 2004.

The Sino-foreign Regulations and its Implementing Rules apply to the activities of educational institutions established in the PRC cooperatively by foreign educational institutions and Chinese educational institutions, the students of which are to be recruited primarily among PRC citizens and encourage substantive cooperation between overseas educational organisations with relevant qualifications and experience in providing high-quality education and PRC educational organisations to jointly operate various types of schools in the PRC, with such cooperation in the areas of higher education and occupational education being encouraged. The overseas educational organisation must be a foreign educational institution with relevant qualifications and experience at the same level and in the same category of education. Sino-foreign cooperation are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in the PRC. Any Sino-foreign cooperation school and cooperation program shall be approved by relevant education authorities and obtain the Permit for Sino-foreign Cooperation in Operating School. A Sino-foreign cooperation school established without the above approval or permit may be banned by the relevant authorities, be ordered to refund the fees collected from its students and be subject to a fine of no more than RMB100,000, while a Sino-foreign cooperation program established without such approval or permit may also be ordered to rectify by the relevant authorities within a specified time limit and be ordered to refund the fees collected from its students.

On 18 June 2012, the MOE issued the Implementation Opinions to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a sino-foreign cooperative education institute shall be less than 50%.

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

On 18 March 1995, the NPC enacted the Education Law of the PRC (《中華人民共和國教育法》), (the "**Education Law**"), which was last amended on 27 December 2015. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising preschool education, elementary education, middle education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education, establishes and operates schools and other training institutions. Furthermore, it provides that in principle, enterprises, social organisations and individuals are encouraged to establish and operate schools and other types of education institutions. It also provides that no organisation or individual is allowed to establish or operate a school or any other education institution for profit-making purposes. Under the amendment enacted on 27 December 2015 and becoming effective on 1 June 2016, the amended Education Law allows organisations and individuals to establish and operate schools or other education institutions for profit-making purposes. Nevertheless, schools and other education institutions sponsored wholly or partially by government financial funds and donated assets remain prohibited from being established as for-profit organisations.

Law on the Promotion of Private Education of the PRC and Implementation Rules for the Law on the Promotion of Private Education of the PRC

The Law on the Promotion of Private Education of the PRC (《中華人民共和國民辦教育促進法》) became effective on 1 September 2003 and was amended on 29 June 2013, and the Implementation Regulations for the Law on the Promotion of Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) became effective on 1 April 2004. Before the Law on the Promotion of Private Education of the PRC (《中華人民共和國民辦教育促進法》) was further amended as the Amended Private Education Promotion Law, under the then laws and regulations, "private schools" are defined as schools established by social organisations or individuals using non-government funds. Private schools that provide formal education (學歷教育), preschool education, self-taught higher education examination and other categories of education services shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a private school operation permit.

According to the PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as "sponsors" rather than "owners" or "shareholders". The economic substance of "sponsorship" with respect to private schools is substantially similar to that of shareholders' ownership with respect to companies in terms of legal, regulatory and tax matters. For example, the name of a sponsor is required to be stated in the private school's articles of association and the private school operation permit, similar to that of shareholders, whose names are stated in the company's articles of association and corporate records filed with relevant authorities. From the perspective of control, the sponsor of a private school also has the right to exercise ultimate control over the school by means such as adopting the private school's constitutional documents and electing the school's decision-making bodies, including the school's board of directors and principals. The sponsor can also profit from the private schools by receiving "reasonable returns", as explained in detail below, or disposing of its sponsorship interests in the schools for economic gains. However, the rights of sponsors vis-a-vis private schools differ from the rights of shareholders vis-a-vis companies. For example, under the PRC laws, a company's ultimate decision-making body is its shareholders meeting, while for private schools, it is the board of directors, though the members of which are substantially appointed by the sponsor. The sponsorship interests also differ from the ownership interests with regard to the right to the distribution of residual properties upon liquidation of a private school, mainly because private education is treated as a public welfare undertaking under the current regulations. While private education is treated as a public welfare undertaking under the current regulations, sponsors of a private school may choose to require "reasonable returns" from the annual net balance of the school after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. Private schools whose sponsors do not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools whose sponsors require reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council.

On 7 November 2016, the Standing Committee of the NPC promulgated the Amended Private Education Promotion Law, which came into force on 1 September 2017 and last amended on 29 December 2018.

Under the Amended Private Education Promotion Law, the term "reasonable return" is no longer used and a new classification system for private schools is established based on whether they are established and operated for the purpose of making profits. Sponsors of private schools may choose to establish non-profit or for-profit private schools at their own discretion, while before the Amended Private Education Promotion Law, all private schools shall not be established for for-profit purposes.

Nonetheless, school sponsors are not allowed to establish for-profit private schools that are engaged in compulsory education. In other words, the private schools engaged in compulsory education should retain their non-profit status even after the Amended Private Education Promotion Law came into force.

The following table sets out the key differences between the for-profit private schools and non-profit private schools pursuant to the Amended Private Education Promotion Law:

For-profit private schools	**Non-profit private schools**
Sponsors of for-profit private schools are entitled to the distribution of the operation earnings and profits subject to the Company Law of the PRC (《中華人民共和國公司法》) and other relevant laws and regulations;	Sponsors of non-profit private schools are not entitled to the distribution of the operation earnings and all operation earnings shall be utilised for the school operation;
For-profit private schools are entitled to decide the tuition and other miscellaneous fees without prior approvals by relevant government authorities;	Non-profit private schools shall charge tuition and other miscellaneous fees subject to the restrictions imposed by the provincial, autonomous regional or municipal governments;
For-profit private schools may enjoy preferential tax treatment. However, as at the Latest Practicable Date, no laws and regulations stipulates the preferential tax treatment of the for-profit private education institutions had been promulgated;	Non-profit private schools are entitled to the preferential tax treatment as public schools;
Land use rights shall be supplied by the government to newly established or expanded for-profit private schools mainly through bidding, caution, or agreement arrangements in accordance with relevant regulations;	Land use rights shall be supplied to newly established or expanded non-profit private schools by the government through allocation or other means in accordance with the same preferential treatment as public schools;
Upon the winding-up, the sponsors of for-profit private schools can obtain their remaining assets after the settlement of the schools' indebtedness in accordance with the Company Law of the PRC (《中華人民共和國公司法》);	Upon the winding-up, the remaining assets of non-profit private schools after liquidation shall continue to be utilised for the operation of other non-profit schools;

For-profit private schools	Non-profit private schools
For-profit private schools are entitled to the governments' supporting scheme including providing student loans and scholarships, leasing or transferring unused state-owned assets to the schools.	Other than the governments' supporting scheme including providing student loans and scholarships, leasing or transferring unused state-owned assets to the schools, non-profit private schools are also entitled to the governments' subsidies, bonus funds and donation incentives and other supporting measures.

Several Opinions on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education

On 29 December 2016, the State Council issued the Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《國務院關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》, the "**State Council Opinions 81**"), which lowers the barriers to entry into the business of private schools and encourages social forces to enter the education industry. The State Council Opinions 81 also provides that each level of the People's governments shall increase their support to the private schools in terms of, among others, financial investment, financial support, autonomy policies, preferential tax treatments, land policies, fee policies, autonomy operation, protection of the rights of teachers and students. Further, the State Council Opinions 81 requires each level of the people's governments to improve its local policies on government support to for-profit and non-profit private schools by means of preferential tax treatments.

Implementation Regulations for Classification Registration of Private Schools

On 30 December 2016, the MOE, the MCA, the SAIC, the MOHRSS and the State Commission Office of Public Sectors Reform of the PRC (中央機構編制委員會辦公室) jointly issued the Implementation Regulations for Classification Registration of Private Schools (《民辦學校分類登記實施細則》) to reflect the new classification system for private schools as set out in the Amended Private Education Promotion Law. Generally, if a private school established before the promulgation of the Amended Private Education Promotion Law chooses to register as a non-profit school, it shall amend its articles of association, continue its operation and complete the new registration process. If such private school chooses to register as a for-profit school, it shall conduct financial liquidation process, have the property rights of its assets such as lands, school buildings and net balance authenticated by relevant government authorities, pay up relevant taxes, re-apply for a new private school operation permit, re-register as a for-profit school and continue its operation. Specific provisions regarding the above registrations are yet to be introduced by the people's governments at the provincial level.

Implementing Rules on the Supervision and Administration of For-Profit Private Schools

On 30 December 2016, the MOE, the SAIC and the MOHRSS jointly issued the Implementing Rules on the Supervision and Administration of For-Profit Private Schools (《營利性民辦學校監督管理實施細則》), pursuant to which the establishment, division, merger and other material changes of a for-profit private school shall first be reported by the board of directors of the school to and get approvals from the relevant authorities, and then be registered with the competent branch of the SAIC.

In addition to the Amended Private Education Promotion Law and the rules abovementioned, more implementing regulations will be introduced to further provide detailed requirements for the operation of non-profit and for-profit private schools:

- the amendment to the Implementation Rules for the Law on the Promotion of Private Education of the PRC;
- the local regulations relating to legal entity registration of for-profit and non-profit private schools; and
- the specific measures to be formulated and promulgated by the competent authorities responsible for the administration of private schools in the provinces in which our schools are located, including but not limited to the specific measures for registration of pre-existing private schools, the specific requirements for authenticating various parties' property rights and payment of taxes and fees of for-profit private schools, taxation policies for for-profit private schools and measures for collection of non-profit private schools' fees.

Circular 3

On 13 February 2018, the MOE, the MCA, the MOHRSS and the SAIC jointly promulgated the Circular 3, which came into effect on the same date. Pursuant to the Circular 3, the aforesaid government authorities will carry out a series of inspections on after-school education institutions and order those with material potential safety risks to suspend business for self-inspection and rectification and those without proper establishment licences or private school operation permits to apply for relevant qualifications and certificates under the guidance of competent government authorities. Circular 3 mandates that the foregoing rectification be completed by the end of 2018. Moreover, after-school education institutions must file with the local education authorities and make public the classes, courses, target students, class hours and other information relating to their academic training courses (including primarily courses on Chinese, English and mathematics). After-school education institutions are prohibited from providing academic training services beyond the scope or above the level of school textbooks, or organising any academic competitions (such as Olympiad competitions) or level tests for students of elementary or secondary schools. In addition, elementary or secondary schools may not reference a student's performance in the after-school training institutions as one of admission criteria.

State Council Opinions 80

On 6 August 2018, the General Office of the State Council promulgated the State Council Opinions 80. The State Council Opinions 80 provides various guidance on regulating after-school education market for primary and secondary school students, including, among others, the operation standards that after-school education institutions should follow, the requirements and approvals necessary for opening new after-school education institutions, the guidance for daily operation of after-school education institutions, and the regulatory supervision scheme for after-school education institutions.

The operation standards set out in the State Council Opinions 80 include, among others: (1) the average area per student used within any specific training period shall be no less than three square meters; (2) after-school education institutions shall meet the fire safety, environmental protection, and health and food safety requirements; (3) the risk of safety accidents can be prevented and defused by purchasing personal safety insurance and other necessary means for the participants; and (4) no in-service public primary and secondary school teachers shall be employed by after-school education institutions and all the teachers teaching courses in relation to school academic subjects shall obtain relevant teacher qualifications. The State Council Opinions 80 requires that after-school education institutions obtain private school operation permits and business licences. The county-level education authorities are responsible for approving the education permits. Without the approval of the education authority, the after-school education institutions may not conduct tutoring services for elementary and secondary school students in the name of tutoring, counseling, and cultural communication. For those who have obtained the private school operation permits and business licences, failure to meet the operation standards may cause revocation of their private school operation permits or business licences, as well as termination of the operations, unless timely rectification is made. The State Council Opinions 80 further provides that after-school education institutions shall obtain approvals from local education administration authorities to open new branches or learning centres. An after-school education institution must obtain approval for each establishment of its branch or teaching centre within the county where such after-school education institution is located; if a branch or teaching centre is established outside the county where such after-school education institution is locating staff, the establishment of such branch or teaching centre must be approved by the local county-level education departments where the branch or teaching centre is located. Teaching staff engaging in knowledge-based tutoring in Chinese, Mathematics, English and Physics, Chemistry, Biology and other subjects shall have corresponding teacher qualifications.

The State Council Opinions 80 provides guidance on the daily operation of after-school education institutions, including, among others: (1) for courses on school academic subjects, key course information, including subjects, course schedules, and course syllabi, shall be filed with the local education administration authorities and made public, and the course progress shall not surpass the same-period progress of local primary schools and secondary schools; (2) no training classes shall be arranged in conflict with the regular schooling time in local primary schools and secondary schools; (3) tutoring activities shall not be ended later than 8:30 p.m.; (4) no homework shall be assigned; (5) no scored examination, competition or ranking in connection with the courses of primary schools or secondary schools shall be arranged; (6) no more than three months of tuition fees can be collected in one time; and (7) no fees other than those that have been made public and no compulsory fund-raising in any name may be made against the students.

The State Council Opinions 80 sets out the general regulatory supervision scheme requiring that, among others, the education authorities shall (1) lead the overall supervision over the after-school education market; (2) implement the annual inspection and annual reporting policy, and require after-school education institutions listed overseas to publish periodic reports and interim reports in Chinese regarding any material adverse impacts on such after-school education institutions in China; and (3) carry out the "Black List" and "White List" policy to timely publish information of the after-school education institutions and any institution who fails to meet the relevant legal requirements on government websites.

Consistent with the Circular 3, the State Council Opinions 80 also prohibits intensive exam-oriented training, advanced training that do not follow the formal school curricula, and any arrangement that correlates students' examination performance in after-school education institutions to admission into primary and secondary schools.

On 31 August 2018, the General Office of the MOE promulgated the Circular regarding the Truly Implementation of Special Measures and Rectification Work on the Private Education Institutions (《教育部辦公廳關於切實做好校外培訓機構專項治理整改工作的通知》), which provides detailed requirements for the provincial education departments to enforce the State Council Opinions 80.

Circular 10

On 20 November 2018, the General Office of the MOE, the General Office of the SAMR and the General Office of Ministry of Emergency Management of the PRC (中華人民共和國應急管理部) jointly issued the Circular 10, which came into effect on the same date. Pursuant to the Circular 10, (i) for institutions that carry out academic tutoring activities without permits, non-academic education institutions that carry out academic tutoring activities and other institutions that carry out illegal tutoring activities, the education authorities, in collaboration with other relevant departments, shall cease the operations of such institutions, restrict their legal representatives to engage in tutoring activities for primary and secondary school students and require the market supervision authorities to revoke their business licences; (ii) the local education authorities shall further accelerate the progress of approving private school operation permits, especially for academic education institutions, the private school operation permits can be issued as soon as possible by means of document approval or issuing private school operation permits if the standards are met. For those institutions that do not meet the applicable standards, they shall be suspended for rectification according to the laws and regulations. By the end of 2018, there should be no education institutions that are still carrying out tutoring activities without permits or licences; (iii) for provinces (regions and municipalities) with a large number of non-academic education institutions, under the premise of ensuring effective supervision, the provincial education authorities may, in conjunction with the market supervision authorities may propose a practical rectification plan to ensure the rectification could be completed by the end of the year. After the promulgation and implementation of the Implementation Regulations for the Law on the Promotion of Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》), the after-school education institutions shall be classified and regulated accordingly; (iv) the county-level education authorities shall complete the filing and assessment of academic tutoring courses offered by the after-school education institutions in its administrative area as soon as possible, which includes the name, tutoring content, enrolment targets, schedule and class hours of the academic tutoring courses. The after-school education institutions that fail to make the filing and pass the assessment are prohibited from recruiting students; (v) the local fire authorities shall provide the education authorities with relevant information on fire safety standards. The education authorities shall approve the qualifications of the after-school education institution in accordance with fire safety standards. For existing after-school education institutions that have not met the relevant fire safety standards, the qualifications such after-school education institutions shall be revoked; and (vi) the provincial education authorities shall be responsible for the filing of the online education institutions providing tutoring services for elementary and secondary school students and standardise online after-school education institutions according to the policies for offline training institutions. The name, tutoring content, enrolment target, schedule and class hours of the online tutoring courses offered by the online after-school education institutions shall be filed with the provincial education authorities. The name, photos, shifts and certification numbers of the teachers shall be posted prominently on their websites of such after-school education institutions.

Implementation Opinions on Regulating Online After-School Training

The MOE, jointly with other certain PRC government authorities, promulgated the Implementation Opinions on Regulating Online After-School Training (《教育部等六部門關於規範校外線上培訓的實施意見》, the "**Online After-School Training Opinions**") which became effective on 12 July 2019. The Online After-School Training Opinions is intended to regulate academic after-school training involving internet technology provided to students in primary and secondary schools. Among other things, the Online After-School Training Opinions requires that online after-school training institutions shall file with the competent provincial education authorities and such education authorities shall, jointly with other provincial government authorities, review such filings and the qualification of the online after-school education institutions submitting such filings.

With respect to the filing requirements, the Online After-School Training Opinions provides, among others: (i) an online after-school education institution shall file with the competent provincial education regulatory authorities at the place of its domicile after it has obtained the ICP Licence and the certificate and the grade evaluation report for the graded protection of cyber security, and furthermore, shall file before 31 October 2019 if it has already conducted online after-school tutoring services; (ii) the online after-school education institutions shall file, among others, (a) the materials related to such after-school education institution, including the information on the respective ICP Licence and other relevant licences and the materials related to certain management systems regarding the protection of personal information and cyber security, (b) the materials related to the tutoring content, and (c) the materials related to the relevant teaching staff; and (iii) the competent provincial education authorities shall promulgate local implementing rules about the filing requirements, focusing on the after-school education institutions, training content and training personnel.

The Online After-School Training Opinions further provides that the competent provincial education authorities shall, jointly with other provincial government authorities, review such filings and the qualification of the online after-school training institutions submitting such filings before the end of December 2019, focusing on the following matters: (i) the tutoring content shall not include online games or other content or links irrelevant with the tutoring courses, and shall not be beyond the formal school syllabus. No illegal publications may be published, printed, reproduced or distributed, and no infringement or piracy activities may be conducted during the tutoring courses. And the tutoring content and data shall be stored for more than one year, among which, the live streaming teaching videos shall be stored for more than 6 months; (ii) each course shall not last longer than 40 minutes and shall be taken at intervals of not less than 10 minutes, and the tutoring schedules shall not be overlapped with the teaching time of primary and secondary schools. Each live-streaming course provided to students receiving compulsory education shall not end later than 9:00 p.m., and shall not leave homework for primary school students in Grade 1 and Grade 2. The online after-school tutoring platforms shall have eye protection and parental supervision functions; (iii) the online after-school education institutions shall not hire any teacher who works for the primary or secondary schools. The relevant teaching staff are required to obtain necessary teacher qualification certificates. The online after-school education institutions' tutoring platforms and course interfaces shall publicise the names, photos and teacher qualification licences of training personnel, and the learning, working and teaching experiences of foreign teaching personnel; (iv) with the consent of students and their respective parents, online after-school education institutions shall verify the identification information of each student, and shall not illegally sell or provide such information to third parties. User behavior log must be kept for more than one year; (v) the charge items and standard and refund policy shall be specifically publicised on the training platforms. The prepaid fees can only be used for education and tutoring purpose, and shall not be used for other investment activities; where fees are charged based on the number of classes, fees are not allowed to be collected in a lump sum for more than 60 classes, and where fees are charged based on the length of the course, the fees shall not be collected for a course length of more than three months; and (vi) the online after-school education institutions found to have problems after reviewing by the competent provincial education regulatory authorities shall complete the rectification before the end of June 2020, and will be subject to fines, regulatory order to suspend operations or other regulatory and disciplinary sanctions if they fail to complete the rectification in time.

On 21 October 2019, the Education Department of Henan Province (河南省教育廳), jointly with other certain provincial government authorities, issued the Notice of the Implementation Plan on Regulating Online After-School Training in Henan Province (《河南省教育廳等六部門關於印發河南省規範校外線上培訓的實施方案的通知》), which requires, among others, that online after-school education institutions that (i) are registered or have its ICP filing in Henan; and (ii) provide online after-school tutoring services to students in primary or secondary schools using internet technology on academic subjects such as Chinese, Mathematics, English, Physics, Chemistry, Politics, History, Geography, Biology, and etc., to submit filing materials required under the Online After-School Training Opinions before 31 October 2019 via an official filing platform nationwide. As at the Latest Practicable Date, we had submitted the required filing pursuant to the Online After-School Training Opinions and the Notice of the Implementation Plan on Regulating Online After-School Training in Henan Province (《河南省教育廳等六部門關於印發河南省規範校外線上培訓的實施方案的通知》).

Regulation Related to Educational Applications

The MOE, jointly with certain other PRC government authorities, issued the Opinions on Guiding and Regulating the Orderly and Healthy Development of Educational Mobile Internet Applications (《關於引導規範教育移動互聯網應用有序健康發展的意見》, the "**Opinions on Educational Applications**") on 10 August 2019, which requires, among others, mobile applications that provide services for school teaching and management, student learning and student life, or home-school interactions, with school faculty, students or parents as the main users, and with education or learning as the main application scenarios (the "**Educational Applications**"), be filed with competent provincial education authorities before the end of 2019. The MOE expects to further promulgate implementation rules with respect to such filing requirements. The Opinions on Educational Applications also requires, among others, that: (i) before filing, the Educational Application's provider obtain the ICP Licence or complete the ICP filing and obtain the certificate and the grade evaluation report for graded protection of cyber security; (ii) Educational Applications whose main users are under the age of 18 limit the use time, specify the range of suitable ages, and strictly monitor their content; (iii) before an Educational Applications is introduced as a mandatory application to students, such Educational Applications be approved by the applicable school through its collective decision-making process and be filed with the competent education authority; and (iv) Educational Applications adopted by education authorities and schools as their uniformly used teaching or management tools not charge the students or parents any fee, and not offer any commercial advertisements or games.

On 11 November 2019, the MOE issued the Administrative Measures for the Filing of Educational Mobile Internet Applications (《教育移動互聯網應用程式備案管理辦法》), which provides, among others, that (i) the filing of the Educational Application's provider is implemented in "filing in one province and valid throughout the country". After the Educational Application's provider has filed in the place of registration, there is no need to repeat the filing for business in other regions of the PRC. Educational Applications developed by each subsidiary or branch of a company shall be aggregated by the company's head office and filed with the provincial education administration in the place where the company's head office is registered; and (ii) if the Educational Application's provider has changed the filling information, it should update the filling information.

Regulations on Qualifications of Teachers

Pursuant to the Implementation Rules for the Law on the Promotion of Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》), teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions provided for in the Teachers Law of the PRC (《中華人民共和國教師法》) (the "**Teachers Law**") issued by Standing Committee of the NPC, and the other relevant laws and regulations, and there shall be a definite number of full-time teachers in a private school. The Teachers Law shall apply to teachers specifically engaged in education and teaching at schools of various levels and categories or other institutions of education. Pursuant to the Teachers Law, "schools of various levels and categories" refers to the schools that carry out pre-school education, ordinary primary education, ordinary secondary education, vocational education, ordinary higher education, special education or adult education, and "other institutions of education" refers to ShaoNianGong (少年宮), local teaching, research offices and the institutions that conduct audio-visual education. In addition, pursuant to the Teachers Law, the relevant provisions of the Teachers Law may be applied mutatis mutandis in the light of the actual conditions to the educational and teaching assistants of schools or other institutions of education, as well as teachers and the educational and teaching assistants of schools of other categories.

Pursuant to the State Council Opinions 80 promulgated on 6 August 2018, no in-service public primary and secondary school teachers shall be employed by after-school education institutions and teachers of tutoring institutions shall have relevant teacher qualifications or professional skill qualifications. Teaching staff engaging in knowledge-based tutoring in Chinese, Mathematics, foreign language, Physics, Chemistry and other subjects in the compulsory education stage as well as those related to the entering of a higher school and their extension training shall have the relevant teacher qualifications. However, the legal consequences for after-school education institutions engaging in-service public primary and secondary school teachers had not been stipulated until the implementation of the Notice of the Measures to Reduce the Burden of Primary and Secondary Students (《教育部等九部門關於印發中小學生減負措施的通知》) on 28 December 2018.

On 28 December 2018, the MOE and other nine departments issued the Notice of the Measures to Reduce the Burden of Primary and Secondary Students (《教育部等九部門關於印發中小學生減負措施的通知》), which provides that after-school education institutions must have a relatively stable team of teachers, and all the teachers teaching courses in relation to school academic subjects shall obtain relevant teacher qualifications and be subject to social supervision. In the case that after-school education institutions engage in-service public primary and secondary school teachers for teaching activities, the private school operation permits of such after-school education institutions will be revoked, and the relevant teachers will be subject to punishments including the cancellation of the teacher qualifications under particularly serious circumstances.

Regulations on the Collection of Private Education Fees

According to the Amended Private Education Promotion Law, the items and rates of fees to be charged by private schools shall be (1) determined based on the costs for running schools, market demand and other factors, (2) made public, and (3) subject to the supervision by the relevant competent departments. The specific measures for non-profit private schools to charge fees shall be formulated by the governments of all provinces, autonomous regions and municipalities directly under the PRC Government. The fee-charging rates of for-profit private schools shall be subject to market adjustment, and be decided by the schools on their own. The fees charged by private schools shall mainly be used for carrying out educational and teaching activities, improving school conditions and ensuring the proper treatment of teachers and staff members.

REGULATIONS ON COMMERCIAL FRANCHISING

On 6 February 2007, The State Council issued the Administrative Regulations on Commercial Franchising (《商業特許經營管理條例》) (the "**Administrative Regulations on Commercial Franchising**"), pursuant to which franchisors participating in franchising activities shall have a fully-developed business model and the ability to provide operational guidance, technical support, and service training to the franchisee on continuous basis, and franchisors shall have, as a minimum, two directly-managed outlets and one year of business operation.

According to Administrative Measures for the Record Filing of Commercial Franchises (《商業特許經營備案管理辦法》) which came into effect on 1 February 2012 and the Administrative Regulations on Commercial Franchising, within 15 days of their first franchising contract signing, franchisors shall carry out record-filing with the competent commerce authority pursuant to the stipulations of these Regulations. Where the franchising activities are within the jurisdiction of province, autonomous region and municipality directly under the PRC Government, franchisors shall carry out the record-filing with the competent commerce departments of the people's governments of the various provinces, autonomous regions, municipalities directly under the PRC Government in their locality. Inter-provincial (regional, municipal) franchising activities shall be filed with the competent commerce department of the State Council. If a change in any of the following record filing information of a franchisor occurs, the franchisor shall, within 30 days as at the date on which the change occurs, apply for change of registration with the record filing authority: (1) information on the franchisor registered with the administration for industry and commerce; (2) information on business resources; and (3) the distribution of stores of all franchisees within the territory of China.

REGULATIONS RELATED TO ONLINE BUSINESS

Value-Added Telecommunications Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》, the "**Telecommunication Regulations**"), was promulgated by the State Council on 25 September 2000 and last amended on 6 February 2016. The Telecommunications Regulations categorise telecommunications services into basic telecommunications services and value-added telecommunications services. Operators of value-added telecommunications services must first obtain a value-added telecommunications business operating licence, from the MIIT or its provincial level counterparts. On 1 March 2009, the MIIT promulgated the Administrative Measures for Telecommunications Businesses Operating Licensing (《電信業務經營許可管理辦法》), which became effective on 10 April 2009 and was last amended on 3 July 2017, formulated in accordance with the

Telecommunication Regulations, sets out the types of licences required to provide telecommunication services in PRC and the procedures and requirements for obtaining such licences.

According to the Catalogue of Telecommunications Business (2015 Version) (《電信業務分類目錄》(2015年版)), attached to the Telecommunications Regulations, which was promulgated by the MIIT on 28 December 2015 and amended on 6 June 2019. Information services provided via fixed network, mobile network and Internet fall within value-added telecommunications services.

Internet Information Services

The State Council promulgated the Internet Information Services Administrative Measures (《互聯網信息服務管理辦法》), the "**Internet Information Measures**"), on 25 September 2000, and amended on 8 January 2011. According to the Internet Information Measures, internet information services refers to service activities which provide information to online users through the internet, which are divided into services of a commercial nature and services of a non-commercial nature. Commercial internet information services refer to paid services of providing information or creating webpages offered to online users through the internet, while non-commercial internet information services refer to services free of charge of providing public information to online users through the internet. Entities engaging in commercial internet information services shall obtain a licence for internet information services, or ICP Licence, from the appropriate telecommunications authorities. Entities engaging in non-commercial internet information services shall complete filings with the telecommunications authorities.

Broadcasting Audio-Visual Programs through the Internet or Other Information Network

The State Administration of Press, Publication, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣電總局) (the "**SAPPRFT**") and the MIIT jointly promulgated the Administrative Provisions on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》, the "**Audio-Visual Program Provisions**") on 20 December 2007, which came into effect on 31 January 2008 and amended on 28 August 2015, in order to engage in the business of transmitting audio-visual programs, a licence issued by the SAPPRFT is required. Under the Audio-Visual Program Provisions, "Internet audio-visual program services" is defined as the activity of producing, redacting and integrating audio-visual programs, providing them to the general public via internet, and providing services for other people to upload and transmit audio-visual programs; providers of internet audio-visual program services are required to obtain a licence for online transmission of audio-visual programs issued by the SAPPRFT or to complete certain registration procedures with the SAPPRFT. In general, providers of internet audio-visual program services must be either state-owned or state-controlled entities, and the business to be carried out by such providers must satisfy the overall planning and guidance catalogue for internet audio-visual program service determined by SAPPRFT.

On 17 March 2010, the SAPPRFT promulgated the Provisional Implementation of the Tentative Categories of Internet Audio-Visual Program Services (《互聯網視聽節目服務業務分類目錄》(試行), the "**Categories**"), as amended on 10 March 2017 which clarifies the scope of internet audio-visual program services. According to the Categories, there are four categories of internet audio-visual program services which are further divided into seventeen sub-categories. The third sub-category under the second category covers the making and editing of certain specialised audio-visual programs concerning, among other things, educational content and broadcasting such content to the general public online. However, there are still significant uncertainties relating to the interpretation and implementation of the Audio-Visual Program Provisions, in particular, the scope of the term "internet audio-visual programs".

Internet Cultural Activities

On 17 February 2011, the Ministry of Culture of the PRC promulgated the Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》, the "**Internet Culture Provisions**") which became effective on 1 April 2011 and amended on 15 December 2017. The Internet Culture Provisions require the internet content providers engaging in commercial internet cultural activities to obtain a permit from the appropriate culture authority. Internet cultural activities include (i) the activities such as the production, duplication, importation, release and broadcasting of internet cultural products; (ii) the online dissemination whereby cultural products are posted on the internet or transmitted via the internet to end users, such as computers, fixed-line telephones, mobile phones, television sets and games machines, for online users' browsing, use or downloading; and (iii) the exhibition and comparison of internet cultural products. "Internet cultural products" is defined in the Internet Culture Provisions as cultural products produced, broadcast and disseminated via the internet, which mainly include internet cultural products produced specifically for the internet, such as online music entertainment, online games, online shows and plays, online performances, online works of art and online cartoons, and internet cultural products produced from cultural products such as music entertainment, games, shows and plays, performances, works of art and cartoons and duplicated for dissemination on the internet.

Internet Publishing

On 4 February 2016, the SAPPRFT and the MIIT jointly issued the Administrative Measures of Internet Publishing Services (《網絡出版服務管理規定》, the "**Internet Publishing Measures**"), which became effective on 10 March 2016. According to the Internet Publishing Measures, an entity shall obtain an online publishing services permit to provide online publishing services. Online publishing services refers to the provision of online publications to the public through information networks. Online publications refer to digital works with publishing features such as having been edited, produced or processed and are made available to the public through information networks, including: (i) written works, pictures, maps, games, cartoons, audio/video reading materials and other original digital works containing useful knowledge or ideas in the field of literature, art, science or other fields; (ii) digital works of which the content is identical to that of any published book, newspaper, periodical, audio/video product, electronic publication or the similarities; (iii) network literature databases or other digital works, derived from any of the aforesaid works by selection, arrangement, collection or other means; and (iv) other types of digital works as may be determined by the SAPPRFT.

RELATING TO PUBLICATION DISTRIBUTION

The State Council promulgated the Administrative Regulations on Publishing (《出版管理條例》, the "**Publishing Regulations**") on 25 December 2001, and amended it on 6 February 2016. In accordance with the Publishing Regulations, publishing activities refer to the publishing, printing, copying, importation or distribution of publications, such as books, newspapers, periodicals, audio and video products and electronic publications, and an entity engaging in publishing activities is required to obtain an approval from the relevant publication administrative authorities. Under the Administrative Measures for the Publication Market, or the Publication Market Measures (《出版物市場管理規定》, the "**Publication Market Measures**"), which was jointly promulgated by the SAPPRFT and the MOFCOM and became effective on 25 March 2011, as amended on 31 May 2016, any enterprise or individual who engages in publication distribution activities shall obtain permission from SAPPRFT or its local counterpart. "Publication" is defined as "books, newspapers, periodicals, audio-visual products, and electronic publications", and "distributing" is defined as "general distribution, wholesale, retail, rental, exhibition and other activities", respectively, in the Publication Market Measures. Any enterprise or individual that engages in retail of publications shall obtain a publication business operating licence issued by the local counterpart of the SAPPRFT at the county level. In addition, any enterprise or individual that holds a publication business operating licence shall file with the relevant local counterpart of the SAPPRFT that granted such licence to it within 15 days since it begins to carry out any online publication distribution business.

REGULATIONS ON HOUSE LEASING

The Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), implemented on 1 February 2011, stipulates that the parties to house leasing shall, within 30 days after the conclusion of the house leasing contract, handle the house leasing registration and filing formalities at the construction (real estate) management department of the government of the municipality directly under the PRC Government, city or county at the place where the leased house is located. The construction (real estate) management department of the people's government of a municipality directly under the PRC Government, city or county shall order anyone violating it to make corrections within a prescribed time limit, and if an individual fails to do so, may impose a fine of not more than RMB1,000 on him; and if an entity fails to do so, may impose a fine of more than RMB1,000 and less than RMB10,000 on it.

REGULATIONS ON FIRE SAFETY

Pursuant to the Fire Safety Law of the PRC (《中華人民共和國消防法》), the Provisions on Administration of Construction Permit of Construction Projects (《建築工程施工許可管理辦法》) and other relevant laws and regulations, the building construction (or fit-out construction) with an investment amount of more than RMB300,000 and a construction area of more than 300 square meters should (i) pass the relevant fire control design examination; and (ii) complete the relevant fire control acceptance inspection.

According to the Fire Safety Law of the PRC (《中華人民共和國消防法》), failure to pass the relevant fire control design examination or complete the relevant fire control acceptance inspection shall be subject to: (i) orders to suspend the building construction (or fit-out construction), the use of such premises or the operation of relevant business; and (ii) a fine of between RMB30,000 and RMB300,000. Failure to complete a fire safety filing upon completion of the fire control acceptance inspection shall be subject to: (i) orders to make rectifications within a specified time limit; and (ii) a fine of not more than RMB5,000.

In accordance with the Interim Provisions on the Management of Fire Control Design Examination and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) (the "**Fire Control Management Provisions**"), which came into effect on 1 June 2020, the housing and urban-rural development bureaus at or above county level are responsible for the matters related to fire safety requirements. Pursuant to the Fire Control Management Provisions, the construction projects are classified under two categories, namely, special projects (特殊建設工程) and other projects (其他建設工程). For special projects, the fire control design examination and fire control acceptance inspection procedure applies, according to which the construction entity undertaking special projects shall submit the application for fire control design examination to the competent authority, who will take responsibility for the review results according to the laws and regulations. Following the inspection and acceptance procedures carried out over the completed special projects, the construction entity shall submit an application for fire control acceptance inspection with the competent authorities. For other projects, documentation filing procedures applies. The construction entities are only required to file with the competent authorities by submitting relevant documents and the competent authorities will issue the acknowledgment for completing the fire safety filing.

REGULATIONS RELATING TO COMPANIES

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》), or the Company Law, which was promulgated on 29 December 1993 and amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018. Under the Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The Company Law also applies to foreign-invested limited liability companies but where other relevant laws regarding foreign investment have provided otherwise, such other laws shall prevail. Pursuant to the Company Law, there is no prescribed time frame for the shareholders to make full capital contribution to a company, except otherwise provided in other relevant laws, administrative regulations and State Council decisions. Shareholders are only required to state the capital amount that they commit to subscribe in the articles of association of the company. Further, the initial payment of a company's registered capital is no longer subject to a minimum amount requirement and the business licence of a company will not show its paid-up capital. In addition, shareholders' contribution of the registered capital is no longer required to be verified by capital verification agencies.

According to the Notice on Zhengzhou's Certain Measures in Respond to the Novel Coronavirus Pneumonia Epidemic and to Facilitate the Steady and Healthy Development of Its Economy (《鄭州市關於應對新型冠狀病毒肺炎疫情促進經濟平穩健康發展的若干舉措》) issued by the General Office of Municipal Committee of China's Communist Party in Zhengzhou (中共鄭州市委辦公廳) and the General Office of Zhengzhou Municipal People's Government (鄭州市人民政府辦公廳) on 11 February 2020, the rents for medium, small and micro enterprises shall be reduced or exempted due to the outbreak of COVID-19. For the medium, small and micro enterprises that leased operational properties from state-owned enterprises, the rents are applicable to the policy of "two months exemption and three months half payment", i.e. the rents will be exempted for two months and reduced for 50% for three months thereafter. For medium, small and micro enterprises having difficulties in paying rents, they may postpone rent payment for a specific period agreed by both parties of the lease agreement upon negotiation. For the medium, small and micro enterprises that leased operational properties from other parties, the lessors (landlords) were encouraged to reduce or discharge rents.

REGULATIONS ON FOREIGN EXCHANGE

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》, the "**Foreign Exchange Administration Rules**"). The Foreign Exchange Administration Rules were promulgated by the State Council on 29 January 1996 and became effective on 1 April 1996 and were subsequently amended on 14 January 1997 and 5 August 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the SAFE, for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by the SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant government authorities (if necessary).

Under the Circular 37, (i) a PRC resident shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas SPV (the "**Overseas SPV**"), that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change in the Overseas

SPV's PRC resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division.

Pursuant to Circular 13, the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》, the "**Circular 19**"), which came into effect on 1 June 2015. According to the Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the discretionary foreign exchange settlement ("**Discretionary Foreign Exchange Settlement**"). The Discretional Foreign Exchange Settlement refers that the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily set at 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks.

Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes:

1. directly or indirectly used for payments beyond the business scope of the enterprises or payments as prohibited by relevant laws and regulations;

2. directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations;

3. directly or indirectly used for granting entrust loans in Renminbi (unless permitted by the scope of business), repaying inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to third parties; and

4. directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

The SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》, the "**Circular 16**"), on 9 June 2016, which became effective from the same date. Pursuant to the Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. Circular 16 provides a unified standard for the conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in the PRC. Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

Merger and Acquisition of Domestic Enterprises by Foreign Investors

Under the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic company which is related to or connected with it/him/her, approval from the MOFCOM is required.

According to the Interim Measures on Management of Establishment and Change of Foreign-Owned Enterprises, the merger and acquisition of domestic non-foreign invested enterprises by foreign investors shall, if not involving special access administrative measures and affiliated mergers and acquisitions, be subject to the record filing measures.

REGULATIONS ON INTELLECTUAL PROPERTY

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》), the valid period for registered trademark is ten years from the date of registration; to renewal trademark registration upon expiration, the trademark registrant should follow the provisions to manage renewal twelve months before expiration; if it is not processed within the period, a six-month extension period shall be given. Valid period for each renewal is ten years from the next day after the previous expiration date. If renewal is not managed after expiration, the trademark shall be canceled. Business administration authority shall sanction any infringement of trademark by law; where suspected crime is involved, the perpetrator shall be promptly apprehended by judicial agency for legal proceedings.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》), Chinese citizens, legal person or any other organisation shall be entitled to copyright of its work by this law whether or not such work is published or not. Copyright covers following forms of creative works: literature, art, natural science, engineering technology works, writing, narration, music, drama, opera, dance and acrobatic works, fine art and architectural works, photography, films and cinematography works, drawings of engineering designs and product designs, maps, illustrations other graphic works and model works; computer software and other works as prescribed by laws and administrative regulations. Perpetrator infringing on copyright or copyright related rights shall be held liable for actual damage to obligee, and may be fined, confiscated illegal income, pirate copies and properties used for illegal activity.

Domain Name

Pursuant to the Implementation Rules for Domain Registration (《域名註冊實施細則》) released by China Internet Network Information Centre (中國互聯網信息中心) on 28 May 2012 and effective on 29 May 2012, and the Internet Domain Name Management Measures (《互聯網域名管理辦法》) released by the MIIT on 24 August 2017 and effective from 1 November 2017, domain name registration shall be conducted through domain name registration management service institutions, on the basis of "first apply first register", unless otherwise specified by the implementation rules for a particular domain name. Domain name registration management service institution should enter into individual domain name registration agreement with applicant. Domain name holder should notice domain name registration management service institution any alteration in registration information other than that of the holder and apply for registration information change within thirty days after the alteration according to alteration recognition method selected at application.

REGULATIONS ON TAX

Corporate Income Tax

Pursuant to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) effective from 1 January 2008 and amended on 29 December 2018 and the Implementation Provisions for the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) effective on 1 January 2008, companies are classified into resident companies and non-resident companies. The corporate income tax rate is 25%, or 20% for non-resident company which has not set up organisation or operating site, or its income from established organisation or operating side is not really connected to such organisation or site, judging by the source of its income within China territory. High and new technology enterprise encouraged by the government shall be accorded with 15% income tax.

Pursuant to the Announcement on Issues Regarding Implementation of Preferential Income Tax Policy for High and New Technology Enterprise (《關於實施高新技術企業所得稅優惠政策有關問題的公告》) released on 19 June 2017 by the SAT, enterprise qualified as high and new technology enterprise shall entertain preferential tax from the year indicated on the certificate for high and new technology enterprise, and file for registration with taxation agency of jurisdiction according to relevant provisions. On expiration of the qualification as high and new technology enterprise, income tax shall be temporarily levied pursuant to a rate of 15% before renewal of the qualification; if such qualification shall not be obtained before the end of the year, the shortage shall be made up according to relevant provisions.

According to the Law for Promoting Private Education of the PRC, which came into effect on 1 September 2003 and amended on 29 November 2013, and its implementation rules, a private school that did not require reasonable returns enjoyed the same preferential tax treatment as public schools, whereas the preferential tax treatment policies applicable to private schools that require reasonable returns were separately formulated by the relevant authorities under the State Council.

According to the Amended Private Education Promotion Law, private schools will be entitled to preferential tax treatments, among which non-profit private schools will be entitled to the same preferential tax treatment as public schools, and taxation policies for for-profit private schools after the Amended Private Education Promotion Law takes effect are yet to be announced.

Withholding Income Tax

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on 21 August 2006, and four protocols respectively implemented as at 11 June 2008, 20 December 2010, 29 December 2015 and 6 December 2019, if Hong Kong resident holds at least 25% of the registered capital of a company in China, the withholding income tax rate applicable to the Chinese company for dividends payable to the Hong Kong resident is 5%. In all other cases, the withholding income tax rate applicable to the Chinese company for dividends payable to the Hong Kong resident is 10%.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) last amended on 19 November 2017, and its Implementation Rules (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF and last amended on 28 October 2011, tax payers engaging in sale of goods, provision of processing services, repairs and replacement services, sales of services, intangible assets or real property, or importation of goods within the territory of the PRC shall pay value-added tax (the "**VAT**").

On 16 November 2011, the MOF and the SAT jointly promulgated the Pilot Plan for Levying Value-Added Tax in lieu of Business Tax (《營業稅改徵增值稅試點方案》). Starting from 1 January 2012, the PRC Government has been gradually implementing a pilot program in certain provinces and municipalities, to levy a 6% VAT on revenue generated from modern service industries in lieu of the business tax.

The Measures for the Exemption of Value-Added Tax from Cross-Border Taxable Activities in the Collection of Value-Added Tax in Lieu of Business Tax (for Trial Implementation) (《營業稅改徵增值稅跨境應稅行為增值稅免稅管理辦法》(試行)), which was promulgated on 6 May 2016 by the SAT, and revised according to the Notice of State Administration of Taxation on Revising Some Normative Documents on Taxation (《國家稅務局關於修改部分稅收規範性文件的公告》) on 15 June 2018, provides that if a domestic enterprise provides cross-border taxable activities such as professional technology services, technology transfer, software service etc., the above mentioned cross-border taxable activities shall be exempted from the VAT.

Pursuant to the Circular on the Value-added Tax Policies for Financial, Rental Estate Development, Education Ancillary Services and other Sectors (《關於明確金融、房地產開發、教育輔助服務等增值稅政策的通知》promulgated by the MOF and SAT on 21 December 2016, education ancillary services provided by a general taxpayer can be subject to VAT at the tax rate of 3% based on the simplified calculation method as may be opted for by the taxpayer.

On 23 March 2016, the MOF and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (《關於全面推開營業稅改徵增值稅試點的通知》) which confirms that business tax will be completely replaced by the VAT from 1 May 2016.

Pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) issued by the MOF and SAT on 4 April 2018 and effective on 1 May 2018, the applicable VAT for VAT-taxable sales activities or imported goods are adjusted respectively from 17% and 11% to 16% and 10%.

According to the Announcement on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of Novel Coronavirus Pneumonia (《關於支援新型冠狀病毒感染的肺炎疫情防控有關稅收政策的公告》) issued by the MOF and the SAT on 6 February 2020, since 1 January 2020, revenues from providing transporting service, life service as well as collecting and delivery service of necessities for citizens shall be exempted from value-added tax.

Circular on Strengthening the Administration of Enterprise Income Tax for Share Transfer by Non-PRC Resident Enterprises

Pursuant to the Circular on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》, the "**SAT Circular 698**") promulgated by SAT on 10 December 2009, where a foreign investor transfers the equity interests of a PRC resident enterprise indirectly via disposing of the equity interests of an overseas holding company (an "**Indirect Transfer**"), and such an overseas holding company is located in a tax jurisdiction that (1) has an effective tax rate less than 12.5%, or (2) does not tax the foreign income of its residents, the foreign investor shall report this Indirect Transfer to the competent tax authority of the location in which the PRC resident enterprise is located. The PRC tax authority will examine the true nature of the Indirect Transfer, and if the tax authority considers that the foreign investor has adopted an "abusive arrangement" in order to avoid PRC tax, it may disregard the existence of the overseas holding company and re-characterise the Indirect Transfer.

On 3 February 2015, SAT issued the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》, the "**SAT Bulletin 7**"), which terminated the aforementioned articles of the SAT Circular 698. Pursuant to the SAT Bulletin 7, where a non-resident enterprise indirectly transfers properties such as equity in resident enterprises without any justifiable business purposes and with an aim to avoid the payment of EIT, such an indirect transfer must be reclassified as a direct transfer of equity in resident enterprise. To assess whether an indirect transfer of PRC taxable properties has reasonable commercial purposes, all arrangements related to the indirect transfer must be considered comprehensively and factors set forth in the SAT Bulletin 7 must be comprehensively analysed in light of the actual circumstances.

On 17 October 2017, SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》, the "**SAT Bulletin 37**"), which came into effect and superseded SAT Circular 698 on 1 December 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident EIT.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Employment

The relevant labor laws in the PRC include the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Provisional Measures for Company Employee Birth Insurance (《企業職工生育保險試行辦法》), the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), and the Provisional Management Measures for Social Insurance Registration (《社會保險登記管

理暫行辦法》) and Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) and other laws and regulations released from time to time by relevant governmental departments.

Pursuant to the Labour Law of the PRC (《中華人民共和國勞動法》) implemented on 1 January 1995 and last amended on 29 December 2018 by the Standing Committee of the NPC, enterprises and institutions must establish and improve work safety and health system, strictly enforce national regulations and standards on work safety and health, and carry out work safety and health education for workers. Working safety and health facilities must meet national standard. Enterprises and institutions must provide workers with working safety and health conditions meeting national provisions and relevant articles on labor protection.

Pursuant to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) effective from 1 January 2008 and amended on 28 December 2012 by the Standing Committee of the NPC, or the Labour Contract Law, enterprise or organisation which will establish or has established employment relationship with workers should make it official with written employment contract. No enterprise or institution may force workers to work over time, and employer should pay over-time fee to workers in line with relevant national provisions.

Pursuant to the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》), which were implemented by the MOHRSS on 1 March 2014, employers may employ despatched workers in temporary, auxiliary or substitutable positions only which shall not exceed 10% of the total number of its workers. If the employer violates the relevant labour despatch regulations, the labour administrative department shall order it to make corrections within a time limit; if it fails to make corrections within the time limit, penalty shall be imposed on the basis of more than RMB5,000 and less than RMB10,000 per person.

Pursuant to the Notice of the General Office of the Ministry of Human Resources and Social Security of the PRC on the Proper Handling of Labour Relations During the Prevention and Control of Pneumonia Epidemic Caused by the Novel Coronavirus (《人力資源社會保障部辦公廳關於妥善處理新型冠狀病毒感染的肺炎疫情防控期間勞動關係問題的通知》, the "**MOHRSS Circular No. 5**") issued by the MOHRSS on 24 January 2020, where corporate employees who are patients or suspected patients of the COVID-19 as well as their close contacts cannot provide normal service due to the quarantine or medical observation period and quarantine measures or other emergency measures imposed by the government, the enterprise shall pay them the salary of that period and shall not terminate the labour contract with employees in accordance with Articles 40 and 41 of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》). For labour contracts which expire during this period, they shall be extended to the termination of the medical treatment period, the medical observation period, the quarantine period or the emergency measures of the government due to the COVID-19.

According to the Notice of Department of Human Resources and Social Security of Henan Province forwarding the MOHRSS Circular No. 5, regarding Labour-related Works during the Proper Prevention from and Control of Pneumonia Epidemic Caused by the

Novel Coronavirus (《河南省人力資源和社會保障廳關於轉發人社廳明電 (2020) 5號文件，妥善做好新型冠狀病毒感染的肺炎疫情防控期間勞動關係工作的通知》) issued by Department of Human Resources and Social Security of Henan Province on 26 January 2020, for employees who are unable to provide normal work with more than one cycle of wage payment, the employers shall distribute living expenses, and the threshold of the cost of living shall not be less than 80% of the standard local minimum wage.

According to the Notice on Zhengzhou's Certain Measures in Respond to the Novel Coronavirus Pneumonia Epidemic and to Facilitate the Steady and Healthy Development of Its Economy (《鄭州市關於應對新型冠狀病毒肺炎疫情促進經濟平穩健康發展的若干舉措》) issued by the General Office of Municipal Committee of China's Communist Party in Zhengzhou (中共鄭州市委辦公廳) and the General Office of Zhengzhou Municipal People's Government (鄭州市人民政府辦公廳) on 11 February 2020, employers are required to stabilise the labour relationship. Employers suffering production and operation difficulties due to the COVID-19 are encouraged to adopt methods such as adjusting salary, rotating shifts, shortening working hours and awaiting job assignment through negotiation with employees, to stabilise job position and minimise or reduce layoffs. For insured enterprises with no layoffs or minimum layoffs, a subsidy of 50% of the actual unemployment insurance premium paid last year may be granted. For insured enterprises suffering from temporary production and operation difficulties but with possibility of recovery and insisting on no layoffs or minimum layoffs, the subsidy will be increased and the refund standard may be determined based on the six-month unemployment insurance premium (RMB9,120 per person) and the number of insured employees.

Social Insurance and Housing Provision

Pursuant to the Work-related Injury Insurance Regulations (《工傷保險條例》) effective from 1 January 2004 and amended on 20 December 2010 by the State Council, and Provisional Measures for Enterprise Employee Birth Insurance (《企業職工生育保險試行辦法》) released on 14 December 1994 by Labour Ministry of the PRC (currently known as the MOHRSS), the Decision on the Establishment of Unified Basic Pension System for Enterprise Employees (《關於建立統一的企業職工基本養老保險制度的決定》) released on 16 July 1997 by the State Council, the Decision on the Establishment of Basic Medical Insurance System for Urban Employees (《關於建立城鎮職工基本醫療保險制度的決定》) promulgated by the State Council on 14 December 1998, the Regulations on Unemployment Insurance (《失業保險條例》) released by the State Council on 22 January 1999, the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) released by the State Council on 22 January 1999 and last amended on 24 March 2019, and the Social Insurance Law of the PRC (中華人民共和國社會保險法) effective from 1 July 2011, and amended on 29 December 2018 by the Standing Committee of the NPC, employer should purchase social insurance policies for employees, including basic pension policy, basic medical insurance policy, unemployment insurance policy, maternity insurance policy and work-related injury insurance policy. Employer failing to make timely and full payment for social insurance shall be demanded by social security authority of jurisdiction to furnish payment plus overdue surcharge within designated time period. If such employer shall fail to make up for overdue payment within designated time period, related administrative department shall enforce punitive measures on the employer.

Pursuant to Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) released in 1999 and last amended in 2019 by the State Council, enterprises should file for housing accumulation fund registration with housing accumulation fund management centre, and set up housing accumulation fund account for employees at trusted bank after audited by the centre. Enterprises should make timely and full payment for employee housing accumulation fund.

On 18 September 2018, the general meeting of State Council announced that the policies for social insurance shall remain unchanged until the reform has been completed for the transfer of the authority for social insurance from the MOHRSS to the SAT on 1 January 2019. On 21 September 2018, the MOHRSS released an Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilisation the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) and required that the policies for both the rate and basis of social insurance contributions shall remain unchanged until the reform on the transfer of the authority for social insurance has been completed. On 16 November 2018, the SAT released the Notice of Certain Measures on Further Supporting and Serving the Development of Private Economy (《關於實施進一步支援和服務民營經濟發展若干措施的通知》), which provided that the policy for social insurance shall remain stable and the SAT will pursue to lower the social insurance contribution rates with the relevant authorities, and ensure the overall burden of social insurance contribution on enterprises will be lowered.

REGULATIONS ON PRIVATE LEARNING CENTRES IN HONG KONG

Regulations relating to school registration

In Hong Kong, every school should observe the Education Ordinance (Chapter 279 of the Laws of Hong Kong) (the "**Education Ordinance**") and the subsidiary regulations.

According to the Education Ordinance, a "school" means an institution, organisation or establishment which provides for 20 or more persons during any one day or eight or more persons at any one time, any nursery, kindergarten, primary, secondary or post-secondary education or any other educational course by any means, including correspondence delivered by hand or through the postal services.

The Education Ordinance provides that an application for registration of a school shall be made to the Permanent Secretary for Education (the "**Permanent Secretary**") in the specified form and accompanied by the documents specified in such form. If the school is to be operated in or in any part of any premises which are not designed and constructed for the purposes of a school, additional documents should be provided to obtain clearance from various government departments.

After an application for registration of a school is made and before the application is determined, the Permanent Secretary may provisionally register the school for such period, not exceeding 12 months, as he thinks fit. The Permanent Secretary may extend the period of provisional registration of a school for a further period not exceeding 12 months at one time as he thinks fit. On registering or provisionally registering a school, the Permanent Secretary shall issue to the management authority a certificate of registration or a certificate of provisional registration.

Any person who is an owner or a teacher in a school which is not registered or provisionally registered or any person who manages or takes part in the management of a school which is not registered or provisionally registered shall be guilty of an offense and shall be liable on conviction to a fine of HK$250,000 and to imprisonment for 2 years.

The Permanent Secretary and any inspector of schools may inspect any school for the purpose of ascertaining whether the Education Ordinance is being complied with and the school is being conducted satisfactorily. The Permanent Secretary and any inspector of schools may enter and inspect any premises which the Permanent Secretary has reason to suspect are being used for the purposes of a school which is not registered or provisionally registered. No school shall be operated in any premises other than the premises specified in the certificate of provisional registration or certificate of registration. The Permanent Secretary may, if a school is operated in any premises which are not specified in the certificate of registration or provisional registration of the school, by order in writing close such premises.

Education (Exemption) Order

The Education (Exemption) (Private Schools Offering Non-Formal Curriculum) Order (Chapter 279F of the Laws of Hong Kong) (the "**Education (Exemption) Order**") which came into operation on 1 July 2004, grants exemption from certain provisions of the Education Ordinance and the Education Regulations (Chapter 279A of the Laws of Hong Kong) (the "**Education Regulations**") to schools which (i) provide any educational course other than nursery, kindergarten, primary, secondary or post-secondary education; and (ii) are not funded wholly or partly by any subsidy from the Hong Kong government (the "**Exempted Schools**").

Exempted Schools under the Education (Exemption) Order are exempted from certain requirements of the provisions of the Education Ordinance and the Education Regulations relating to five different categories, subject to compliance with specified conditions under the Education (Exemption) Order:

(i) *Fees*. Exempted Schools and their owners, managers, supervisor, principal and teachers are exempted from the requirements of the provisions relating to, among other things, method of payment, approval for change in fees and prohibition of fees other than inclusive fees;

(ii) *Employment of teachers*. Exempted Schools and their managers, supervisor and principal are exempted from the requirements of the provisions relating to, among other things, application to employ permitted teachers and grounds for refusal to issue permit to teach;

(iii) *Teachers' qualifications*. The teachers of Exempted Schools are exempted from the requirements of the provisions relating to, among other things, teachers to be registered or permitted teachers;

(iv) *Principals*. The managers, supervisor, principal and teachers of Exempted Schools are exempted from the requirements of the provisions relating to, among other things, grounds for refusal to approve principal and tenure of office of principal; and

(v) *Holidays and hours of instruction*. Exempted Schools and their managers, supervisors and principals are exempted from the requirements of the provisions relating to notice of school holidays, restriction on holidays, list of holidays to be posted and hours of instruction.

Exempted Schools are still required to comply with the provisions of Education Ordinance and Education Regulations other than those exempt provisions stipulated in the Education (Exemption) Order.

If an Exempted School fails to comply with any conditions of a particular category specified in the Education (Exemption) Order, it is not entitled to the exemption granted under the category concerned. The school is then obliged to comply with those exempt provisions of that particular category. Otherwise, it may be prosecuted or have the registration of the managers or school cancelled.

OUR HISTORY AND DEVELOPMENT

Overview

The history of our Group can be traced back to 1998 when our executive Director, Mr. Zhang, started to prepare for setting up of our first self-operated teaching centre. In March 2000, Zhengzhou Jinshui Dashan Foreign Language Training School* (鄭州金水大山外國語培訓學校) was established. During 2000 to 2005, we established three additional self-operated teaching centres which were private non-enterprise units, namely (i) Zhengzhou Zhongyuan Dashan Foreign Language School* (鄭州市中原大山外國語學校); (ii) Zhengzhou Guancheng Huizu District Dashan Foreign Language School* (鄭州市管城回族區大山外國語學校); and (iii) Zhengzhou Erqi District Dashan Foreign Language Training School* (鄭州市二七區大山外國語培訓學校). All of the above mentioned private self-operated teaching centres had transferred all of their business, assets, liabilities and employees to Dashan Training, or its branch offices or its wholly-owned subsidiary, Jing Guang Dashan in the end of 2015, for the preparation for the listing on the NEEQ in 2016. For further details, please refer to the paragraph headed "Preparation for listing on the NEEQ" in this section.

According to the Frost & Sullivan Report, we were the largest primary and secondary after-school education service provider in Henan in terms of the number of student enrolments in 2019 and in Zhengzhou in terms of the revenue in 2019, respectively. As at the Latest Practicable Date, we had 80 self-operated teaching centres.

Business milestones

The following illustrate our major development and milestones since our establishment:

Year	Event
2000	Zhengzhou Jinshui Dashan Foreign Language Training School* (鄭州金水大山外國語培訓學校), our first self-operated teaching centre, was established
2003	We were granted the qualification to hire foreign experts (聘請外國專家任教資格) by the State Administration of Foreign Experts Affairs (國家外國專家局)
2006	Zhengzhou Jinshui Dashan Foreign Language Training School* (鄭州金水大山外國語培訓學校) obtained the international quality management system certification* (質量管理體系認證證書) ISO9001:2000

Year	Event
2007	Zhengzhou Jinshui Dashan Foreign Language Training School* (鄭州金水大山外國語培訓學校) were awarded China's top ten brand education and training institutions (中國十大品牌教育培訓機構) by China Education Training Institution Brand Overall Judging Panel of National Institute of Education Sciences* (教育部中央教育科學研究所培訓中心中國教育機構品牌總評組委會). Please refer to the section headed "Business — Major qualification, certifications and awards" in this prospectus for details on the awards and recognitions received by our Group
2013	We commenced to provide Mathematics tutoring services
2016	Dashan Training was listed on the NEEQ (stock code: 870106)
2018	Dashan Training delisted its shares from the NEEQ

HISTORY OF OUR MAJOR CONSOLIDATED AFFILIATED ENTITIES

As at the Latest Practicable Date, we had two Consolidated Affiliated Entities. Set out below is a summary of certain corporate information in respect of the two Consolidated Affiliated Entities.

1. Dashan Training

Establishment

Dashan Training (formerly known as Zhengzhou Dashan Education Consultancy Company Limited* (鄭州大山教育諮詢有限公司) and Zhengzhou Dashan Education Technology Company Limited* (鄭州大山教育科技股份有限公司)) was established as a limited liability company in the PRC on 30 December 2010 with an initial registered capital of RMB1,000,000 which was paid up by cash. The principal business of Dashan Training is the provision of primary and secondary after-school education services in Zhengzhou.

The structure of the registered capital of Dashan Training upon establishment was as follows:

Shareholder	Registered capital *(RMB)*	Percentage
Mr. Zhang	850,000	85%
Mr. Shan Jingchao	100,000	10%
Mr. Zhang Junying	50,000	5%
Total	1,000,000	100%

Increase in registered capital

On 5 April 2016, Dashan Training had its registered capital increased from RMB1,000,000 to RMB22,000,000. The additional capital contributions of RMB10,000,000 made by Mr. Zhang was paid up by cash which was settled on 27 April 2016 and the additional capital contributions of RMB11,000,000 made by means of investment in kind by Hou De Education was settled by 29 April 2016.

After the increase in registered capital, the structure of the registered capital of Dashan Training was as follows:

Shareholder	Registered capital *(RMB)*	Approximate percentage
Hou De Education *(Note)*	11,000,000	50.00%
Mr. Zhang	10,850,000	49.32%
Mr. Shan Jingchao	100,000	0.45%
Mr. Zhang Junying	50,000	0.23%
Total	22,000,000	100%

Note: At the time of the increase in registered capital, Hou De Education was owed as to 100% by Mr. Zhang.

Preparation for listing on the NEEQ

Prior to our listing on the NEEQ, Dashan Training had seven branch offices, namely, (i) Guancheng Branch Office* (管城分公司), (ii) Zhongyuan Branch Office* (中原分公司), (iii) Huiji Branch Office* (惠濟分公司), (iv) Shangjie Branch Office* (上街分公司), (v) Longhu Branch Office* (龍湖分公司) (formerly known as Xinzheng Branch Office* (新鄭分公司)), (vi) Gaoxin Branch Office* (高新分公司), and (vii) Jingkai Branch Office* (經開區分公司).

In preparation of the listing on the NEEQ, we had taken the following steps:

(i) Deregistration of our private non-enterprise units

We had four self-operated teaching centres which were private non-enterprise units during 2000 to 2005, namely (i) Zhengzhou Jinshui Dashan Foreign Language Training School* (鄭州金水大山外國語培訓學校), (ii) Zhengzhou Zhongyuan Dashan Foreign Language School* (鄭州市中原大山外國語學校), (iii) Zhengzhou Guancheng Huizu District Dashan Foreign Language School* (鄭州市管城回族區大山外國語學校) and (iv) Zhengzhou Erqi District Dashan Foreign Language Training School* (鄭州市二七區大山外國語培訓學校).

Pursuant to the Interim Regulations of the PRC on Registration Administration of Private Non-enterprise Units (《民辦非企業單位登記管理暫行條例》), a private non-enterprise unit shall not conduct business activities for profit. In addition, according to the memorandum and articles of association of the above mentioned teaching centres, the retained earnings of the teaching centres was non-transferable and should not be used for investments, guarantees or paying dividends. As such, there was a limitation on the use of the retained earnings of the above mentioned teaching centres.

In light of the above and in preparation of the listing on the NEEQ, we decided to deregister the abovementioned teaching centres and operate the business of these teaching centres through Dashan Training and its subsidiary, which was considered to be favourable for our investors upon our listing on the NEEQ. Commencing from the end of 2015, we began transferring all of the business, assets, liabilities and employees of the abovementioned teaching centres to Dashan Training and its wholly-owned subsidiary, etc. and subsequently deregistered these teaching centres. Set out below is a summary of the transfers:

Transferor	Transferee
Zhengzhou Jinshui Dashan Foreign Language Training School* (鄭州金水大山外國語培訓學校)	Dashan Training
Zhengzhou Zhongyuan Dashan Foreign Language School* (鄭州市中原大山外國語學校)	Zhongyuan Branch Office* (中原分公司) of Dashan Training
Zhengzhou Guancheng Huizu District Dashan Foreign Language School* (鄭州市管城回族區大山外國語學校)	Guancheng Branch Office* (管城分公司) of Dashan Training
Zhengzhou Erqi District Dashan Foreign Language Training School*(鄭州市二七區大山外國語培訓學校)	Jing Guang Dashan

As confirmed by our Directors and by Win-Full Law Firm, our PRC legal advisers for our listing on the NEEQ, the transfers had been completed in compliance in all material aspects with all applicable laws.

(ii) Conversion from limited liability company to joint-stock company

In July 2016, Dashan Training was converted into a joint-stock company, with its net assets converted into 27,500,000 issued shares at a nominal value of RMB1 each attributable to the then shareholders in proportion to their original shareholdings.

Upon completion of the conversion from a limited liability company to a joint-stock company, the shareholding of Dashan Training was set forth below:

Shareholder	Number of shares	Approximate percentage
Hou De Education *(Note)*	13,750,000	50.00%
Mr. Zhang	13,562,500	49.32%
Mr. Shan Jingchao	125,000	0.45%
Mr. Zhang Junying	62,500	0.23%
Total	27,500,000	100%

Note: At the time of the conversion, Hou De Education was owed as to 100% by Mr. Zhang.

On 20 July 2016, Dashan Management subscribed for 4,760,000 shares in Dashan Training at a consideration of RMB4,998,000. The consideration was settled on 26 July 2016. The issued share capital of Dashan Training was increased from 27,500,000 shares to 32,260,000 shares.

Upon completion of the subscription of shares by Dashan Management and increase in issued share capital, the shareholding of Dashan Training was set forth below:

Shareholder	Number of shares	Approximate percentage
Hou De Education *(Note 1)*	13,750,000	42.62%
Mr. Zhang	13,562,500	42.04%
Dashan Management *(Note 2)*	4,760,000	14.76%
Mr. Shan Jingchao	125,000	0.39%
Mr. Zhang Junying	62,500	0.19%
Total	32,260,000	100%

Notes:

1. At the time of the increase in issued share capital, Hou De Education was owed as to 100% by Mr. Zhang.

2. At the time of increase in issued share capital, Dashan Management was owned as to approximately 9.46% by Hou De Education and as to approximately 90.54% by others. Others include: (i) as to approximately 21.01% by Mr. Jia Shuilin, as to approximately 6.30% by Mr. Shan Jingchao and as to approximately 6.30% by Mr. Ma Wenhao, each being a Director; (ii) as to approximately 2.10% by Mr. Guo Xianwei, being a member of the senior management of our Group; (iii) as to approximately 15.97% by Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, and as to approximately 14.71% by Mr. Ou Junzhan, being a director of Dashan Training; (iv) as to approximately 6.30% by Mr. Cheng Yang, as to approximately 3.15% by Mr. Tang Enze, as to approximately 3.15% by Ms. Song Yifei, approximately 3.15% by Ms. Wang Weiping and approximately 2.10% by Ms.

Sun Nuo, each being an employee of Dashan Training; (v) approximately 2.10% by Mr. Wang Jian, a former supervisor of a subsidiary of our Company; (vi) approximately 3.15% by Ms. Shi Wenli, a former deputy general manager of a subsidiary of our Company; and (vii) approximately 1.05% by Ms. Zhang Honghua, the sister of Mr. Zhang.

On 21 December 2016, all of the issued shares of Dashan Training were listed on the NEEQ with its then stock code being 870106.

Delisting from the NEEQ

Motivated by the successful listings and fund-raising exercises of other companies listed on the NEEQ, Dashan Training applied for and subsequently listed on the NEEQ in December 2016. Despite Dashan Training did not raise any funds during its listing on the NEEQ, leveraging on the positive impacts brought by the listing status on the NEEQ, there was a rapid growth on the business scale of Dashan Training and its performance has greatly improved. In view of the trading system of the NEEQ and in the absence of the transfer of listing mechanism to other stock exchanges, the listing on the NEEQ can no longer satisfy the capital needs of Dashan Training in supporting its continuous business development.

In light of the long-term development planning, the then directors and the then shareholders of Dashan Training resolved to voluntarily delist the shares of Dashan Training from the NEEQ at a board of directors meeting on 19 June 2018 and the extraordinary general meeting on 10 July 2018, respectively. On 30 July 2018, the shares of Dashan Training were delisted from the NEEQ. Immediately prior to the delisting from the NEEQ, Dashan Training had 32,260,000 shares in issue which were the same as the number of shares in issue upon listing on the NEEQ. During the listing on the NEEQ, none of the shares of Dashan Training were traded and there was no equity fundraising being carried out by Dashan Training. As such, there was no market capitalisation during its listing on the NEEQ. Immediately following the delisting, the shareholding of Dashan Training was set forth below:

Shareholder	**Number of shares**	**Approximate percentage**
Hou De Education *(Note 1)*	13,750,000	42.62%
Mr. Zhang	13,562,500	42.04%
Dashan Management *(Note 2)*	4,760,000	14.76%
Mr. Shan Jingchao	125,000	0.39%
Mr. Zhang Junying	62,500	0.19%
Total	32,260,000	100%

Notes:

1. At the time of delisting, Hou De Education was owned as to 100% by Mr. Zhang.

2. At the time of delisting, Dashan Management was owned as to approximately 17.65% by Hou De Education and as to approximately 82.35% by others. Others include: (i) as to approximately 21.01% by Mr. Jia Shuilin, as to approximately 6.30% by Mr. Shan Jingchao and as to approximately 6.30% by Mr. Ma Wenhao, each being a Director; (ii) as to approximately 2.10% by Mr. Guo Xianwei, being a member of the senior management of our Group; (iii) as to approximately 15.97% by Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, and as to approximately 14.71% by Mr. Ou Junzhan, being a director of Dashan Training; (iv) as to approximately 6.30% by Mr. Cheng Yang, as to approximately 3.15% by Mr. Tang Enze, as to approximately 3.15% by Ms. Song Yifei, approximately 0.63% by Ms. Wang Weiping and approximately 0.63% by Ms. Sun Nuo, each being an employee of Dashan Training; and (v) approximately 2.10% by Mr. Wang Jian, a former supervisor of a subsidiary of our Company.

The delisting from the NEEQ was a commercial and strategic decision made by the then directors and the then shareholders, based on Dashan Training's business development plans and desire to attain greater access to international investors and markets by Listing on the Stock Exchange. Furthermore, the successful listing on the Stock Exchange of a PRC private education service provider of similar geographical location in or around early 2017 has also served as a precedent for us in seeking a listing status in the Hong Kong capital market. It occurred to our management that the business of Dashan Training has satisfied the basic requirements and conditions for a listing on the Stock Exchange and therefore, we have proceeded to apply for the Listing.

Our Directors believe that the delisting from the NEEQ and application for the Listing will be beneficial to our business and marketing development strategies since (i) the Stock Exchange, as a leading player of the international financial market, could offer us direct access to the international capital market, enhance our fund-raising capabilities and channels and broaden our Shareholders base; and (ii) the Listing will allow us to further broaden our business portfolio and to raise our brand awareness and influence on the market so as to speed up our steps in becoming a renowned listed after-school education service provider.

Compliance during listing on the NEEQ

Our Directors confirm that, to the best of their knowledge and belief, during the period that Dashan Training was listed on the NEEQ, Dashan Training had complied with all applicable PRC securities laws as well as the rules and regulations of the NEEQ in all material respects and had not been subject to any disciplinary action by any relevant authorities.

As advised by Win-Full Law Firm, our PRC legal advisers for our listing on the NEEQ, Dashan Training had not been subject to any regulatory measures or disciplinary enquiries/investigations/actions by The National Equities Exchange and Quotations Co., Ltd., or regulatory measures, administrative penalties, enquiries or investigations by the China Securities Regulatory Commission and its representative office during the period of its listing on the NEEQ up to the date of delisting and the delisting has fulfilled the required legal procedures. Our Directors further confirm and the Sole Sponsor concurs that save as disclosed in this section, there is no matter that needs to be brought to the attention of the regulators and investors in relation to Dashan Training's listing on and delisting from the NEEQ mentioned above.

Capital contribution of Dashan Training by Dashan Management and Mr. Zhang Junying in October 2018

On 18 October 2018, as part of the Reorganisation, Dashan Management injected all of its shares in Dashan Training and Mr. Zhang Junying injected his 12,500 shares, representing approximately 14.76% and 0.03% in Dashan Training, respectively, by way of capital contribution into Dashan Consultancy. For details of the reasons for establishment of Dashan Consultancy, please refer to "Reorganisation — 1. Reorganisation of the onshore companies — (i) Establishment of Dashan Consultancy and equity capital contribution of Dashan Training" in this section.

Upon completion of the above and as at the Latest Practicable Date, the shareholding of Dashan Training was set forth as follows:

Shareholder	Number of shares	Approximate percentage
Hou De Education *(Note 1)*	13,750,000	42.62%
Mr. Zhang	13,562,500	42.04%
Dashan Consultancy *(Note 2)*	4,772,500	14.79%
Mr. Shan Jingchao	125,000	0.39%
Mr. Zhang Junying	50,000	0.16%
Total	32,260,000	100%

Notes:

1. At the time of the conversion of capital contribution, Hou De Education was owned as to 100% by Mr. Zhang.

2. At the time of the conversion of capital contribution, Dashan Consultancy was owned as to approximately 99.74% by Dashan Management and as to approximately 0.26% by Mr. Zhang Junying, a director of Dashan Training and Jing Guang Dashan. Dashan Management was owned as to approximately 17.65% by Hou De Education and as to approximately 82.35% by others. Others include: (i) as to approximately 21.01% by Mr. Jia Shuilin, as to approximately 6.30% by Mr. Shan Jingchao and as to approximately 6.30% by Mr. Ma Wenhao, each being a Director; (ii) as to approximately 2.10% by Mr. Guo Xianwei, being a member of the senior management of our Group; (iii) as to approximately 18.07% by Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, and as to approximately 14.71% by Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to approximately 6.30% by Mr. Cheng Yang, as to approximately 3.15% by Mr. Tang Enze, as to approximately 3.15% by Ms. Song Yifei, approximately 0.63% by Ms. Wang Weiping and approximately 0.63% by Ms. Sun Nuo, each being an employee of Dashan Training.

Reconversion into a limited liability company

As part of the Reorganisation, Dashan Training was reconverted into a limited liability company in the PRC in November 2018. For further details, please refer to the paragraph headed "Reorganisation — 1. Reorganisation of the onshore companies — (ii) Conversion of Dashan Training from a joint-stock company to a limited liability company" in this section.

2. Jing Guang Dashan

Jing Guang Dashan was established as a limited liability company in the PRC with a registered capital of RMB1 million on 21 September 2015. The principal business of Jing Guang Dashan is the provision of primary and secondary after-school education service.

The structure of the registered capital of Jing Guang Dashan since its establishment and as at the Latest Practicable Date was as follows:

Shareholder	Registered capital *(RMB)*	Percentage
Dashan Training	1,000,000	100%

DEREGISTRATION OF SUBSIDIARIES

1. Dashan Ruan Jian

Dashan Ruan Jian was established as a limited liability company in the PRC with a registered capital of RMB1 million on 16 March 2011. The principal business of Dashan Ruan Jian was the provision of brand name licensing services. Dashan Ruan Jian was wholly-owned by Dashan Training[(Note)] immediately prior to its deregistration.

Note: At that time, Dashan Training was owned as to approximately 42.62% by Hou De Education, approximately 42.04% by Mr. Zhang, approximately 0.39% by Mr. Shan Jingchao, approximately 0.19% by Mr. Zhang Junying and approximately 14.76% by Dashan Management. Hou De Education was owned as to 100% by Mr. Zhang. Dashan Management was owned as to approximately 17.65% by Hou De Education and approximately 82.35% by others. Others include: (i) as to approximately 21.01% by Mr. Jia Shuilin, as to approximately 6.30% by Mr. Shan Jingchao and as to approximately 6.30% by Mr. Ma Wenhao, each being a Director; (ii) as to approximately 2.10% by Mr. Guo Xianwei, each being a member of the senior management of our Group; (iii) as to approximately 18.07% by Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan and as to approximately 14.71% by Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to approximately 6.30% by Mr. Cheng Yang, as to approximately 3.15% by Mr. Tang Enze, as to approximately 3.15% by Ms. Song Yifei, approximately 0.63% by Ms. Wang Weiping and approximately 0.63% by Ms. Sun Nuo, each being an employee of Dashan Training.

Since the business of Dashan Ruan Jian was taken up by Dashan Training and WFOE, our Directors decided to deregister Dashan Ruan Jian.

Dashan Ruan Jian made application for deregistration and the deregistration of Dashan Ruan Jian was approved by relevant government authority on 23 May 2019.

2. Ai Zhi Tang

Ai Zhi Tang was established as a limited liability company in the PRC with an initial registered capital of RMB500,000 on 25 August 2016 and its registered capital was increased to RMB15,000,000 in August 2017. The principal business of Ai Zhi Tang was the provision of corporate management consultation. Ai Zhi Tang was wholly-owned by Dashan Training*(Note)* immediately prior to its deregistration.

Note: At that time, Dashan Training was owned as to approximately 42.62% by Hou De Education, approximately 42.04% by Mr. Zhang, approximately 0.39% by Mr. Shan Jingchao, approximately 0.19% by Mr. Zhang Junying and approximately 14.76% by Dashan Management. Hou De Education was owned as to 100% by Mr. Zhang. Dashan Management was owned as to approximately 17.65% by Hou De Education and approximately 82.35% by others. Others include: (i) as to approximately 21.01% by Mr. Jia Shuilin, as to approximately 6.30% by Mr. Shan Jingchao and as to approximately 6.30% by Mr. Ma Wenhao, each being a Director; (ii) as to approximately 2.10% by Mr. Guo Xianwei, being a member of the senior management of our Group; (iii) as to approximately 18.07% by Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, and as to approximately 14.71% by Mr. Ou Junzhan, being a director of Dash Training; and (iv) as to approximately 6.30% by Mr. Cheng Yang, as to approximately 3.15% by Mr. Tang Enze, as to approximately 3.15% by Ms. Song Yifei, approximately 0.63% by Ms. Wang Weiping and approximately 0.63% by Ms. Sun Nuo, each being an employee of Dashan Training.

As Ai Zhi Tang had not commenced any material business operations since its establishment, Ai Zhi Tang made application for deregistration and the deregistration of Ai Zhi Tang was approved by relevant government authority on 13 June 2019.

3. An Li Chen

An Li Chen was established as a limited liability company in the PRC with a registered capital of RMB5,000,000 on 18 September 2017. An Li Chen was owned as to 98% by Ai Zhi Tang, which was in turn wholly-owned by Dashan Training*(Note)*, and 2% by Ms. Xing Bing, a director of An Li Chen, immediately prior to its deregistration.

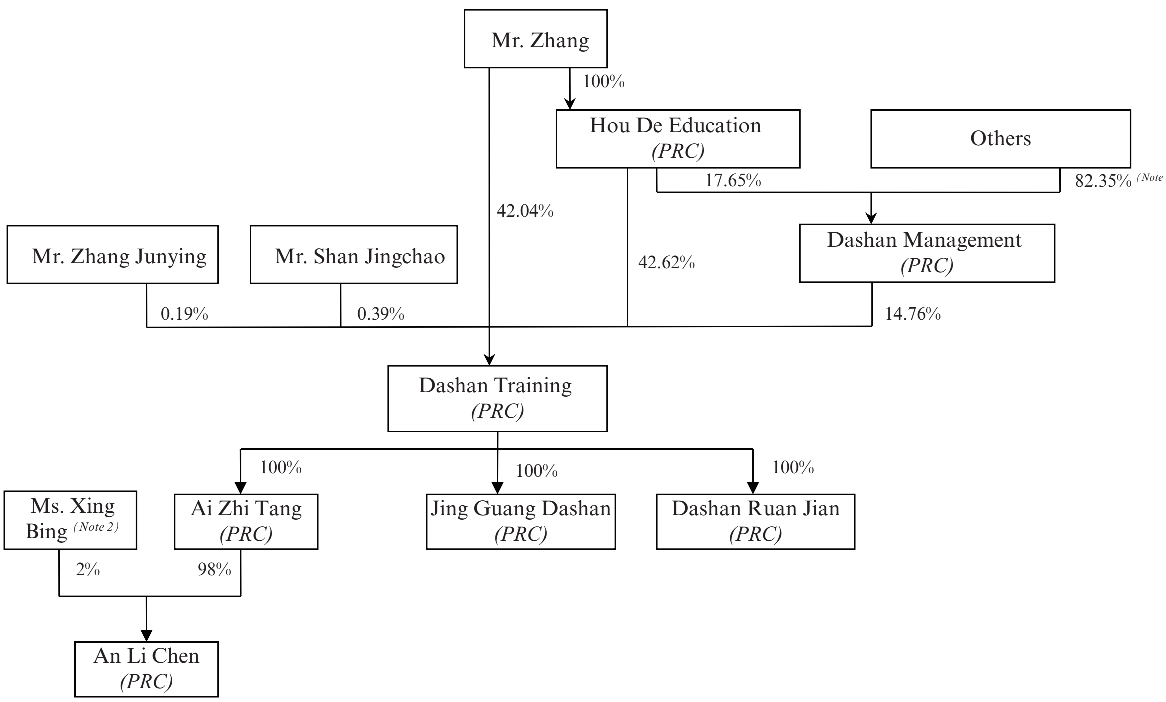
Note: At that time, Dashan Training was owned as to approximately 42.62% by Hou De Education, approximately 42.04% by Mr. Zhang, approximately 0.39% by Mr. Shan Jingchao, approximately 0.19% by Mr. Zhang Junying and approximately 14.76% by Dashan Management. Hou De Education was owned as to 100% by Mr. Zhang. Dashan Management was owned as to approximately 17.65% by Hou De Education and approximately 82.35% by others. Others include: (i) as to approximately 21.01% by Mr. Jia Shuilin, as to approximately 6.30% by Mr. Shan Jingchao and as to approximately 6.30% by Mr. Ma Wenhao, each being a Director; (ii) as to approximately 2.10% by Mr. Guo Xianwei, being a member of the senior management of our Group; (iii) as to approximately 18.07% by Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan and as to approximately 14.71% by Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to approximately 6.30% by Mr. Cheng Yang, as to approximately 3.15% by Mr. Tang Enze, as to approximately 3.15% by Ms. Song Yifei, approximately 0.63% by Ms. Wang Weiping and approximately 0.63% by Ms. Sun Nuo, each being an employee of Dashan Training.

As An Li Chen had not commenced any material business operation since its establishment, An Li Chen made application for deregistration and the deregistration of An Li Chen was approved by the relevant government authority on 27 December 2018.

As confirmed by our Directors, each of Dashan Ruan Jian, Ai Zhi Tang and An Li Chen was solvent immediately before deregistration. The deregistration of each of Dashan Ruan Jian, Ai Zhi Tang and An Li Chen had no material adverse impact on our financial performance and business operation, and each of Dashan Ruan Jian, Ai Zhi Tang and An Li Chen had not been involved in any material claim, complaint, investigation or litigation prior to their respective deregistration. To the best of our Directors' understanding, our Directors believe that there was no material non-compliance of each of Dashan Ruan Jian, Ai Zhi Tang prior to their respective deregistration, and the deregistrations were lawful, valid and in compliance with the relevant PRC legal requirements.

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

The following chart shows the shareholding and corporate structure of our Group immediately before the Reorganisation:



Notes:

1. Dashan Management is owned (i) as to approximately 21.01% by Mr. Jia Shuilin, as to approximately 6.30% by Mr. Shan Jingchao and as to approximately 6.30% by Mr. Ma Wenhao, each being a Director; (ii) as to approximately 2.10% by Mr. Guo Xianwei, being a member of the senior management of our Group; (iii) as to approximately 18.07% by Mr. Zhang Junying and as to approximately 14.71% by Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to approximately 6.30% by Mr. Cheng Yang, as to approximately 3.15% by Mr. Tang Enze, as to approximately 3.15% by Ms. Song Yifei, approximately 0.63% by Ms. Wang Weiping and approximately 0.63% by Ms. Sun Nuo, each being an employee of Dashan Training.

2. Ms. Xing Bing was a director of An Li Chen prior to its deregistration.

REORGANISATION

The companies comprising our Group underwent the Reorganisation in preparation for the Listing, pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

1. Reorganisation of the Onshore Companies

(i) Establishment of Dashan Consultancy and equity capital contribution of Dashan Training

According to article 10 of the Amended Private Education Promotion Law, the social bodies which apply for the establishment of a private school shall possess the qualifications as legal persons. In addition, according to article 57 of the Company Law of the PRC (《中華人民共和國公司法》), an one-person limited liability company refers to a limited liability company with only one natural person shareholder or a legal person shareholder.

Dashan Management, as a limited partnership, is not considered to be a separate legal person and is unable to establish a one-person limited liability company. As such, Dashan Management, through its ownership of shares in Dashan Training, invested in a limited liability company by indirect shareholding. On 18 October 2018, Dashan Consultancy was established under the laws of the PRC by Dashan Management jointly with Mr. Zhang Junying. Dashan Consultancy is jointly owned by Dashan Management as to approximately 99.74% and Mr. Zhang Junying as to approximately 0.26%, respectively, whereas their respective capital contribution were satisfied by Dashan Management and Mr. Zhang Junying injecting all of its shares and part of his shares, representing approximately 14.76% and 0.03% of the entire equity interests, in Dashan Training, by way of capital contribution into Dashan Consultancy.

Immediately after the aforementioned changes, Dashan Consultancy became interested in approximately 14.79% of the entire equity interests in Dashan Training.

(ii) Conversion of Dashan Training from a joint-stock company to a limited liability company

Pursuant to article 9 of the Company Law of the PRC (《中華人民共和國公司法》), a joint-stock company is allowed to be converted into a company with limited liability. As such, on 29 November 2018, Dashan Training was converted from a joint-stock company to a limited liability company and its name was changed from Zhengzhou Dashan Education Technology Company Limited* (鄭州大山教育科技股份有限公司) to Zhengzhou Jinshui Dashan Training School Company Limited* (鄭州市金水區大山培訓學校有限公司).

(iii) Establishment of WFOE

WFOE was established in the PRC on 9 January 2019, with a registered capital of RMB1.0 million which was wholly and directly held by Dashan Education (HK).

(iv) The deregistration of Dashan Ruan Jian, An Li Chen and Ai Zhi Tang

Since the business of Dashan Ruan Jian was taken up by Dashan Training and WFOE, Dashan Ruan Jian was deregistered on 23 May 2019. Furthermore, since An Li Chen and Ai Zhi Tang had not commenced any material business operations, they were deregistered on 27 December 2018 and 13 June 2019, respectively. For details, please refer to the paragraph headed "Deregistration of subsidiaries" in this section.

(v) Disposal of publication business

As publication business does not fall within the Negative List, and the Contractual Arrangements should be narrowly-tailored, as one of the Consolidated Affiliated Entities, Dashan Training, which previously also conducted the sale of books and teaching materials shall cease, and WFOE shall take up, the business of sale of books and teaching materials. On 28 February 2019, WFOE obtained the relevant permit in the PRC for conducting the sale of books and teaching materials.

2. Incorporation of the offshore holding companies, our Company and the offshore group companies

(i) Incorporation of Lucky Heaven

On 23 October 2018, Lucky Heaven was incorporated in BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of US$1.00 each. On 22 November 2018, one fully-paid share in Lucky Heaven was allotted and issued to Mr. Zhang. Since then, Lucky Heaven is wholly-owned by Mr. Zhang.

(ii) Incorporation of Bai Tai

On 25 October 2018, Bai Tai was incorporated in BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of US$1.00 each. On 23 November 2018, 10,000 fully-paid shares in Bai Tai were allotted and issued (i) as to 2,435 shares to Mr. Jia Shuilin, as to 1,035 shares to Mr. Shan Jingchao and as to 730 shares to Mr. Ma Wenhao, each being a Director; (ii) as to 244 shares to Mr. Guo Xianwei, being a member of the senior management of our Group; (iii) as to 2,246 shares to Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan and as to 1,704 shares to Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to 730 shares to Mr. Cheng Yang, as to 365 shares to Mr. Tang Enze, as to 365 shares to Ms. Song Yifei, as to 73 shares to Ms. Wang Weiping and as to 73 shares to Ms. Sun Nuo, respectively, each being an employee of Dashan Training.

(iii) Incorporation of Golden Town

On 25 October 2018, Golden Town was incorporated in BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of US$1.00 each. On 26 November 2018, 8,727 and 1,273 fully-paid shares in Golden Town were allotted and issued to Lucky Heaven and Bai Tai, respectively.

(iv) Incorporation of our Company

On 30 November 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, of which one Share was allotted and issued in nil paid form to the initial subscriber, an Independent Third Party, and the said Share was transferred to Lucky Heaven on the same day at nil consideration.

(v) Incorporation of Dashan Education (HK)

On 10 December 2018, Dashan Education (HK) was incorporated in Hong Kong with limited liability. On the same day, one fully-paid share in Dashan Education (HK) was allotted and issued to Golden Town. Since then, Dashan Education (HK) is wholly owned by Golden Town.

3. Entering into of the Structured Contracts to control our PRC Operation Entities by WFOE

On 12 January 2020, a series of Structured Contracts were entered into by the relevant parties to enable our Group to assert its management control over the operations of, and enjoy the economic benefits of, the Consolidated Affiliated Entities. For further details on the Contractual Arrangements, please refer to the section headed "Structured Contracts" in this prospectus.

4 Acquisition of Golden Town by our Company

On 18 June 2020, in consideration of Lucky Heaven and Bai Tai transferring 8,727 shares and 1,273 shares in Golden Town, respectively, to our Company, our Company allotted and issued 8,726 Shares and 1,273 Shares credited as fully paid to Lucky Heaven and Bai Tai, respectively, and credited the one nil paid Share registered in the name of Lucky Heaven as fully paid. Immediately after completion of the above share transfer, our Company was held as to approximately 87.27% and 12.73% by Lucky Heaven and Bai Tai, respectively.

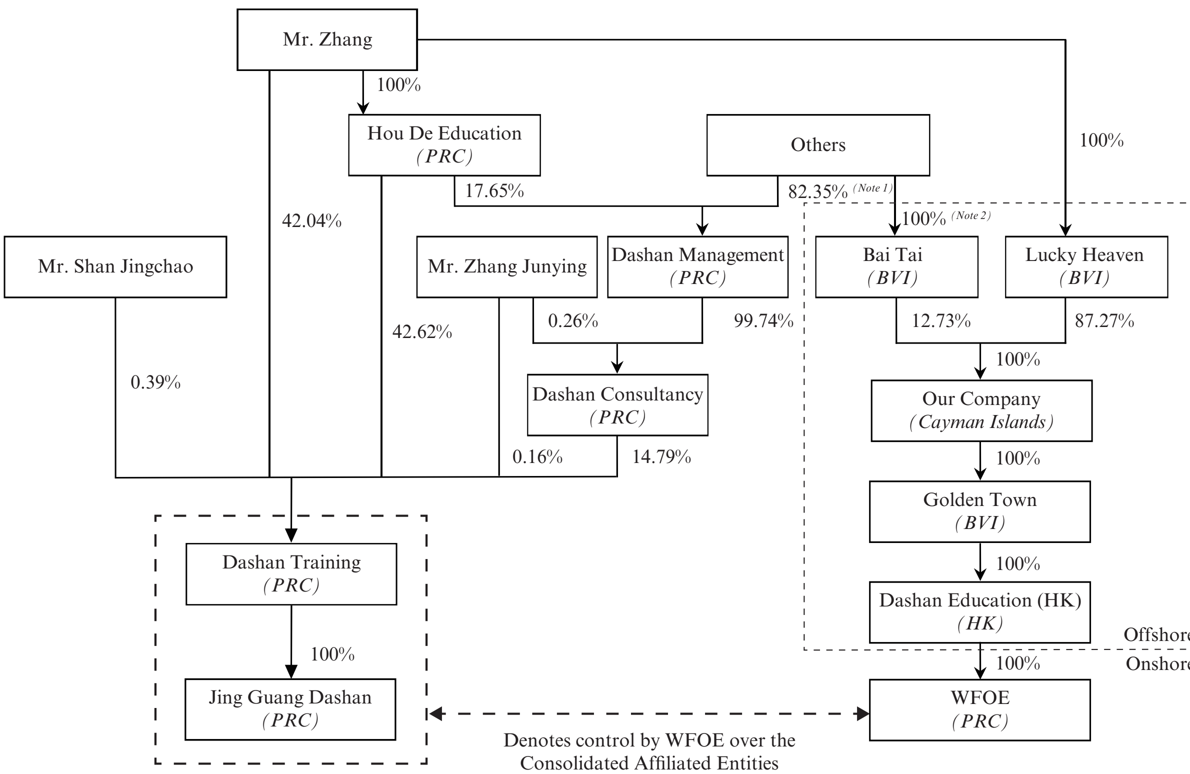
Each of the above steps in the Reorganisation have been properly and legally completed and settled, including all applicable regulatory approvals having been obtained in the respective jurisdictions.

COMPLIANCE WITH RELEVANT APPLICABLE LAWS AND REGULATIONS IN THE PRC

Our PRC Legal Advisers confirmed that all necessary approvals, permits and licences required under the PRC laws and regulations in connection with the Reorganisation have been obtained, and the Reorganisation has complied with all applicable PRC laws and regulations in all material respects.

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION BUT BEFORE COMPLETION OF THE CAPITALISATION ISSUE, THE FULL CONVERSION OF THE PRE-IPO CONVERTIBLE NOTE AND THE SHARE OFFER

The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer.



Notes:

1. Dashan Management is owned (i) as to approximately 21.01% by Mr. Jia Shuilin, as to approximately 6.30% by Mr. Shan Jingchao, as to approximately 6.30% by Mr. Ma Wenhao, each being a Director; (ii) as to approximately 2.10% by Mr. Guo Xianwei, being a member of the senior management of our Group; (iii) as to approximately 18.07% by Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, as to approximately 14.71% by Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to approximately 6.30% by Mr. Cheng Yang, as to approximately 3.15% by Mr. Tang Enze, as to approximately 3.15% by Ms. Song Yifei, as to approximately 0.63% by Ms. Wang Weiping and approximately 0.63% by Ms. Sun Nuo, each being an employee of Dashan Training.

2. 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 Dashan Training and Jing Guang Dashan and as to approximately 17.04% by Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to approximately 7.30% by Mr. Cheng Yang, as to approximately

3.65% by Mr. Tang Enze, as to approximately 3.65% by Ms. Song Yifei, as to approximately 0.73% by Ms. Wang Weiping and as to approximately 0.73% by to Ms. Sun Nuo, each being an employee of Dashan Training.

PRE-IPO INVESTMENT

Background of the Pre-IPO Investor

SCGC Capital is a company incorporated in the BVI with limited liability which is an investment holding company and wholly owned by Shenzhen Capital (Hong Kong) Company Limited (創新資本(香港)有限公司) ("**SC (HK)**") which is in turn wholly-owned by 深圳市創新投資集團有限公司 (Shenzhen Capital Group Co., Ltd.) ("**SCGC**").

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, SCGC is held as to (i) approximately 46.63% by the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal Government* (深圳市人民政府國有資產監督管理委員會) directly and indirectly through its wholly-owned subsidiaries; (ii) approximately 20.00% by Shenzhen Xing He Real Estates Development Co., Ltd.* (深州市星河房地產開發有限公司) which is a company established in the PRC and owned as to approximately 99.85% by an Independent Third Party, Mr. Huang Chulong (黃楚龍), through his direct and indirect shareholding, and as to approximately 0.15% by another individual; (iii) approximately 10.80% by Shanghai Dazhong Public Utilities (Group) Co., Ltd.* (上海大眾公用事業(集團)股份有限公司) which is a listed company on the Shanghai Stock Exchange in the PRC (stock code: 600635) and on the Stock Exchange (stock code: 1635); (iv) approximately 5.03% by Shenzhen Energy Group Co., Ltd.* (深圳能源集團股份有限公司) which is a listed company on the Shenzhen Stock Exchange in the PRC (stock code: 000027); (v) approximately 4.90% by Shenzhen Li Ye Group Co., Ltd.* (深圳市立業集團有限公司) which is a company established in the PRC and owned as to approximately 99.67% by an individual and as to approximately 0.33% by another individual; (vi) approximately 4.90% by Fujian Qi Pi Lang Group Co., Ltd.* (福建七匹狼集團有限公司) which is a company established in the PRC and owned as to approximately 37.82%, 31.09% and 31.09% by three individuals; (vii) approximately 3.67% by Guangdong Electric Power Development Co., Ltd.* (廣東電力發展股份有限公司) which is a listed company on the Shenzhen Stock Exchange in the PRC (stock code: 000539); (viii) approximately 2.44% by the State-owned Assets Supervision and Administration Commission of Futian District of Shenzhen* (深圳市福田區國有資產監督管理委員會) indirectly through its wholly-owned subsidiary; (ix) approximately 1.40% by Guangshen Railway Company Limited (廣深鐵路股份有限公司) which is a listed company on the Shanghai Stock Exchange of the PRC (stock code: 601333), on the New York Stock Exchange of the United States of America (stock code: GSH) and on the Stock Exchange (stock code: 525); and (x) approximately 0.23% by ZTE Corporation (中興通訊股份有限公司) which is a listed company on the Shenzhen Stock Exchange of the PRC (stock code: 000063) and on the Stock Exchange (stock code: 763).

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, SCGC is a limited venture capital company established in the PRC in 1999, which was originally founded by the Shenzhen Municipal Government and other private partners. It is principally engaged in venture capital investments in enterprises in innovative technology and emerging industries, as well as investment in a variety of industries, including: education, information technology, manufacturing, consumer products, logistics, biomedicine and energy and environment. Among its investment portfolio companies, over 150 companies are publicly listed in 16 different capital markets globally, including companies listed on the Sci-Tech Innovation Board.

Prior to the subscription of the Pre-IPO Convertible Note, each of SCGC Capital and its ultimate beneficial owners was an Independent Third Party. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, the source of funding of SCGC Capital's investment in our Company was its internal resources.

Subscription of the Pre-IPO Convertible Note

On 31 October 2019, the Pre-IPO Investor subscribed for, and our Company issued, the Pre-IPO Convertible Note in the principal amount of approximately US$7.08 million convertible into approximately 5.2632% of the entire issued share capital of our Company (as enlarged by the allotment and issue of the Conversion Shares and the Capitalisation Issue) from time to time but without taking into account the new Shares to be allotted and issued under the Share Offer. The subscription price was irrevocably settled in cash and received by our Company on 6 December 2019. The Pre-IPO Convertible Note shall be mandatorily and automatically converted into Shares should the grant of the Listing take place on or before its maturity date (being 31 December 2021).

A summary of the principal terms and conditions of the Pre-IPO Convertible Note are set out below:

Date	31 October 2019
Principal amount	US$7,083,959
Consideration	US$7,083,959
Date on which the consideration was fully and irrevocably settled	6 December 2019
Interest	Nil
Security	Nil
Maturity date	The maturity date of the Pre-IPO Convertible Note shall be 31 December 2021 which may be extended by mutual agreement between our Company and the Pre-IPO Investor. Unless the Pre-IPO Convertible Note is converted into Conversion Shares, the principal amount under the Pre-IPO Convertible Note shall be due and payable on the maturity date or at the occurrence of any event of default, whichever is earlier.

Early redemption	Our Company is not entitled to redeem the Pre-IPO Convertible Note prior to the maturity date without the prior written consent of the Pre-IPO Investor. Before the Listing, except for the events of default and event of a change of control (as defined below), the Pre-IPO Investor is not entitled to require our Company to redeem the entire principal amount of the Pre-IPO Convertible Note by cash prior to full repayment or conversion in full of the Pre-IPO Convertible Note.
Early conversion	The Pre-IPO Investor has an option to convert the entire principal amount of the Pre-IPO Convertible Note into Shares at any time prior to the Listing. If the events of default and event of a change of control occur, the Pre-IPO Investor is entitled to convert the entire principal amount of the Pre-IPO Convertible Note into Shares at any time prior to the Listing.
Conversion	The Pre-IPO Convertible Note will be mandatorily and automatically converted into Conversion Shares which shall represent approximately 5.2632% of the entire issued share capital of our Company (as enlarged by the allotment and issue of the Conversion Shares and the Capitalisation Issue) should the grant of the Listing take place before its maturity date (being 31 December 2021). Before the Listing and at the discretion of the Pre-IPO Investor, the Pre-IPO Convertible Note may also be converted into Conversion Shares which shall represent approximately 5.2632% of the entire issued share capital of our Company (as enlarged by the allotment and issue of the Conversion Shares). As at the Latest Practicable Date, the Pre-IPO Convertible Note had not been converted into any Shares.

Prepayment	If the outstanding principal amount on the Pre-IPO Convertible Note shall be repaid in cash, all payments shall be made in US dollars equivalent to RMB50,000,000 according to the intermediate exchange rate of RMB-USD in the inter-bank foreign exchange market published by the China Foreign Exchange Trading Centre authorised by the People's Bank of China the day before the date when the purchase price of the Pre-IPO Convertible Note arrives at the bank account designated by our Company (i.e. 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 bank account as the Pre-IPO Investor may designate. Prepayment of the Pre-IPO Convertible Note may not be made without prior written consent of the Pre-IPO Investor.
Transferability	The Pre-IPO Convertible Note is transferable by SCGC Capital at any time with notice to our Company.
Voting rights	There is no term or condition of the Pre-IPO Convertible Note granting any voting right to the Pre-IPO Investor to vote at any meetings of our Company by reason only of it being a holder of the Pre-IPO Convertible Note.
Change of Control	Before the Listing, in the event of a change of control (as defined below) prior to full repayment or conversion in full of the Pre-IPO Convertible Note, immediately prior to the change of control, the outstanding principal amount on the Pre-IPO Convertible Note shall, at the option of the Pre-IPO Investor (i) be repaid in cash to the Pre-IPO Investor; (ii) be converted into Conversion Shares equivalent to approximately 5.2632% of the entire issued share capital of our Company at the time of the conversion.

"Change of control" shall mean the sale, conveyance or other disposition of all or substantially all of any Group's property or business or any of our Group member's merger with or consolidation with any other corporation or entity.

Event of default

The events of default under the Pre-IPO Convertible Note include, among other things:

(i) any of Dashan Training, our Company and Mr. Zhang (collectively as the "Warrantor") or our Group company breaches any obligation which has a material adverse impact to our Company's ability to perform our obligation under the Pre-IPO Convertible Note, if such breach is curable, such breach has not been cured within 30 days after written notice of such breach is given to our Company by the Pre-IPO Investor;

(ii) our Company fails to pay any amount due and payable by it within 10 days of its due date;

(iii) our Company applies the proceeds from the sale of the Pre-IPO Convertible Note to purposes other than those as agreed without the prior written consent of the Pre-IPO Investor;

(iv) any Warrantor is declared or becomes bankrupt or insolvent;

(v) any Group company breaches any term of its constitutional documents or any documents to which it is a party and which has a material adverse impact on such Group company's ability to perform its obligation under the Pre-IPO Convertible Note, and if such breach is curable, such breach has not been cured within 30 days after written notice of such breach is given to our Company by the Pre-IPO Investor;

(vi) any Group company is legally dissolved or terminated;

(vii) any proceedings in relation to its dissolution or termination of any Group company has been commenced or the board of directors or shareholders of such Group company has taken any corporate action in furtherance of any of the foregoing;

(viii) any Group company files any petition or action for relief under, among others, bankruptcy, reorganisation, insolvency, arrangement readjustment of debt, moratorium or any other similar law for the relief of or relation to debtors, or makes any assignment for the benefit of the creditors is appointed to take possession, custody or control of any property of such Group company;

(ix) the consummation of any transaction which results in the sale, transfer or exchange of all or substantially all of the outstanding voting shares or equity interest of our Company, or the sale of all or substantially all of the assets of our Group companies;

(x) our Group companies cease to conduct their business as now conducted;

(xi) the occurrence of any material change of the capitalisation of any Group company without prior consent from the Pre-IPO Investor; or

(xii) any Warrantor is convicted in a criminal proceeding.

If any one or more of the events of default above shall occur, the Pre-IPO Investor may, by written notice to our Company:

(a) declare all the outstanding amount under the Pre-IPO Convertible Note be immediately due and payable without further demand, notice or other legal formality of any kind. Should our Company fail to pay the amount due and payable, our Company shall pay 0.05% of the principal for each day delayed; or

(b) elect to convert all then outstanding principal amount under the Pre-IPO Convertible Note into shares or equity securities of our Company.

Special rights granted to the Pre-IPO Investor

So long as any sum remains outstanding under the Pre-IPO Convertible Note, the Pre-IPO Investor is entitled to nominate one observer (the "**Observer**") to our Board who shall be entitled to receive all notices of meeting and attend all meetings of our Board thereof whether held telephonically or by any other means of communication and receive copies of all materials provided to our Board in respect of such meetings and at the same time as such materials are provided to the members of our Board and committees thereof, but he/she shall not be counted toward the quorum of the meetings nor shall he/she vote on any resolutions.

The right to nominate an Observer by the Pre-IPO Investor shall cease upon the occurrence of the Listing.

Strategic benefits of the Pre-IPO Investment brought to our Company

Our Directors are of the view that our Company can benefit from the additional capital that will be generated from the Pre-IPO Investment and take advantage of the knowledge and experience of the Pre-IPO Investors. Our Directors also believe that the Pre-IPO Investor will bring strategic benefits to our Group by providing (i) strategic advice for development and expansion of our Group; and (ii) business connections to our Group based on their network in different industries, including education industry.

Basis of determining the consideration and discount to the Offer Price

The consideration under the Pre-IPO Convertible Note represented 100% of the principal amount of the Pre-IPO Convertible Note and was determined after arm's length negotiations between our Company and the Pre-IPO Investor, with reference to the valuation of our Group conducted by an independent valuer engaged by the Pre-IPO Investor.

Based on the consideration of approximately US$7.08 million (equivalent to approximately HK$55.25 million) paid by the Pre-IPO Investor for the subscription of the Pre-IPO Convertible Note and the number of Conversion Shares of 31,579,200 to be issued and allotted to the Pre-IPO investor upon full conversion of the Pre-IPO Convertible Note, the consideration per Share paid by the Pre-IPO Investor was approximately HK$1.75, representing a premium of approximately 16.67% over the mid-point of the Offer Price of HK$1.50 per Share.

The Conversion Shares and the shareholding of the Pre-IPO Investor

The Conversion Shares will, when allotted and issued, rank *pari passu* in all respects among themselves and with all other fully paid Shares in issue including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

Upon mandatory full conversion of the Pre-IPO Convertible Note into Conversion Shares immediately following completion of the Capitalisation Issue but before completion of the Share Offer, the Pre-IPO Investor will hold 31,579,200 Shares, representing approximately 5.2632% of the entire issued share capital of our Company. Immediately after completion of the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), the shareholding of the Pre-IPO Investor in our Company will become approximately 3.9474%.

Lock up undertaking and public float

According to the terms of the Pre-IPO Convertible Note, the Pre-IPO investor shall, upon the request of the Underwriters or the Sole Sponsor, give an undertaking to the Underwriters, the Sole Sponsor and our Company not to transfer, dispose of or create any third-party rights in respect of our Shares issued and allotted to it pursuant to the conversion of the Pre-IPO Convertible Note for a period of not more than six months commencing from the date of the Listing.

In view of (i) the Pre-IPO Investor and its respective beneficial owners are Independent Third Parties; and (ii) the Conversion Shares will not be financed directly or indirectly by any connected person(s) of our Company, the Conversion Shares to be held by the Pre-IPO Investor will be considered as part of the public float after Listing for the purpose of Rule 8.24 of the Listing Rules.

Use of proceeds

The net proceeds from the issue of the Pre-IPO Convertible Note will be utilised for listing expenses and replenishing the general working capital of our Group. As at the Latest Practicable Date, approximately US$1.6 million of the net proceeds had been utilised, of which substantially all was used to settle listing expenses.

Accounting treatment of the Pre-IPO Convertible Note

The Pre-IPO Convertible Note, which contains embedded derivative, is designated as financial liabilities at fair value through profit or loss and subsequently measured at fair value through profit or loss. The amount of change in the fair value of liability is recognised in profit or loss.

Sole Sponsor's confirmation

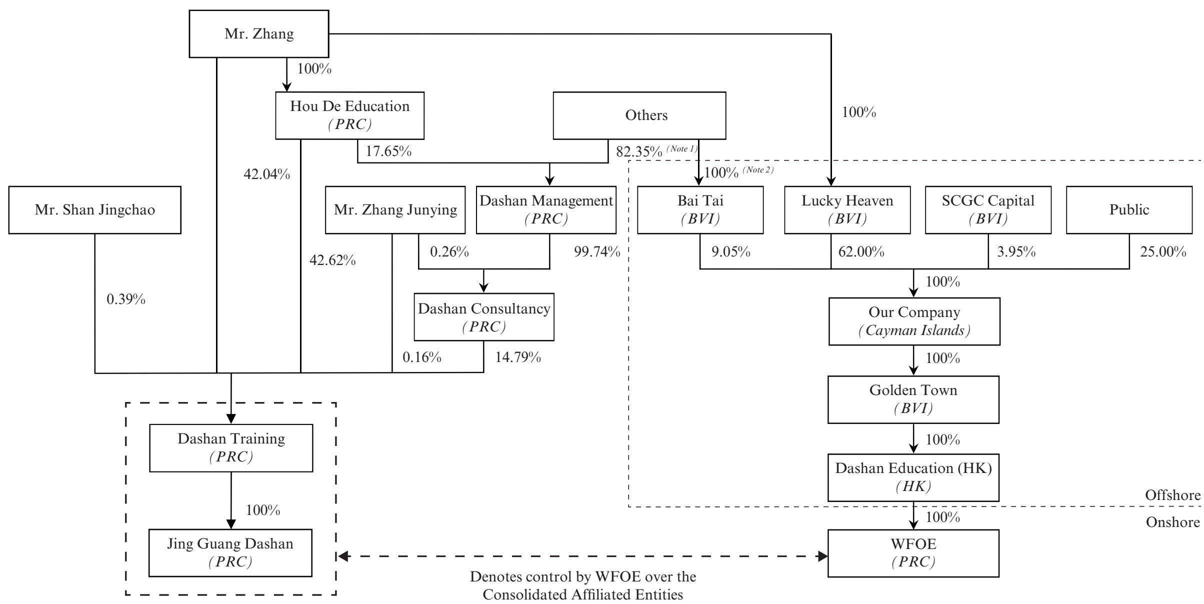
Our Sole Sponsor confirms that the investment by the Pre-IPO Investor is in compliance with (i) the "Interim Guidance on Pre-IPO Investments" (HKEX-GL29-12) issued by the Stock Exchange as the consideration for the subscription of the Pre-IPO Convertible Note was settled more than 28 clear days before the date of our first submission of the listing application form to the Stock Exchange; (ii) the "Guidance on Pre-IPO investments" (HKEX-GL43-12) issued by the Stock Exchange as the special rights granted to the Pre-IPO Investor will cease upon the Listing; and (iii) the "Guidance on Pre-IPO Investments in convertible instruments" (HKEX-GL44-12) issued by the Stock Exchange as the Pre-IPO Convertible Note will be fully converted into Shares prior to the Listing.

SHARE OFFER AND CAPITALISATION ISSUE

Conditional on the share premium account of our Company being credited with the proceeds from the allotment and issue of 200,000,000 Shares pursuant to the Share Offer, an aggregate of HK$5,684,108 will be capitalised from the share premium account of our Company and applied in paying up in full at par 496,052,073 and 72,358,727 new Shares to be allotted and issued to Lucky Heaven and Bai Tai, respectively, on or before Listing.

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION, THE CAPITALISATION ISSUE, THE FULL CONVERSION OF THE PRE-IPO CONVERTIBLE NOTE AND THE SHARE OFFER

The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation, the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme).



Notes:

1. Dashan Management is owned (i) as to approximately 21.01% by Mr. Jia Shuilin, as to approximately 6.30% by Mr. Shan Jingchao, as to approximately 6.30% by Mr. Ma Wenhao, each being a Director; (ii) as to approximately 2.10% by Mr. Guo Xianwei, being a member of the senior management of our Group; (iii) as to approximately 18.07% by Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, as to approximately 14.71% by Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to approximately 6.30% by Mr. Cheng Yang, as to approximately 3.15% by Mr. Tang Enze, as to approximately 3.15% by Ms. Song Yifei, as to approximately 0.63% by Ms. Wang Weiping and approximately 0.63% by Ms. Sun Nuo, each being an employee of Dashan Training.

2. 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 Dashan Training and Jing Guang Dashan and as to approximately 17.04% by Mr. Ou Junzhan, each 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.

SAFE REGISTRATION

Pursuant to the Circular 37, PRC residents conduct investment to the offshore SPVs with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments, Circular 37 also requires PRC residents to file changes to their registration where their offshore SPV's undergo material events such as the change of basic information including PRC residence shareholder, name and operation period, as well as capital increase or decrease, share transfer or exchange, merger or division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular 13, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisers, each of Mr. Zhang, Mr. Jia Shuilin, Mr. Zhang Junying, Mr. Ou Junzhan, Mr. Shan Jingchao, Mr. Ma Wenhao, Mr. Cheng Yang, Ms. Song Yifei, Mr. Tang Enze, Mr. Guo Xianwei, Ms. Wang Weiping and Ms. Sun Nuo has completed the registration under Circular 37 on 29 December 2018.

M&A RULES

On 8 August 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the China Securities Regulatory Commission and the SAFE, jointly issued the M&A Rules. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (1) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (2) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise (the "**Regulated Activities**").

Given that (1) the WFOE was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company under the M&A Rules, and (2) no Regulated Activities were involved in the Corporate Reorganisation under the M&A Rules, as advised by our PRC Legal Advisers, the establishment of the WFOE and the Corporate Reorganisation are not subject to the M&A Rules, and the Listing of our Company does not require approvals from the China Securities Regulatory Commission and the MOFCOM under the M&A Rules.

BACKGROUND OF THE STRUCTURED CONTRACTS

We currently conduct, (i) through our Consolidated Affiliated Entities, our 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, our franchise business in the PRC as PRC laws and regulations (i) generally restrict foreign ownership in the primary and secondary education industry in the PRC; (ii) prohibit foreign ownership in broad casting television program production business and internet cultural operations (except music); and (iii) impose conditions on franchise business. We do not hold any equity interest in our Consolidated Affiliated Entities in the PRC. The Structured Contracts, through which we obtain control over and derive the economic benefits from our Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimise the potential conflict with relevant PRC laws and regulations. We had entered into the Structured Contracts for the existing Consolidated Affiliated Entities and expect to enter into structured contracts for the subsidiaries conducting primary and secondary after-school education business to be newly established and controlled by the Dashan Training directly or indirectly, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP IN THE EDUCATION INDUSTRY

Pursuant to the Sino-foreign Regulations, foreign investors must establish and operate educational institution with target students being mainly PRC citizens through a sino-foreign joint venture with a domestic partner (the "**Sino-foreign Education Institution(s)**"). The Sino-foreign Regulations also provides that all the Sino-foreign Education Institutions shall be approved by the competent education authorities, and the representatives of the domestic party shall make up no less than half of the total number of members of the board of directors, the executive council or the joint administration committee of a Sino-foreign Education Institution. Besides, the foreign investor in a Sino-foreign Education Institution shall be a foreign educational institution with the relevant qualification and maintaining high quality of education (the "**Qualification Requirement**"). However, the Sino-foreign Regulations are silent on the interpretations of the qualification and high quality of education in relation to the foreign educational institution. Pursuant to the Implementation Opinions, the foreign portion of the total capital investment in a Sino-foreign Education Institution shall be less than 50% (the "**Foreign Ownership Restriction**").

Although the Sino-foreign Regulations provides that the establishment and operation of the Sino-Foreign Education Institutions in the form of corporate entities is subject to the rules and regulations issued by the State Council, the State Council had not yet issued any such rules as at the Latest Practicable Date. The Amended Private Education Promotion Law and its administrative regulations stipulate that the establishment of a for-profit private school providing cultural education including primary and secondary after-school education services in the form of corporate entities shall first be approved by the education authorities and then be registered with the competent branch of the SAMR.

Pursuant to the Negative List, the pre-school education, the ordinary senior high schools education and the higher education ("學前教育", "普通高中教育" and "高等教育", respectively) in the PRC are "restricted industries" for foreign investors. The Negative List requires that foreign investors may only operate educational institutions offering such education services through Sino-foreign Education Institutions that are in compliance with the Sino-foreign Regulations. In addition, both of the Sino-foreign Regulations and the Negative List provide that the domestic party shall play a dominant role in the sino-foreign cooperation, meaning that (a) the principal or chief executive officer of a Sino-foreign Education Institution shall be a PRC national, and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of a Sino-foreign Education Institution (the "**Foreign Control Restriction**"). However, the provision of primary and secondary after-school education services, which our Group is engaged in, is not expressively included in the Negative List.

According to the Negative List, foreign investment in broadcasting television program production business and internet cultural operations (except music) are under the "prohibited" categories. Also, the proportion of foreign-invested shares in value-added telecommunications business shall not exceed 50% (except for e-commerce, domestic multi-party communications, store-and-forward, and call centres) which is under the "restricted" categories. The online training services such as recording and broadcasting videos provided in live-streaming and pre-recorded format through our proprietary online learning platform "學習8" (Learning Bar) are value-added telecommunications services (in particular internet information services) involving operating internet cultural activities (excluding music) and broadcasting television program production business, these businesses are closely related and inseparable. As our proprietary online learning platform operation would at the same time subject to foreign ownership restriction under both "restricted" and "prohibited" categories, a more stringent requirement would apply. Based on the above, as advised by our PRC Legal Advisers, the operation of our proprietary online learning platform "學習8" (Learning Bar) as a whole is subject to foreign ownership restriction.

In addition, according to article 7, paragraph 2 of the Regulations for Administration of Commercial Franchising (《商業特許經營管理條例》) promulgated by the State Council on 6 February 2007, a franchisor engaged in franchising activities shall have at least two directly-managed storefronts that have been in operation for at least one year. According to the consultation with the Education Department of Henan Province (河南省教育廳), (i) the WFOE, as a foreign-invested entity, is not entitled to directly carry out after-school education business within China and also the WFOE cannot possess self-operated teaching centres which directly operate after-school education business (the "**Foreign Ownership Limits**"); and (ii) the WFOE, as a foreign-invested entity, cannot operate storefront to directly carry out after-school teaching and is therefore cannot meet the requirement to carry out franchise business (the "**Regulatory Limits**"). As confirmed by the Education Department of Henan Province (河南省教育廳), the WFOE is therefore unable to satisfy requirements to operate franchise business in the PRC because of the Foreign Ownership Limits and Regulatory Limits. Based on the above, as advised by our PRC Legal Advisers, the WFOE cannot meet the relevant requirements to carry out franchise business.

Given the applicable rules and regulations set out above and supported by the PRC legal opinions set forth below, our Company proposes to use the Structured Contracts to control and enjoy the economic benefits generated by the Consolidated Affiliated Entities, which are engaged in the primary and secondary after-school education services and franchise business. As advised by our PRC Legal Advisers, the Amended Private Education Promotion Law together with its administrative regulations, the Foreign Investment Catalogue and the other PRC laws and regulations do not explicitly restrict the participation of foreign-invested entities in educational institutions offering primary and secondary after-school education services in the PRC. Therefore, it is currently uncertain in practice as to:

(i) whether foreign investors are permitted to invest in primary and secondary after-school education services in the PRC;

(ii) if foreign investment is permitted, whether primary and secondary after-school education business invested by foreign investors must comply with the Sino-foreign Regulations and its implementation measures and most operate through Sino-foreign Education Institutions; and

(iii) if the Sino-foreign Regulations is applicable what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement.

Accordingly, on 12 October 2018, with the assistance of our PRC Legal Advisers, we consulted the Education Department of Henan Province (河南省教育廳), being the responsible and competent authority in Henan as advised by our PRC Legal Advisers to provide such confirmation in respect of the matters relating to the Sino-foreign Education Institutions relevant to us. We were advised by the Education Department of Henan Province (河南省教育廳), among others, that:

(i) foreign investors operating educational institutions in the PRC must comply with the Sino-foreign Regulations and must operate such educational institutions through Sino-foreign Education Institutions;

(ii) the Foreign Ownership Restriction, the Foreign Control Restriction and the Qualification Requirement apply to Sino-foreign Education Institutions in Henan;

(iii) as a matter of practice in Henan, no Sino-foreign Education Institution offering primary and secondary after-school education services had been approved by the Education Department of Henan Province in the past, and sino-foreign cooperation between foreign investors and Dashan Training would not be approved at the current stage;

(iv) no implementing measures or specific guidance had been promulgated by the MOE and the Education Department of Henan Province in respect of the Qualification Requirement; and

(v) the execution of the Structured Contracts, including the payment of service fees thereunder, does not require approval from or filing at the education authorities in the PRC. The Structured Contracts were not required to be terminated and would not affect the holding or renewal of the permissions and licences that had already been obtained.

The official of the Education Department of Henan Province (河南省教育廳) consulted serve in Foreign Cooperation and Exchange Department of the Education Department of Henan Province (河南省教育廳對外合作與交流處). Such department is mainly in charge of the approval and management of sino-foreign cooperation, coordinating and guiding the educational institutions in Henan to carry out overseas education activities and other international activities thereto. Based on the above and its understanding of the business that our Group operates, our PRC Legal Advisers are of the view that the official of the Education Department of Henan Province (河南省教育廳) is competent to provide the above confirmations.

As at the Latest Practicable Date, our Company noted that no Sino-foreign Education Institution that provides primary and secondary after-school education had been approved by the Education Departments of Henan Province (河南省教育廳). In addition, based on the above advice and confirmation, it is not practicable for our Company to seek to reorganise any of the Consolidated Affiliated Entities as a Sino-foreign Education Institution.

In order to comply with the PRC laws and regulations while availing our Company to the international capital markets and maintaining effective control over the Consolidated Affiliated Entities, our Company adopts the Structured Contracts solely to consolidate the financials of the Consolidated Affiliated Entities into those of our Group.

Our Directors believe that the Structured Contracts are narrowly tailored because the Structured Contracts are only used to enable our Group to address the limits on foreign ownership, and consolidate the financial results of the Consolidated Affiliated Entities which engage in the operation of educational institutions providing primary and secondary after-school education and franchised services, which are subject to foreign investment restriction in accordance with the applicable PRC laws and regulations. Other business of our Group which is not subject to foreign investment restriction, namely the business of sale of books and teaching materials has been taken up by WFOE.

Circumstances in which we will unwind the Structured Contracts

In accordance with our consultation with the Education Department of Henan Province (河南省教育廳), foreign investment in primary and secondary after-school education services in the PRC is required to be in the form of a Sino-foreign Education Institution and subject to the Foreign Ownership Restriction and the Foreign Control Restriction, a foreign investor can only hold less than 50% interest in a Sino-foreign Education Institution and the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign Education Institution.

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement and there is a change in policy, under which Sino-foreign Education Institutions would be approved in Henan but (a) the Foreign Ownership Restriction and the Foreign Control Restriction remain, or (b) the Foreign Ownership Restriction remains and the Foreign Control Restriction is removed, or (c) the Foreign Ownership Restriction is removed and the Foreign Control Restriction remains, or (d) both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed, as permitted by the applicable PRC laws and regulations at the relevant time:

— in circumstance (a), our Company will partially unwind the Structured Contracts and directly hold an equity interest of less than 50% in the relevant Consolidated Affiliated Entities (such as a 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-foreign Education Institution up to no more than 50%. However, our Company will not be able to control such Consolidated Affiliated Entities without the Structured Contracts in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction remain, regardless of whether the Qualification Requirement is removed or met, our Company will still rely on Structured Contracts to establish control over the Consolidated Affiliated Entities. Our Company will also acquire rights to appoint members to the board of directors who together shall constitute less than half of the board of directors of the relevant Consolidated Affiliated Entities. We will then control the voting power of the other members of the board of directors appointed by the domestic interest holder(s) by way of the Structured Contracts;

— in circumstance (b), we will partially unwind the Structured Contracts and directly hold an equity interest of less than 50% in the relevant Consolidated Affiliated Entities (such as a 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-foreign Education Institution up to no more than 50%. However, our Company will not be able to control such Consolidated Affiliated Entities without the Structured Contracts in place with respect to the domestic interests. Our Company will also acquire rights to appoint all members of the board of directors of the Consolidated Affiliated Entities;

— in circumstance (c), notwithstanding we will be able to hold majority interests in Sino-foreign Education Institutions, the Sino-foreign Regulations still dictate that there be a domestic interest in the Consolidated Affiliated Entities and we are ineligible to operate the Consolidated Affiliated Entities by ourselves. Under such circumstances, we will partially unwind the structured contracts and to hold the maximum percentage of equity interests permissible by the relevant laws and regulations in the relevant Consolidated Affiliated Entities directly, subject to the approval of the relevant government authorities. As for the remaining minority domestic interests which our Company intends to consolidate, we will then control them pursuant to the Structured Contracts. We will also acquire rights to appoint members of the board of directors who together shall constitute less than half of the board of directors of the relevant Consolidated Affiliated Entities. We will then control the voting power of such members appointed by the domestic interest holder(s) by way of the Structured Contracts; and

— in circumstance (d), our Company would be allowed to directly hold 100% of the interests in the Consolidated Affiliated Entities and our Company will fully unwind the Structured Contracts and directly hold all equity interests in the Consolidated Affiliated Entities. Our Company will also acquire rights to appoint all members of the board of directors of the Consolidated Affiliated Entities.

In addition, the WFOE has made undertaking in the Structured Contracts that, if the PRC regulatory environment changes, all of the 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 Agreements (the "**Equity Call Option**") in full to hold all of the interest in the Consolidated Affiliated Entities and unwind the Structured Contracts accordingly. Please refer to "Termination of the Structured Contracts" in this section for further details.

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 Requirements, we are currently looking for suitable opportunity, through 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 currently plan to establish and operate a learning centre in Hong Kong which offers after-school education services with a focus on English-related tutoring courses to primary and secondary school students in Hong Kong by utilising our internal fund. As at the Latest Practicable Date, we had taken the following steps to implement our plan.

On 27 December 2019, we have engaged Keyswin Holding Limited as our consultant (the "**Consultant**") to assist the Dashan Education (HK) to fulfill relevant law and regulatory requirement of establishing a private learning centre in Hong Kong. Keyswin Holding Limited is an Independent Third Party with over 19 years of experience in primary and secondary after-school education services in Hong Kong, and is also experienced in applying for an education licence in Hong Kong for centre after-school education service providers.

The approval process upon submission of the application is expected to take approximately six to seven months barring unforeseen circumstances, 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. For details of the regulatory environment in Hong Kong for the operation of private learning centres, Please refer to the section headed "Regulations — Regulations on Private Learning Centres in Hong Kong" in this prospectus.

To establish our learning centre in Hong Kong and with the assistance of the Consultant, (i) we have conducted site visits on the potential premises in order to meet relevant requirements in obtaining the education licence, including fire safety and other building-related requirements; (ii) we are in the process of designing and formulating curriculums in preparation of submitting the application for the education licence; (iii) we plan to utilise the extensive resources of our own teaching materials at our headquarters in Zhengzhou and convert such resources to courses that are applicable to our learning centre in Hong Kong; (iv) we expect to search for suitable teaching staff to support our operations of the learning centre in Hong Kong; and (v) after consultation with the Consultant, we plan to engage suitable renovation companies and qualified contractors to furnish our teaching premises for the operation of our proposed learning centre in Hong Kong.

According to the consultation with the Education Department of Henan Province (河南省教育廳), it was confirmed that based on measures set forth above and gradually accumulated experiences of operating after-school education in Hong Kong, subject to the compliance of the then Sino-foreign Regulations, Dashan Education (HK) or its wholly foreign owned enterprise or its reinvested enterprise shall be considered as capable to meet the Qualification Requirement in obtaining the approval of the relevant education authorities for the establishment of a Sino-foreign Education Institution.

Based on the above, in the opinion of our PRC Legal Advisers, if both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed and foreign investors are permitted to hold 100% of the interest in the Consolidated Affiliated Entities directly but the Qualification Requirement remains and assuming the new teaching centre to be operated by Dashan Education (HK) or another foreign teaching centre established by us gains a level of foreign experience, taking measures set forth above, sufficient to demonstrate compliance with the Qualification Requirement and obtains the approval of the relevant education authorities for the establishment of a Sino-foreign Education Institution in the future (provided that the PRC laws and regulations do not impose new requirements, restrictions, or prohibitions in relation to the establishment of the Sino-foreign joint venture entities), we will be able to operate our Consolidated Affiliated Entities in the PRC directly subject to the approval from the competent education authorities.

In addition, according to the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas ("**Qualification Requirement for Operating Value-added Telecommunications Businesses**"). Currently none of the applicable PRC Laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirement for Operating Value-added Telecommunications Businesses.

Despite the lack of clear guidance on or interpretation of the Qualification Requirement for Operating Value-added Telecommunications Businesses, we have been gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in any of our Consolidated Affiliated Entities when the relevant PRC Laws allow foreign investors to invest and to hold any equity interests in enterprises that engage in the relevant business. We are in the process of expanding our overseas value-added telecommunications business through Dashan Education (HK), our wholly-owned subsidiary which was incorporated in Hong Kong to serve as the main control hub of our overseas after-school education services business in the future. We have taken the following measures to meet the Qualification Requirement for Operating Value-added Telecommunications Businesses:

(a) Dashan Education (HK) has registered a domain name overseas to expand our online learning platform operations in overseas as and when appropriate and is in the process of establishing the website, which is expected to be completed by the end of September 2020; and

(b) we are in the process of making our online learning platform "學習8" (Learning Bar) available for download and use on international based systems such as Google Play stores through Dashan Education (HK), which is expected to be completed by the end of September 2020.

Subject to the discretion of the competent authority in determining whether our Group has fulfilled the Qualification Requirement for Operating Value-added Telecommunications Businesses, our PRC Legal Advisers are of the view that the abovementioned steps are reasonable and appropriate to comply with the Qualification Requirement for Operating Value-added Telecommunications Businesses. We will make periodic enquiries with the relevant PRC authorities and seek specific guidance as to the Qualification Requirement for Operating Value-added Telecommunications Businesses, as well as to understand any new regulatory developments.

However, as advised by our PRC Legal Advisers, we cannot assure that the PRC authorities take the same view with us. Please refer to the section headed "Risk factors — Risks relating to Contractual Arrangements" in this prospectus for details.

OPERATION OF THE STRUCTURED CONTRACTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves to international capital markets and maintaining effective control over all of our operations, on 12 January 2020, WFOE entered into various agreements that together constitute the Structured Contracts with, among others, our Consolidated Affiliated Entities, under which substantially all economic benefits arising from the business of our Consolidated Affiliated Entities are transferred to WFOE to the extent permitted under PRC laws and regulations by means of service fees payable by our Consolidated Affiliated Entities to WFOE. Our Directors believe that WFOE is able to obtain controls over our Consolidated Affiliated Entities through the Structured Contracts and derives substantially all economic benefits arising from the business of them to the extent permitted under PRC laws and regulations based on the following:

(1) WFOE, or its designated third party, is granted an exclusive option to purchase all or part of the equity interests in our Consolidated Affiliated Entities directly and indirectly held by the Registered Shareholders for the minimum amount of consideration permitted by the applicable PRC laws and regulations, under circumstances in which WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests of Consolidated Affiliated Entities pursuant to the Exclusive Call Option Agreement.

(2) WFOE, or any person designated by WFOE or their successors or liquidators (excluding the persons who are not Independent Third Parties or may give rise to conflicts of interests), is appointed as the Registered Shareholder's attorney-in-fact to exercise his or their rights as the shareholders of Dashan Training under its articles of association and under the relevant PRC laws and regulations in accordance with the Shareholders' Powers of Attorney.

(3) Further, as provided under the Exclusive Business Cooperation Agreement, WFOE shall provide technical services, management support and consulting services necessary for our primary and secondary after-school education business and franchise business, and in return, our Consolidated Affiliated Entities shall make payments accordingly.

(4) Under the Exclusive Business Cooperation Agreement and Exclusive Technical Service and Management Consultancy Agreement, all of our existing Consolidated Affiliated Entities are listed as the service recipients to receive services provided by WFOE. Please refer to "Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts" in this section for details.

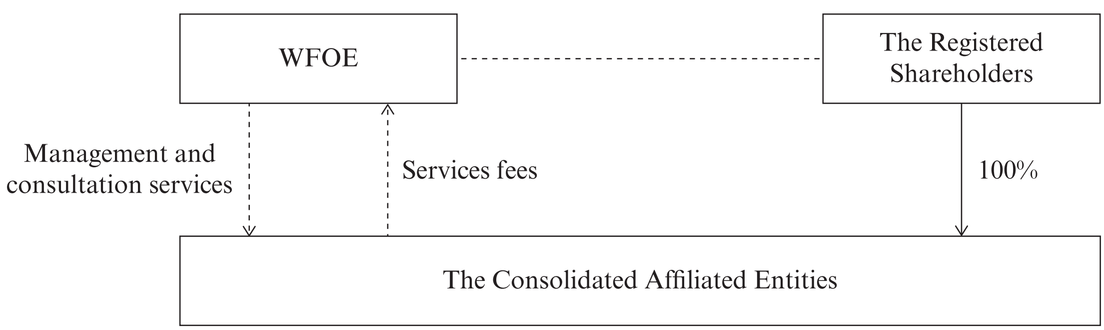
(5) In order to prevent the leakage of assets and values of our Consolidated Affiliated Entities, pursuant to the Structured Contracts, our Consolidated Affiliated Entities shall not, among others, distribute any interest or benefit to the Registered Shareholders without WFOE's prior written consent. Please refer to "Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts" in this section for details.

(6) By entering into the Equity Pledge Agreement, the Registered Shareholders unconditionally and irrevocably pledged all of their equity interests in Dashan Training, respectively, to WFOE to guarantee the performance of, among others, the obligations of Dashan Training, the Registered Shareholders and the Consolidated Affiliated Entities mentioned in (1) to (5) above.

(7) Pursuant to the Individual Shareholder Spouse Undertaking, the spouse of each of the Registered Shareholders undertakes not to take any actions to prevent the performances under the Structured Contracts.

(8) To enhance the enforceability of the Structured Contracts, each of the Structured Contracts contains an effective and enforceable dispute resolution mechanism. Please refer to "Dispute resolution" in this section for further details.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Structured Contracts:



Notes:

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

"- - - ->" denotes contractual relationship.

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

Summary of the Material Terms of the Structured Contracts

A description of each of the specific agreements that comprise the Structured Contracts is set out below.

(1) Exclusive Business Cooperation Agreement

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

In order to prevent the leakage of assets and values of our Consolidated Affiliated Entities, pursuant to the Exclusive Business Cooperation Agreement, without the prior written approval from WFOE, our Consolidated Affiliated Entities and the Registered Shareholders have undertaken that, without the prior written consent of WFOE or its designated party, the Registered Shareholders and our Consolidated Affiliated Entities shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of our Consolidated Affiliated Entities or (ii) on the ability of the Registered Shareholders and each of our Consolidated Affiliated Entities to perform the obligations under the Structured Contracts. Such activities and transactions include, without limitation:

(a) establishment of any subsidiary or entity by our Consolidated Affiliated Entities or establishment of any other business or subsidiary by our Consolidated Affiliated Entities;

(b) conduct of any activity by any of our Consolidated Affiliated Entities and/or their subsidiaries which are outside the ordinary course of business or change the mode of operations of our Consolidated Affiliated Entities or their subsidiaries;

(c) consolidation, subdivision, change of form of corporate organisation, dissolution or liquidation of our Consolidated Affiliated Entities and/or their subsidiaries;

(d) providing any borrowing, loan or guarantee in respect of any debt to, or obtaining any borrowing and loan from, our Consolidated Affiliated Entities and/or their subsidiaries;

(e) providing any borrowing, loan or guarantee in respect of any debt, or obtaining any borrowing and loan by our Consolidated Affiliated Entities or their subsidiaries to any third party, except in the ordinary course of business and provided that the amount of such debt is less than RMB100,000;

(f) change or removal of any director, supervisor or senior management (including but not limited to manager, deputy manager, chief financial officer, chief technical officer, principal, and dean) of any of our Consolidated Affiliated Entities or their subsidiaries, increase or decrease of their remuneration package, or change of their appointment terms and conditions;

(g) sale, transfer, lending or authorising the use or disposal of any assets or rights (including but not limited to domain, trademark, intellectual property and exclusive technology) of any of our Consolidated Affiliated Entities or their subsidiaries to any third party other than WFOE or its designated party, or purchase from any third party any assets or rights, except in the ordinary course of business and provided that the transaction amount is less than RMB100,000;

(h) sale of any equity interest or school sponsor rights in any of our Consolidated Affiliated Entities or its subsidiaries to any third party other than WFOE or its designated party, or increase or reduction of the registered capital or change of the structure of the equity or school sponsor's interest of any of our Consolidated Affiliated Entities or its subsidiaries;

(i) providing security over equity interest and/or school sponsor's interest in or assets or rights of, or creating encumbrance over equity and/or school sponsor's interest in or assets of any of our Consolidated Affiliated Entities or its subsidiaries to third parties other than to WFOE or its designated party;

(j) altering, amending or revoking any permits of any of our Consolidated Affiliated Entities or its subsidiaries;

(k) amending the articles of association or scope of business of any of our Consolidated Affiliated Entities or its subsidiaries;

(l) change of any normal business procedures or amendment of any internal procedures and system of any of our Consolidated Affiliated Entities or its subsidiaries;

(m) entering into any business contracts outside the ordinary course of business except pursuant to the plan or suggestion of WFOE or us;

(n) distribution of dividends or other payments to the shareholders of our Consolidated Affiliated Entities or any of its subsidiaries;

(o) carrying out any activity which has or may have an adverse effect on the daily operations, business or assets of any of our Consolidated Affiliated Entities or its subsidiaries or its ability to make any payment to WFOE;

(p) entering into any transaction which has or may have an adverse effect on the transactions contemplated under the Structured Contracts; and

(q) transfer of his/her/its rights and obligations under the Structured Contracts to any third party other than WFOE or its designated party, or establishment and commencement of any cooperation or business relationship similar to that under the Structured Contracts with any third party by the Registered Shareholders, any of our Consolidated Affiliated Entities or its subsidiaries.

WFOE also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities.

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

(2) Exclusive Technical Service and Management Consultancy Agreement

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, WFOE agreed to provide exclusive technical services to our Consolidated Affiliated Entities, including but not limited to, (a) design, development, update and maintenance of software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities and franchise business of our Consolidated Affiliated Entities; (c) design, development, update and maintenance of management information systems necessary for the education activities and franchise business of our Consolidated Affiliated Entities; (d) provision of other technical support necessary for the education activities and franchise business of our Consolidated Affiliated Entities; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services reasonably requested by our Consolidated Affiliated Entities.

In addition, WFOE agreed to provide management consultancy services to our Consolidated Affiliated Entities, including but not limited to, (a) curriculum planning and franchise business operation; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimisation on annual budget; (h) advising on design of internal structures and internal management; (i) provision of management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of marketing network; and (m) providing other management technical services reasonably requested by our Consolidated Affiliated Entities.

WFOE had, as at the Latest Practicable Date, 12 personnel working in various departments of WFOE. We will transfer the relevant staff to WFOE to continue providing such services to our Consolidated Affiliated Entities from time to time pursuant to the Exclusive Technical Service and Management Consultancy Agreement if necessary.

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

WFOE has the right to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our Consolidated Affiliated Entities, provided that any adjusted amount shall not exceed the amount mentioned above.

(3) Exclusive Call Option Agreement

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

Pursuant to the Exclusive Call Option Agreement, we have the sole discretion to decide when to exercise the Equity Call Options, and whether to exercise the Equity Call Options in part or in full. The key factor for us to decide whether to exercise the Equity Call Options is whether the current regulatory restrictions on foreign investment in or control of the educational business will be removed in the future, the likelihood of which we were not in a position to know or comment on as at the Latest Practicable Date.

In order to prevent the flow of the assets and value of our Consolidated Affiliated Entities to their respective shareholders, pursuant to the Exclusive Call Option Agreement, the Registered Shareholders have undertaken to WFOE that it shall not dispose of or procure the management of our Consolidated Affiliated Entities to dispose of any of the assets of our Consolidated Affiliated Entities without the prior written consent of WFOE, except in the ordinary course of business and provided that the value of such assets so disposed shall not exceed RMB100,000.

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

In addition, under the Exclusive Call Option Agreement, the Registered Shareholders undertake to WFOE that they shall not sell, assign, transfer or otherwise dispose of or create encumbrance over their direct and/or indirect equity interests in Consolidated Affiliated Entities without WFOE's prior written consent.

(4) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, the Registered Shareholders unconditionally and irrevocably pledged all of their equity interests in Dashan Training, respectively, to WFOE to guarantee the performance of the obligations of Dashan Training and their respective subsidiaries and the performance of the Registered Shareholders' obligations under the Exclusive Business Cooperation Agreement, the Exclusive Call Option Agreement and the Shareholders' Powers of Attorney. Under the Equity Pledge Agreement, the Registered Shareholders have agreed that, without the prior written consent of WFOE, they will not transfer or dispose of the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice WFOE's interest.

Any of the following events shall constitute an event of default under the Equity Pledge Agreement:

(a) any of the Registered Shareholders and our Consolidated Affiliated Entities commits any breach of any obligations under the Structured Contracts;

(b) any representations or warranties or information provided by any of the Registered Shareholders and our Consolidated Affiliated Entities under the Structured Contracts is proved incorrect or misleading; or

(c) any provision in the Structured Contracts becomes invalid or incapable of performance due to changes in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

Upon the occurrence of an event of default as described above, WFOE shall have the right to enforce the Equity Pledge Agreement by written notice to the Registered Shareholders in one or more of the following ways:

(a) to the extent permitted under PRC laws and regulations, WFOE may request the Registered Shareholders to transfer all or part of his or their equity interest in our school sponsors to any entity or individual designated by WFOE at the lowest consideration permissible under the PRC laws and regulations, while the Registered Shareholders irrevocably undertake that in the event that the consideration paid by WFOE or its designated purchaser for the transfer of all or part of the equity interest in our school sponsors exceeds RMB0, shall pay such excess amount to WFOE or its designated entity;

(b) sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds;

(c) dispose of the pledged equity interest in other manner subject to applicable laws and regulations.

The Equity Pledge Agreement became effective on 12 January 2020. The pledges under the Equity Pledge Agreement were registered with the local SAIC on 30 April 2020 and such registration of the pledge became effective on the same date.

(5) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders has irrevocably authorised and entrusted WFOE or any person designated by WFOE to exercise all of his/their respective rights as shareholders of Dashan Training to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of Dashan Training, as the case may be; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of Dashan Training, as the case may be; (c) the right to appoint directors or senior management of Dashan Training, as the case may be; (d) the right to propose to convene interim shareholders' meetings of Dashan Training, as the case may be; (e) the right to sign all shareholders' resolutions and other legal documents which the Registered Shareholders have authority to sign in his or their capacity as shareholders of Dashan Training, as the case may be; (f) the right to instruct the directors and legal representative of Dashan Training, as the case may be to act in accordance with the instruction of WFOE or any person designated by WFOE; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of Dashan Training, as the case may be; (h) the right to handle the legal procedures of registration, approval and licensing of Dashan Training, as the case may be at the relevant government regulatory departments; and (i) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of Dashan Training as amended from time to time.

In addition, each of the Registered Shareholders has irrevocably agreed that (i) WFOE may delegate their rights under the Shareholders' Rights Entrustment Agreement to the directors of WFOE or their designated person, without prior notice to or approval by the Registered Shareholders; and (ii) any person as successor of civil rights of WFOE or liquidator by reason of subdivision, merger, liquidation of WFOE or other circumstances shall have authority to replace WFOE to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(6) Shareholders' Powers of Attorney

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

WFOE shall have the right to further delegate the rights so delegated to its directors or other designated person. Each of the Registered Shareholders irrevocably agreed that the authorisation appointment in the Shareholders' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events.

(7) Individual Shareholder Spouse Undertaking

Pursuant to the Individual Shareholder Spouse Undertaking, the spouse of each of Mr. Shan Jingchao and Mr. Zhang Junying, has full knowledge of and has consented unconditionally and irrevocably to the entering into of the Structured Contracts by the respective Registered Shareholders, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest in our Group, pledge or transfer the direct or indirect equity interest in our Group, or the disposal of the direct or indirect equity interest in our Group in any other forms. The spouse shall not take any actions to prevent the performances under Structured Contracts. The terms that are not stated in the Individual Shareholder Spouse Undertaking such as governing law and dispute resolution shall be interpreted pursuant to the terms of the Exclusive Business Cooperation Agreement.

(8) Mr. Zhang's Undertaking

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

DISPUTE RESOLUTION

Each of the Structured Contracts provides that any dispute controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Structured Contracts shall be resolved through negotiation after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims; if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the China International Economic and Trade Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties. The arbitration commission shall have the right to award remedies over the equity interest and property interest and other assets of each of our Consolidated Affiliated Entities. And upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong, the Cayman Islands and the place where the principal assets of our Company and our Consolidated Affiliated Entities are located shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution method as set out in the Structured Contracts and the practical consequences, we are advised by our PRC Legal Advisers that:

(a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting interest in our Consolidated Affiliated Entities in case of disputes. As such, these remedies may not be available to our Group under PRC laws;

(b) further, under PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares of our Consolidated Affiliated Entities, injunctive relief or winding-up of each of our Consolidated Affiliated Entities as interim remedies, before there is any final outcome of arbitration;

(c) however, the PRC laws do not disallow the arbitral body to give award of transfer of an equity interest in each of our Consolidated Affiliated Entities at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;

(d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC; therefore, in the event we are unable to enforce the Structured Contracts, we may not be able to exert effective control over each of our Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected; and

(e) even if the above-mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Structured Contracts.

As a result of the above, in the event that any of our Consolidated Affiliated Entities or the Registered Shareholders breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, or at all, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. Pease refer to the section headed "Risk factors — Risks relating to Contractual Arrangements" in this prospectus for details.

LOSS SHARING

None of the agreements constituting the Structured Contracts provided that our Company or WFOE is obligated to share the losses of our Consolidated Affiliated Entities or provide financial support to our Consolidated Affiliated Entities. Further, each of Consolidated Affiliated Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, our Company or WFOE is not expressly required to share the losses of our Consolidated Affiliated Entities or provide financial support to our Consolidated Affiliated Entities. Despite the foregoing, given that, and that our Consolidated Affiliated Entities' financial condition and results of operations are consolidated into our Company's combined financial statements under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses. Therefore, the provisions in the Structured Contracts are tailored so as to limit, to the greatest extent possible, the potential adverse effect on WFOE and our Company resulting from any loss suffered by our Consolidated Affiliated Entities.

For instance, as provided in the Exclusive Call Option Agreement, none of the assets of our Dashan Training are to be sold, transferred or otherwise disposed of without the written consent of WFOE. In addition, under the Exclusive Call Option Agreement, none of the Registered Shareholders may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of his or her equity interests in Dashan Training without our WFOE's prior written consent.

TERMINATION OF THE STRUCTURED CONTRACTS

In the event that PRC laws and regulations allow WFOE or us to directly hold all or part of the equity interest in our Consolidated Affiliated Entities and operate primary and secondary after-school education business in the PRC, WFOE shall exercise the Equity Call Option as soon as practicable and WFOE or its designated party shall purchase such amount of equity interest to the extent permissible under PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all the equity interest in our Consolidated Affiliated Entities by WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, each of the Structured Contracts shall be automatically terminated. WFOE shall have the right to terminate the Structured Contracts by serving a 30-day prior notice, and each of our

Consolidated Affiliated Entities and the Registered Shareholders shall not be entitled to unilaterally terminate the Structured Contracts. in any situation other than prescribed by the laws.

PROTECTION IN THE EVENT OF DEATH, BANKRUPTCY OR DIVORCE OF THE REGISTERED SHAREHOLDERS

Pursuant to the Individual Shareholder Spouse Undertakings, the spouse of each of Mr. Shan Jingchao and Mr. Zhang Junying has irrevocably undertaken that, among others, the respective spouse authorises Mr. Shan Jingchao, Mr. Zhang Junying and their respective authorised person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to Mr. Shan Jingchao's and Mr. Zhang Junying's direct and indirect equity interest in Dashan Training in order to safeguard the interest of WFOE under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures and any undertaking, confirmation, consent and authorisation under the Individual Shareholder Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events. Pursuant to Mr. Zhang's Undertaking, Mr. Zhang, who currently does not have a spouse, also signed an undertaking irrevocably undertakes and ensures to procure his future spouse to sign the same Individual Shareholder Spouse Undertaking. Please refer to "Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (7) Individual Shareholder Spouse Undertaking and (8) Mr. Zhang's Undertaking" in this section for details.

In addition, pursuant to the Exclusive Business Cooperation Agreement, Mr. Zhang, Mr. Shan Jingchao and Mr. Zhang Junying undertake to WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of their direct or indirect equity interest in Dashan Training, they shall have made all necessary arrangement and sign all necessary documents such that their respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Structured Contracts.

Furthermore, the Registered Shareholders (except for Mr. Zhang, Mr. Shan Jingchao and Mr. Zhang Junying) undertake to WFOE that, in the event of presentation by the Registered Shareholders (except for Mr. Zhang, Mr. Shan Jingchao and Mr. Zhang Junying) or the Registered Shareholders (except for Mr. Zhang, Mr. Shan Jingchao and Mr. Zhang Junying) being presented any application for winding up, liquidation, or dissolution and liquidation of the Registered Shareholders (except for Mr. Zhang, Mr. Shan Jingchao and Mr. Zhang Junying) pursuant to an order, application for involuntary dissolution of the Registered Shareholders (except for Mr. Zhang, Mr. Shan Jingchao and Mr. Zhang Junying) or other reasons, or other circumstances which may affect the Registered Shareholders in exercising its direct or indirect equity interest in Dashan Training, they shall have made all necessary arrangement and sign all necessary document such that the successor, administrator, liquidation committee and any other person which may as a result of the above events obtain the direct or indirect equity interest in Dashan Training shall not prejudice or hinder the enforcement of the Structured Contracts. Please refer to the section headed "Structured Contracts — Operation of the Structured Contracts — Summary of the material terms of the Structured Contracts — (1) Exclusive Business Cooperation Agreement" in this prospectus for details.

LIQUIDATION

According to the Exclusive Business Cooperation Agreement, in the event of the dissolution or liquidation of our Consolidated Affiliated Entities, the Registered Shareholders undertake that WFOE and/or its designee shall have the right to exercise the shareholders' right on behalf of the shareholders of the Consolidated Affiliated Entities, and the shareholders of the Consolidated Affiliated Entities shall transfer all of the assets received as a result of the dissolution or liquidation directly to WFOE and/or our designee, and instruct the liquidation team of Consolidated Affiliated Entities to deliver the aforesaid assets directly to WFOE and/or other persons designated by us.

INSURANCE

Our Company does not maintain any insurance policy to cover the risks relating to the Structured Contracts.

SUCCESSION

The provisions set out in the Structured Contracts are also binding on the successors of the Registered Shareholders, as if each of the successors was a signing party to the Structured Contracts. Although the Structured Contracts do not specify the identity of the successors to such shareholders, under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Structured Contracts. In case of a breach, WFOE or our Company can enforce its right against the successors. Further, pursuant to the Structural Contracts, in the event of death or any other event which causes the inability of the Registered Shareholders to perform their day-to-day obligations, the successor of any of the Registered Shareholders is to inherit any of the rights and obligations of the Registered Shareholders subject to him or her being bound by the provisions of the Shareholders' Powers of Attorney.

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

To ensure our effective control over our Consolidated Affiliated Entities, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Pursuant to the Exclusive Call Option Agreements, the Registered Shareholders granted us or our designated third party an exclusive option to purchase part or all of the equity interests in the Consolidated Affiliated Entities, under circumstances in which we or our designated third party is permitted under the PRC laws and regulations to own all or part of the equity interests in the Consolidated Affiliated Entities. Under the irrevocable Shareholders' Powers of Attorney executed by each of the Registered Shareholders, they appointed WFOE, or any person designated by WFOE (excluding the persons who are not Independent Third Parties or may give rise to conflicts of interests) as their respective attorney-in-fact to exercise all of his or their rights as shareholders of Dashan Training under their articles of association and under the relevant PRC laws and regulations.

Pursuant to the Exclusive Business Cooperation Agreement, the Registered Shareholders have undertaken that during the period when they remain as the shareholders of Dashan Training, (i) unless otherwise agreed to by WFOE in writing, they (either on their own or together) will not, directly or indirectly participate, or engage in, acquire or hold any business which is or may potentially be competing with the businesses of our Consolidated Affiliated Entities or any of their respective affiliates (the "**Competing Business**"); (ii) use information obtained from any of our Consolidated Affiliated Entities for the Competing Business; and (iii) they will not obtain any benefit from any Competing Business. Based on the above, our Directors are of the view that the measures that we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between our Group and the Registered Shareholders and that these measures are sufficient to protect our Group's interest in the Consolidated Affiliated Entities.

LEGALITY OF THE STRUCTURED CONTRACTS

PRC Legal Opinions

Based on the above, our PRC Legal Advisers are of the opinion that the Structured Contracts are narrowly tailored to minimise the potential conflict with the relevant PRC laws and regulations and that:

(a) the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto, irrespective of whether the parties are individuals, private and/or listed companies, and enforceable in accordance with its terms, and in particular, the Structured Contracts do not violate the provisions of the PRC Contract Law including "concealing illegal intentions with a lawful form", the General Principles of the PRC Civil Law and other applicable PRC laws and regulations;

(b) the effectiveness of the Structured Contracts in our Company's case is in substance the same when it is compared to the other cases where the equity interests of the operating companies are directly held by individual shareholders, on the basis that:

(i) the Structured Contracts are legal and effective regardless of the facts that the Registered Shareholders are companies (except for Mr. Zhang, Mr. Shan Jingchao and Mr. Zhang Junying) since all these entities, as parties to the Structured Contracts, have duly passed necessary shareholders' resolutions for each of them to enter into the Structured Contracts and have duly executed the Structured Contracts in 12 January 2020;

(ii) all these entities, as parties to the Structured Contracts, are legally obligated to perform their obligations under the Structured Contracts even in the event that their individual beneficial owners cease to hold any interest in them;

(iii) the flow of economic benefits, i.e. service fees, from Dashan Training to WFOE would not be affected. According to the Exclusive Consultancy and Technical Service Agreement, for any services provided by WFOE to Dashan Training, the respective service fees shall be paid by Dashan Training to WFOE directly, rather than by Registered Shareholders or the ultimate individual beneficial owners of Dashan Training; and

(iv) the control over Dashan Training by WFOE would not be affected because pursuant to the Shareholders' Rights Entrustment Agreement and the Shareholders' Powers of Attorney, each of the Registered Shareholders has irrevocably authorised and entrusted WFOE to exercise all its respective rights as shareholders of Dashan Training;

(c) upon signing, the Structured Contracts will be valid and effective under PRC laws and regulations;

(d) each of the Structured Contracts is not in violation of provisions of the articles of association of our Consolidated Affiliated Entities;

(e) entering into and the performance of the Structured Contracts are not required to obtain any approvals or authorisations from the PRC governmental authorities except that (1) the pledge of any equity interest in company in favour of WOFE is subject to registration requirements with relevant Administration of Market Regulation; (2) the transfer of the equity interests in our Company contemplated under the Structured Contracts is subject to applicable registration requirements under the then applicable PRC laws; and (3) any arbitral awards in relation to the performance of the Structured Contracts are subject to application to competent PRC courts for recognition and enforcement; and

(f) the Structured Contracts does not violate the M&A Rules.

For details in relation to the risks involved in the Structured Contracts, Please refer to the section headed "Risk factors — Risks relating to Contractual Arrangements" in this prospectus.

Directors' Views on the Structured Contracts

We believe that the Structured Contracts are narrowly tailored because the Structured Contracts are only used to enable our Group to consolidate the financial results of our Consolidated Affiliated Entities which engage or will engage in the operation of primary and secondary after-school education, which are subject to foreign investment restriction in accordance with applicable PRC laws and our consultation with the Education Department of Henan Province (河南省教育廳).

As at the Latest Practicable Date, we had not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts so that the financial results of the operation of our Consolidated Affiliated Entities can be consolidated to those of our Group. In light of this and based on the advice of our PRC Legal Advisers, our Directors are of the view that each of the Structured Contracts conferring significant control and economic benefits from the Consolidated Affiliate Entities to the WFOE is enforceable under PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "Dispute resolution" in this section.

In addition, as confirmed by our Directors, as at the Latest Practicable Date, Hou De Education and Dashan Consultancy do not have any actual operation. Save as disclosed below, Hou De Education and Dashan Consultancy do not have any other investments other than their respective direct or indirect equity interests in Dashan Training and Jing Guang Dashan:

Name	**Scope of business**	**Shareholding**
Dashan Management	Business management consultancy	approximately 17.65% by Hou De Education
Dashan Consultancy	Business management consultancy	approximately 99.74% by Dashan Management
Zhengzhou Hourun Enterprise Management Consulting Company Limited* (鄭州厚潤企業管理諮詢有限公司) ("**Zhengzhou Hourun**")	Business management consultancy	99% by Hou De Education
Henan Guangsi Industrial Company Limited* (河南廣思實業有限公司) ("**Henan Guangsi**")	Business management consultancy; educational information consultancy; real estate development and sales	5% by Zhengzhou Hourun

As confirmed by each of Mr. Zhang, the sole shareholder of Hou De Education; and Dashan Management and Mr. Zhang Junying, the shareholders of Dashan Consultancy, as the Latest Practicable Date, (i) equity interests in Hou De Education and Dashan Consultancy are not subject to any pledge, charge or any other encumbrance; and (ii) the investments mentioned in the table above does not have any potential adverse impact on our Group's interests in Dashan Training.

As confirmed by Zhengzhou Hourun, (i) it had no actual operation since the date of establishment in November 2018 and up to the Latest Practicable Date; (ii) there were no actual or potential claims or litigation against it as at the Latest Practicable Date; (iii) Mr. Zhang, Hou De Education and Dashan Consultancy had not provided any guarantee to it or its subsidiaries as at the Latest Practicable Date; (iv) it is solvent and able to pay its debt (if any) when it falls due as at the Latest Practicable Date; and (v) save for Hou De

Education being a shareholder of Zhengzhou Hourun, the operation and financial liabilities of Zhengzhou Hourun or its subsidiaries are unrelated to Hou De Education or its ultimate beneficial owner.

As confirmed by Henan Guangsi, (i) since the date of establishment in December 2017 and up to the Latest Practicable Date, it mainly engaged in construction and property development, including but not limited to construction of schools, and investment in educational technology and nursery school; (ii) save as disclosed below, there were no actual or potential claims or litigation against it as at the Latest Practicable Date; (iii) Mr. Zhang, Hou De Education, Zhengzhou Hourun and Dashan Consultancy had not provided any guarantee to it or its subsidiaries as at the Latest Practicable Date; (iv) it was solvent and able to pay its debt (if any) when it falls due as at the Latest Practicable Date; (v) Zhengzhou Hourun, being a passive investor of Henan Guangsi, does not represent Henan Guangsi on any directorship or major position and does not have any management control over Henan Guangsi nor any impact on its management; and (vi) save for Hou De Education being a shareholder of Henan Guangsi, the operation and financial liabilities of Henan Guangsi or its subsidiaries are unrelated to Hou De Education or its ultimate beneficial owner.

Case Description	Date of release	Parties	Court	Status
Construction contract dispute	25 December 2019	Plaintiff: Henan Shenglong Tushifang Qingyun Company Limited* (河南升龍土石方清運有限公司) Defendant: Henan Guangsi	People's Court of Zhengzhou High-tech Industrial Development Zone, Henan Province* (河南省鄭州高新技術產業開發區人民法院)	The Plaintiff has withdrawn the lawsuit and there is no dispute between the parties as at the Latest Practicable Date

Based on the above, the Registered Shareholders have the legal capacity to hold the interests in the Consolidated Affiliated Entities for our Group under the Structured Contracts, and each of the Registered Shareholders' investment (if any) and financial position would not affect its/his capacity in performing its/his obligations under the Structured Contracts, and hence there is no potential adverse impact on the effectiveness and enforceability of the Structured Contracts.

The transactions contemplated under the Structured Contracts constitute continuing connected transactions of our Company under the Listing Rules upon the Listing. Please refer to the section headed "Connected transactions" in this prospectus for details.

Our Directors (including our independent non-executive Directors) are of the view that (i) the transactions contemplated under the Structured Contracts as described above, and for which waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, are fundamental to our legal structure and business operation, are on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) with respect to the terms of the relevant agreements underlying the Structured Contracts which is of a duration longer than three years, it is justifiable and normal business practice to ensure that (a) the financials and operation of our Consolidated Affiliated Entities can be effectively controlled by WFOE, (b) WFOE can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (c) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

The Sole Sponsor has reviewed the Structured Contracts and the relevant information provided by our Group, has participated in the due diligence and discussions with our management, and has obtained necessary representations and confirmations from our Company and our Directors. Based on the above, the Sole Sponsor concurs with the views of our Directors as stated in the previous paragraph.

COMBINATION OF FINANCIAL RESULTS OF OUR CONSOLIDATED AFFILIATED ENTITIES

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by WFOE, each of the Consolidated Affiliated Entities will pay service fees to WFOE. The service fees, subject to WFOE's adjustment and without prejudicing the shareholders' right of Dashan Training, are equal to all of their respective amount of surplus from operations (after deducting all costs, expenses, taxes, losses from the previous year (as required by applicable law), statutory reserve and other fees in accordance with relevant regulations. WFOE may adjust the service fees at its discretion, subject to applicable rules and regulations, and allow the Consolidated Affiliated Entities to retain sufficient working capital to carry out any growth plans. WFOE also has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities. Accordingly, WFOE has the ability, at its sole discretion, to extract substantially all of the economic benefit of the Consolidated Affiliated Entities through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Business Cooperation Agreement, WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of the Consolidated Affiliated Entities as WFOE's prior written consent is required before any distribution can be made. Further, under the Exclusive Call Option Agreement, in the event that the Registered Shareholders receive any profit distribution or dividends from Dashan Training, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to WFOE.

As a result of these Structured Contracts, our Company has obtained control of the Consolidated Affiliated Entities through WFOE and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of the Consolidated Affiliated Entities into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in note 2 to the Accountants' Report set out in Appendix I to this prospectus.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On 15 March 2019, the Foreign Investment Law was formally passed by the 13th NPC 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.

Impact and Potential Consequences of the Foreign Investment Law on the Structured Contracts

As advised by our PRC Legal Advisers, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisers, 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 after-school 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 Latest Practicable Date, 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. Please refer to the section headed "Risk factors — Risks relating to Contractual Arrangements — Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations" in this prospectus for details.

COMPLIANCE WITH THE STRUCTURED CONTRACTS

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

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

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

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

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

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

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

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

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

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

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

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

OVERVIEW

We are principally engaged in the provision of primary and secondary after-school education services in Zhengzhou and our history can be traced back to 1998. We offer primary and secondary school students OMO after-school education services which supplement their regular English, Chinese, Mathematics and other curriculum at school. According to the Frost & Sullivan Report, we were the largest primary and secondary after-school education service provider in Henan by number of student enrolments in 2019 and the second largest primary and secondary after-school education service provider in Henan in terms of revenue in 2019, with a market share of approximately 2.5% among all such service providers in Henan.

As the leading after-school education service provider in Henan, we believe that we are uniquely positioned to enjoy the growth potential offered in Zhengzhou and in Henan. According to the Frost & Sullivan Report, revenue of primary and secondary after-school education service market in Henan rose from approximately RMB19.6 billion in 2014 to approximately RMB36.4 billion in 2019, representing a CAGR of approximately 13.2% and is expected to further grow at a CAGR of approximately 8.6% to approximately RMB54.9 billion in 2024. In 2019, the market share of Henan's primary and secondary after-school education services in the overall PRC market was approximately 7.9%. We believe that our business is underpinned, and would be further driven, by the followings:

(1) in 2019, there were approximately 16.7 million students participating in primary and secondary education in Henan, accounting for approximately 9.6% of total number of registered primary and secondary students in the PRC for the year. Henan itself, being the province with the largest number of primary and secondary student enrolments in the PRC in 2019 and the largest number of students registered in Gaokao in the PRC in 2019, is a sizeable market for our Group. With the national implementation of the two-child policy since October 2015, number of students is likely to increase going forward;

(2) although Henan has a large number of students participating in primary and secondary education, the enrolment rate for first-tier university ranked the 26th among 28 provinces in 2019 (excluding Hainan Province, Xinjiang Uygur Autonomous Region and Xizang Autonomous Region) in the PRC. According to the Frost & Sullivan Report, there has been an increasing trend for Henan students to sign up for after-school education services with a view to increasing their access to top quality education;

(3) in 2019, there were approximately 0.48 million out of a total of 1.62 million primary and secondary students participated in after-school education in Zhengzhou, or approximately 29.6% of the total primary and secondary students in the city. This is to be compared with over 70% of the primary and secondary students in first-tier cities in the PRC take part in after-school education. As Zhengzhou has been promoted as a national central city in the PRC in 2017 with an increasing household disposable income and an increasing number of students participating in primary and secondary education, it is expected that

the ratio of students participating in after-school education services versus total primary and secondary student enrolments will continue to grow in Zhengzhou; and

(4) per capita spending on education as a portion to the total spending in Zhengzhou was approximately 5.8% in 2019. According to the Frost & Sullivan Report, it is likely that with increasing disposable income and proportion of expenditure on education, spending on after-school education services will continue to increase in Zhengzhou, and in Henan as a whole.

For more details of the above analysis, please refer to the section headed "Industry overview" in this prospectus.

As at the Latest Practicable Date, we had 80 self-operated teaching centres, among which 79 of them were located in Zhengzhou and one of them was located in Xinxiang. In addition, we had 12 franchisees located in areas other than Zhengzhou. For details, please refer to the paragraph headed "Our network" in this section. Within each of our self-operated teaching centres, we provide services for three key subjects through three different brands, namely "大山" (DaShan) for English, "御夫子" (Yufuzi) for Chinese and "小數點" (Xiaoshudian) for Mathematics (as well as for other science subjects). These subjects are offered in the forms of regular class, small class and VIP class for our students to choose from according to their individual studying needs and preferences.

Our goal is "Creating a bright future for students 為學生創造美好未來", by implementing our teaching philosophy of stimulating student's learning initiatives, improving their academic performance, broadening their horizons and shaping their personal character. In reaching our goal, it is also our mission to combine technology and innovation with physical tutoring to improve student's learning interest and efficiency. As an OMO after-school education service provider, we deliver our 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 our teaching materials.

Our research and development team is in charge of designing our teaching materials. To ensure the standard and quality of our teaching materials, we engaged several top tier universities or their associated publishing house in Beijing to customise or advise us on the design of our teaching materials.

As part of our standardised teaching system, we strive to ensure consistent and stable teaching quality. All of our courses are taught or delivered by our teachers that have passed no less than 12 weeks of our training program at our teacher training centre, which comprises subject specific training and skills training. Our teacher training centre commenced operation in 2017, and it occupies a total GFA of not less than 6,100 sq.m. and allows up to 1,900 teachers to undergo training simultaneously. As at the Latest Practicable Date, we had a total of 891 teachers. We encourage our teachers to update and share their teaching experiences in our teacher training centre for no less than once per week.

We emphasise on developing a standardised teaching system through the use of uniform teaching materials, provision of continuous training to our teachers and the integration of our proprietary online learning platform "學習8" (Learning Bar) as an essential part of the tutoring services that we offer. We believe that this allows us not to rely on any individual teacher and at the same time to prepare ourselves for a replicable operation model for future growth.

During the three years ended 31 December 2019, the total number of student enrolments were 137,225, 187,728 and 248,134, respectively, and the total number of tutoring hours delivered by us were approximately 4.6 million hours, 5.7 million hours and 6.7 million hours, respectively, for our regular classes, small classes and VIP classes.

The table below set out the selective items from our combined statements of profit or loss and other comprehensive income:

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	217,343	289,787	383,647
Gross profit	94,897	128,862	169,655
Profit before taxation	37,011	53,556	57,234
Profit and total comprehensive income for the year	28,060	44,943	48,966

COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths as set out below differentiate ourselves from our competitors:

We were the largest primary and secondary after-school education service provider in Henan by number of student enrolments in 2019

We consider Henan, particularly Zhengzhou, as our core market. According to the Frost & Sullivan Report, Henan had the largest number of primary and secondary student enrolments in the PRC in 2019 and the largest number of students registered in Gaokao in the PRC in 2019. As at the Latest Practicable Date, we had a network of 80 self-operated teaching centres, among which 79 of them were located in Zhengzhou and one of them was located in Xinxiang. According to the Frost & Sullivan Report, our number of student enrolments made us the largest after-school education service provider in Henan in 2019.

Since 2000, we have been using “大山” (DaShan) in providing our English tutoring services. Throughout the years, our “大山” (DaShan) brand has been awarded a number of recognitions, including “An Education Training Institution Endorsed by People for the academic year 2013 to 2014*” (2013–2014學年人民滿意的教育培訓機構), “Well-known Brand Recognition*” (知名品牌) in 2016, “Partner with the Most Influential Brand*” (最具品牌影響力合作夥伴) and “Influential Education Brand of 2019*” (2019年度影響力教育品牌) in 2019. We believe that our “大山” (DaShan) brand has now become a trustworthy and credible brand among parents and students in Henan. For further information about our awards and recognitions, please refer to the paragraph headed “Major qualifications, certifications and awards” in this section.

According to the Frost & Sullivan Report, 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. We believe that with our over 20 years track record, scalable operation and brand awareness in one of the largest markets (in term of number of students) in the PRC, we have built a solid foundation in our core market that enable us to differentiate and defend ourselves from existing competition and new market entrants.

We strive to offer OMO after-school education services in the PRC

We were qualified as a high and new technology enterprise as we provide online teaching which falls within the category of high-tech services under the “Catalogue of High and New Technology Area Specifically Supported by the State” 《國家重點支持的高新技術領域》of the PRC. We were the only primary and secondary after-school education service provider that obtained the High and New Technology Enterprise Certificate* (高新技術企業證書) in 2018.

We have integrated traditional physical classroom teaching with online teaching. We launched our proprietary online learning platform “學習8” (Learning Bar) in 2017. 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. The platform serves as part of our integrated system which complements the physical learning experience of students and enhances their learning efficiency.

Our Directors believe that the platform can enhance the learning efficiency of our students, improve the operational efficiency of us and most importantly facilitate us to build a standardised teaching system. "學習8" (Learning Bar) includes the following functions:

For parents and students

- enable parents and students to purchase tutoring courses online
- allow students to download the lesson outlines and replay revision videos online
- allow students to submit homework online
- allow students to do pre-class preparation and after-class assignment online
- provide interactive support when the students do the online practice
- allow instant and after-class communication amongst parents, students and teachers
- allow parents and students to give teachers feedback on their teaching performance and the services we provide

For teachers

- facilitate the sharing of information and communication amongst students, parents and teachers such as class attendance and homework
- utilise and review the teaching materials uploaded by our research and development team for class preparation
- mark the homework submitted by students and provide feedbacks on students' performance online
- allow teachers to conduct teaching through online streaming and video recordings

For us

- allow us to monitor the teaching performance of our teachers through reviewing the preparation materials they upload on the platform and the frequency they comment on the homework submitted by the students and their performance
- send information updates, including classes offered by us and education tips
- collect data regarding students' learning progress and teachers' teaching progress which form the basis for us to revise our teaching materials

We believe that with our scalable student enrolments and network, we would be able to gradually build a sizable database that allows us to foresee change in students' needs and further enhances our competitiveness. Fundamentally, we hope that through the offering of OMO after-school education services, we could encourage and stimulate our students' interest in learning and enhance their learning efficiency, which ultimately will improve their confidence and their ability to excel in the future.

Through this standardisation and digitalisation of our teaching system, we believe we can attract more students and maintain a high quality teaching standard that is beneficial to our students.

We provide continuous tutoring services to students from primary school to upper secondary school with a strong research and development capability

Our courses are catered for students from primary school to upper secondary school. We provide tutoring services for primary and secondary school students in three key subjects, namely English, Chinese and Mathematics, as well as Physics and Chemistry for upper secondary school students to satisfy the different educational needs of students.

As at the Latest Practicable Date, we had 183 staff participating in our research and development team, with approximately 15.8% of them possessed postgraduate degree qualification, and approximately 64.5% of them had over 3 years or above of teaching experience. Our research and development team is in charge of designing our teaching materials based on the school teaching syllabus, other teaching materials from reputable local and international publishers, our own database of past examination papers of different schools in Zhengzhou and the data extracted from our proprietary online learning platform "學習8" (Learning Bar). We review and update our teaching materials from time to time.

To ensure the standard and quality of our teaching materials, we engaged several top tier universities or their associated publishing house in Beijing to customise or advise us on the design of our teaching materials.

During the Track Record Period, our content and information technology development and training expenses amounted to approximately RMB12.1 million, RMB19.6 million and RMB32.2 million, respectively.

We have a sizable teacher training centre and an all-rounded teachers' training program

We place strong emphasis on the quality of our teachers and are committed to provide high quality teaching standard across all of our self-operated teaching centres. Our teacher training centre has commenced operation since 2017, and it occupies a total GFA of not less than 6,100 sq.m. and allows up to 1,900 teachers to undergo training simultaneously.

We insist on offering professional training programmes to our teachers to ensure a standard delivery of quality teaching services. As a policy, we require new teachers to undergo no less than 12 weeks training programmes which cover subject specific training and skills training including (i) presentation skills; (ii) communication skills; (iii) class preparation; (iv) classroom management; (v) "學習8" (Learning Bar) platform; (vi) personal appearance; (vii) teaching theory; (viii) teaching skills; (ix) teaching philosophy; and (x) classroom practice. After the completion of these trainings, all the teachers will be examined accordingly. For the teachers who do not pass the examination, they will have to go through specific areas of the training and be re-examined. Upon passing the examination, each of the newly hired teachers will be assigned to a teaching district and begin teaching at our self-operated teaching centres.

In addition to this, we encourage our teachers to update and share their teaching experience in our teacher training centre for no less than once per week. Their delivery of teaching services is also closely monitored by us. We believe that our systematic training programmes not only allow us to deliver our teaching services in an organised and standardised manner, but also enable us not to rely on any individual teacher and at the same time to prepare ourselves for a replicable operation model for future growth.

As at the Latest Practicable Date, we had a total of 891 teachers. All of our teachers were university graduates in the PRC and approximately 11.1% of them possessed master degree or above. To attract suitable and high quality teachers, we offer attractive remuneration packages which are more competitive than that offered by public school system in Henan. For further details of our teacher selection and training process, please refer to the paragraph headed "Our teachers — Teachers' training" in this section.

We have an experienced and stable management team

We have an experienced and stable management team with extensive experience in the PRC education and tutoring industry. Our management team consists of our executive Directors and senior management, who are responsible for our overall operation management. Meanwhile, our Board is responsible for the overall strategy and development of our Group.

Our chairman and founder, Mr. Zhang, has over 21 years of experience in the education industry. Besides being recognised for his contribution to the education industry, Mr. Zhang was also elected as a member of the 12th Committee of the Henan Provincial Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆河南省委員會) in January 2018. In 2019, Mr. Zhang obtained the award of "Leading Person of the Year in the Education Industry" (年度教育行業領軍人物) from Sohu.com (搜狐), Henan.qq.com (騰訊大豫網) and Henan.163.com (網易河南). Apart from Mr. Zhang, Mr. Shan Jingchao, our executive Director, and Mr. Guo Xianwei, our senior management member, both have over ten years of experience in the education industry.

We believe our management team's experience in education industry, as well as their stable relationship with our Group, provide us with valuable experience and expertise in the education industry and enable more efficient management of our business operations, which would continue to strengthen our brand and reputation.

BUSINESS STRATEGIES

Our business objectives are to maintain the sustainable growth in our business and to create long-term shareholders' value. In this connection, we intend to maintain our position as one of the leading after-school education service providers in Henan and to continue to build on our existing competitive strengths stated above for further growth. According to the Frost & Sullivan Report, China's after-school education service market has promising prospects. While we note that there are recent changes in law and rules for the education industry, we believe that tougher regulations will increase entry barriers and at the same time drive out competitors that do not have a scalable business to absorb relevant compliance costs. We are therefore of the view that the recent regulatory changes have provided us with opportunities to further strengthen our market position. Please also refer to the paragraph headed "New education laws and regulations" in this section.

To achieve our business objectives, we will implement the following business strategies:

Increase market penetration and expand our geographical coverage

Henan is our base and foundation to our future growth and success, where we will continue to provide quality after-school education services to our students. We plan to increase our self-operated teaching centres to enhance our geographical coverage and brand recognition.

We have extensive experience in operating primary and secondary after-school education services and are desirous to establish new self-operated teaching centres in other areas in Zhengzhou and other cities in Henan. We consider various factors for selecting the locations of our new self-operated teaching centres, for details please refer to the paragraph headed "Our network — Location(s) identification" in this section. As at the Latest Practicable Date, we operated in 11 teaching districts in Zhengzhou and one teaching district in Xinxiang with a total of 80 self-operated teaching centres. After the Track Record Period and up to the Latest Practicable Date, we entered into lease agreements for 11 of our new self-operated teaching centres. It is our intention to replicate our business model to set up additional self-operated teaching centres, with an aim to achieving a total of 140 self-operated teaching centres by the end of 2022 in response to the increasing demand for after-school education services.

According to the Frost & Sullivan Report:

(i) the number of students participating in primary and secondary after-school education in Henan are expected to increase by approximately 0.3 million from approximately 4.8 million in 2019 to approximately 5.1 million in 2022, primarily driven by an increase of disposable income of Henan residents, rising awareness of after-school education and relatively low first-tier university enrolment rate of approximately 12.5% in Henan in 2019;

(ii) the participation rate of primary and secondary after-school education service in Zhengzhou is expected to grow from approximately 29.6% in 2019, which was much lower than the rate of over 70% in first-tier cities in the PRC, to approximately 32.1% in 2022;

(iii) revenue of primary and secondary after-school education service market in Zhengzhou is expected to continuously grow from approximately RMB3.96 billion in 2019 to approximately RMB6.18 billion in 2024, representing a CAGR of approximately 9.3% from 2019 to 2024;

(iv) it is expected that around 500 to 600 primary and secondary after-school teaching centres will be opened in Zhengzhou with an increase in the market size of primary and secondary after-school education service market in Zhengzhou by approximately RMB0.95 billion in the coming years up to 2022, while around 50 to 100 small primary and secondary after-school teaching centres were permanently closed from 1 February 2020 to 30 April 2020 in Zhengzhou due to the outbreak of COVID-19; and

(v) the market is expected to have resumed to the level of the same period in 2019 from June or July 2020, and the market demand which was satisfied by those closed teaching centres can be captured by the leading market players having survived from the epidemic, such as our Group.

According to the Frost & Sullivan Report, leading market players can take advantage of the stronger pricing power and brand awareness upon the exit of small-sized market players who have suffered severely from the outbreak of COVID-19. Due to the outbreak of COVID-19 in the PRC in 2020, there was a temporary suspension of physical classes for primary and secondary after-school education service providers, resulting in a decrease in total number of students participating in primary and secondary after-school education, and hence a decrease in revenue of the primary and secondary after-school education service market in Zhengzhou in 2020. The primary and secondary education service market in Zhengzhou in 2021 is expected to pick up to the level as estimated, mainly because (i) the market demand stays as the number of primary and secondary school students remains unchanged despite the temporary suspension of physical classes; and (ii) the market is expected to have resumed to the level of the same period in 2019 from June or July 2020, given that primary and secondary schools have resumed classes in May 2020. As such, we believe there will be sufficient demand for our expansion plan due to the increasing market size of and the exit of small-sized market players from the after-school education service markets in Henan in particular, which provide us with an enormous pool of potential students. Given our Group ranked first in terms of revenue generated from primary and secondary after-school education, with a market share of approximately 19.4% among all primary and secondary after-school education service providers in Zhengzhou, we believe that the expansion plan of our Group to open 60 self-operated teaching centres in the coming years up to 2022 is reasonable and can be supported by sufficient market demand. The following table sets forth certain key information regarding our expansion plan to establish new self-operated teaching centres:

Teaching districts	Existing total number of self-operated teaching centres as at the Latest Practicable Date	Expected total number of new self-operated teaching centres to be established for the year ending 31 December			Expected total number of self-operated teaching centres as at 31 December 2022 (Note 1)	Number of primary and secondary school students (approximate) (Note 2)	Expected total number of students our new self-operated teaching centres could accommodate (approximate)
		2020	2021	2022			
Zhengzhou (鄭州市)							
— Jinshui District (金水區)	20	—	1	—	21	12,200	500
— Erqi District (二七區)	11	3	2	—	16	34,300	1,800
— Guancheng District (管城區)	9	1	2	—	12	36,000	1,400
— Zhengdong New District (鄭東新區)	10	1	—	—	11	1,400	400 (Note 4)
— Zhongyuan District (中原區)	7	3	1	—	11	34,100	1,300
— Gaoxin District (高新區)	7	3	3	—	13	31,500	2,200
— Huiji District (惠濟區)	6	—	1	—	7	1,800	200
— Jingkai District (經開區)	4	2	—	—	6	21,800	1,100
— Xingyang District (滎陽市)	—	—	1	6	7	52,100	1,300
— Shangjie District (上街區) (Note 3)	1	—	—	—	1	N/A	N/A
— Airport Economy Zone (航空港區)	2	2	4	—	8	52,100	2,900
— Xinmi District (新密市)	—	—	5	6	11	102,100	10,100 (Note 5)
— Zhongmu County (中牟縣)	—	—	1	4	5	48,900	2,200
— Dengfeng District (登封市)	—	—	—	4	4	18,800	3,700 (Note 6)
— Gongyi District (鞏義市)	—	—	—	4	4	17,600	700
— Longhu District (龍湖區) (Note 3)	2	—	—	—	2	N/A	N/A
Xinxiang (新鄉市)							
— Pingyuan Demonstration District (平原示範區) (Note 3)	1	—	—	—	1	N/A	N/A
Total number of self-operated teaching centres	80	15	21	24	140	N/A	N/A
Total GFA (approximate sq.m.)	60,215	13,500	18,900	21,600	114,267	N/A	N/A

Notes:

1. Assuming there is no closure of self-operated teaching centre from the Latest Practicable Date to 31 December 2022.

2. As advised by Frost & Sullivan, number of primary and secondary school students in the relevant teaching district represents the total number of primary and secondary school students studied in those schools which locate within a three-kilometre radius of the locations of the relevant new self-operated teaching centres and excludes the number of students that our existing self-operated teaching centres in the same locality can accommodate.

3. We did not conduct feasibility studies on the teaching districts where we had no plan to establish any new self-operated teaching centre as at the Latest Practicable Date.

4. We plan to establish one new self-operated teaching centre in Zhengdong New District because (i) our existing self-operated teaching centre in the same locality (within a three-kilometre radius of the location of the relevant new self-operated teaching centre) had been overloaded; and (ii) no competitor had operation in the same locality as at the Latest Practicable Date.

5. We plan to establish 11 new self-operated teaching centres in Xinmi District because (i) we had not established any self-operated teaching centre in this teaching district; and (ii) we had only one competitor in the same locality (within a three-kilometre radius of the location of the relevant new self-operated teaching centre) for one of our new self-operated teaching centres as at the Latest Practicable Date.

6. We plan to establish four new self-operated teaching centres in Dengfeng District because (i) we had not established any self-operated teaching centre in this teaching district; and (ii) no competitor had operation in the same locality (within a three-kilometre radius of the location of the relevant new self-operated teaching centre) as at the Latest Practicable Date.

7. "Competitor" refers to the top five primary and secondary after-school education service providers by revenue in Henan and Zhengzhou. For details of the top five primary and secondary after-school education service providers in Henan and Zhengzhou, please refer to the section headed "Industry overview — Competitive landscape" in this prospectus.

We have conducted feasibility studies on all sites nearby the area where we plan to establish new self-operated teaching centres in the next one to three years. Our feasibility studies generally take into account a comprehensive range of factors, including (i) population of the target customers in the target area; (ii) local competition; (iii) number of schools; and (iv) the accessibility of the location by public transportation means.

We intend to establish 60 new self-operated teaching centres with an expected total GFA of approximately 54,000 sq.m. and to recruit an additional number of 360 teachers. Each new self-operated teaching centre would have a GFA of approximately 900 sq.m. and we target to hire three additional teachers for each new self-operated teaching centre using the proceeds of the Share Offer, save for 19 self-operated new teaching centres we intend to establish in the coming years up to 2022. Out of the 60 new self-operated teaching centres to be established for the three years ending 31 December 2022, 19 of which will be established using internal capital and 41 of which will be established using the proceeds of the Share Offer. We expect to incur a total investment cost of approximately RMB193.7 million (including a total budgeted capital expenditure of approximately RMB112.3 million) for the establishment of the proposed 60 new self-operated teaching centres by the end of 2022. In particular, our investment cost primarily comprised of (i) purchase of property, plant and equipment and renovation costs; (ii) rental deposits and payments; (iii) selling and marketing expenses; and (iv) staff costs and training costs, which amounted to approximately RMB112.3 million, RMB70.7 million, RMB6.7 million and RMB4.0 million, respectively. We expect to primarily fund our expansion using the proceeds of the Share Offer of approximately HK$151.2 million (equivalent to approximately RMB138.3 million), with the remainder of approximately RMB55.4 million to be financed by cash generated from our operations and retained earnings.

The information relating to our current expansion plan is prepared based on our management's present expectation, which is subject to various risks, assumptions and uncertainties. There is no assurance that our actual expansion plan will not deviate from our current expansion plan. In the interest of our Company and our Shareholders as a whole, our management will consider making various adjustments to our expansion plan based on commercial grounds, including but not limited to, delaying or suspending our expansion plan and increasing our debt and/or equity financing if our working capital or business performance would be materially and adversely affected.

According to the Frost & Sullivan Report, the primary and secondary after-school education service market in Henan and in the PRC is highly fragmented. As a result of key market players' rapid business expansion and the exit of small-sized market players caused by tightened education regulations and outbreak of COVID-19 in the PRC, there is a growing consolidation trend as reflected by the market dominance of the top five market players whose market shares in the after-school education service market are constantly increasing. In order to rapidly improve our competitiveness and brand name, we may also expand our teaching centres network by acquiring existing centres or network of centres that we believe will complement our existing operations, and enter into more franchise arrangements with credible operators in other areas outside Zhengzhou, subject to the compliance of the relevant rules and regulations.

For details of our network of teaching centres, please refer to the paragraph headed "Our network" in this section.

Expand our service capacity and broaden our service offerings

We are of the view that the after-school education service industry in the PRC is at a rapidly developing stage and the demand for good quality education and tutoring service will continue to grow. Therefore, we plan to continue to improve and diversify our course offerings to cater for existing demand and new market trends.

For our existing course offerings, we intend to constantly review and update our programs based on any change in the school curriculum and introduce more interactive teaching materials for our students, both online and offline, with an aim to stimulating their interest to learn. Our Directors believe that our staff and management have vast experience in the education system in the PRC and in particular in Henan. We keep pulse of any changes in the system or curriculum, and we act accordingly for adjustments or supplements to our program.

In addition to the provision of primary and secondary after-school education services, we expand into providing English playgroup to children between the age of three to seven since December 2019 by utilising our internal fund. We also plan to establish and operate a learning centre in Hong Kong which offers after-school education services with a focus on English-related tutoring courses to primary and secondary school students in Hong Kong by utilising our internal fund. In this regard, we engaged Keyswin Holdings Limited on 27 December 2019 as our consultant. For details, please refer to the section headed "Structured Contracts — Plan to comply with the Qualification Requirement" in this prospectus.

We will evaluate the possibility of providing after-school education services on other academic subjects and offering interest classes, as the market and trend continue to change and evolve. We are aware that some new and innovative courses will gain popularity and we are prepared to adapt and follow the new learning trend for the best development of our target students and/or new target segments. We believe that there may be business opportunities for us to explore into new market as the parents have more resources to provide the best possible education and support for their children.

Continue to enhance our teaching and service quality

We aim to stay competitive and improve our teaching system so that we can maintain our position as one of the leading primary and secondary after-school education service providers in Henan. In order to achieve this, we will focus on, among others, improving the academic performance of our students as this is one of the main factors that prospective students will take into account when they select us.

We intend to continue to, among others, (i) put additional resources into the recruitment, training and retention of high quality teachers; (ii) improve the facilities in our self-operated teaching centres; (iii) channel resources for the development of our teaching materials; and (iv) continue the development of our online teaching platform.

We see the importance of individualised and adaptive learning. During our operation, we put emphasis on our proprietary online learning platform, "學習8" (Learning Bar), which complements the physical learning experience of students and enhances their learning efficiency through the provision of real time and interactive support. The data collected from our integrated learning system also assists us to improve our course materials continuously. We were the only primary and secondary after-school education service provider that obtained the High and New Technology Enterprises Certificate* (高新技術企業證書) in 2018.

Selectively pursue strategic merger and acquisitions or cooperation opportunities within the industry

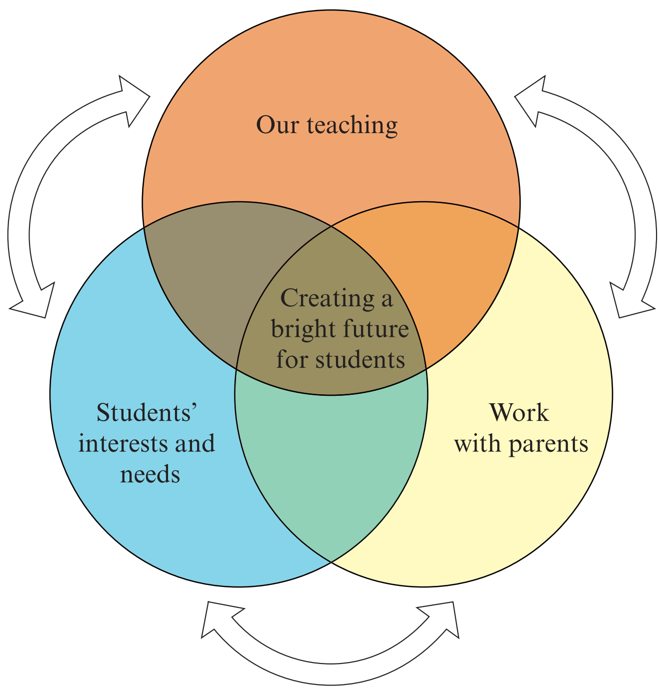
According to the Frost & Sullivan Report, the primary and secondary after-school education service market is highly fragmented in Henan and in the PRC and it gives rise to the opportunity for merger and acquisition and consolidation. We believe that as more regulations being promulgated for stricter compliance requirements, operators with less resources will face an increased cost of operation. Leading market players with proper compliance setup and scalable business will have advantageous competitive positions. Going forward, it is our intention to pursue strategic cooperations, including joint venture and merger and acquisitions, with a preference in central cities in other provinces or areas, to diversify our service offerings and target customers, increase our existing or new market penetration, complement our business strategies and increase our brand recognition. As we expand into new geographical locations, we can either open the new teaching centre by ourselves or can seek a suitable merger and acquisition or joint venture or other cooperation opportunity that has local knowledge or presence in the location of our interest.

We believe that through merger and acquisition or cooperation, we can increase our market coverage rapidly and at the same time gain valuable local knowledge or connections. We will explore and consider any merger and acquisition or cooperation opportunities carefully. The main criteria we would take into consideration in selecting acquisition or investment targets includes (a) the historical performance of the target companies; (b) the availability and type of potential customers; (c) the target company's size and scale of operation in terms of number of students; and (d) key financial indicators and profitability of the target companies. In determining the amount of proceeds from the Share Offer for the acquisitions, we have taken into account the following factors: (a) the expected return of the target companies; and (b) the price-to-earnings ratio of comparable PRC primary and secondary after-school education services companies within the region.

As at the Latest Practicable Date, we had not identified any acquisition or investment target.

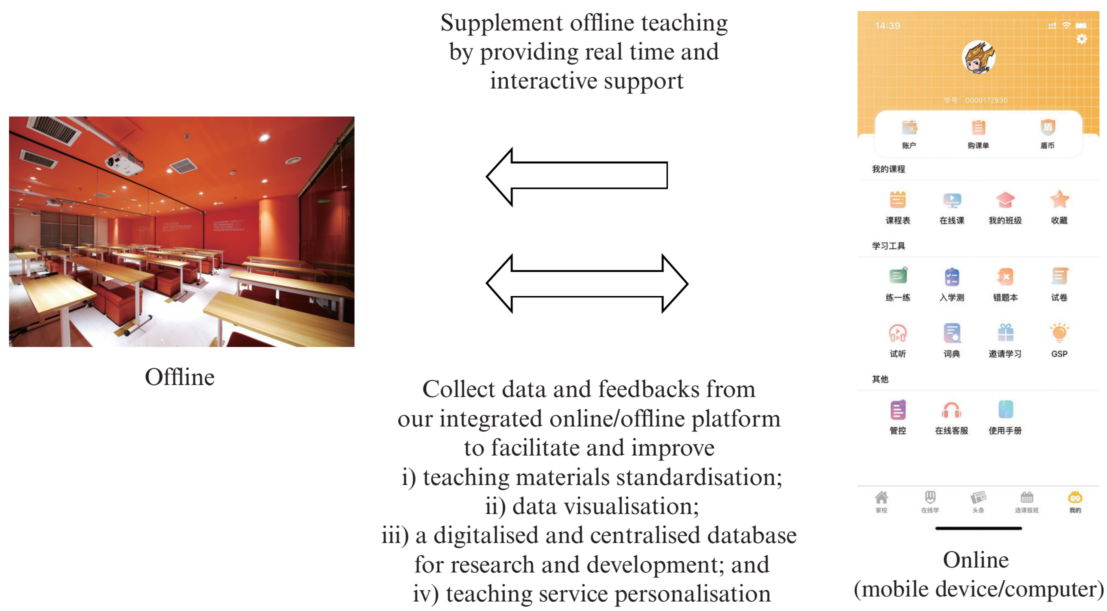
OUR MISSION AND PHILOSOPHY

Our mission in our teaching and business operation as an after-school education service provider is "Creating a bright future for students 為學生創造美好未來", by implementing our teaching philosophy of stimulating students' learning initiatives, improving their academic performance, broadening their horizons and shaping their personal character. We believe in the continuous three-way interactions among us, students and parents so as to optimise the outcome of the services we provide.

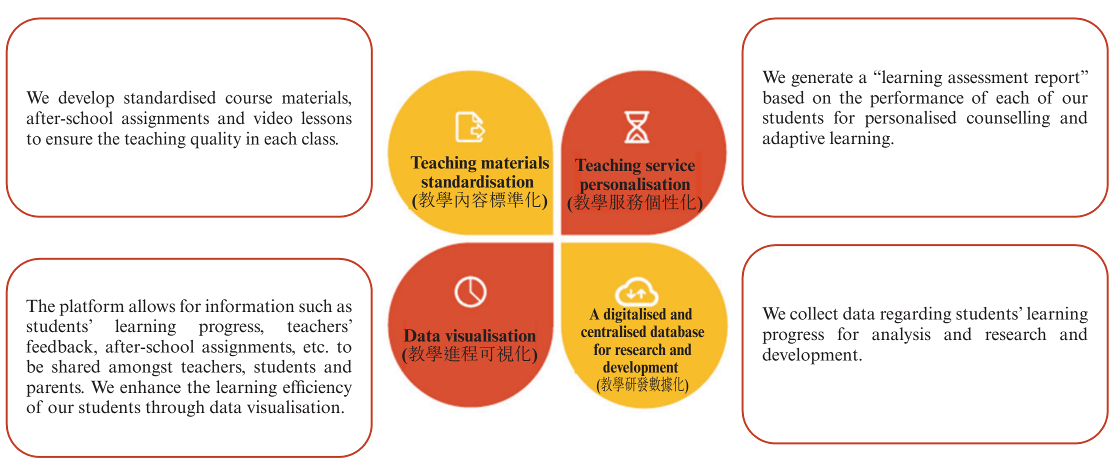


OUR BUSINESS MODEL

We strive to make use of technology and innovation to improve students' learning interest and efficiency. As an OMO after-school education service provider, we believe that our online and offline platforms are complementing each other in providing better education experience for our students as well as enhancing participation of parents as demonstrated below:

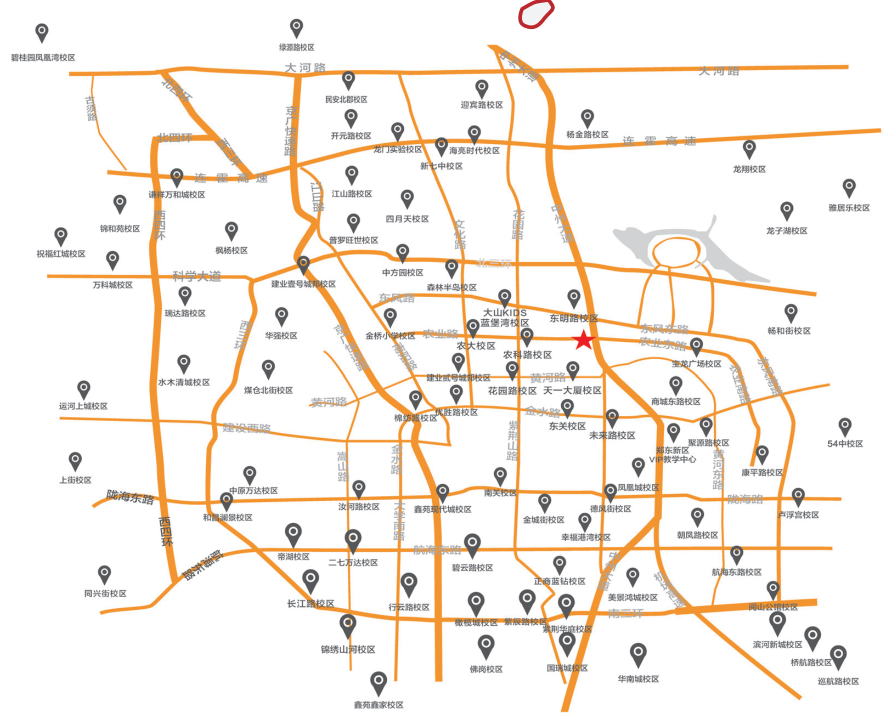


We emphasise on developing a standardised teaching system through the use of uniform teaching materials, provision of continuous training to our teachers and the integration of our proprietary online learning platform "學習8" (Learning Bar) as an essential part of the tutoring services that we offer. In particular, our proprietary online learning platform "學習8" (Learning Bar) helps us collect relevant data and form a feedback loop for improving the four key teaching/learning aspects, as illustrated in the diagram below:



OUR NETWORK

We are headquartered in Zhengzhou, which is the capital city of Henan. According to the Frost & Sullivan Report, Henan had the largest number of primary and secondary student enrolments of approximately 16.7 million in the PRC in 2019 and is estimated to reach approximately 17.9 million in 2024 with the implementation of the two-child policy. The diagrams below show the location of Henan and Zhengzhou and the distribution of our self-operated teaching centres in Zhengzhou.



We divide our teaching centre network into two criteria, namely self-operated and franchised teaching centres. It is our strategy to directly operate our teaching centres when we believe that locations of such centres are with promising growth potential with support of sufficient population in the neighbourhood and could create potential synergies among our centre network. For other remote areas which may not be cost-effective for us to operate directly, we would operate the teaching centres through franchise arrangement.

As at the Latest Practicable Date, we had a total of 80 self-operated teaching centres and 12 franchisees.

We offer courses that cater for both primary and secondary school students. Since December 2019, we have also expanded into providing English playgroup to children between the age of three to seven.

The following table sets out our revenue by different segments for the years indicated:

	For the year ended 31 December					
	2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Tuition fees income						
— Regular classes, small classes and VIP classes	208,438	96.0	274,863	94.9	363,602	94.8
— Online courses	—	—	106	0.0	398	0.1
— Other tutorial services *(Note 1)*	5,447	2.5	10,216	3.5	9,952	2.6
Subtotal	213,885	98.5	285,185	98.4	373,952	97.5
Sales of books and teaching materials	1,327	0.6	2,338	0.8	4,311	1.1
Brand name licensing and advisory services income	1,601	0.7	1,938	0.7	4,801	1.2
Other services *(Note 2)*	530	0.2	326	0.1	583	0.2
Total	217,343	100.0	289,787	100.0	383,647	100.0

Notes:

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

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

Self-operated teaching centres

As at the Latest Practicable Date, our 80 self-operated teaching centres were operated in 11 districts in Zhengzhou and one district in Xinxiang. We established our presence in Xinxiang since July 2019. According to the Frost & Sullivan Report, Xinxiang is a prefecture-level city in northern Henan adjacent to the border of the provincial capital of Zhengzhou to its southwest. Xinxiang has established several demonstration areas in recent years, such as Pingyuan Demonstration Area (平原示範區), and has a fast GDP development pace of approximately 8.8% from 2014 to 2019. It is expected that, from 2019 to 2024, the total number of students participating in primary and secondary school education in Xinxiang is anticipated to grow at a CAGR of approximately 2.1%, which is higher than the CAGR of approximately 1.4% in Henan. It is expected that superior geographical location, growing economy and increasing number of students would boost the demand for primary and secondary after-school education service in Xinxiang.

The revenue we generated from our self-operated teaching centres (exclusive of tuition fees income generated from provision of online course) amounted to approximately RMB213.9 million, RMB285.1 million and RMB373.6 million for each of the three years ended 31 December 2019, respectively. Set out below is the list of our self-operated teaching centres by districts and the corresponding revenue generated for the respective years:

	As at/for the year ended 31 December 2017		As at/for the year ended 31 December 2018		As at/for the year ended 31 December 2019	
Teaching districts	**Revenue**	**Number of self-operated teaching centres**	**Revenue**	**Number of self-operated teaching centres**	**Revenue**	**Number of self-operated teaching centres**
	RMB'000		*RMB'000*		*RMB'000*	
Zhengzhou (鄭州市)						
— Jinshui District (金水區)	69,485	15	80,838	16	101,215	20
— Erqi District (二七區)	32,691	9	38,314	9	46,330	11
— Guancheng District (管城區)	28,376	7	31,475	10	39,861	9
— Zhengdong New District (鄭東新區)	25,004	7	41,835	9	55,905	10
— Zhongyuan District (中原區)	16,250	5	18,635	5	24,660	7
— Gaoxin District (高新區)	14,893	5	22,921	6	27,687	7
— Huiji District (惠濟區)	14,504	6	26,211	7	35,084	6
— Jingkai District (經開區)	8,251	4	12,679	4	18,760	4
— Shangjie District (上街區)	394	1	758	1	1,240	1
— Airport Economy Zone (航空港區)	—	—	2,337	2	7,157	2
— Longhu District (龍湖區)	4,037	4	9,076	2	15,449	2
Xinxiang (新鄉市)						
— Pingyuan Demonstration District (平原示範區)	—	—	—	—	206	1
Total	213,885	63	285,079	71	373,554	80

For each of the three years ended 31 December 2019, the number of loss-making self-operated teaching centres were five, ten and six, which incurred a gross loss of approximately RMB1.2 million, RMB1.5 million and RMB2.8 million, respectively. During the Track Record Period, the aggregate revenue generated from the loss-making self-operated teaching centres were approximately 1.2%, 1.4% and 1.6% of our revenue generated from our self-operated teaching centres, respectively. As such, our Directors were of the view that the loss-making self-operated teaching centres did not have a material adverse impact on our business, financial position and results of operations. In general, the loss for the newly established self-operated teaching centres was mainly due to (i) the operating costs may incur since the commencement date of renovation of the self-operated teaching centres (the "**Commencement Date**"), whereas the relevant revenue was generally recognised one to four months after the Commencement Date when our tutoring services were rendered; and (ii) most of the initial set-up cost was incurred during the first year of the Commencement Date. As at 31 December 2019, there were five self-operated teaching centres out of the 14 loss-making self-operated teaching centres achieved investment payback. The following table sets out the details of our loss-making self-operated teaching centres for the years indicated:

Self-operated teaching centres	Commencement Date	Revenue recognition date	For the year ended 31 December 2017 Revenue	Gross profit/(loss)	For the year ended 31 December 2018 Revenue	Gross profit/(loss)	For the year ended 31 December 2019 Revenue	Gross profit/(loss)	Achieved Investment payback
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Jing San Road (經三路)(Note 1)	January 2017	March 2017	552	(600)	1,514	(239)	1,827	(200)	No
Yingcai Jie (英才街)(Note 1)	January 2017	January 2017	4,475	2,595	1,573	564	234	(20)	Yes
Nong Ke Road (農科路)	February 2017	April 2017	1,073	(223)	3,179	999	4,136	1,647	Yes
Zhufu Hong Cheng (祝福紅城)(Note 2)	April 2017	June 2017	334	(185)	1,243	(44)	1,662	(304)	No
Shangcheng East Road (商城東路)	May 2017	June 2017	577	(220)	2,083	187	3,199	945	Yes
Qiaohang Road (橋航路)	November 2017	January 2018	—	(1)	1,957	677	5,859	3,506	Yes
Xunhang Road (巡航路)	December 2017	March 2018	—	—	381	(273)	1,298	157	No
Jinxiu Shanhe (錦繡山河)	June 2018	September 2018	N/A	N/A	243	(81)	1,562	117	No
Qianxiang Wan He Cheng (謙祥萬和城)	June 2018	August 2018	N/A	N/A	192	(184)	1,625	56	No
Jian Ye No. 2 Chengbang (建業貳號城邦)(Note 3)	July 2018	October 2018	N/A	N/A	95	(95)	805	(59)	No
He Chang Lan Jing (和昌瀾景)	July 2018	September 2018	N/A	N/A	142	(116)	2,012	624	Yes
Long Xiang (龍翔)(Note 4)	August 2018	November 2018	N/A	N/A	30	(223)	1,038	(1,365)	No
Zi Chen Road (紫辰路)	August 2018	October 2018	N/A	N/A	264	(142)	2,533	441	No
De Feng Jie (德風街)	November 2018	March 2019	N/A	N/A	—	(66)	517	(870)	No
Subtotal			7,011	1,366	12,896	964	28,307	4,675	
Less: Profit-making self-operated teaching centres			4,475	2,595	8,792	2,427	22,224	7,493	
Total			2,536	(1,229)	4,104	(1,463)	6,083	(2,818)	

Notes:

1. The self-operated teaching centres in Jing San Road (經三路) and Yingcai Jie (英才街) were closed in December 2019 and April 2019, respectively, due to the poor financial performance resulted from operation.

2. The gross loss was mainly due to the fierce competition in the market for our self-operated teaching centres located in the city centre. The self-operated teaching centre incurred a gross loss of approximately RMB0.3 million for the year ended 31 December 2019. Such increase in gross loss was mainly due to the increase in depreciation expenses resulting from the expansion and renovation of the self-operated teaching centre and increase in rental expenses.

3. The gross loss was mainly due to the fierce competition in the market for our self-operated teaching centres located in the city centre.

4. The gross loss was mainly due to the relatively low demand of tutoring services for our self-operated teaching centres located in the outskirt area of the city, which establishment was to be in line with our strategic direction and development plan of our Group with an aim to enhancing our geographical coverage in Zhengzhou. The self-operated teaching centre incurred a gross loss of approximately RMB1.4 million for the year ended 31 December 2019. Such increase in gross loss was mainly due to (i) the full year effect for the year ended 31 December 2019, whereas only two months of financial performance were recorded for the year ended 31 December 2018; and (ii) the increase in depreciation expenses resulting from the renovation of the self-operated teaching centre and increase in rental expenses.

Other than one self-operated teaching centre which is located on our owned property, all the other self-operated teaching centres are located on leased properties. Our agreements with the landlord generally ranged between three and five years. Negotiation with the landlord for renewal usually commences six months prior to the expiry of the agreements. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material difficulty in renewing such agreements.

As at the Latest Practicable Date, our 80 self-operated teaching centres had in aggregate of 1,520 classrooms. These 80 self-operated teaching centres had GFA ranging from approximately 303.4 sq.m. to approximately 1,430.0 sq.m. with five to 37 classrooms. Generally, we offer regular class with class size of 20 to 25 students, small class with class size of eight to 12 students as well as VIP class with class size of one to three students. According to the State Council Opinions 80 which came into force in August 2018, all teaching centres have to be duly licensed with private school operation permits. Our Directors confirm that as at the Latest Practicable Date, seven of our self-operated teaching centres had not obtained private school operation permits. Please also refer to the paragraph headed "Legal proceedings and non-compliance — Non-compliance" in this section for further details.

Brand name licensing and franchise arrangement

Prior to February 2019, we licensed certain Independent Third Parties to use our brand names and provide advisory services. Since February 2019, to strengthen the cooperation between us and our partners, and ensure that a consistent quality of services would be delivered by our partners who use our brand names, we decided to upgrade our cooperation with them and enter into franchise agreements with those who have obtained school operation permits for the operation of education business. At the same time, for those who did not possess the necessary licences, we decided to stop them from using our brand names and terminate our licensing arrangement with them. Instead, we entered into advisory service agreements with them for the provision of advisory services only. In light of above, we recognised an advisory services income from the relevant contracted parties who did not have the requisite licences of approximately RMB4.1 million for the year ended 31 December 2019 out of our brand name licensing and advisory services income of approximately RMB4.8 million during the same year. Our PRC Legal Advisers are of the opinion that licensing our brand names to parties that did not possess the school operation permits, which was our arrangement prior to February 2019, did not involve us into any non-compliance.

We entered into franchise agreements or advisory service agreements with those parties located in remote areas with less synergy with our network of self-operated teaching centres and our Directors are of the view that it may not be cost effective to establish a self-operated teaching centre in that area.

As at the Latest Practicable Date, we had a total of 12 franchisees, 11 of which were located in Henan (including four franchisees in Jiaozuo (焦作市), two franchisees in Xinxiang (新鄉市), two franchisees in Anyang (安陽市) and one franchisee in each of Xinyang (信陽市), Shangqiu (商丘市) and Luoyang (洛陽市)) and one of which was located in Zhejiang (浙江省).

The table below summarises the material terms of franchise arrangements:

Term/renewal	The franchise agreement generally has a term of one year. The franchisee has the right to renew the franchise agreement provided that the franchisee has given us three months advance notice and that we are satisfied with their record of compliances.
Use of brand names	The franchisee is permitted to use our brand names in designated area as specified in the franchise agreement.
Service fee	The annual service fee generally ranges from RMB20,000 to RMB60,000, which is determined with reference to other market rate for franchising and the duration of the contract.
Training	We will provide training to the management and the teaching staff of the franchisee as and when required by the franchisee.

Quality control	The franchisee shall comply with the operation standard stated in our operation guidelines. We have the right to inspect the teaching centres operated by our franchisee from time to time.
Teaching materials	The franchisee shall procure the teaching materials from our designated suppliers and shall not make its own teaching materials or procure teaching materials from other suppliers without prior written consent from us.
Marketing	The franchisee is allowed to conduct advertising and promotional activities, subject to obtaining our prior written consent on the promotional materials, and the franchisee is required to follow our guidance on advertising and promotional activities.
Licence requirement	The franchisee should obtain private school operation permit and private non-enterprise unit legal person registration certificate (民辦非企業單位法人登記證書) or business licence as well as other necessary permit, certificate and licence.
Non-competition	During the term and for three years after the termination or expiration of the franchise agreement, the franchisee must not engage in any business or other commercial activity similar to the franchise business.

Our franchisees operate under our brand names, share the common teaching materials, operation manual and design and outfitting and receive regular training from us, while we only provide consultancy and training services as needed to the contracted parties of our advisory arrangement according to the respective advisory agreements signed with them. Our Directors confirm that all the franchisees under the existing franchise agreements and all the contracted party under the existing advisory service agreements are Independent Third Parties.

Though we are not involved in the daily operation of our franchisees, we have adopted certain measures to monitor our franchisees' operations to protect our brand names and reputation, including:

(i) our franchisees are not allowed to use our advertising materials, spokesperson portrait, promotional videos and promotional photos unless authorised by us;

(ii) we require our franchisees to strictly follow the confidential clause in the franchise agreements to ensure that all relevant business information, management experience, and teaching methods are kept confidential. The franchisees are not allowed to sell, reprint or transfer our internal training materials or information provided by us to other parties without our consent;

(iii) we monitor and evaluate the franchisees' qualifications on a quarterly basis; and

(iv) we conduct quarterly investigations of any infringements of our trademarks, patents, trade names and other intellectual property rights. If any infringement or violation is found, we will take necessary follow-up action and will consult external consultants to resolve the problem if necessary.

Given that the revenue contribution from the franchise arrangement is not material, we only consider this franchise arrangement as a marketing tool for promoting our brands and closure of such franchisees' teaching centres would have no material impact to our operation. As advised by our PRC Legal Advisers, each of the franchisees is a separate legal entity and shall be solely liable for its own debts and losses.

During the Track Record Period, we had two franchisees located in Xinxiang. The franchisees have been cooperating with us since 2018 and 2019 respectively. Although we have established our presence in Xinxiang since July 2019, our Directors believe that the business of our franchisees and our self-operated teaching centre in Xinxiang would not have direct competition against each other because the teaching centres of our franchisees and our self-operated teaching centre in Xinxiang are located in different districts.

During the Track Record Period, 20 out of 190 contracted parties of our brand name licensing and advisory services and other training and consultancy services were located in Zhengzhou and Xinxiang. Our Directors confirmed that the teaching centres of these contracted parties were not located in the neighbourhood where we operated and were not in close proximity with our self-operated teaching centres.

Expansion of network

Set out below is a table for the movement of the number of our self-operated teaching centres during the Track Record Period and up to the Latest Practicable Date.

	For the year ended 31 December			From 1 January 2020 to the Latest Practicable Date
	2017	2018	2019	
Total number of self-operated teaching centres at the beginning of the year/period	35	63	71	80
Number of newly opened self-operated teaching centres during the year/period	29 (Note 1)	10	14	0
Number of closed self-operated teaching centre(s) during the year/period (Note 2)	1	2	5	0
Total number of self-operated teaching centres at the end of the year/period	63	71	80	80

Notes:

1. On 1 January 2017, we took over 12 teaching centres from two brand name licensees given that they decided to cease the licensing arrangement with us and the operation of the teaching centres having regard to the uncertainty about the future regulatory environment after the first discussion of the Amended Private Education Promotion in August 2015 which was subsequently introduced in November 2016 and the associated compliance risks, while we seized this opportunity to rapidly expand our network of self-operated teaching centres. One of the brand name licensees (the "**Licensee**") was our part-time teacher from 2003 to 2005 when she was a university student. After she terminated the licensing arrangement with us on 1 January 2017, she rejoined us and became our teacher in 2018. We chose to cooperate with or continue our cooperation with the Licensee because we believe that her previous background in running the teaching centres and her understanding of us would give her a better understanding of our services over other employees at the initial stage. Save for the Licensee, the other licensee is an Independent Third Party and do not have any connection with us.

2. Our Directors confirm that the reasons for the closures of the self-operated teaching centres were primary due to the location of the self-operated teaching centres, the aging of the premises and facilities and the landlord refusing to renew the lease upon expiry.

Breakeven point and investment payback period of new self-operated teaching centres

The amount of time it takes to reach the breakeven point or the investment payback period for our self-operated teaching centre is affected by various factors, including the size and location of the self-operated teaching centre, the competition from other teaching centres in the vicinity of our self-operated teaching centre, and the operating expenses including rental and labour costs. Therefore the amount of time varies substantially for each self-operated teaching centre.

The expected breakeven period (being the first month from commencement of renovation of the new self-operated teaching centre to when the monthly operating revenue is at least equal to its monthly operating expenses taking into account the rental and labour costs, etc.) for our new self-operated teaching centres is approximately three to nine months. The expected breakeven point for our new self-operated teaching centres is calculated primarily based on our historical revenue and operating expenses of existing profit-making self-operated teaching centres in 2019, which opened during the two years ended 2018 and located in the city centre.

The expected investment payback period (being the first month from commencement of renovation of the new self-operated teaching centre to when the accumulated net cash inflow from the self-operated teaching centre is at least equal to the start-up costs) for our new self-operated teaching centres is approximately six to 11 months. The expected investment payback period for our new self-operated teaching centres is calculated primarily based on our historical cash inflow generated and cash outflow of existing profit-making self-operated teaching centres in 2019, which opened during the two years ended 2018 and located in the city centre.

Location(s) identification

Before a new self-operated teaching centre is opened, our operation department is responsible to prepare a feasibility report for the site selected. The feasibility report has to be presented to and approved by our management. We consider that finding and maintaining suitable locations of our self-operated teaching centres are vital to the success of our business. The main factors which our management takes into account during the whole selection process includes (i) the demand and competition of tutoring service in the area; (ii) the utilisation rates of the existing self-operated teaching centres; (iii) proximity of schools or residential area; (iv) the legal and regulatory compliance of the premises; (v) the accessibility of the location by public transportation means; (vi) acceptable terms offered by landlord; and (vii) the condition, size and location of the premises. Most of our self-operated teaching centres are situated in locations with easy and direct street access.

In cases where we are required to seek alternative location(s) upon the expiry of an existing lease, we would generally select nearby locations to minimise the impact on our students. On the other hand, when we seek locations for new self-operated teaching centres, we would generally seek to increase our market penetration in new areas to maximise our revenue.

OUR SELF-OPERATED TEACHING CENTRES

Our self-operated teaching centres form the core part of our offline, physical delivery of tutoring services. We have put a particular emphasis on a standardised design of our teaching centres with a view to providing an efficient learning environment to our students. The followings show the pictures of some of our self-operated teaching centres.

We offer courses for primary and secondary school in the three key subjects, namely English, Chinese and Mathematics, as well as Physics and Chemistry for upper secondary school students. Since December 2019, we have also expanded into providing English playgroup to children between the age of three to seven. The following table illustrates some operating statistics of our self-operated teaching centres as at the dates indicated below:

	As at 31 December		
	2017	**2018**	**2019**
Number of self-operated teaching centres			
Small size (500 sq.m. or below)	12	13	14
Medium size (500 sq.m. to 1,000 sq.m.)	42	46	52
Large size (Above 1,000 sq.m.)	9	12	14
Total number of self-operated teaching centres	63	71	80
Total area of self-operated teaching centres (sq.m.) (approximately)	44,830	51,752	59,625
Average area per self-operated teaching centre (sq.m.) (approximately)	712	729	745
Number of classrooms	1,147	1,307	1,520
Number of teachers	830	889	1,012

	For the year ended 31 December		
	2017	**2018**	**2019**
Number of students for the year (approximately)	41,000	54,000	63,000
Number of student enrolments for the year *(Note 1)*	137,225	187,728	248,134
Average course registration per student (approximately)	3.3	3.5	3.9
Average revenue per student (RMB) (approximately) *(Note 2)*	5,217	5,281	5,936

Notes:

1. It represents the number of student enrolments for our regular classes, small classes and VIP classes only.

2. The average revenue per student is calculated by dividing tuition fees income of each year by the number of students for the same year.

To cater for our students' normal school hours, our self-operated teaching centres typically commence teaching from 6 p.m. to 8 p.m. during weekdays and from 8 a.m. to 8 p.m. during weekends and school holidays.

As at 31 December 2017, 2018 and 2019, we had a total of 63, 71 and 80 self-operated teaching centres, respectively. The increase in number of self-operated teaching centres was generally in response to the increasing demand for after-school education services and such increase led to a general increasing trend for the number of classrooms, teachers and students.

The following table sets forth tuition fees income (exclusive of tuition fees income generated from provision of online courses) we generated from the same self-operated teaching centres for the years indicated:

	Number of self-operated teaching centres	For the year ended 31 December			Year to year comparison	
		2017	2018	2019	2017 vs 2018	2018 vs 2019
		Revenue	Revenue	Revenue		
		RMB'000	*RMB'000*	*RMB'000*	*%*	*%*
Existing self-operated teaching centres as at 31 December 2019:						
Opened prior to 1 January 2017	30	131,307	153,334	186,213	16.8	21.4
Opened during 2017	26	59,896 *(Note 1)*	107,531	140,605	79.5	30.8
Opened during 2018	10	N/A	6,751	31,042 *(Note 2)*	N/A	359.8
Opened during 2019	14	N/A	N/A	7,198	N/A	N/A
Subtotal	**80**	**191,203**	**267,616**	**365,058**	**40.0**	**36.4**
Closed self-operated teaching centres during the Track Record Period:						
Opened prior to 1 January 2017 and closed during 2017	1	2,189	N/A	N/A	N/A	N/A
Opened prior to 1 January 2017 and closed during 2018	2	5,047	3,031	N/A	(39.9)	N/A
Opened prior to 1 January 2017 and closed during 2019	2	9,283	9,224	2,762	(0.6)	(70.1)
Opened during 2017 and closed during 2019	3	6,163	5,208	5,734	(15.5)	10.1
Subtotal	**8**	**22,682**	**17,463**	**8,496**	**(23.0)**	**(51.3)**
Tuition fees income (exclusive of tuition fees income generated from provision of online courses)		**213,885**	**285,079**	**373,554**	**33.3**	**31.0**

Notes:

1. Among the 26 existing self-operated teaching centres opened during the year ended 31 December 2017, three self-operated teaching centres were opened near the end of 2017 and did not contribute revenue for the year ended 31 December 2017. As a result of the full year operation in the year ended 31 December 2018, we experienced a significant revenue growth of approximately 79.5% from these existing self-operated teaching centres opened during the year ended 31 December 2017.

2. Among the 10 existing self-operated teaching centres opened during the year ended 31 December 2018, nine self-operated teaching centres were opened after June 2018 and contributed relatively insignificant amount of revenue for the year ended 31 December 2018. As a result of the full year operation in the year ended 31 December 2019, we experienced a significant revenue growth of approximately 359.8% from these existing self-operated teaching centres opened during the year ended 31 December 2018.

Our newly established self-operated teaching centres typically have a relatively high same centre growth rate at the initial stage of operations in the first two years upon establishment.

Utilisation rates of our self-operated teaching centres

The following table illustrates the utilisation rates of our existing self-operated teaching centres as at the Latest Practicable Date during the Track Record Period:

	For the year ended 31 December		
	2017	**2018**	**2019**
30 self-operated teaching centres opened prior to 2017	58.8%	65.1%	68.7%
26 self-operated teaching centres opened in 2017	39.5%	60.9%	70.1%
10 self-operated teaching centres opened in 2018	N/A	30.4%	57.3%
14 self-operated teaching centres opened in 2019	N/A	N/A	23.3%
One self-operated teaching centre closed during 2017	54.4%	N/A	N/A
Two self-operated teaching centres closed during 2018	32.3%	27.2%	N/A
Five self-operated teaching centres closed during 2019	56.4%	56.3%	43.3%
Overall	**51.2%**	**60.8%**	**64.2%**

Notes:

1. The utilisation rates are calculated by dividing the actual number of tutoring hours by the capacity of each year for our regular classes, small classes and VIP classes based on (a) the number of students each classroom can accommodate at the same time; and (b) the number of classroom during the same year.

2. Student enrolment information during the Track Record Period was based on our internal records.

OUR TUTORING SERVICES

We offer our primary and secondary after-school education services primarily to those students attending primary and secondary school, normally aged between six to 18. The key subjects which we provide support and supplement to our students' normal curriculum at school are English, Chinese and Mathematics. Apart from these three key subjects, we also provide tutoring services for Physics and Chemistry for upper secondary school students. Since December 2019, we also expand into providing English playgroup to children between the age of three to seven.

The following table sets out our revenue contribution by subjects for the years indicated:

	For the year ended 31 December					
	2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Primary school tutoring						
— *English*	81,035	38.9	115,411	42.0	158,009	43.5
— *Chinese*	21,697	10.4	29,626	10.8	38,958	10.7
— *Mathematics*	32,796	15.7	38,907	14.1	45,389	12.5
— *Others*	—	—	—	—	1,556	0.4
Subtotal	135,528	65.0	183,944	66.9	243,912	67.1
Secondary school tutoring						
— *English*	29,229	14.0	37,770	13.8	53,224	14.6
— *Chinese*	4,869	2.4	6,208	2.3	8,238	2.3
— *Mathematics*	26,332	12.6	31,157	11.3	38,864	10.7
— *Others*	12,480	6.0	15,784	5.7	19,364	5.3
Subtotal	72,910	35.0	90,919	33.1	119,690	32.9
Total (tuition fees income from regular classes, small classes and VIP classes)	**208,438**	**100.0**	**274,863**	**100.0**	**363,602**	**100.0**

For our subjects, we currently market ourselves using the following logos to raise our brand recognition:

Subject	Brand name	Logo
English	大山	大山
Chinese	御夫子	御夫子
Mathematics, Chemistry and Physics	小數點	小数点

For further information about our trademarks and other intellectual property rights, please refer to the section headed "Statutory and general information — B. Further information about the business of our Group — 2. Intellectual property rights" in Appendix V to this prospectus.

Primary school tutoring services

Our primary school tutoring services are offered to primary school students from grade one to grade six, who are normally aged between six and 12. Our course structure is generally designed to meet the requirements and standard at school and assist our students to strengthen and solidify their language and mathematics skills, which are considered to be the fundamental building blocks for their learning. Although examination techniques and training are important, our emphasis for primary students is more on stimulating their interests in learning which we believe to be more beneficial for them in the long run.

As at the Latest Practicable Date, we had a total of 450 teachers which provide primary school tutoring services. Please refer to the paragraph headed "Our teachers" in this section for further information about our teachers. For our primary school tutoring services, our teachers would use our teaching materials and provide any supplemental teaching notes and materials. Classes would generally focus on covering the materials in the relevant subject and addressing students' weakness or problems as they arise.

Secondary school tutoring services

Our secondary school tutoring services are offered to secondary school students from grade seven to grade 12, who are normally aged between 12 and 18. Similar to the course structure of our primary school tutoring services, the course structure of our secondary school tutoring services also targets to supplement the regular curriculum at school. In line with students' general demand, the focus is slightly shifted to prepare our students for public exams, such as Zhongkao and Gaokao, and English language tests such as Cambridge Main Suite Examinations (劍橋通用五級考試).

As at the Latest Practicable Date, we had a total of 441 teachers who provide secondary school tutoring services. Please refer to the paragraph headed "Our teachers" in this section for further information about our teachers. For our secondary school tutoring services, our teachers would also use our teaching materials and provide any supplemental teaching notes and materials. In additional to the normal class, as the course is now more geared toward examination preparation, our teachers would arrange more tests and mock exams for students.

OMO after-school education service provider

In additional to the physical tutoring services delivered in our self-operated teaching centres and apart from the traditional teaching materials such as textbooks, as an integral part of our teaching system, we also offer online tutoring services through our proprietary online learning platform "學習8" (Learning Bar). "學習8" (Learning Bar), which can be accessed either by mobile device or computer, offers a number of functions to facilitate the provision of our tutoring services.

The following is a screenshot illustrating the interface of the web page of our "學習8" (Learning Bar) platform.

Our Directors believe that the platform can enhance the learning efficiency of our students, improve the operational efficiency of us and most importantly facilitate us to build a standardised teaching system. "學習8" (Learning Bar) includes the following functions:

For parents and students

- enable parents and students to purchase tutoring courses online
- allow students to download the lesson outlines and replay revision videos online
- allow students to submit homework online
- allow students to do pre-class preparation and after-class assignment online
- provide interactive support when the students do the online practice
- allow instant and after-class communication amongst parents, students and teachers

- allow parents and students to give teachers feedback on their teaching performance and the services we provide

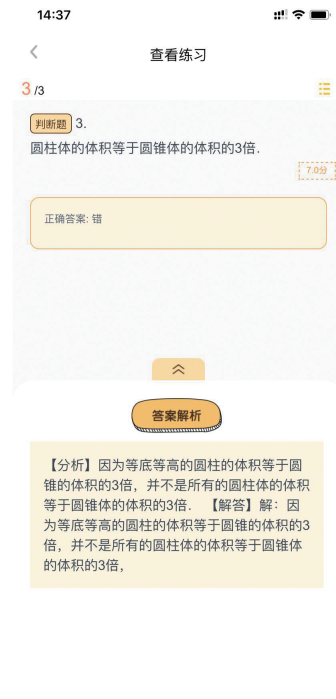
For teachers

- facilitate the sharing of information and communication amongst students, parents and teachers such as class attendance and homework

- utilise and review the teaching materials uploaded by our research and development team for class preparation

- mark the homework submitted by students and provide feedbacks on students' performance online

- allow teachers to conduct teaching through online streaming and video recordings



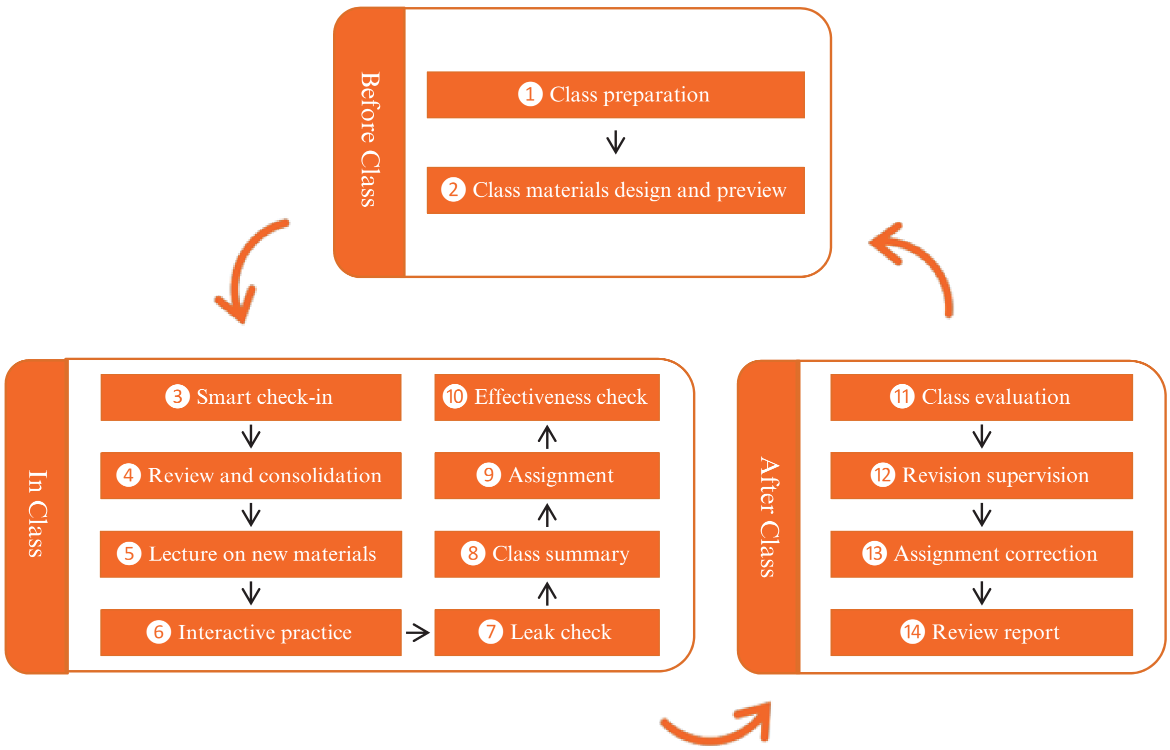
For us

- allow us to monitor the teaching performance of our teachers through reviewing the preparation materials they upload on the platform and the frequency they comment on the homework submitted by the students and their performance

- send information updates, including classes offered by us and education tips

- collect data regarding students' learning progress and teachers' teaching progress which form the basis for us to revise our teaching materials

With the above functions, we are able to constantly improve and monitor the 14 key stages of our teaching and learning workflow. The diagram below sets out the 14 key stages of our teaching and learning workflow:



Data analytics

Data collected from our operation of our physical teaching centres and proprietary online learning platform "學習8" (Learning Bar) are the backbone of our business operation. Over time, we have built a data centre which facilitates us to develop a standardised teaching system, prepare the teaching materials and improve our operational efficiency. We believe that with our scalable student enrolments and network, we would be able to gradually build a sizable database that allows us to foresee change in students' needs and further enhances our competitiveness.

We plan to provide more data-driven value added service in the future, including pushing tailor-made feeds and advertisements by studying the students' preferences and information.

Data protection and privacy

During our business operation, we would accumulate data and other information which may be considered sensitive. Such data includes, but not limited to, personal information (such as name, age, gender, address and school) and the courses enrolled with us. However, we do not collect our customers' credit details or payment-related data. We keep these sensitive data and information in our system and access is only granted to a restricted number of staff and is password protected.

Going forward, we will accumulate and collect more data from our operation as a result of the increase usage of our "學習8" (Learning Bar) platform. As such, we have adopted more stringent internal control measures for data protection. Staff members who have access to these sensitive data will have to undertake additional training on data handling and protection. In addition, we would also conduct a regular backup of our data in order to minimise the risk of data loss.

To minimise the impact of suspension of physical classroom teaching due to the COVID-19, we have also upgraded our proprietary online learning platform "學習8" (Learning Bar) to provide live broadcasting for our students which facilitates them to attend classes without physically present at our self-operated teaching centres. Our PRC Legal Advisers are of the view that such arrangements are in compliance with relevant laws and regulations.

Our classes

Based on the needs and progress of students, we offer our primary and secondary school tutoring services in the forms of (i) regular class; (ii) small class; and (iii) VIP class. Generally, we offer regular class with class size of 20 to 25 students, small class with class size of eight to 12 students as well as VIP class with class size of one to three students.

Regular classes and small classes

All of our newly enrolled students will have to take a test for the specific subject(s) they want to enrol into, so that we can place the student in the most appropriate class, where all the other students will be of similar level or learning ability. We believe this would enhance the learning efficiency for all the students in the same class. Based on the result of the entrance assessment, classes are further divided into "Grooming Class (培優班)" and "Innovation Class (創新班)".

During the Track Record Period, our primary school students generally opt for our regular classes which made up of approximately 47.3%, 44.4% and 48.8% of our total revenue for the three years ended 31 December 2019, respectively.

VIP classes

Even for those students who want to enrol into our VIP classes, we would still require them to undergo such test, so that the teachers can evaluate the standard of the students and better design teaching materials for their specific needs. Our VIP classes provide fully customised tutoring services to cater for each student's educational focus on a one-on-one or, to a lesser extent, one-on-three basis. We provide individualised tutoring courses to meet the specific needs of our students, such as addressing weaknesses and filling in the gaps in a particular subject or topic.

Our students in our VIP classes have access to a large pool of experienced teachers. Teachers are selected by students and their parents based on the specific interests and needs of each student. VIP classes are generally more popular amongst secondary school students, in preparing them for Zhongkao and Gaokao as well as amongst primary school students in preparing them for the entrance exam to lower secondary school.

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

	For the year ended 31 December																			
	2016					2017					2018					2019				
	Revenue	%	Student enrolments	Total number of tutoring hours	Average tuition fees per tutoring hour	Revenue	%	Student enrolments	Total number of tutoring hours	Average tuition fees per tutoring hour	Revenue	%	Student enrolments	Total number of tutoring hours	Average tuition fees per tutoring hour	Revenue	%	Student enrolments	Total number of tutoring hours	Average tuition fees per tutoring hour
	(RMB'000)				(RMB)	(RMB'000)				(RMB)	(RMB'000)				(RMB)	(RMB'000)				(RMB)
Primary school tutoring																				
Regular classes	40,581	52.4	41,401	1,651,152	25	102,751	49.3	76,533	2,990,712	34	128,792	46.9	99,939	3,685,673	35	187,315	51.5	135,853	4,437,250	42
Small classes(Note 1)	812	1.0	893	27,940	29	100	0.0	111	2,482	40	21,263	7.7	10,191	309,751	69	16,002	4.4	8,099	214,727	75
VIP classes(Note 2)	8,602	11.1	4,752	131,299	66	32,677	15.7	13,029	355,265	92	33,889	12.3	12,059	249,678	136	40,595	11.2	17,541	270,237	150
	49,995	64.5	47,046	1,810,391	28	135,528	65.0	89,673	3,348,459	40	183,944	66.9	122,189	4,245,102	43	243,912	67.1	161,493	4,922,214	50
Secondary school tutoring																				
Regular classes	14,135	18.3	20,365	517,614	27	35,531	17.1	32,318	888,760	40	39,888	14.5	44,506	1,035,517	39	60,105	16.5	63,525	1,397,477	43
Small classes(Note 1)	764	1.0	1,121	23,687	32	54	0.0	35	1,320	41	12,798	4.7	6,920	173,603	74	12,700	3.5	7,409	156,286	81
VIP classes(Note 2)	12,557	16.2	6,588	157,559	80	37,325	17.9	15,199	329,634	113	38,233	13.9	14,113	230,213	166	46,885	12.9	15,707	254,209	184
	27,456	35.5	28,074	698,860	39	72,910	35.0	47,552	1,219,714	60	90,919	33.1	65,539	1,439,333	63	119,690	32.9	86,641	1,807,972	66
Total	**77,451**	**100.0**	**75,120**	**2,509,251**	**31**	**208,438**	**100.0**	**137,225**	**4,568,173**	**46**	**274,863**	**100.0**	**187,728**	**5,684,435**	**48**	**363,602**	**100.0**	**248,134**	**6,730,186**	**54**

We experienced significant growth during the Track Record Period. During the three years ended 31 December 2019, the total number of student enrolments were 137,225, 187,728 and 248,134, respectively, and the total number of tutoring hours delivered by us were approximately 4.6 million hours, 5.7 million hours and 6.7 million hours, respectively, for our regular classes, small classes and VIP classes.

Notes:

1. The student enrolments and average tuition fees per tutoring hour of our small classes for the year ended 31 December 2017 were significantly lower compared with those for the two years ended 31 December 2019, primarily because we focused our resources on the development of regular classes and VIP classes in 2017, and thus only a few small classes were opened in 2017, which were mainly registered in 2016 when we offered relatively big promotional discount to compete with other market players.

2. The average tuition fees per tutoring hour of our VIP classes for primary school tutoring and the secondary school tutoring increased significantly from RMB92 and RMB113 for the year ended 31 December 2017 to RMB136 and RMB166 for the year ended 31 December 2018, mainly due to our enhancement in the VIP class development with more teaching staff equipped. The VIP classes for the year ended 31 December 2018 were primarily with class size of one to three students, while that for the year ended 31 December 2017 were mainly with class size of six students. The average tuition fees per tutoring hour of our VIP classes further increased for the year ended 31 December 2019 mainly due to more VIP classes with class size of six students were replaced by those with class size of one to three students, in particular those on a one-on-one basis for students eager to improve their academic performance, for which the tuition fees are higher.

Marketing, student recruitment and enrolment

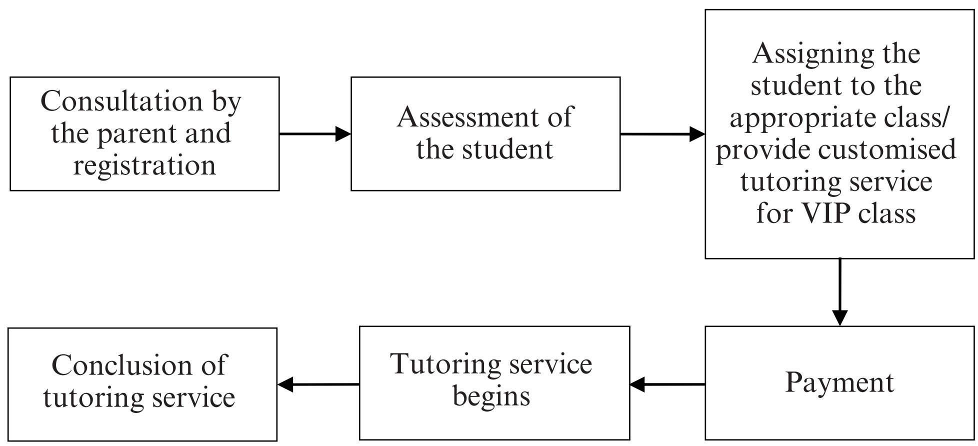
We believe words of mouth have made up an important driving force for new student enrolments at our existing teaching centres. Based on the feedback provided by our existing students and their parents, we believe that they are generally satisfied with our teaching and the services we provide, which in turn helps us attract more students through referrals.

During the Track Record Period, we utilised a variety of marketing media to promote our brand, such as offline promotion activities, advertisements, radio commercial and online advertisements to attract more potential students. We also offered online sample exercises on our own website, which allows us to obtain aptitude data and information about prospective students. We also arranged free tour of our self-operated teaching centres, which allows our prospective students and parents to have a better understanding of our teaching environment, teaching method and our operations. For the three years ended 31 December 2019, the selling and marketing expenses amounted to approximately RMB16.7 million, RMB20.4 million and RMB22.9 million, respectively, which were mainly used for students recruitment.

Our consultants stationed at each of our teaching centre provide parents and students with the details of the courses that we offer. We also provide details of our courses in our marketing materials and posters which are distributed in our teaching centres and posted on our website. The same courses are generally offered across all our self-operated teaching centres.

If the applicants decide to enrol for our courses, they will have to indicate which subject(s) and what type of class they would like to enrol. Our administrative staff will register all the information of the students into our system and provide receipts and information for the payment and enrolments.

The following chart illustrates the typical service process of our tutoring service:



For the three years ended 31 December 2019, we had approximately 41,000, 54,000 and 63,000 students, who were enrolled in one or more of our courses during the respective year. Typically, our students enrolled with us stay with us for more than one year. Approximately 41.6%, 56.5% and 59.5% of our students had enrolled with us for more than one year as at 31 December 2017, 2018 and 2019, respectively, out of which approximately 12.3%, 12.9% and 11.0% had enrolled with us for more than three years as at 31 December 2017, 2018 and 2019, respectively.

Tutoring hours and course tuition fees

The number of tutoring hours varies for different courses depending on the course design and structure. A student is required to enrol in minimum one full course, therefore the minimum tutoring hours that a student must enrol depends on the total number of tutoring hours for the course. During the Track Record Period, each small class and regular class generally has 14 to 70 tutoring hours and would be completed within two to four months, while each VIP class generally has two to 40 tutoring hours and would be completed within two months. In general, our classes are held twice a week and each class lasts for two hours. As a result of this, we had a receipts in advance of over three months during the Track Record Period, which did not comply with the stipulations under the State Council Opinions 80. From March 2020, our courses were restructured to generally 20 hours each.

Our course tuition fees are generally commensurate with the type of class, the level of the course and the number of tutoring hours of the course. In general, the more senior the students or the lower the student-to-teacher ratio, the higher the course tuition fees will be. Our course tuition fees for all type of classes are reviewed once every academic year, which normally take place in around June or July and determined according to a number of factors, including (i) teachers' salary; (ii) rental costs of our network of teaching centres; and (iii) the demand for the relevant subjects.

Course tuition fees are payable by cash, credit card or electronic payment and no credit period is granted to students. During the Track Record Period, we did not experience any case where students who were late in payment resulting in overdue payment. Upon receiving payment, we will provide a receipt of payment which would indicate the course(s) that the student has signed up for and the dates of the course(s).

All of our self-operated teaching centres adopt the same fee scheme. The table below set forth the stated course tuition fees for the three different categories of classes as at the Latest Practicable Date:

	Stated course tuition fees (hourly)
Regular classes	RMB50–60
Small classes	RMB80–110
VIP classes	RMB110–395

We require our students to pay the full amount of tuition fees prior to the commencement of the first tutoring class. We normally offer promotional discount to students in order to attract more students to enrol into our tutoring services. For example, we offer discount when two students enrol the same course together. We also offer discount for a student who subscribes for one course or more. We generally offer 5% to 20% discounts to students who enrol for one course and 10% to 22% discounts to students who enrol for two courses or more at the same time. We sometimes offer a relatively higher discount up to 50% to students for certain courses we would specifically like to promote or fill up. As such, our discount is generally range between 5% and 50%. In addition, we sometimes enter one contract with one student for two or more distinct courses with a single transaction price. We allocate the transaction price into each course by its fair value we charge separately to other students, which are made with reference to average tuition fees per class and number of classes for each course. Tuition fees for different courses are recognised separately as revenue after each class is consumed by the relevant student. During the Track Record Period, the revenue contributed from the above bundled packages were nil, nil and approximately RMB0.5 million, representing nil, nil and approximately 0.12% of our total revenue, respectively.

Where promotional discount is applicable, the discount will be directly deducted from the tuition fees when the payment of the course fee is made. In addition to promotional discount, as a marketing strategy, we also offered refund to our students by way of cash incentive. Students who satisfy certain of our criteria, such as full attendance and attending all classes on time will be entitled to a refund of certain amount of tuition fees. During the Track Record Period, the cash incentive amounted to nil, approximately RMB3.1 million and nil. In case of discount, the net amount of tuition fees received will be recorded as contract liabilities (receipts in advance). In case of refund by way of cash incentive, we will make adjustment to the contract liabilities (receipts in advance) before the completion of the last class of the relevant course. Tuition fees are recognised as revenue and an equivalent deduction would be made to contract liabilities (receipts in advance) after each class is consumed by the relevant student.

Although most of our customers settle the course tuition fees by credit card and electronic payment, our self-operated teaching centres still handle certain amount of cash on a regular basis. To prevent misappropriation and mishandling of cash, we have implemented a cash management system with a set of handling procedures requiring all cash received before 4:00 pm to be deposited on the same business day to the designated bank account by each self-operated teaching centre. All cash received after 4:00 pm, if less than RMB10,000, be deposited on the next business day. If more than RMB10,000, finance department of the headquarters will have to be notified to collect and deposit the cash for the self-operated teaching centre on the next business day.

Refund policy and cancellation policy

Generally, tuition fees would not be refunded if our students are unable to attend class due to personal reasons. However, students may apply for leave before class and make up class for not more than three times per each course. For those students who find their currently enrolled courses not meeting their needs but do not wish to withdraw from us, we would permit them to enrol in other courses. If our students decide to temporary suspend the attendance, we would allow them to carry the unutilised credits for later use and/or for other courses without terms of expiry. A student will only be allowed to apply for refund in full within four class hours attended after the commencement of the course. If a student would like to withdraw after attending more than four class hours, a student has to submit a written refund application to us and set out the reasons for withdrawal for our consideration. If we exercise our discretion to approve their withdrawal application, we will refund the tuition fees equivalent to the remaining undelivered class.

If a course is cancelled due to our own reasons, we will refund the full amount or unutilised credits to students. Our Directors confirm that we would not forfeit any tuition fees we receive.

For the three years ended 31 December 2019, the amount of refund, which include the refund in receipts in advance and the refund in refundable tuition deposits, amounted to approximately RMB7.8 million, RMB16.2 million and RMB29.5 million, respectively. During the Track Record Period, the refund in receipts in advance amounted to approximately RMB7.5 million, RMB15.7 million and RMB29.0 million, respectively. The refund in receipts in advance represented (i) the general refund set out in our refund policy which amounted to approximately RMB7.5 million, RMB12.6 million and RMB29.0 million during the Track Record Period, respectively; and (ii) the refund by way of cash incentive which amounted to nil, approximately RMB3.1 million and nil during the Track Record Period, respectively.

The following table sets out the details of our percentage of amount refunded in receipts in advance during the Track Record Period:

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Amount refunded in receipts in advance during the year (excluding refund by way of cash incentive)	7,465	12,567	29,018
Refund rate *(Note)*	3.5%	4.4%	7.8%

Note: The calculation of the refund rate is based on dividing refund amount of each year (excluding refund by way of cash incentive) by the tuition fees income during the same year and multiplied by 100%.

The refund amount and refund rate of our tuition fees increased from 2018 to 2019, primarily due to (i) the change in student admission method for secondary school in Zhengzhou from traditional entrance examination to computer programme allocation and school interview, and the relevant refunded amount increased from approximately RMB5.2 million for the year ended 31 December 2018 to approximately RMB13.2 million for the year ended 31 December 2019; and (ii) the change of curriculum and teaching materials relevant to an English course targeting primary school students who want to participate in internationally-recognised examinations, and the relevant refunded amount increased from approximately RMB1.8 million for the year ended 31 December 2018 to approximately RMB4.2 million for the year ended 31 December 2019.

Seasonality

Our classes only run when our students are not in school, i.e. after school hours, during weekends or during school holidays. As such, we have a larger number of classes during school holidays and especially during summer holiday when parents generally want to prepare their children for the upcoming academic year. As a result, July had constantly been our busiest month during the Track Record Period, which accounted for approximately 14.8%, 16.0% and 15.1%, respectively, of the total revenue for the three years ended 31 December 2019.

OUR TEACHERS

Classification of our teachers

For the two years ended 31 December 2018, we had 30 and eight part-time teachers who were teaching in public schools, respectively. Our Directors confirm that on 6 August 2018, we have terminated the contracts with all part-time teachers who were teaching in public schools and had not engaged such kind of teachers up to the Latest Practicable Date. Our PRC Legal Advisers are of the view that our Group would not be subject to any legal consequences due to engaging part-time teachers who were teaching in public schools as there were no relevant legal consequences stipulated until 28 December 2018. For details, please refer to the section headed "Regulatory — Regulations on private education in the PRC — Regulations on qualifications of teachers" in this prospectus.

As at the Latest Practicable Date, we had a total of 891 teachers. All of them were university graduates in the PRC and approximately 11.1% of them possessed master degree or above. Out of our 891 teachers, 450 were specially assigned to our primary school tutoring services and 441 were specially assigned to our secondary school tutoring services.

The following table sets forth the number of our teachers by subjects as at the Latest Practicable Date:

	Number of teachers	**Percentage of total**
English	463	51.9%
Chinese	96	10.8%
Mathematics	251	28.2%
Other subjects	81	9.1%
Total	891	100.0%

Movement of our teachers

The following table shows the fluctuation of the number of teachers during the Track Record Period and up to the Latest Practicable Date *(Note 1)*:

	For the year ended 31 December			From 1 January 2020 to the Latest Practicable Date
	2017	**2018**	**2019**	**Date**
Total number of teachers at the beginning of the year/period	444	830	889	1,012
Number of newly recruited teachers/period	534	409	552	185
Number of teachers left during the year/period *(Note 2)*	148	350	429	306 *(Note 3)*
Total number of teachers at the end of the year/period	830	889	1,012	891

Notes:

1. The above teachers included the teachers working in our research and development department but did not take into account the outsourced teachers, the number of which were 260, 17, nil and nil as at 31 December 2017, 2018 and 2019 and the Latest Practicable Date, respectively. The number of teaching hours delivered by our outsourced teachers were approximately 73,792 hours, 58,989 hours, nil hour and nil hour during the Track Record Period and from 1 January 2020 to the Latest Practicable Date, representing approximately 13.4%, 10.1% and nil and nil of the total teaching hours delivered by our teachers and outsourced teachers, respectively. In order to prioritise our resources on teachers, we decided not to engage outsourced teachers since late 2018.

2. Among the teachers left during the Track Record Period, there were 129, 325 and 344 teachers, respectively, representing approximately 87.2%, 92.9% and 80.2%, respectively, who (i) did not possess the relevant teacher qualification; and/or (ii) served us for less than two years. As advised by Frost and Sullivan, it is common to see high teacher turnover rate in the primary and secondary after-school education service market in Henan and Zhengzhou, and the turnover rate is normally higher for those teachers with less than two years of job tenure.

3. Due to the outbreak of COVID-19, there was a temporary suspension of physical classes, resulting in a decrease in number of tutoring hours and teaching hours, which led to a decrease in compensation of our teachers. Our Directors believe that some of the teachers left us due to the decrease in compensation.

The increase in the number of our teachers was mainly in line with the expansion in the number of our self-operated teaching centres and increased student enrolments.

Our Directors believe that our high teachers' turnover rate could be mainly due to, amongst others, our Group has implemented a more stringent policy to enhance our teaching and service quality in response to the State Council Opinions 80 which came into force in August 2018, which requires teachers without teacher qualification certificates to participate in the teacher qualification examination and obtain the relevant teacher qualification. We do not rely on any particular popular teacher to bring in students, but instead rely on our system and curriculum of our teaching materials. Therefore, despite the relatively high teachers' turnover rate which may bring short-term pressure to us in terms of the need to recruit teachers from time to time, it did not cause any material adverse impact on our Group in terms of business operation and financial performance.

According to the State Council Opinions 80, teaching staff engaging in knowledge-based tutoring in Chinese, Mathematics, English, Physics, Chemistry, Biology and other subjects shall obtain teacher qualification certificates and shall participate in the teacher qualification examination in the second half of 2018 pursuant to the Truly Implementation of Special Measures and Rectification Work on the Private Education Institutions (《教育部辦公廳關於切實做好校外培訓機構專項治理整改工作的通知》). If such teaching staff fails to pass the teacher qualification examination, he or she shall not engage in the teaching of the abovementioned subjects in compulsory education stage. According to the interview with the Zhengzhou Municipal Education Bureau (鄭州市教育局) in March 2019 and as confirmed by them during the consultation, it is not illegal for teachers without qualification certificates to teach in our self-operated teaching centres, and that our self-operated teaching centres will not be required to cease operations during the transitional period. The competent authorities will not impose penalties on our Group in this regard. For details of our teachers' eligibility requirements, please refer to the paragraph headed "The Amended Private Education Promotion Law — The State Council Opinions 80" in this section.

As at the Latest Practicable Date, approximately 19.0%, or 169 of our teachers had not obtained the relevant teacher qualification certificates. We have required those teaching staff members of our Group who have not obtained relevant teacher qualifications to participate in the teacher qualification examination and obtain relevant teacher qualification certificates by the end of qualification accreditation period for the first 2020 teacher qualification examination, which is expected to be the end of the first half of 2021. In general, our classes are delivered in four school terms. In order to minimise the disruption to the services provided to our students during a term, we will dismiss the teachers who fail to obtain the teacher qualification certificate and register as a qualified teacher, or rotate them to positions which do not require the teacher qualification certificates by the end of the school term after the qualification accreditation period.

Teachers' recruitment

We value the importance of the standardised quality of teaching team to our business success and strive to adopt stringent selection criteria for our teachers. We believe that this allows us not to rely on any popular individual teacher in our operation.

We recruit teachers on an ongoing basis with higher recruitment intake during the summer holiday. We mainly recruit our teachers through direct recruitment. We recruit teachers based on the total number of our students and strive to maintain a reasonable student-to-teacher ratio.

Our applicants will first be screened, tested, interviewed and selected by our human resources department. Before hiring a teacher, we would consider his or her educational background and relevant work experience. We generally consider hiring applicants who (i) hold relevant professional and technical qualifications including the teacher qualification certificates; and (ii) have previous teaching experience, but we would also consider newly graduated applicants with right calibers. Those selected may be subjected to further interview by our teaching department. For example, we may require applicants to teach a lesson as part of his or her application process so we can evaluate his or her teaching performance.

Teachers' compensation and retention

We believe that we offer relatively competitive compensation to our teachers so that we can retain and attract talented teachers. Our teachers' compensation typically includes a basic salary and a performance bonus. We also make required social insurance contribution for our employees. However, during the Track Record Period, we did not make adequate contribution to all of our employees. For further details, please refer to the paragraph headed "Legal proceedings and non-compliance" in this section.

The general terms of our employment contracts with our teachers are summarised below:

Terms	The employment contracts with our teachers generally have a term of one to three years.
Remuneration	Our teacher receives a fixed basic salary based on his/her qualification and experience. In addition to the basic salary, the teacher will receive a monthly performance bonus based on various factors, such as the number of teaching hours rendered and additional qualification.
Termination	Both parties have the right to serve a one month notice to terminate the employment. We may terminate the teacher's employment without payment in lieu of notice if the teacher has, amongst others: i. failed to satisfy hiring requirements during probationary period (normally three months); ii. committed a serious breach of the disciplinary code;

iii. failed to perform job duties or causing material reputational damage to us or received complaints from students or parents three times or above;

iv. found guilty of dishonest or grave misconduct; or

v. been convicted of any criminal offence.

Non-solicitation and non-competition clause	Our teachers are prohibited from soliciting or attempting to solicit any business from any of our students.

Teachers' training

We believe a strong team of teachers with consistent teaching quality is crucial to our quality of educational services and we attach great importance to the continuous trainings of our teachers.

Before our newly hired teachers can begin teaching our students, they have to undergo mandatory training program of no less than 12 weeks. Depending on the experience of the individual teacher, the duration of training may vary. This training course mainly comprises subject specific training, which will be conducted by experienced subject teachers. Other than subject specific training, the training course also comprises various modules focusing on different aspects and skills which we considered are essential to deliver quality teaching to our students. These include (i) presentation skills; (ii) communication skills; (iii) class preparation; (iv) classroom management; (v) "學習8" (Learning Bar) platform; (vi) personal appearance; (vii) teaching theory; (viii) teaching skills; (ix) teaching philosophy; and (x) classroom practice.

After the completion of these trainings, all the teachers will be examined accordingly and for those who do not pass the examination, they will have to go through specific areas of the training and be re-examined. Upon passing the examination, each of the newly hired teachers will be assigned to a teaching district and begin teaching at our self-operated teaching centres.

After the teaching starts, the supervisor of the individual self-operated teaching centre will continue to monitor the performance of each teacher. We provide continuing training for all of our teachers (new and existing teachers) so that they can keep abreast of the changes in course syllabus and teaching materials.

Our teacher training centre commenced operation in 2017, and it occupies a total GFA of not less than 6,100 sq.m. which allows up to 1,900 teachers to undergo training simultaneously.

The following images show the facilities and environment of our teacher training centre.

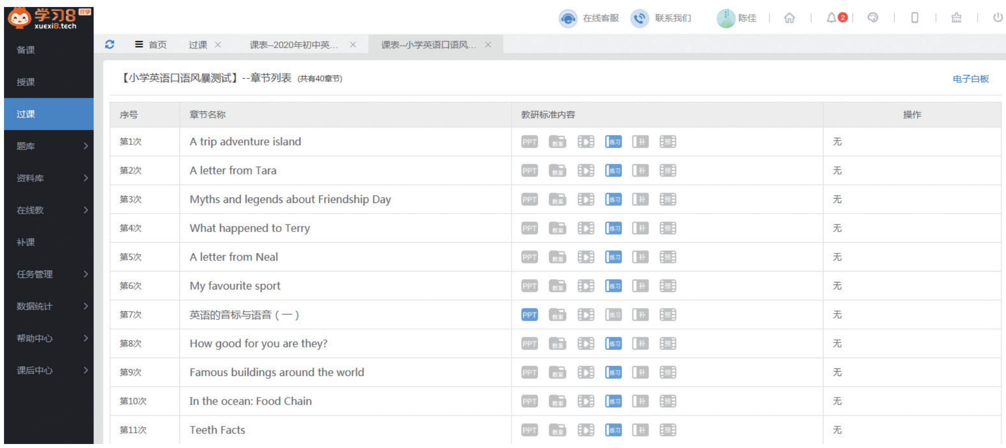
Teacher's performance reviews

To ensure we continuously provide high quality education to our students, we closely monitor the teaching performance of our teachers through undergoing regular appraisal with our teachers, conducting in-class observation and collecting feedback from our students or parents. We will take into consideration the performance of each teacher when making decisions regarding their compensation.

TEACHING MATERIALS

We consider standardised teaching materials form one of the key building blocks in our standardised teaching system and we adhere to strict procedures for selecting teaching materials and textbooks in order to maintain the quality of our tutoring services. For our English course, we use teaching materials published by foreign publishers. Our research and development department is in charge of designing our teaching materials based on the school teaching syllabus, other teaching materials from reputable local and international publishers, our own database of past examination papers of different schools in Zhengzhou and the data extracted from our proprietary online learning platform "學習8" (Learning Bar). We review and update our teaching materials from time to time. Our Directors confirm that all our teaching materials were prepared in accordance with the curriculum of the normal school and were also not aware of any pending or threatened claims against us in relation to the infringement of any intellectual property rights of third parties.

As at the Latest Practicable Date, we had 183 staff participating in our research and development team, with approximately 15.8% of them possessed postgraduate degree qualification, and approximately 64.5% of them had over three years or above of teaching experience. For every lesson of the courses offered by us, our research and development team would be responsible to prepare the recommended lesson plans and presentation materials, sample homework, and revision videos. All these materials would be reviewed and commented by the relevant teachers prior to uploading on our proprietary online learning platform "學習8" (Learning Bar) for sharing amongst our teachers.



To ensure the standard and quality of our teaching materials, we engaged several top tier universities or their associated publishing house in Beijing to customise or advise us on the design of our teaching materials.

During the Track Record Period, our content and information technology development and training expenses amounted to approximately RMB12.1 million, RMB19.6 million and RMB32.2 million, respectively.

QUALITY ASSURANCE

We believe high teaching quality and standard are vital to our continued success in the tutoring service industry. Therefore, we place strong emphasis on maintaining our quality by implementing quality assurance checks and measures in different aspects of our services.

Teaching districts	As at the Latest Practicable Date, we had a total of 12 teaching districts with eight district principals. Each district principal is responsible for the operation of the self-operated teaching centres in the district(s). There are regular meetings for the district principals to report to the head office on the performance and other issues relating to each teaching district.

Teaching centres	In each of our self-operated teaching centres, we have a centre supervisor who supervises and monitors the operation including the teachers' attendance and their performance and teaching quality. The head office has a system to monitor all self-operated teaching centres. In addition, the supervisor of the individual self-operated teaching centre would observe and assess the teachers, especially those newly recruited or recently graduated teachers, in particular their knowledge in the subject being taught and their presentation and communication skills. For any teacher who is considered to be under-performing, he/she will be reported to the head office and arranged for additional training to improve the quality of the teaching.
Classroom and teaching materials	We believe it is important that each student should have a sufficient level of attention from the teacher. We also believe it is important for there to be interaction between teachers and students. Generally, we offer regular class with class size of 20 to 25 students, small class with class size of eight to 12 students as well as VIP class with class size of one to three students. Our research and development department is in charge of designing our teaching materials based on the school teaching syllabus, other teaching materials from reputable local and international publishers, our own database of past examination papers of different schools in Zhengzhou and the data extracted from our proprietary online learning platform "學習8" (Learning Bar). We review and update our teaching materials from time to time. For further information about the design and usage of our teaching materials, please refer to the paragraph headed "Teaching materials" in this section.
Teacher recruitment and training	Our aim is to hire teachers with the suitable qualification and experience for our self-operated teaching centres. Our minimum requirement for our applicants is a Bachelor degree in any discipline. We generally consider hiring applicants who (i) hold relevant professional and technical qualifications including the teacher qualification certificate; and (ii) have previous teaching experience, but we would also consider newly graduated applicants with right calibers.

We believe our recruitment process is stringent, and our applicants will first be screened, tested, interviewed and selected by our human resources department. Those selected may be subjected to further interview by our teaching department.

Our new teachers will then undergo mandatory training program of no less than 12 weeks, depending on the experience of the teachers. Only those who pass our training can start teaching our students. After the teaching starts, the supervisor of the individual self-operated teaching centre will continue monitoring the performance of each teacher.

Teacher's appraisal

We conduct regular appraisal with our teachers and assess their performance. To incentivise their performance, we give out performance based payment to teachers based on various factors, such as the number of teaching hours rendered and additional qualification. Alternatively, for the under-performed teachers, we would, through this appraisal process, highlight the area for improvement and arrange additional training for them.

Our proprietary online learning platform, "學習8" (Learning Bar), also allows us to monitor the teaching performance of our teachers through reviewing the preparation materials they upload on the platform and the frequency they comment on the homework submitted by the students and their performance.

Our employment contracts with our teachers normally range from one to three years. We may consider not renewing the contract for the individual teacher, if he/she has been constantly under-performing with no sign of improvement.

Feedback or complaints

In order to improve our service quality, we take the parents' feedback and complaints seriously. Normally, general feedback is handled by our customer service department. For complaints, they will normally be referred to the relevant centre supervisor who will handle and take appropriate actions. If necessary, the head office will also be involved to resolve the issue.

Our Directors confirm that we did not experience any major complaints from our customers with respect to our tutoring services during the Track Record Period and up to the Latest Practicable Date.

Data monitoring	We have built a data centre by collecting data from our operation of our physical self-operated teaching centres and proprietary online learning platform "學習8" (Learning Bar), which facilitate us to develop a standardised teaching system, prepare the teaching materials and improve our operational efficiency. In particular, with the functions of "學習8" (Learning Bar), we are able to constantly improve and monitor the 14 key stages of our teaching and learning workflow. For further information, please refer to the paragraph headed "Our tutoring services — OMO after-school education service provider" in this section.

OUR CUSTOMERS

Normally our after-school education service is paid for by the students' parents, and the after-school education services are used by the students. Given that some parents may pay for one or more students and to give a better reflection of the number of customers we have, we regard the students as our customers. As at 31 December 2017, 2018 and 2019, we had approximately 41,000, 54,000 and 63,000 students, respectively. The number of student enrolments refers to the cumulative total number of course registered and paid for by the students' parents during a given period of time, if one student enrols in multiple courses, it will be counted as multiple student enrolments.

Due to the nature of our business, we did not have a single customer who accounted for more than 5% of our revenue for each of the three years ended 31 December 2019.

OUR SUPPLIERS

Our suppliers consist primarily of decoration, renovation, design and construction service providers, human resources outsourcing service providers and book distributors. For the three years ended 31 December 2019, fees and expenses attributable to our five largest suppliers in aggregate accounted for approximately 44.7%, 37.9% and 52.8% of our total purchases, respectively, and purchases from our largest supplier amounted to approximately RMB11.3 million, RMB14.0 million and RMB44.0 million, which accounted for approximately 17.9%, 18.3% and 30.2% of our total purchases, respectively.

The following tables set forth certain information of our top five suppliers during the Track Record Period:

For the year ended 31 December 2017

Ranking	Name of supplier	Products purchased/services provided	Principal business	The calendar year in which the supplier first started to have business relationship with our Group	Credit period	Payment method	Purchases	% of total purchases
							(RMB'000)	
1	Zhengzhou Tetong Network Engineering Company Limited* (鄭州特通網絡工程有限公司)	Leasehold improvements	Provision of construction services (based in the PRC)	2015	Payment of agreed amounts at stage	Bank transfer	11,330	17.9
2	Henan Weichen Decoration Design Construction Company Limited* (河南微塵裝飾設計工程有限公司)	Leasehold improvements	Provision of decoration, design and construction services (based in the PRC)	2015	Payment of agreed amounts at stage	Bank transfer	8,079	12.8
3	Supplier C	Outsourcing labour	Provision of human resources outsourcing services (based in the PRC)	2016	End of the next month following invoice date	Bank transfer	5,941	9.4
4	Zhengzhou People's Education Publication Company Limited* (鄭州人教圖書發行有限公司)	Teaching books	Sales of publication (based in the PRC)	2016	End of the next month following invoice date	Bank transfer	1,666	2.6
5	Supplier E	Rental services	Lessor of one of the teaching centres (based in the PRC)	2015	Cash before services	Bank transfer	1,257	2.0
						Total	28,273	44.7

For the year ended 31 December 2018

Ranking	Name of supplier	Products purchased/services provided	Principal business	The calendar year in which the supplier first started to have business relationship with our Group	Credit period	Payment method	Purchases	% of total purchases
							(RMB'000)	
1	Zhengzhou Tetong Network Engineering Company Limited* (鄭州特通網絡工程有限公司)	Leasehold improvements	Provision of construction services (based in the PRC)	2015	Payment of agreed amounts at stage	Bank transfer	14,043	18.3
2	Supplier F	Outsourcing labour	Provision of human resources outsourcing services (based in the PRC)	2018	End of the next month following invoice date	Bank transfer	5,377	7.0
3	Supplier C	Outsourcing labour	Provision of human resources outsourcing services (based in the PRC)	2016	End of the next month following invoice date	Bank transfer	4,876	6.4
4	Henan Weichen Decoration Design Construction Company Limited* (河南微塵裝飾設計工程有限公司)	Leasehold improvements	Provision of decoration, design and construction services (based in the PRC)	2015	Payment of agreed amounts at stage	Bank transfer	3,002	3.9
5	Beijing Xuezhi Technology Company Limited* (北京學志科技有限公司)	Teaching books	Sales of publication (based in the PRC)	2017	Cash before shipment	Bank transfer	1,763	2.3
						Total	29,061	37.9

For the year ended 31 December 2019

Ranking	Name of supplier	Products purchased/services provided	Principal business	The calendar year in which the supplier first started to have business relationship with our Group	Credit period	Payment method	Purchases (RMB'000)	% of total purchases
1	Supplier F	Outsourcing labour	Provision of human resources outsourcing services (based in the PRC)	2018	End of the next month following invoice date	Bank transfer	43,969	30.2
2	Zhengzhou Tetong Network Engineering Company Limited* (鄭州特通網絡工程有限公司)	Leasehold improvements	Provision of construction services (based in the PRC)	2015	Payment of agreed amounts at stage	Bank transfer	16,536	11.4
3	Henan Weichen Decoration Design Construction Company Limited* (河南微塵裝飾設計工程有限公司)	Leasehold improvements	Provision of decoration, design and construction services (based in the PRC)	2015	Payment of agreed amounts at stage	Bank transfer	7,152	4.9
4	Zhengzhou Huixiaotong Education Technology Company Limited* (鄭州慧校通教育科技有限公司)	Teaching materials	Development of educational software (based in the PRC)	2018	Payment of agreed amounts at stage	Bank transfer	4,893	3.4
5	Beijing Xuezhi Technology Company Limited* (北京學志科技有限公司)	Teaching books	Sales of publication (based in the PRC)	2017	Cash before shipment	Bank transfer	4,280	2.9
						Total	76,830	52.8

To the best knowledge of our Directors, none of our Directors, their respective close associates, or any Shareholders who owned more than 5% of our issued capital as at the Latest Practicable Date had any interest in any of our five largest suppliers during the Track Record Period.

Relationship with Supplier F

During the Track Record Period, our Group engaged Supplier C and Supplier F for the provision of human resources outsourcing services. We began to engage Supplier F for the year ended 31 December 2018, which became our largest supplier for the year ended 31 December 2019.

Our Directors confirmed that in 2018, Supplier F was acquainted to our Group through the introduction by a former colleague (an Independent Third Party) of Mr. Ma Wenhao, our executive Directors at his previous employment. To the best knowledge and belief of our Directors, after making all reasonable enquiries, the Independent Third Party was mainly responsible for contacting human resources agencies for the provision of outsourced labour force during the employment. After physical site visit and discussions with the management of Supplier F, we have begun to engage Supplier F for the provision of human resources outsourcing services since 2018. We decided to replace Supplier C with Supplier F in 2019 as our Directors are of the view that Supplier F has a larger pool of outsourced staff and hence could provide more efficient human resources outsourcing services to our Group to support our business needs based on their scale of operation in terms of number of employees and accolades received.

Our Directors confirm that Supplier C and Supplier F did not and do not have any past or present relationships, including but not limited to employment, trust, financing, or family relationship with our Group, our Directors, Shareholders, senior management or their respective associates.

EMPLOYMENT

As at the Latest Practicable Date, we had a total of 1,195 employees. A breakdown of our employees by functions as at the Latest Practicable Date is set forth below:

	Number of employees as at the Latest Practicable Date
Management	55
Teachers *(Note 1)*	751
Research and development *(Note 2)*	183
Operation	19
Sales and marketing	95
General administration	28
Customer service	64
TOTAL	1,195

Notes:

1. We had 751 teachers (excluding teachers working in the research and development department).

2. Out of the 183 research and development staff, we had 140 teachers working in the research and development department.

For the three years ended 31 December 2019, our staff costs under our costs of sales were approximately RMB68.5 million, RMB95.2 million and RMB119.0 million, respectively, representing approximately 55.9%, 59.1% and 55.6% of our total cost of sales, respectively.

Relationship with staff

We believe that we maintain a good working relationship with our employees (including teachers and other staff). Our human resources staff members handle and address employees' feedbacks, complaints and issues as they arise.

We offer competitive compensation packages and have frequent communication with our teachers. Our human resources staff members bridge the gap between us and our teachers through regular meetings.

Our Directors confirm that (i) we did not have any material labour disputes; and (ii) had not experienced any material labour shortages during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we hired staff on an on-going basis and we did not have material difficulty in hiring replacement staff (including teachers).

MAJOR QUALIFICATIONS, CERTIFICATIONS AND AWARDS

We have received a number of awards and recognitions from governmental bureau and local organisations. The table below sets out a summary of selected awards or recognitions we have received over the years:

Year of grant	Award/recognition	Awarding bodies
2019	Influential Education Brand of 2019* (2019年度影響力教育品牌)	Sohu.com (搜狐), Henan.qq.com (騰訊大豫網) and Henan.163.com (網易河南)
2019	Partner with the Most Influential Brand* (最具品牌影響力合作夥伴)	Phoenix Henan Channel* (鳳凰網河南頻道)
2018	High and New Technology Enterprise Certificate* (高新技術企業證書)	Science and Technology Department of Henan Province*, Henan Provincial Department of Finance and Henan Provincial Tax Service*, State Taxation Administration Provincial Tax Bureau of Henan Province* (河南省科學技術廳，河南省財政廳，國家稅務總局河南省稅務局)
2016	Well-known Brand Recognition* (知名品牌)	Henan Provincial Private Education Research Association* (河南省民辦教育研究會)

Year of grant	Award/recognition	Awarding bodies
2014	An Educational Training Institution Endorsed by People for the academic year 2013 to 2014* (2013–2014學年人民滿意的教育培訓機構)	Henan Provincial Private Education Research Association* (河南省民辦教育研究會)
2014	Excellent Training Institution* (優秀培訓機構)	International Centre for Educational Exchange and Cooperation* (國際教育測量交流與合作中心)
2013	Top Ten Brand Recognition* (十強品牌)	Henan Provincial Private Education Research Association (河南省民辦教育研究會)
2012	Top Ten Enterprises* (十佳單位)	Zhengzhou Municipal Education Bureau (鄭州市教育局)
2011	Top Ten Training and Educational Institution* (十佳培訓教育機構)	Zhengzhou Municipal Education Bureau (鄭州市教育局)
2010	Best Organisation Award of The First National Cambridge Young Children's English Grand Prix (Henan District) Finals* (首屆全國劍橋少兒英語大獎賽(河南區)總決賽最佳組織獎)	Higher Education Admission Office of Henan Province (河南省招生辦公室)
2009	National Excellent Training Institution* (全國優秀培訓機構)	Education Examinations Authority (教育部考試中心)
2007	China's Top Ten Brand Education and Training Institutions* (中國十大品牌教育培訓機構)	China Education Training Institution Brand Overall Judging Panel of National Institute of Education Sciences* (教育部中央教育科學研究所培訓中心中國教育機構品牌總評組委會)

COMPETITION

According to the Frost & Sullivan Report, the primary and secondary after-school education service market is relatively consolidated in Zhengzhou, with top five players accounted for approximately 63.5% of the total revenue of the industry in Zhengzhou. In 2019, the revenue we generated from tuition fees income from our operation in Zhengzhou amounted to approximately RMB373.7 million, representing a market share of approximately 19.4%, and we ranked first among all primary and secondary after-school education service providers in Zhengzhou.

According to the Frost & Sullivan Report, the primary and secondary after-school education service market is highly fragmented in Henan and in the PRC, with large number of registered institutions and individual service providers engaged in the market. All these companies have to compete with one another while new companies have to overcome the following entry barriers: (i) approval of the government; (ii) brand awareness and student source; and (iii) sufficient initial capital and continuous investment. For details of the competitive landscape of the after-school education service market, please refer to the section headed "Industry overview" in this prospectus.

In 2019, the top five players in Henan accounted for approximately 10.3% of the total primary and secondary after-school education service market.

We ranked first in terms of number of student enrolments among all primary and secondary after-school education service providers in Henan in 2019. According to the Frost & Sullivan Report, we have built a solid foundation in our core market in Zhengzhou which enables us to differentiate and defend ourselves from existing competition and new market entrants. Please refer to the paragraph headed "Competitive strengths" in this section for details.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group had registered seven trademarks in Hong Kong, and applied for registration of one trademark in Hong Kong. Please refer to the section headed "Statutory and general information — B. Further information about the business of our Group — 2. Intellectual property rights" in Appendix V to this prospectus for further details of our intellectual property rights.

As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

IMPACT OF OUTBREAK OF COVID-19 ON OUR BUSINESS

Our Group is engaged in the provision of primary and secondary after-school education services in Zhengzhou, substantially all of our revenue is generated from customers located in Zhengzhou, Henan during the Track Record Period. Since the outbreak of COVID-19, the local government has introduced a series of measures in order to prevent and control the epidemic. On 24 January 2020 and 27 January 2020, the Zhengzhou Municipal Education Bureau (鄭州市教育局) and the Education Department of Henan Province (河南省教育廳), respectively, required the local after-school education institutions to suspend the physical classes until further notice.

Our contingency plan and response towards the outbreak of COVID-19

In response to the COVID-19 outbreak, we have implemented a contingency plan to minimise the disruptions that may be caused to our business operations, including (i) converted physical classes to online classes temporary where students was able to attend classes through our proprietary online learning platform "學習8" (Learning Bar) without physically present at our self-operated teaching centres; and (ii) discussions with the existing suppliers and identify various suitable alternatives to ensure they are able to render their support and services to us for our business operation, in particular for our online class services. In addition, we had implemented certain precautionary measures to maintain a hygiene working and teaching environment, please refer to the paragraph headed "Health, workplace safety and environmental matters" in this section for further details.

Impact on our business operation

According to the Frost & Sullivan Report, up to 31 May 2020, the outbreak of COVID-19 had resulted in 1,273 confirmed cases in total including 22 deaths in Henan, and 157 confirmed cases in total including five deaths in Zhengzhou. The situation in Henan was not as serious as Hubei Province, which had 68,135 confirmed cases in total including 4,512 deaths up to 31 May 2020.

Suspension and resumption of our self-operated teaching centres

In response to the outbreak of COVID-19, the Zhengzhou Municipal Education Bureau (鄭州市教育局) required all after-school education institutions in Zhengzhou to suspend physical classes from 24 January 2020. As such, we converted certain of our physical regular classes, small classes and VIP classes, scheduled to be delivered to our students from 1 February to 30 April 2020 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. Although we converted our physical classes to online classes, we did not adjust our tuition fees.

After-school education institutions in Zhengzhou have been allowed to resume physical classes since 18 May 2020 upon application with the competent authorities. As at the Latest Practicable Date, all of our self-operated teaching centres had received the competent authorities' approval on the resumption of physical classes. Our Directors expect that students' attendance in our physical classes will recover soon, taking into account (i) the number of tutoring hours delivered by our existing self-operated teaching centres opened prior to 1 January 2019 from January to March 2020 and from January to April 2020 as a percentage of that of the corresponding periods in 2019 has gradually improved from approximately 41.8% to approximately 76.5%; and (ii) in particular during May 2020, such percentage further reached to approximately 82.4%, of which we noted a relatively high attendance rate in our resumed physical classes from 20 May 2020 and up to 31 May 2020, the total number of student enrolments attending our resumed physical classes were approximately 18,970, representing approximately 98.1% of the total number of student enrolments under our resumed physical classes.

Unaudited net loss for the four months ended 30 April 2020

Our business, results of operations and financial condition (in particular, our revenue and net profit) are temporarily affected by the outbreak of COVID-19, which were mainly attributable to (i) temporarily suspension of our physical classes which induced our total number classes decreased by approximately 9.1% from approximately 11,000 for the four months ended 30 April 2019 to approximately 10,000 for the four months ended 30 April 2020; (ii) average duration per class decreased by approximately 32.4% from approximately 17.9 hours for the four months ended 30 April 2019 to approximately 12.1 hours for the four months ended 30 April 2020 resulting from our online classes have shorter duration as compared to the physical classes; and (iii) average students enrolments per class decreased by approximately 14.2% from approximately 9.3 for the four months ended 30 April 2019 to approximately 8.0 for the four months ended 30 April 2020.

In light of the above, our tutoring hours decreased from approximately 1.9 million hours for the four months ended 30 April 2019 to approximately 1 million hours for the four months ended 30 April 2020 and the following table sets out certain of our operational data for the periods indicated:

	For the four months ended 30 April		
	2019	**2020**	**Variance (%)**
Unaudited revenue *(RMB'000)*	109,144	61,981	–43.2
Unaudited tuition fees income *(RMB'000)*	106,203	60,100	–43.4
Total number of classes (approximately)	11,000	10,000	–9.1
Average duration per class during the four months period (number of hours) (approximately)	17.9	12.1	–32.4
Average students enrolments per class (approximately)	9.3	8.0	–14.2
Tutoring hours	1,905,265	987,045	–48.2
Tutoring hours for physical classes	1,905,265	312,128	–83.6
Tutoring hours for online classes	—	674,917	N/A
Average tuition fees per tutoring hour *(RMB)* (approximately)	56	61	+8.9
Number of student enrolments (approximately)	106,000	81,000	–23.6

Based on the unaudited combined financial information of our Group for the four months ended 30 April 2020, which have been reviewed by the Reporting Accountants in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, our unaudited revenue for the four months ended 30 April 2020 amounted to approximately RMB62.0 million, representing a decrease of approximately 43.2% from approximately RMB109.1 million as compared to the corresponding period in 2019, of which our Directors considered that it was mainly attributable to the decrease in the total number of tutoring hours delivered by us during the four months ended 2020 as compared to same period in 2019 with the abovementioned reasons. Our unaudited net loss for the four months ended 30 April 2020 amounted to approximately RMB14.2 million (which included listing expenses of approximately RMB2.8 million) as compared to our unaudited net profit of approximately RMB12.3 million (which included listing expenses of approximately RMB2.8 million) for the corresponding period in 2019.

Our unaudited refund in receipts in advance during the four months ended 30 April 2019 and 2020 amounted to approximately RMB3.6 million and RMB1.7 million, representing approximately 3.4% and 2.8% of the tuition fees income during the same period, respectively. In addition, following the implementation of a variable interest entity structure with the execution of the Structured Contracts on 12 January 2020, we may not be subject to the preferential tax treatments as a high and new technology enterprise, and are subject to the EIT and value-added tax under the Contractual Arrangements which may increase our Group's effective tax rate. As a result, our Directors expect that our financial performance for the year ending 31 December 2020 will decrease as compared to that of 2019.

Having regard to the loss we sustained for the first four months in 2020, we plan to cancel the summer holiday of our teaching staff in August 2020 and offer more summer tutorial courses with a more intensive course schedule for our primary and secondary school students as compared to last year. Our Directors believe that we can turnaround from the net loss we sustained for the first four months in 2020 to net profit for the year ending 31 December 2020 after we resumed physical classes for our self-operated teaching centres in May 2020 and in June 2020.

Opening of the new self-operated teaching centres

After the Track Record Period and up to the Latest Practicable Date, (i) that there was no closure of self-operated teaching centre; and (ii) we entered into lease agreements for 11 of our new self-operated teaching centres, in which eight self-operated teaching centres were under renovation, two self-operated teaching centres were in the preparation of renovation and one self-operated teaching centre had completed renovation and in the process of preparing the relevant documents for the private school operation permit application. As at the Latest Practicable Date, we had 80 self-operated teaching centres. To the best of our Directors' knowledge, as at the Latest Practicable Date, there had been no confirmed cases of COVID-19 infection of our employees and students.

Financial Strength

In the event that we are forced to temporarily reduce or suspend part of our business operations, whether due to government policy or any other reasons beyond our control, due to the COVID-19 outbreak, we estimate our existing financial resources as at 30 April 2020 could satisfy our necessary costs for approximately 40 months. Our key assumptions include: (i) approximately 10% of the net proceeds of the Share Offer to be used for general working capital and all Pre-IPO Convertible Note is converted into Shares; (ii) we will not generate any income due to the suspension of business; (iii) all of our staff, including operational and administrative staff, are encouraged to take unpaid leave under mutual consent or dismissed upon proper notice in accordance with the employment contract and no significant compensation is incurred; (iv) we may incur one-month staff costs to dismiss front line staff assuming no mutual consent to take unpaid leave is obtained from them; (v) the rental related payments including rentals, management fees and other miscellaneous charges are paid monthly; (vi) minimal operating and administrative expenses will be incurred to maintain our operations at a minimum level (including basic head office maintenance cost, utilities expenses, fees to be incurred for the purpose of listing such as annual listing fee, annual audit fee, financial reports and compliance adviser fee); (vii) the expansion plan is delayed under such condition; (viii) there will be no further internal or external financing from Shareholders or financial institutions; and (ix) no further dividends will be declared and paid under such situation. The abovementioned extreme situation may or may not occur. The abovementioned analysis is for illustrative purpose only and our Directors assessed that the likelihood of such situation is remote. The actual impact caused by the outbreak of COVID-19 will depend on its subsequent development, therefore it is possible that the impact to our Group may be out of our control and beyond our estimation and assessment.

Our Directors will continue to (i) assess the impact of the COVID-19 outbreak on our Group's business operations and financial performance; and (ii) closely monitor our Group's exposure to the relevant risks and uncertainties and respond accordingly.

In light of the above, our Directors confirm that the outbreak of COVID-19 had an adverse impact on our Group's business operation in the short run in terms of the decreased tutoring hours, student enrolments and revenue due to the temporary suspension of our physical classes. However, it is unlikely to have a material adverse impact on our Group's continuing business operation and sustainability in the long run as (i) our Group are able to provide tutoring services online and students can attend classes without physically present at our self-operated teaching centres, which reduce the impact on our business operation; (ii) as at the Latest Practicable Date, all of our self-operated teaching centres had been approved by the competent authorities to resume physical classes; (iii) our Group is able to discharge our obligations under the existing lease agreements; and (iv) our Group has sufficient cash and cash equivalents to maintain our business operation.

HEALTH, WORKPLACE SAFETY AND ENVIRONMENTAL MEASURES

As an after-school education service provider, we do not believe we are subject to any significant environmental laws and regulations in the PRC. As a result, we did not incur any significant environmental compliance costs during the Track Record Period and we expect our future annual costs in relation to environmental compliance to be nil or immaterial.

In view of the COVID-19 in the PRC, we have adopted the precautionary measures for epidemics outbreak in early February 2020 whereby our employees shall take all practicable steps in our self-operated teaching centres and office to maintain a hygienic environment in the interest of all personnel who may be present including students, parents and our employees. The contingency measures to be taken shall include, but not limited to, the followings:

- temperature screening at entry of our office and self-operated teaching centres;
- regularly cleaning and disinfecting the common areas in our self-operated teaching centres and office equipment;
- procuring of antiseptic products such as Isopropyl alcohol, hand sanitiser gel and masks and requiring our employees to wear suitable protective gears;
- monitoring the medical symptoms of our employees by requiring them to report their own health status and health status of their family every day. If any employee has shown symptoms of COVID-19, he or she will not be allowed to enter into our self-operated teaching centres and office;
- encourage our employees, where possible, not to use public transport for travelling to and from work;
- promoting personal hygiene among our employees as well as our customers; and
- implementing a flexible rotation arrangement for our staff with an aim to control and minimise possible community transmission of COVID-19 to ensure a stable workforce available.

Accordingly, all employees are required to familiarise themselves with requirements of our contingency plan for epidemic outbreak and ensure that the measures are properly implemented.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with applicable health, safety or environmental laws and regulations.

INSURANCE

In line with the market practice, apart from the statutory social insurance for our employees, we are not required to maintain any insurance coverage for our business operation under the relevant PRC laws and regulations.

PROPERTIES

Owned properties

As at the Latest Practicable Date, our Group owned 34 properties in the PRC with an aggregate GFA of approximately 2,457.4 sq.m. and we have obtained building ownership certificates for 33 properties. We are in the process of obtaining the remaining one building ownership certificate, an overview of which is set out as below:

Owned properties	Address	Approximate GFA (*sq.m.*)	Particulars	Total number of properties
Office — Guoxin Plaza (國信廣場7樓)	No. 0706–0708, Level 7, Building 4, No. 6 Linke Road, Jinshui District, Zhengzhou, the PRC	249.3	Vacant	3
Office — Guoxin Plaza (國信廣場19樓)	No. 1901–1923, Level 19, Building 4, No. 6 Linke Road, Jinshui District, Zhengzhou, the PRC	1,374.0	Office premise	23
Office — Jianshe Road West (建設西路)	No. 113–119, Level 11, Building 1, No. 66 Jianshe Road West, Zhongyuan District, Zhengzhou, the PRC	565.0	Leased to third parties	7
Teaching centre — Hechang Langjing (和昌瀾景)*(Note)*	Room 111, Levels 1–2, Building 2, Ruhe Road South, Lijianggou Road West, Zhongyuan District, Zhengzhou, the PRC	269.1	Teaching centre	1
Total				34

Note: Our self-operated teaching centre located at Hechang Langjing (和昌瀾景) comprises of two premises, one of which is owned by us, while the other is leased from an Independent Third Party.

As at 31 December 2019, no single property interest forming part of our non-property activities had a carrying amount of 15% or more of our total assets. Nonetheless, a property valuation report from Cushman & Wakefield Limited, an independent property valuer, in respect of our owned properties is set out in Appendix III to this prospectus. Cushman & Wakefield Limited valued our owned properties at an amount of approximately RMB39.1 million as at 30 April 2020.

Leased properties

As at the Latest Practicable Date, we operated our business through 102 leased properties in Zhengzhou and Xinxiang, with a total GFA of approximately 76,405.7 sq.m. Our leased properties in the PRC mainly serve as our self-operated teaching centres and office premises.

Among our 102 leased properties, 80 of which were used as our self-operated teaching centres. Our lease agreements in respect of our self-operated teaching centres have a term ranging from one year to approximately 10 years. The following table sets out a breakdown of our lease agreements by expiry date:

Expiry date	Number of self-operated teaching centres *(Note)*
By 31 December 2020	11
By 31 December 2021	10
After 1 January 2022	59

Note: For some of our leased properties, more than one lease agreement is signed with different lessors during the same period of time. In such cases, the classification is made based on the lease agreement with the earliest expiry date.

For lease agreements which will be expired in the second half of the year 2020, we will inform the relevant landlords approximately three months in advance indicating our intention to renew the lease agreements. Our Directors are of the view that there are no impediments for us to renew them with similar terms and conditions. Our Directors also confirm that all lessors are Independent Third Parties. We did not experience material difficulties in negotiating renewal of our leases with our landlords during the Track Record Period.

Defects of the leased properties

As at the Latest Practicable Date, among our 102 leased properties, 56 of which had defects that may adversely affect our ability to continue to use them in the future. The cause of the defects includes, among others, failure of the lessors to provide property ownership certificates regarding their legal rights to lease such properties, inconsistency with the planned usage on building ownership certificates, failure of the lessors to obtain authorisation to lease the properties to us and incompletion of the fire safety filing. In the event of any disputes arise due to title encumbrances to such properties or government action, we may encounter difficulties in continuing to lease such properties and may be required to relocate. Our Directors believe that we do not expect to incur significant time for identifying, or incur significant cost to relocate our operations to comparable alternative properties in size and proximity (within three kilometres of the original leased properties). In addition, the new premises shall reasonably be expected to have no obstacle to complete the fire safety filing, according to a third party consultant.

According to relevant PRC laws and regulations, the lessee has the right to claim compensation if the lease agreement is invalid due to the lessor's fault. In case our ability to continue leasing such properties is affected by any third-party objection, we may be able to seek indemnity from the lessor in accordance with relevant PRC laws and regulations.

As at the Latest Practicable Date, to the best of our knowledge, we were not aware of any challenge or threat being made by any third party or government authority on the titles of any of these leased properties that might affect our current occupation.

Contingency relocation plan in relation to our self-operated teaching centres which fail to obtain the private school operation permits

As at 31 December 2019, 15 of our self-operated teaching centres had no private school operation permits. From 1 January to the Latest Practicable Date, we had obtained private school operation permits for eight of our self-operated teaching centres. As at the Latest Practicable Date, seven of our self-operated teaching centres had not obtained private school operation permits, of which the application had been submitted. Our Directors are of the view that the risk of us being requested to cease school operation, refund of tuition fees received, or imposed other administrative penalties is low. Please refer to the non-compliance incident relevant to the private school operation permits in the paragraph headed "Legal proceedings and non-compliance — Non-compliance" in this section for further details.

Based on such progress and the confirmations obtained from the relevant authorities, our Directors are of the view that we are able to obtain the private school operation permits for the remaining seven self-operated teaching centres. Taking into account that around four months will be required for the relocation of our self-operated teaching centres, if we cannot obtain the private school operation permits of any of seven self-operated teaching centres by the end of June 2021, which is six months prior to the expiry of the transitional period, we will cease the operation of these self-operated teaching centres and relocate them, and/or arrange for the transfer of the students to our other self-operated teaching centres.

The following highlights the key steps we will perform when we relocate our self-operated teaching centres:

Time frame (weeks)	Key steps
T (30 June 2021)	Unable to obtain private school operation permit by the end of June 2021
T + 3	Search for comparable alternative properties
T + 3 to T + 5	• Engage in discussion with the landlord • Perform site inspection • Perform due diligence on the property and the land
T + 5 to T + 7	• Layout planning • Relocation planning
T + 7 to T + 8	Confirm and sign lease agreement with landlord
T + 8 to T + 14	New teaching centre renovation
T + 14 to T + 16	Equipment and facility set-up

Based on the utilisation rates of our existing self-operated teaching centres as at the Latest Practicable Date, we expect that we would relocate six of the seven self-operated teaching centres to comparable alternative properties and transfer the students of the remaining one self-operated teaching centre to our other self-operated teaching centre(s). Our Directors estimate that the total costs and expenses of relocation, including renovation and set-up costs but excluding rental deposit and expenses, will not exceed RMB11.8 million for the relocation of the six self-operated teaching centres with a total GFA of approximately 5,087 sq.m., if they are unable to obtain private school operation permits by the end of June 2021.

As advised by the Education Department of Henan Province (河南省教育廳), there is a transitional period until at least the end of 2021 for the after-school education institutions in Henan to obtain the private school operation permits and there will not be any punishment imposed due to the lack of private school operation permits during the transitional period. Therefore, to avoid the interruption of our operation arising from the relocation of our self-operated teaching centres, we will not relocate any of these six self-operated teaching centres until the new self-operated teaching centres are ready to commence teaching activities and will ensure smooth transition by arranging necessary transportation for our students.

In light of the above, our Directors believe that there will not be any difficulties and material adverse impact on our business, financial position and results of operation due to our relocation of these self-operated teaching centres.

Internal Control Measures

We have adopted the following internal control measures to prevent reoccurrence of such non-compliance:

- we have assigned designated personnel to follow up with the relevant parties to retrieve the ownership certificates or other ownership documents or consents to lease or sublease of the existing leased properties as soon as possible;
- we will conduct our due diligence and reviews more prudently when we lease additional premises, particularly on the planned usage, title certificates and if authorisation is required for the leasing of such properties; and
- we have revised our internal control procedures as recommended by our internal control consultant to prevent the leasing of properties with defects.

Non-registration

As at the Latest Practicable Date, (i) we had not registered and filed the lease agreements of 73 self-operated teaching centres with the relevant land and real estate management departments in the PRC; and (ii) we were renewing the registration of the lease agreement of one self-operated teaching centre which had expired. Our PRC Legal Advisers are of the view that failure to register these leases agreements will not affect the legality, validity or enforceability of such lease agreements. Please refer to "Legal proceedings and non-compliance — Non-compliance" in this section for further details.

NEW EDUCATION LAWS AND REGULATIONS

Overview

Under the regime of the Law on the Promotion of Private Education of the PRC, which came into effect on 1 September 2003 and amended on 29 November 2013 (the "**Former Law for Promoting Private Education**"), private education institutions operated by the private non-enterprise units are required to obtain school operation permits, while private education institutions operated by limited liability companies are not explicitly required to obtain school operation permits.

To promote the development of the private education industry, the Standing Committee of the NPC promulgated the Amended Private Education Promotion Law which was followed by various administrative rules and regulations issued by the PRC Government, including Several Opinions of the State Council on Encouraging Social Resources to Invest in Education and Promote Sound Development of Private Education (《國務院關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》), the Implementation Rules on the Classification Registration of Private Schools (《民辦學校分類登記實施細則》) and the Implementation Rules on the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》) (collectively, the "**Administrative**

Regulations"). The Amended Private Education Promotion Law and the Administrative Regulations have made amendments to the Former Law for Promoting Private Education in many respects.

Under the Amended Private Education Promotion Law and the Administrative Regulations, private schools are classified by whether they are established and operated for profit-making purposes. In particular, under the amendments made on 7 November 2016 which became effective on 1 September 2017 to the Former Law for Promoting Private Education, for the first time, the private education institutions established in the form of limited liability company are explicitly required to obtain the school operation permit. Sponsors of private schools, except for those engaged in compulsory education, may choose to establish non-profit or for-profit private schools at their own discretion. The existing private schools registered as private non-enterprise units can apply to transform into a limited liability company by completing the required procedures.

Further, a series of implementation rules regulating the development of the after-school education service market have been promulgated recently. On 13 February 2018, the General Offices of the MOE, the SAIC, the MCA and the MOHRSS jointly issued the Circular 3, and on 6 August 2018, the General Office of the State Council released the State Council Opinions 80, which provide various guidance on regulating the after-school education service market for primary and secondary school students. Furthermore, on 20 November 2018, the General Office of the MOE, the General Office of the SAMR and the General Office of the Ministry of Emergency Management of the PRC jointly issued the Circular 10, which provides specific requirements for the local governments at all levels in the implementation of the State Council Opinions 80.

The Amended Private Education Promotion Law

Overview

The Amended Private Education Promotion Law amended, in many respects, the Former Law for Promoting Private Education. Under the Former Law for Promoting Private Education, the administration of for-profit private education institutions that were registered with the local administrative departments for industry and commerce shall be separately promulgated by the State Council. The State Council had never promulgated such administrative measures and prior to the effectiveness of the Amended Private Education Promotion Law, the administration of such for-profit private education institutions was subject to the general procedures and regulations promulgated by the local administrative departments for industry and commerce. However, under the Amended Private Education Promotion Law, a new classification system for private schools is established based on whether they are established and operated for the purpose of making profits. The private education institutions established in the form of limited liability company are explicitly required to obtain operation permits of for-profit private schools.

We operated our teaching centres in the form of limited liability company since our establishment. However, as advised by our PRC Legal Advisers, since private school operation permits were not explicitly required for companies with limited liabilities under the Former Law for Promoting Private Education, our self-operated teaching centres in the form of limited liability company only possess business licences issued by the competent administrations for industry and commerce.

On 31 August 2018, the General Office of the MOE promulgated the Circular regarding the Truly Implementation of Special Measures and Rectification Work on the Private Education Institutions (《教育部辦公廳關於切實做好校外培訓機構專項治理整改工作的通知》), which provides detailed requirements for the provincial education departments to enforce the State Council Opinions 80. Among other things, it provides that teaching staff engaging in knowledge-based tutoring in Chinese, Mathematics, English, Physics, Chemistry, Biology and other subjects shall obtain teacher qualification certificates and shall participate in the teacher qualification examination in the second half of 2018, and if such teaching staff fails to pass the teacher qualification examination, he or she shall not engage in the teaching of the abovementioned subjects in compulsory education stage.

Impact on our Business

Private school operation permits

Following the implementation of the Amended Private Education Promotion Law, we decided to continue to operate our teaching centres in the form of limited liability company and chose to establish as for-profit private schools. As at the Latest Practicable Date, seven of our self-operated teaching centres had not obtained private school operation permits. The revenue attributable to these seven self-operated teaching centres for the Track Record Period was approximately RMB14.2 million, RMB22.2 million and RMB29.2 million, representing approximately 6.5%, 7.7% and 7.6% of our revenue, respectively. The net profit attributable to these seven self-operated teaching centres for the Track Record Period, calculated by using the revenue attributable to them multiplied by the non-HKFRS adjusted net profit margin with listing expenses excluded for illustration purpose, was approximately RMB1.9 million, RMB3.9 million and RMB4.5 million, respectively.

The State Council Opinions 80 provides that the provincial or the authorised education departments are responsible for overall supervision on matters in relation to the private school operation permits for after-school education institutions. As such, our PRC Legal Advisers are of the view that the Education Department of Henan Province (河南省教育廳) is the competent authority in relation to the private school operation permits. Further, the county or district education departments are responsible for the issue of private school operation permits for after-school education institutions. As Zhengzhou Municipal Education Bureau (鄭州市教育局) is the higher authority of the county or district education departments, our PRC Legal Advisers are of the view that the Zhengzhou Municipal Education Bureau (鄭州市教育局) is the competent authority to provide confirmations in relation to the private school operation permits. With the assistance of our PRC Legal Advisers, in March 2019 and January 2020, we consulted the Zhengzhou Municipal Education Bureau (鄭州市教育局) and they have advised us that (i) they provide a transitional period to all after-school education institutions in Zhengzhou for the application for private school operation permits, subject to the promulgation of detailed rules to confirm the expiry of such transition period; (ii) our Group and our self-operated teaching centres have satisfied the conditions for obtaining the private school operation permits, and the legal procedures are being processed without any substantive obstacle; (iii) before the completion of the above-mentioned legal procedures by our Group and our self-operated teaching centres, the daily operations of our Group and our self-operated teaching centres will not be affected, and they will not request our Group and our self-operated teaching centres to cease school operation, refund of tuition fees received, or impose other administrative penalties; (iv) as for the cases where our Group and our self-operated teaching centres are blacklisted because they fail to obtain a private school operation permit, those blacklisted self-operated teaching centres may be removed from the blacklist after obtaining the private school operation permits, and our Group will not be imposed penalties, and the normal teaching business operation of our Group and our self-operated teaching centres will not be impacted; (v) the bureau or its subordinate units had not found any violations of our Group and our self-operated teaching centres in the tutorial services business, so our Group and our self-operated teaching centres were not or should not be subject to the investigation and punishment imposed by the bureau or its subordinate units; (vi) as there is no clear guideline and instruction in relation to the filing of, amongst others, key course information, including subjects, course schedules, and course syllabi, time of tutoring activities, the Zhengzhou Municipal Education Bureau (鄭州市教育局) or its subordinate units will not consider our non-filing of such as non-compliance, and will not impose penalty on us, and our business operations will not be affected. Further, with the assistance of our PRC Legal Advisers, we consulted the Education Department of Henan Province (河南省教育廳) and we have been advised that (i) according to the State Council Opinions 80, the provincial or the authorised education departments are responsible for overall supervision on matters of after-school education institutions, thus there is no need for MOE to make decisions on the specific matters; (ii) they will not object to the above view of the Zhengzhou Municipal Education Bureau (鄭州市教育局); (iii) there have not been a concrete time frame of transitional period for us to obtain private school operation permits promulgated by the national, provincial or municipal government authorities and such transitional period may last until at least the end of 2021; (iv) we still have not obtained the private school operation permits for certain self-operated teaching centres because (a) the State Council Opinions 80 does not provide the specific length of the application review process. The application review process will be long because the competent authorities suffer a shortage of the personnel and have a large number of applications on hand; (b) during the application review process, the competent authorities need to prudently inspect the premises of our self-operated teaching centres. Some of our self-operated teaching centres are located in the old buildings or buildings developed by the urban village reconstruction scheme and the background of these buildings including the building condition, the title status and the surroundings are relevantly complex. Therefore, the competent authorities have to spend more time inspecting the background of these buildings, which slows down the application review process; and (c) the outbreak of the COVID-19 has caused the competent authorities' further delay in reviewing the applications; (v) it is not uncommon in Zhengzhou that the review process of the private school operation permit applications are yet to be completed, and it is not the case that any of our applications has been dismissed by the competent authorities; and (vi) no punishment will be imposed by the competent authorities against our self-operated teaching centres that had ever operated without the private school operation permits. Based on the above, the Education Department of Henan Province (河南省教育廳) has advised us that (i) there is no substantive impediment for such self-operated teaching centres to obtain the private school operation permits; and (ii) we will not be punished due to the lack of private school operation permits of our self-operated teaching centres and our tuition fees income of these teaching centres will not be regarded as illegal income.

As (i) the competent authorities have confirmed that our Group and our self-operated teaching centres have satisfied the conditions for obtaining the private school operation permit, and the legal procedures are being processed without any substantive obstacle, and (ii) currently there is no available PRC laws and regulations that place restrictions on our self-operated teaching centres to obtain the private school operation permits, our PRC Legal Advisers are not aware of any material legal impediment for us to obtain the private school operation permits for the seven self-operated teaching centres.

As at the Latest Practicable Date, the above confirmations of the competent authorities had never been challenged by any higher authorities. Based on the above, our PRC Legal Advisers are of the view that the risk that the confirmations will be challenged by higher authorities is relatively low as the Education Department of Henan Province (河南省教育廳) and the Zhengzhou Municipal Education Bureau (鄭州市教育局) are the competent authorities that have discretion conferred by the State Council Opinions 80 when dealing with the matters relating to private school operation permits for after-school education institutions.

Taking into account that around four months will be required for the relocation of our self-operated teaching centres, if we cannot obtain the private school operation permits of the seven self-operated teaching centres by the end of June 2021, which is six months prior to the expiry of the transitional period, we will cease the operation of these self-operated teaching centres and relocate them, and/or arrange for the transfer of our students to our other self-operated teaching centres. For details, please refer to "Properties — Leased properties — Contingency relocation plan in relation to our self-operated teaching centres which fail to obtain the private school operation permits" in this section.

In light of above, our PRC Legal Advisers are of the view that the likelihood of us being subject to any administrative penalty in respect of this non-compliance incident is relatively low. Our Directors are also of the view that this non-compliance incident would not have any material adverse impact on our financial condition and business operation.

Teacher qualification certificates

As at the Latest Practicable Date, 169 of our teachers had not obtained the teacher qualification certificates for engaging in knowledge-based tutoring in Chinese, Mathematics, English, Physics, Chemistry, Biology and other subjects. The revenue attributable to these teachers for the Track Record Period was approximately RMB5.2 million (contributed by 25 out of the 169 teachers), RMB10.0 million (contributed by 46 out of the 169 teachers) and RMB25.1 million (contributed by 138 out of the 169 teachers), representing approximately 2.4%, 3.4% and 6.5% of our revenue, respectively. The net profit attributable to these teachers for the Track Record Period, calculated by using the revenue attributable to them multiplied by the non-HKFRS adjusted net profit margin with listing expenses excluded for illustration purpose, was approximately RMB0.7 million, RMB1.8 million and RMB3.9 million, respectively. We value the importance of the standardised quality of teaching team to our business success and brand and strive to adopt stringent selection criteria for our teachers. We believe that this allows us not rely on any popular individual teacher in our operation. We have required the abovementioned teachers to participate in the teacher qualification examination in accordance with guidances of competent education authorities, requirements of the Amended Private Education Promotion Law and other related administrative rules. Our Group has also reviewed and enhanced our internal control policy in relation to human resources matters, and our human resources department is designated to perform background search and obtain relevant teacher qualification certificates during the recruitment process as well as to review the qualifications of our existing teachers to ensure our teachers have obtained the relevant teacher qualification certificates in compliance with the relevant rules and regulations.

Pursuant to the State Council Opinions 80 and the Establishment of After-school Tutoring Institutions in Henan Province (Trial) (《河南省校外培訓機構設置標準(試行)》), the provincial and the authorised municipal education departments are responsible for the co-ordination and design of the criteria for after-school education institutions suitable to the local situation and teacher qualification certificates is one of the criteria. As such, our PRC Legal Advisers are of the view that the Education Department of Henan Province (河南省教育廳) is the competent authority to provide clarification and confirmation on matters relating to teacher qualification certificates. Further, pursuant to the Teacher Qualification Regulations (《教師資格條例》), the teacher qualification certificates of primary and lower secondary schools shall be determined by the education departments at the county level, and the qualifications of upper secondary school teachers shall firstly be reviewed by the education departments at the county level and then approved by the higher education department. Based on the above, our PRC Legal Advisers are of the view that the Zhengzhou Municipal Education Bureau (鄭州市教育局) is the competent authority to provide clarification and confirmation on matters relating to teacher qualification certificates as it is the higher authority of the county level education departments. According to the consultation with Zhengzhou Municipal Education Bureau (鄭州市教育局) with the assistance of our PRC Legal Advisers in March 2019, we have been advised that (i) it is not illegal for teachers without qualification certificates to teach in our self-operated teaching centres; (ii) our self-operated teaching centres will not be required to cease their operations during the transitional period; and (iii) the competent authority will not impose penalties on our Group in this regard. Further, with the assistance of our PRC Legal Advisers, we consulted the Education Department of Henan Province (河南省教育廳) and we have been advised that (i) according to the State Council Opinions 80, the provincial or the authorised municipal education departments are responsible for supervision on matters of after-school education institutions, thus there is no need for the MOE to make decisions on the specific matters; (ii) they will not object to the above view of the Zhengzhou Municipal Education Bureau (鄭州市教育局); (iii) a transitional period is granted at least until the end of the qualification accreditation period for the first 2020 teacher qualification examination considering that (a) it takes time to pass the teacher qualification examination as the examination is composed of a written test and an oral test. In case that the candidates fail to pass either the written test or the oral test in the examination, they would have to participate the teacher qualification examination again, which is generally held twice a year; and (b) the requirements set out in State Council Opinions 80 shall be tailored to the local situation. For example, for fresh graduates and existing teachers who have not obtained the teacher qualification certificates, there is a transitional period applied for them as forbidding such teachers to engage in teaching activates may cause a significant shortage of teachers for after-school education institutions; and (iv) therefore, the lack of teacher qualification certificates of some of our teachers is not regarded as non-compliance prior to the expiry of the transitional period and we will not be subject to any penalties, including but not limited to ceasing the operation of our self-operated teaching centres and confiscating the income of tuition fees, in this regard.

As at the Latest Practicable Date, the above confirmations of the competent authorities had never been challenged by any higher authorities. Our PRC Legal Advisers are of the view that the risk that the confirmations will be challenged by any higher authorities is relatively low as the Education Department of Henan Province (河南省教育廳) and the Zhengzhou Municipal Education Bureau (鄭州市教育局) are competent authorities that have discretion conferred by the State Council Opinions 80 when dealing with the matters relating to teacher qualification certificates for after-school education institutions.

In the light of the above, our PRC Legal Advisers are of the view that the risk of us being subject to any administrative penalties, including but not limited to ceasing the operation of our self-operated teaching centres and confiscating the income of tuition fees, due to the lack of teacher qualification certificates of some of our teachers is relatively low.

According to the announcement issued by National Education Authority of the PRC on 24 April 2020, due to the outbreak of the COVID-19, the teacher qualification examination will only be held once in 2020 and the written test and the oral test are scheduled for the October 2020 and January 2021, respectively. As such, we understand that the transitional period will at least last until the end of the teacher qualification accreditation after the teacher qualification examination, which is expected to be the end of the first half of 2021. In general, our classes are delivered in four terms. In order to minimise the disruption to the services provided to our students during a term, we will dismiss the teachers who fail to obtain the teacher qualification certificate and register as a qualified teacher, or rotate them to other positions which do not require the teacher qualification certificates by the end of the term after the qualification accreditation period. Furthermore, as advised by Frost & Sullivan, there were approximately 1.9 million and 0.2 million talents in Henan and in Zhengzhou, respectively, with primary and secondary teacher qualifications as at Latest Practicable Date. As such, our Directors believe that there will not be any material difficulty in hiring replacement teachers.

In light of the above, our Directors are of the view that dismissing the teachers who fail to obtain the teacher qualification certificates or rotating them to other positions which do not require teacher qualification certificates would not have any material adverse impact on our business operations.

Our Directors confirm that we had not been subject to any penalties due to the lack of teacher qualification certificates of some of our teachers as at the Latest Practicable Date. Based on (i) the consultation with the competent authorities; (ii) the above view of our PRC

Legal Advisers; and (iii) our rectification measures, our Directors are of the view that the lack of teacher qualification certificates of some of our teachers constitutes an immaterial non-compliance.

EIT

We are closely monitoring the development of the regulatory environment in the locations where we operate. Pursuant to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Implementation Provisions for the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), the companies of our Group which operate in the PRC are subject to EIT at a rate of 25% on their taxable income and some of our subsidiaries enjoyed preferential tax treatments, such as preferential tax treatments for Dashan Training, which is recognised as a high and new technology enterprise and is entitled to a preferential EIT rate of 15%. Pursuant to the Amended Private Education Promotion Law, private education institutions would enjoy preferential tax treatment. However, as at the Latest Practicable Date, no laws and regulations stipulated the preferential tax treatment of the for-profit private education institutions had been promulgated. Further, the above 15% preferential EIT rate is target at high-tech enterprises rather than for-profit private schools. Therefore, our PRC Legal Advisers are of the view that the Amended Private Education Promotion Law has no substantial impact on the preferential EIT rate enjoyed by our Group.

Circular 3

Overview

The Circular 3 promulgated on 13 February 2018 stipulates that the class schedule, course content, target students, and class hours of the subject training courses (mainly including Chinese, English and Mathematics) should be reviewed by and filed with the local education administrative departments and announced to the public. It is strictly forbidden for after-school education institutions to provide the subject training services of course content beyond the school teaching syllabus or teaching in advance, or to organise any primary school and secondary school subject competitions and any level of examinations. In addition, primary schools and secondary schools are not allowed to link the performance of students in after-school education institutions to enrolment in primary schools and secondary schools.

Further, under Circular 3, the education departments at county level are required to publish a "White List" listing the after-school education institutions without any misconduct, and a "Black List" listing the after-school education institutions with safety risks, misconduct or without qualification.

On 23 April 2018, Special Governance Action Plan of Henan Province After-School Tutoring Institutions (河南省校外培訓機構專項治理行動方案) was promulgated to stipulate detailed implementation requirements to enforce Circular 3 within Henan.

Impact on our Business

The Circular 3 stipulates that the course content, class schedule, target students, progress and class hours of the subject training courses (mainly including Chinese, English and Mathematics) should be reviewed by and filed with the local education administrative departments and announced to the public; the course content must not be beyond the school teaching syllabus. With the assistance with our PRC Legal Advisers, we have consulted the Zhengzhou Municipal Education Bureau (鄭州市教育局) in March 2019, and they informed us that the MOE's overall policy requires filing for the teaching materials, but there is no detailed requirements and operational plans in respect of the teaching materials filing and there is no specific timetable. Since there is no specific operational rule for teaching materials filing, no punishment will be imposed for the failure of teaching materials filing. As at the Latest Practicable Date, we had prepared the relevant required materials, such as course content, class schedule of our training courses for filing to the relevant education authority in Zhengzhou and we will submit the relevant required material when the relevant policy is being implemented.

The blacklist information will be integrated into the National Credit Information Sharing Platform of the PRC (全國信用信息共享平台) and the joint punishment will be implemented according to relevant regulations. The information of administrative licensing, administrative punishment, blacklist and results of spot check and inspection will be accumulated into the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and be legally publicised under the name of corresponding enterprise. Eight of our self-operated teaching centres under our Group located in Kaiyuanlu (開元路), Min'anbeijun (民安北郡), Jiangshanlu (江山路), Guxing (古滎), Xunhanglu (巡航路), Qiaohanglu (橋航路), Shangjie (上街) and Kangpinglu (康平路) were blacklisted by the bureau due to the failure to obtain private school operation permits. The blacklist was issued on 3 August 2018 and has not been supplemented or updated thereafter. With assistance of our PRC Legal Advisers, we consulted Zhengzhou Municipal Education Bureau (鄭州市教育局) and have been advised that (1) the blacklist and whitelist are not finalised and the lists are not timely updated; and (2) the above eight self-operated teaching centres would be removed from the blacklist and transferred to the whitelist once they obtained the private school operation permits. There would be no penalty for our non-compliance on such and we will not be ordered to suspend the operation. Further, with the assistance of our PRC Legal Advisers, we consulted the Education Department of Henan Province (河南省教育廳) and we have been advised that among the above eight self-operated teaching centres, the self-operated teaching centres which have obtained the private school operation permits would be removed from the blacklist but there have not been a concrete time frame.

Based on the above, we understand that the blacklist is not up-to-date, therefore the blacklist (i) does not include all of our self-operated teaching centres operated without private school operation permits and we are not sure if such self-operated teaching centres will be included in the blacklist; and (ii) still includes our self-operated teaching centres that have been closed down or have obtained the private school operation permits. As at the Latest Practicable Date, six out of the eight self-operated teaching centres including the self-operated teaching centres in Kaiyuanlu (開元路), Min'anbeijun (民安北郡), Xunhanglu

(巡航路), Qiaohanglu (橋航路), Shangjie (上街) and Kangpinglu (康平路) had obtained the private school operation permits, of which the self-operated teaching centre in Shangjie (上街) had been relocated and had obtained the private school operation permit.

Our self-operated teaching centre in Guxing (古滎) was closed down in December 2019 and as such, no private school operation permit would be required to obtain. We are in the process of obtaining the private school operation permit for our self-operated teaching centre located in Jiangshanlu (江山路). We are also in the process of obtaining the private school operation permits for other six self-operated teaching centres which are not blacklisted. These self-operated teaching centres are located in Huanancheng (華南城), Guoruicheng (國瑞城), Luyuan Road (綠源路), Zhongyuan Wanda (中原萬達), Dihu (帝湖) and Dashan KIDS Lanbaowan (大山KIDS藍堡灣). We target to rectify the lack of private school operation permits as soon as practicable. If we cannot obtain the private school operation permits of the seven self-operated teaching centres by the end of June 2021, which is six months prior to the expiry of the transitional period, we will cease the operation of these self-operated teaching centres and relocate them, and/or arrange for the transfer of our students to our other self-operated teaching centres. For details, please refer to "Properties — Leased properties — Contingency relocation plan in relation to our self-operated teaching centres which fail to obtain the private school operation permits" in this section.

Save as our self-operated teaching centre located in Jiangshanlu (江山路) in which the surrounding area is undergoing urban village reconstruction resulting in a decrease in the number of students and student enrolments, the number of students and student enrolments for the other seven blacklisted self-operated teaching centres had been increasing during the Track Record Period. Therefore, our Directors are of the view that there was no material adverse impact on these self-operated teaching centres as a result of being blacklisted.

The State Council Opinions 80

Overview

On 6 August 2018, the General Office of the State Council issued the State Council Opinions 80 which provides various guidance on regulating after-school education market for primary and secondary school students, and after-school education institutions must obtain private school operation permits and business licences (or legal person certificates of public institutions or a registration certificates of private non-enterprise units) in order to carry out tutoring services. The county-level education departments are responsible for reviewing and approving the issuance of private school operation permits, and any after-school education institution must not carry out tutoring services for primary and secondary school students in the name of tutoring, consulting, cultural communication, and etc. without the approval of the education department. An after-school education institution must obtain approval for each establishment of its branch or teaching centre within the county where such after-school education institution is located; if a branch or teaching centre is established outside the county where such after-school education institution is located, the establishment of such branch or teaching centre must be approved by the local county-level education departments where the branch or teaching centre is located. Teachers engaged in knowledge-based tutoring in Chinese, English, Mathematics, Physics, Chemistry, Biology and other subjects shall have the corresponding teacher qualifications.

Impact on our business

Teacher qualification certificates

The State Council Opinions 80 provides that teaching staff engaging in knowledge-based tutoring in Chinese, Mathematics, English, Physics, Chemistry, Biology and other subjects shall obtain the relevant teacher qualification certificates. Yet, the State Council Opinions 80 does not stipulate the relevant legal consequence of failure to obtain the teacher qualification certificates.

For impact on our business in relation to the teacher qualification certificates, please refer to "The Amended Private Education Promotion Law — Impact on our business — Teacher qualification certificates" in this section.

Average area per student

The State Council Opinions 80 also provides that after-school education institutions shall be located in premises which fulfill the safety condition, the average area per student during the same tutoring period shall not be less than 3 sq.m. to ensure that the institutions are not crowded and are easy to evacuate. The institutions shall meet the requirements of national management regulations on fire, environmental protection, hygiene and food operation, and etc. Yet, the State Council Opinions 80 does not stipulate the relevant legal consequences of failure to meet such requirement. We have been advised by our PRC Legal Advisers that the State Council Opinions 80 fails to provide any guideline on the calculation of the average area per student, therefore the calculation of the average area should be subject to the competent authorities' opinions.

As far as we are aware, after the State Council Opinions 80 came into force in August 2018, based on the lowest point of the aggregate area of our self-operated teaching centres and the highest point of our overall student attendance, our average area per student was approximately 7.42 sq.m. and 7.14 sq.m. for the five months ended 31 December 2018 and for the year ended 31 December 2019, respectively. To adopt a prudent approach and based on the area and the student attendance of each of our self-operated teaching centres, one of our self-operated teaching centres recorded an average area per student of approximately 2.88 sq.m. during the peak hours on one day out of 153 total teaching days for the five months ended 31 December 2018, and one of our self-operated teaching centres recorded the average area per student that ranged from approximately 2.82 sq.m. to 2.96 sq.m. during the peak hours on seven days out of 365 total teaching days for the year ended 31 December 2019. For the five months ended 31 December 2018 and year ended 31 December 2019, the revenue contributed by these self-operated teaching centres was approximately RMB2.2 million and RMB5.8 million, respectively, representing approximately 0.7% and 1.5% of our revenue for the year ended 31 December 2018 and 2019, respectively.

Pursuant to the State Council Opinions 80 and the Establishment of After-school Tutoring Institutions in Henan Province (Trial) (《河南省校外培訓機構設置標準(試行)》), the provincial and the authorised municipal education departments are responsible for the co-ordination and local tailoring of the criteria on average area per student for after-school education institutions and average area per student is one of the criteria. As such, our PRC Legal Advisers are of the view that the Education Department of Henan Province (河南省教育廳) is the competent authority to provide clarification and confirmation on matters relating to average area per student. With assistance with our PRC Legal Advisers, we consulted Education Department of Henan Province (河南省教育廳) and have been advised that (i) according to the State Council Opinions 80, the provincial or the authorised municipal education departments are responsible for supervision on matters of after-school education institutions, thus there is no need for the MOE to make decisions on the specific matters; (ii) such requirement is in principal and is stipulated for the purpose of assuring safe study environment including the evacuation during an emergency situation; (iii) Zhengzhou is a populous city with a relevantly high population density and there are a large number of students attending the classes of the after-school education in Zhengzhou. Strictly abiding by the principle requirement on average area per student will not satisfy the demands of the students and thus, will negatively affect the development of the after-school education industry; (iv) they have agreed to calculate the average area per student based on the aggregate area of our self-operated teaching centres and the overall student attendance during the peak periods; and (v) since students attend the classes of after-school education institutions on different schedules, it is reasonable to calculate the average area per student in accordance with the aggregate area of our self-operated teaching centres and the overall student attendance during the peak periods rather than the total number of the seats for the students in our self-operated teaching centres. As such, even if the average area per student is less than 3 sq.m. assuming that all the seats for students in our self-operated teaching centres are occupied, it will not be regarded as a non-compliance and there will not be any administrative penalties against us, including but not limited to ceasing the operation of our self-operated teaching centres and confiscating the income of tuition fees, as long as (a) the average area per student is not less than 3 sq.m. for most of the time in the actual operation; and (b) the self-operated teaching centres have maintained clear exits, evacuations routes and contingency plans to ensure safety for the students during an emergency.

We have been advised by our PRC Legal Advisers that the State Council Opinions 80 fails to provide a quantitative criteria for the "most of the time" as mentioned by the Education Department of Henan Province (河南省教育廳). Our Directors believe that (i) based on the aggregate area and overall students attendance of our self-operated teaching centres, we had maintained an average area per student more than 3 sq.m.; and (ii) based on the area and the student attendance of each of our self-operated teaching centres, we had maintained an average area per student more than 3 sq.m. for most of the time during our teaching days during the Track Record Period. In addition, considering the purpose of requirement on the average area per student, all of our self-operated teaching centres have maintained clear exits, evacuations routes and contingency plans to ensure safety for our students during an emergency. Our Directors confirm and our Sole Sponsor concurs that, as at the Latest Practicable Date, we had complied with the requirement on the average area per student.

As at the Latest Practicable Date, the above confirmations of the competent authorities had never been challenged by any higher authorities. Based on the above, our PRC Legal Advisers are of the view that the risk that the confirmations will be challenged by any higher authorities is relatively low as the Education Department of Henan Province (河南省教育廳) is competent authority that has discretion conferred by the State Council Opinions 80 when dealing with the matters relating to the average area per student for after-school education institutions.

In light of the above, our PRC Legal Advisers are of the view that the risk of us being subject to any administrative penalties, including but not limited to ceasing the operation of our self-operated teaching centres and confiscating the income of tuition fees is relatively low.

Our Directors confirm that we had not been subject to any penalties due to the failure to meet the principal requirement on the average area per student as at the Latest Practicable Date. Based on (i) the consultation with the competent authorities; (ii) the above view of our PRC Legal Advisers; and (iii) the absence of regulations stipulated for the legal consequence, our Directors are of the view, and our Sole Sponsor concurs that failure to meet the principal requirement under the State Council Opinions 80 on the average area per student constitutes an immaterial non-compliance.

Tuition fees collection period

State Council Opinions 80 provides that the after-school education institutions shall strictly implement the national regulations related to finance and assets management, coordinate the fees collection period with teaching arrangement and shall not collect fees with a time span over three months on a one-off basis. During the Track Record Period, the total tutoring hours for each course for our classes were generally scheduled for two to four months and we required the tuition fees for each course to be settled by students before the beginning of the course. After the State Council Opinions 80 came into force in August 2018, we had 64 and 80 self-operated teaching centres received advance payments of tuition fees with a time span over three months on a one-off basis for five months ended 31 December 2018 and for the year ended 31 December 2019, respectively. The revenue generated from the advance payments of tuition fees with a time span over three months on a one-off basis contributed by these teaching centres for the five months ended 31 December 2018 and for the year ended 31 December 2019 was approximately RMB52.0 million and RMB136.9 million, representing approximately 17.9% and 35.7% of our revenue for the year ended 31 December 2018 and the year ended 31 December 2019, respectively. Yet, the State Council Opinions 80 does not stipulate the relevant legal consequence of failure to meet the requirement.

Pursuant to the State Council Opinions 80, the provisional education departments are responsible for overall supervision on tuition fees collection period for after-school education institutions. As such, our PRC Legal Advisers are of the view that the Education Department of Henan Province (河南省教育廳) is the competent authority to provide clarification and confirmation on matters relating to the tuition fees collection period. With assistance of our PRC Legal Advisers, we consulted Education Department of Henan

Province (河南省教育廳), and have been advised that (i) according to the State Council Opinions 80, the provincial or the authorised municipal education departments are responsible for supervision on matters of after-school education institutions, thus there is no need for the MOE to make decisions on the specific matters; (ii) the tuition fees collection period requirement set out in the State Council Opinions 80 is a requirement in principle to prevent the students from the fraud of the after-school education institutions; (iii) on the basis that our Group has a good reputation and has years of operation history, and in practice, the advance payment of tuition fees with a time span of not more than three months may cause inconvenience for the parents or guardians of the students who do not reside locally, it is acceptable that the parents or guardians enter into agreements with our Group for an advance tuition fees payment for more than three months on a voluntary basis; (iv) under such circumstances the collection of tuition fees with a time span over three months on a one-off basis shall not be regarded as a non-compliance and we will not be subject to any penalties in this regard, including but not limited to ceasing the operation of our self-operated teaching centres and confiscating the income of tuition fees, and the revenue generated from the advance payments of tuition fees with a time span over three months are not be regarded as illegal income.

As at the Latest Practicable Date, the above confirmations of the competent authorities had never been challenged by any higher authorities. Based on the above, our PRC Legal Advisers are of the view that the risk that the confirmations will be challenged by any higher authorities is relatively low as the Education Department of Henan Province (河南省教育廳) is competent authority that has discretion conferred by the State Council Opinions 80 when dealing with the matters relating to the tuition fees collection period for after-school education institutions.

We adjusted our tuition fees collection system in March 2020. In accordance with the adjustment and given that our classes are scheduled for generally four hours per week, we shall collect the advance payment of tuition fees on a one-off basis for generally 20 hours, which represents that all the advance payment of our tuition fees are in a time span less than three months. Our Directors confirm and our Sole Sponsor concurs that we have complied with the requirement on the tuition fees collection period.

In the light of the above, our PRC Legal Advisers are of the view that the risk of us being subject to any administrative penalties, including but not limited to ceasing the operation of our self-operated teaching centres and confiscating the income of tuition fees, due to the failure to meet the principal requirement on the tuition fees collection period is relatively low.

Our Directors confirm that we had not been subject to any penalties due to the failure to meet the principal requirement on the tuition fees collection period as at the Latest Practicable Date. Based on (i) the consultation with the competent authorities; (ii) the above view of our PRC Legal Advisers; and (iii) the absence of regulations stipulated for the legal consequence, our Directors are of the view, and our Sole Sponsor concurs that the failure to meet the principal requirement on the tuition fees collection period is an immaterial non-compliance.

Blacklist

State Council Opinions 80 provides that, after-school education institutions that have not been approved for registration and established by violating laws and regulations shall be severely investigated and blacklisted. Please refer to "Circular 3 — Impact on our business" in this section.

Circular 10

Overview

On 20 November 2018, the General Office of the MOE, the General Office of the SAMR and the General Office of the Ministry of Emergency Management of the PRC jointly issued the Circular 10, which provides specific requirements for the local governments at all levels in the implementation of State Council Opinions 80.

Impact on our Business

Circular 10 provides, among other things, that (1) the local education authorities shall accelerate the approval process of the private school operation permits and, in particular, grant as soon as possible such permits to those after-school education institutions that meet the applicable establishment standards; (2) the after-school education institutions that fail to meet the applicable establishment standards shall suspend operation for rectification; and (3) the after-school education institutions without valid private school operation permits and business licences shall cease operation by the end of 2018. For related impact on our business, please refer to "The Amended Private Education Promotion Law — Impact on our business — Private school operation permits" in this section.

In addition, Circular 10 provides that (1) the education authorities shall formulate measures and organise the expert teams to assess whether the courses provided by after-school education institutions follow the formal school curricula; (2) the education departments at county levels shall as soon as possible complete the review process on registration and approval of after-school tutoring courses such as the names of the tutoring courses, the course contents, the enrolment targets, and the course schedules; and (3) the after-school education institution shall not recruit the students before completion of such registration and approval. For related impact on our business, please refer to "Circular 3 — Impact on our business" in this section.

APPROVALS, LICENCES AND PERMITS

The table below sets forth details of our material licences and permits as at the Latest Practicable Date:

Licence/Permit	Holder	Issuing Authority	Issuing Date	Expiry Date
ICP Licence	Dashan Training	Henan Communications Administration (河南省通信管理局)	10 June 2019 (Note)	5 December 2023
Operating licence of publication (出版物經營許可證)	WFOE	Zhengzhou Jinshui District Press and Publication Administration* (鄭州市金水區新聞出版管理局)	5 May 2020	31 March 2026
Broadcasting and TV Program Production and Operation Licence* (廣播電視節目製作經營許可證)	Dashan Training	Henan Radio and Television Bureau (河南省廣播電視局)	10 January 2019	15 April 2021
Online Cultural Operation Licence* (網絡文化經營許可證)	Dashan Training	Cultural and Tourism Department of Henan Province (河南省文化和旅游廳)	4 January 2019	3 January 2022
Private school operation permits (辦學許可證)	Dashan Training and 73 self-operated teaching centres	The local competent education bureaus	16 March 2018 – 8 May 2020	24 January 2020 – 30 April 2028

Note: We first obtained the ICP Licence on 12 February 2019 and then obtained the updated ICP Licence on 10 June 2019 because of the change of our domain name.

Our Directors confirm that we have submitted the renewal applications for our private school operation permits which expired or will expire by the end of June 2020 to the competent authorities. As at the Latest Practicable Date, 13 out of our 15 expired private operation permits had been renewed. However, we had not obtained the renewed private school operation permits for the remaining two expired private school operation permits due to the outbreak of the COVID-19 which had resulted in the competent authorities' delay in reviewing the renewal applications. In relation to our other private school operation permits that will expire in 2020 (of which the earliest expiry date will be on 22 September 2020), we will submit the renewal applications at least one month prior to their respective expiry date. With the assistance of our PRC Legal Advisers, we consulted the Education Department of Henan Province (河南省教育廳) on 6 March 2020 and we have been advised that (i) for the renewal applications that we have submitted, the competent authorities are still in progress of reviewing these applications and there are no legal impediments for us to renew the relevant private school operation permits; (ii) for our other private school operation permits which will expire in 2020, they have not foreseen any legal impediments for us to renew these private school operation permits; and (iii) during the review process of the renewal applications, the lack of the renewed private school operation permits will not be regarded as a non-compliance and the operation of our self-operated teaching centres and the relevant preferential treatment enjoyed by our Group will not be affected. Also, we will not be subject to any administrative penalties including but not limited to ceasing the operation of our self-operated teaching centres and confiscating the income of tuition fees in this regard. Based on the above, our PRC Legal Advisers confirm that they are not aware of any legal impediments for us to renew these private school operation permits with similar terms and conditions.

Our PRC Legal Advisers confirm that during the Track Record Period and up to the Latest Practicable Date, except for (i) some of the renewed private school operation permits which have not been obtained due to the outbreak of the COVID-19 resulting in the competent authorities' delay in reviewing our renewal applications as disclosed above; and (ii) as disclosed in paragraph headed "Legal proceedings and non-compliance — Non-compliance" in this section, we had obtained all licences, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licences, permits, approvals and certificates remained in full effect.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

Legal proceedings

To the best of our Directors' knowledge, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group that would have a material adverse effect on our results of operations or financial condition.

Non-compliance

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save as disclosed below, there were no non-compliance incidents of our Group which are considered material or systemic in nature.

No.	Non-compliance incident	Reason for the non-compliance incident	Legal consequence and potential liabilities	Remedial actions and impact on our Group	Internal control measures to prevent recurrence of the non-compliance incident
1.	The State Council Opinions 80 regarding private school operation permits in respect of primary and secondary after-school education institutions came into force in August 2018. During the Track Record Period and up to the Latest Practicable Date, 87 out of 88 of our self-operated teaching centres had not obtained private school operation permits. Among them, 73 of which had obtained private school operation permits, seven of which had not obtained but had submitted the application for private school operation permits and eight of which had been closed. All of our seven self-operated teaching centres which had not obtained private school operation permits were located in Zhengzhou, and among which two self-operated teaching centres began operations after the implementation of the State Council Opinions 80.	Prior to August 2018 when the State Council Opinions 80 was promulgated, there was no explicit requirement for an after-school education institution to obtain a private school operation permit. As a result, the handling personnel of our administration department did not submit applications for private school operation permits for certain of our self-operated teaching centres. This non-compliance incident occurred primarily because the relevant regulations or implementation measures regarding primary and secondary after-school education institutions' applications for private school operation permits had not been issued until August 2018. As at the Latest Practicable Date, we established 19 self-operated teaching centres after the State Council Opinions 80 came into force. Among these 19 self-operated teaching centres, two of which had not obtained the private school operation permits but had submitted the application and 17 of which had obtained the private school operation permits. Among these 17 self-operated teaching centres, two of which had obtained the private school operation permits before the commencement of teaching activities, 15 of which had commenced teaching activities without the private school operation permits but ten of which had obtained the private school operation permits within three months following the commencement of teaching activities. We failed to obtain the private school operation permits before the commencement of teaching activities because of the prolonged application review process of the local authorities and a transitional period is provided to all after-school education institutions in Zhengzhou (including those established before or after the promulgation of the State Council Opinions) for private school operation permits, subject to the promulgation of detailed rules to confirm the expiry of such transition period, after the State Council Opinions 80 came into force. In order to re-comply with the requirement and as advised by our PRC Legal Advisers during the Listing process, we immediately proceeded to rectify such non-compliance incidents by submitting and/or following up the application for private school operation permits to/with the relevant local authorities. Our Directors had no direct or wilful involvement in the breach.	According to the relevant laws and regulations, the local education bureau may order us to suspend the operation of the relevant self-operated teaching centres and refund the tuition fees, or impose a fine of one to five times of the gains from such self-operated teaching centres that failed to obtain the private school operation permits. As such, based on the net profit generated by the seven self-operated teaching centres operating without private school operation permits during the Track Record Period after the promulgation of the State Council Opinions 80 in August 2018, the potential maximum penalty that may be imposed on us is approximately RMB25.8 million. Also, the self-operated teaching centres operated without private school operation permits may be blacklisted and the relevant information would be published on the National Credit Information Sharing Platform (全國信用信息共享平台) in China.	With the assistance of our PRC Legal Advisers, we consulted the official of the Division of Private Education Management (民辦教育管理處) of the Zhengzhou Municipal Education Bureau (鄭州市教育局), being the competent educational government authority providing confirmation in respect of matters relating to the requirement of the application for the private school operation permits, in March 2019 and January 2020. As advised by our PRC Legal Advisers, such official is competent to give confirmations on behalf of the Zhengzhou Municipal Education Bureau (鄭州市教育局) on the basis that the Division of Private Education Management (民辦教育管理處) is mainly in charge of the management of private education in Zhengzhou, undertaking the examination and approval of the establishment, alteration and termination of private schools and other administrative approval items, and we have been advised by such official that, among other things, (i) they provide a transitional period to all after-school education institutions in Zhengzhou for the application for private school operation permits, subject to the promulgation of detailed rules to confirm the expiry of such transition period; (ii) our Group and our self-operated teaching centres have satisfied the conditions for obtaining the private school operation permits, and the legal procedures are being processed without any substantive obstacle; (iii) before the completion of the above-mentioned legal procedures by our Group and our self-operated teaching centres, the daily operation of our Group and our self-operated teaching centres will not be affected, and they will not request our Group and our self-operated teaching centres to cease school operation, refund of tuition fees received, or impose other administrative penalties against us. The revenue attributable to these seven self-operated teaching centres for the Track Record Period was approximately RMB14.2 million, RMB22.2 million and RMB29.2 million, respectively, representing approximately 6.5%, 7.7% and 7.6% of our revenue, respectively. The net profit attributable to these seven self-operated teaching centres for the Track Record Period, calculated by using the revenue attributable to them multiplied by the non-HKFRS adjusted net profit margin with listing expenses excluded for illustration purpose, was approximately RMB1.9 million, RMB3.9 million and RMB4.5 million, respectively. With the assistance of our PRC Legal Advisers, we consulted the Education Department of Henan Province (河南省教育廳) and we have been advised that (i) according to the State Council Opinions 80, the provincial or the authorised education departments are responsible for overall supervision on matters of after-school education institutions, thus there is no need for the MOE to make decisions on the specific matters; (ii) they will not object to the above view of the Zhengzhou Municipal Education Bureau (鄭州市教育局); (iii) there have not been a concrete time frame of transitional period for us to obtain private school operation permits promulgated by the national, provincial or municipal government authorities and such transitional period may last until at least the end of 2021; (iv) we still have not obtained the private school operation permits for certain self-operated teaching centres because (a) the State Council Opinions 80 does not provide the specific length of the application review process. The application review process will be long because the competent authorities suffer a shortage of the personnel and have a large number of applications on hand; (b) during the application review process, the competent authorities need to prudently inspect the premises of our self-operated teaching centres. Some of our self-operated teaching centres are located in the old buildings or buildings developed by the urban village reconstruction scheme and the background of these buildings including the building condition, the title status and the surroundings are relevantly complex. Therefore, the competent authorities have to spend more time inspecting the background of these buildings, which slows down the application review process; and (c) the outbreak of the COVID-19 has caused the competent authorities' further delay in reviewing the applications; and (v) it is not uncommon in Zhengzhou that the review process of the private school operation permit applications are yet to be completed, and it is not the case that any of our applications has been dismissed by the competent authorities; and (vi) no punishment will be imposed by the competent authorities against the self-operated teaching centres that had ever operated without the private school operation permits. Based on the above, the Education Department of Henan Province (河南省教育廳) have advised us that (i) there is no substantive impediment for such self-operated teaching centres to obtain the private school operation permits; and (ii) we will not be punished due to the lack of private school operation permits of our self-operated teaching centres and our tuition fees income of these self-operated teaching centres will not be regarded as illegal income. As (i) the competent authorities have confirmed that our Group and our self-operated teaching centres have satisfied the conditions for obtaining the private school operation permit, and the legal procedures are being processed without any substantive obstacle, and (ii) currently there is no available PRC laws and regulations that place restrictions on our self-operated teaching centres to obtain the private school operation permits, our PRC Legal Advisers are not aware of any material legal impediment for us to obtain the private school operation permits for the seven self-operated teaching centres. In light of above, our PRC Legal Advisers are of the view that the likelihood of us being subject to any administrative penalty in respect of this non-compliance incident is relatively low. Our Directors are also of the view that this non-compliance incident would not have any material adverse impact on our financial condition and business operation. Our Directors confirm that we have submitted the application for the private school operation permits for those self-operated teaching centres without such permits. We seek to take a pro-active approach to rectify the non-compliance incident. From 1 January 2020 to the Latest Practicable Date, we had obtained additional private school operation permits for eight of our self-operated teaching centres. Based on such progress and the consultation as mentioned above, our Directors are of the view that we are able to obtain the private school operation permits for the remaining seven self-operated teaching centres. Taking into account that around four months will be required for the relocation of our self-operated teaching centres, if we cannot obtain the private school operation permits of the seven self-operated teaching centres by the end of June 2021, which is six months prior to the expiry of the transitional period, we will cease the operation of these self-operated teaching centres and relocate them, and/or arrange for the transfer of the students to our other self-operated teaching centres. For details, please refer to "Properties — Leased properties — Contingency relocation plan in relation to our self-operated teaching centres which fail to obtain the private school operation permits" in this section.	To prevent the recurrence of such non-compliance incident, our Group has established and adopted the enhanced internal control policy in relation to the opening of new self-operated teaching centres and designated our legal department to ensure all the relevant private school operation permits are obtained for our self-operated teaching centres as well as to monitor our ongoing compliance with the relevant rules and regulations in relation to operation permits. Set out below are our procedures of licences/permits application, renewal, progress monitoring, self-examination before annual inspection, annual inspection, change of address, documentation and document filing; (i) we maintain a register to record the business licences and private school operation permits with details of application status, permits number, date of issuance, validity period, issuing authority and annual inspection status for our all existing self-operated teaching centres and review the register on a monthly basis; (ii) we will monitor the progress and ensure that all application and filing for the necessary licences and permits have been submitted to relevant government authorities prior to the opening of new self-operated teaching centres; (iii) we will ensure that all of our new self-operated teaching centres would have obtained the private school operation permits prior to their respective opening; (iv) we will check the validity period of relevant business licences and private school operation permits on the register on a monthly basis to ensure renewal applications are submitted to relevant authorities before the business licences and private school operation permits expire; (v) if we receive any rectification request notice issued by the relevant authorities, we shall make timely rectification according to the requirements of the relevant authorities to ensure the ongoing compliance of relevant laws and regulations; (vi) we will monitor of any update on or change in rules and regulations, including requirement of private school operation permits; (vii) our PRC Legal Advisers have provided training to our Directors, senior management and legal department on the latest development of the relevant laws and regulations; (viii) we have developed a training plan to provide professional knowledge of all necessary private school operation permits approvals, licencing and filings to our executive personnel in our administration department. Our legal department will provide training to all relevant new and existing staff on a need basis or at least annually; and (ix) we will engage external consultants to conduct relevant training to our Directors, senior management and relevant departments, if necessary.

No.	Non-compliance incident	Reason for the non-compliance incident	Legal consequence and potential liabilities	Remedial actions and impact on our Group	Internal control measures to prevent recurrence of the non-compliance incident
2.	As at the Latest Practicable Date, 25 out of our 80 self-operated teaching centres and our teacher training centre had not completed the fire safety filing.	Prior to implementation of the Fire Control Design Examination and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) (the "**Fire Control Management Provisions**") which came into effect on 1 June 2020, we were required under the previous regulations to complete the fire control acceptance inspection on fit-out construction for the premises we occupied. As at 31 May 2020, 25 out of our 80 self-operated teaching centres and our teacher training centre had not completed the fire control acceptance inspection on fit-out construction. These non-compliances occurred primarily because our then staff was not familiar with the relevant regulatory requirements. Our Directors had no direct or wilful involvement in the breach.	According to the relevant laws and regulations, the relevant authority may order us to suspend the construction, the use of the premises, or the operation of the relevant business; and (ii) a fine of between RMB30,000 and RMB300,000 for each of the non-compliance incidents for each of the premises. As such, the maximum penalty that may be imposed on us for these 25 self-operated teaching centres and our teacher training centre is approximately RMB7,500,000.	Pursuant to the written confirmations dated 14 January 2020 from the Fire Services Unit of Zhengzhou* (鄭州市公安消防支隊), being the competent authority providing confirmation in respect of the matters related to the fire safety requirements of our premises in Zhengzhou, we have been advised that they will not order us to suspend our use of the premises or our operation of business in Zhengzhou, or impose fines or any other administrative penalty against our Group and we are allowed to continue to use the existing premises. They have also confirmed that there had been no administrative penalty or investigation imposed or conducted against us, and they have/had no dispute with us. All of our premises in Zhengzhou comply with the relevant fire safety requirements. Pursuant to the written confirmation dated 3 January 2020 from the Pingyuan Demonstration District Fire Brigade under Fire Services Unit of Xinxiang (新鄉市公安消防支隊平原新區消防大隊), being the competent authority providing confirmation in respect of the matters related to the fire safety requirements in Xinxiang, there were no record showing that we had been subject to any administrative penalties due to non-compliance with the applicable fire safety laws and regulations in Xinxiang. Our PRC Legal Advisers are of the view that the above confirmations issued by the Fire Services Unit of Zhengzhou* (鄭州市公安消防支隊) and the Pingyuan Demonstration District Fire Brigade under Fire Services Unit of Xinxiang (新鄉市公安消防支隊平原新區消防大隊), respectively, can still be taken into account following the implementation of the Fire Control Management Provisions. We have also engaged professional institutes for fire safety inspections, being Independent Third Parties have/had possessed the Qualification Certificate for Fire Safety Technical Service Institution* (消防服務技術機構資質證書) issued by the Public Security and Fire Safety Brigade for Henan Province* (河南省公安消防總隊) and have/had been qualified for fire safety assessment, fire facility maintenance and inspection, to inspect the relevant self-operated teaching centres. The institutes have compiled review results (the "**Review Results**") and confirm that our 25 self-operated teaching centres and our teacher training centre which had not completed the fire safety filing as at the Latest Practicable Date had (i) installed fire safety device, equipment and fire safety signs in accordance with relevant requirements; (ii) met the construction fire protection requirements by rectifying hidden dangers according to the fire safety compliance requirements; (iii) experienced no fire safety accidents nor wrongful fire safety conducts; and (iv) met fire safety compliance requirements suitable for tutoring purposes. These professional institutes confirm that the Review Results are still applicable following the implementation of the Fire Control Management Provisions. As advised by our PRC Legal Advisers, compared to the previous regulations, the Fire Control Management Provisions simplifies the procedures in satisfying fire safety related requirements. Under the Fire Control Management Provision, construction projects are classified under two categories, namely special projects (特殊建設工程) and other projects (其他建設工程). Special projects (特殊建設工程) include, among others, teaching buildings for primary and secondary schools with a GFA of more than 1,000 sq.m.. For premises that do not fall within the category of special projects (特殊建設工程) under the Fire Control Management Provisions, the fire safety related requirements shall be satisfied by completing the fire safety filing without inspection by the competent authorities, as opposed to completing the fire control design examination and fire control acceptance inspection required under the previous regulations which involve inspection by the competent authorities. The documents required to be submitted in connection with the fire safety filing under the Fire Control Management Provisions include, among others, the completion acceptance report and the as-built drawing which are endorsed by the third party professional institutes. As advised by our PRC Legal Advisers, pursuant to the Fire Control Management Provisions, the housing and urban-rural development bureaus at or above county level are responsible for the matters related to fire safety requirements which were previously overseen by the local fire services units. Therefore, we consulted, with the assistance of our PRC Legal Advisers, the Housing and Urban-Rural Development Bureau in Zhengzhou (鄭州市城鄉建設局), and have been advised that, (i) all of our self-operated teaching centres and teacher training centre in Zhengzhou with a GFA under or over 1,000 sq.m. each are regarded as other projects (其他建設工程) because (a) these self-operated teaching centres only involve fit-out construction while the fit-out construction projects do not fall within the category of special projects (特殊建設工程); and (b) we operate after-school education institutions instead of primary and secondary schools; and as such, the fire safety requirement would be satisfied by fire safety filing only, without inspection; (ii) for the fire safety filing in relation to other projects (其他建設工程), it is not necessary to provide the competent authorities with documents such as title deeds, construction planning permits (建設工程規劃許可證) and fire control acceptance inspection on building construction certificate (主體工程消防竣工驗收); (iii) based on the above and taking into account of Review Results confirming our compliance with the fire safety requirements, we will be able to complete the fire safety filing in relation to our self-operated teaching centres and teacher training centre in Zhengzhou; and (iv) we will not be ordered to suspend our use of premises, and no fine or any other administrative penalty will be imposed against us. As advised by our PRC Legal Advisers, given that our self-operated teaching centres in Xinxiang has a GFA less than 1,000 sq.m., only a fire safety filing is required to be made with the relevant authorities according to the Fire Control Management Provisions. If we cannot complete the fire safety filing by the end of September 2020, we will relocate such self-operated teaching centre in Xinxiang. According to a third party consultant, it is not difficult to seek an alternative premise which shall reasonably be expected to have no obstacle to complete the file safety filing. Our Directors estimate that such relocation will be completed by the end of 2020 and the total costs and expenses of such relocation, including renovation and set-up costs but excluding rental deposit and expenses, will not exceed RMB0.8 million. To avoid the interruption of our operation arising from the relocation of this teaching centre, we will not relocate it until the new self-operated teaching centre is ready to commence teaching activities and will ensure smooth transition by arranging necessary transportation for our students. In light of the above, our Directors believe that there will not be any difficulties and material adverse impact on our business, financial position and results of operation due to our relocation of this self-operated teaching centre. Our Directors confirm that we have submitted the required documents to the competent authorities for such 25 self-operated teaching centres and our teacher training centre for the fire safety filing pursuant to the Fire Control Management Provisions and believe that it is likely for us to obtain the acknowledgment from the competent authorities for completing the fire safety filing for such 25 self-operated teaching centres and our teacher training centre by the end of September 2020. Based on the above, our PRC Legal Advisers (i) are not aware of any legal impediments for us to complete the fire safety filing in relation to our abovementioned self-operated teaching centres and our teacher training centre in Zhengzhou; and (ii) are of the view that the risk of us being ordered to suspend our use of the premises, or imposed fines or any other administrative penalty against our operation of business in both Zhengzhou and Xinxiang is relatively low. The revenue attributable to these 25 self-operated teaching centres for the Track Record Period was approximately RMB48.9 million, RMB65.3 million and RMB91.3 million, representing approximately 22.5%, 22.5% and 23.8% of our revenue, respectively. The net profit attributable to these 25 self-operated teaching centres for the Track Record Period, calculated by using the revenue attributable to them multiplied by the non-HKFRS adjusted net profit margin with listing expenses excluded for illustration purpose, was approximately RMB6.4 million, RMB11.6 million and RMB14.2 million, respectively.	We have established the internal control policy in relation to fire safety compliance matters during the Track Record Period with following highlighted measures: (i) we have installed fire safety devices, equipments and fire safety signs in accordance with relevant requirements, and rectified hidden dangers in accordance with the construction fire protection requirements for each self-operated teaching centre to ensure its compliance with relevant fire safety requirements for tutoring purposes; (ii) we maintain a register to record the details such as approval status of fire control design examination and/or acceptance inspection for each new self-operated teaching centre; (iii) after the renovation of the new self-operated teaching centres, we will submit the application for relevant fire safety approvals with the relevant fire safety authorities, and update the record on the register; and (iv) we review the relevant register on a monthly basis and follow-up for any cases of new self-operated teaching centres which are pending for application of fire safety assessment permit or fire safety filing. To prevent recurrence of such non-compliance incident, (i) we have adopted the relevant internal control policy in relation to fire safety compliance matters; (ii) we have designated personnel from our legal department who are responsible to ensure the fire safety filing would be completed for our new self-operated teaching centres; (iii) we have developed a training plan to provide professional knowledge of all necessary approvals, licences and filings which are required for the operation of the self-operated teaching centres to our executive personnel in our legal department; and (iv) all the certificates/filings of each of our self-operated teaching centres would be filed and kept by designated personnel of the legal department, set out below are the enhanced measures: (i) prior to the leasing for our new self-operated teaching centres, we will engage third party consultant to confirm that the premises have no impediment in completing the fire safety filing; (ii) if the fire safety filing cannot be completed within two months after the relevant submission are made to the relevant authorities, we will follow up with the relevant authorities; (iii) we will ensure that all of our new self-operated teaching centres will complete the fire safety filing prior to their respective opening; (iv) we have developed a training plan to provide professional knowledge of all necessary fire safety approval procedure, licencing and filings requirement of the new self-operated teaching centres to our executive personnel in our purchasing department. Our legal department will provide training to all relevant new and existing staff on a need basis or at least annually; (v) all relevant fire safety filing and the Independent Third Party inspector's fire safety inspection reports of each of our self-operated teaching centres will be filed and kept by designated personnel of the purchasing department for record; and (vi) we will monitor of any update on or change in rules and regulations, including the fire safety requirements, and take necessary action to fulfil the legal requirement. We will also consult external consultants for fire safety advices if necessary.

No.	Non-compliance incident	Reason for the non-compliance incident	Legal consequence and potential liabilities	Remedial actions and impact on our Group	Internal control measures to prevent recurrence of the non-compliance incident
				Among these 25 self-operated teaching centres, four of which had not obtained the private school operation permits. The revenue attributable to these four self-operated teaching centres for the Track Record Period was approximately RMB7.2 million, RMB11.1 million and RMB15.0 million, representing approximately 3.3%, 3.8% and 3.9% of our revenue, respectively. The net profit attributable to these four self-operated teaching centres for the Track Record Period, calculated by using the revenue attributable to them multiplied by the non-HKFRS adjusted net profit margin with listing expenses excluded for illustration purpose, was approximately RMB0.9 million, RMB2.0 million and RMB2.3 million, respectively. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that (i) we had not been subject to any punishment from the relevant governmental authorities in relation to this non-compliance incident; and (ii) we do not expect to incur significant time for identifying comparable alternative properties at similar terms and conditions in nearby area. Therefore, our Directors are of the view that the non-compliance incidents described above would not have any material adverse impact on our financial condition and business operations. Our Directors confirm that we do not maintain any property insurance policies for our leased properties.	

No.	Non-compliance incident	Reason for the non-compliance incident	Legal consequence and potential liabilities	Remedial actions and impact on our Group	Internal control measures to prevent recurrence of the non-compliance incident
3.	During the Track Record Period, we operated the online tutorial services without (i) ICP Licence, (ii) Broadcasting and TV Program Production and Operation Licence* (廣播電視節目製作經營許可證), (iii) Online Publishing Services Licence* (網絡出版服務許可證), and (iv) Online Cultural Operation Licence* (網絡文化經營許可證). The online tutorial services are operated by Dashan Training, instead of our individual self-operated teaching centres.	We commenced our online tutorial services since 2018. The non-compliance incident occurred primarily because the handling personnel of the legal department at the relevant time was not familiar with the relevant regulatory requirements and we did not engage a professional adviser to oversee and monitor our compliance status with regard to the relevant requirements. In order to re-comply with the requirement and as advised by our PRC Legal Advisers during the Listing process, we immediately proceeded to rectify such non-compliance and we have obtained the relevant licences or entering into collaboration arrangement with other party which possesses the relevant licence. Our Directors had no direct or wilful involvement in the breach.	According to the laws and regulations, we may be subject to the following legal consequences for operation of online tutorial services without: (i) ICP Licence — we may be ordered to rectify within a limited period of time and, if there is illegal income, the relevant authority may confiscate such illegal income and impose a fine of not less than three times but not more than five times of the illegal income or a fine of not less than RMB100,000 but not more than RMB1 million (if there is no illegal income or the illegal income is less than RMB50,000). As such, the maximum penalty that may be imposed on us is approximately RMB400,000. If the case is serious, the relevant authority may order us to shut down the website; (ii) Broadcasting and TV Program Production and Operation Licence — we may be subject to deregistration, confiscation of operating tools, facilities and programme, and a penalty of RMB10,000 to RMB50,000. As such, the maximum penalty that may be imposed on us is approximately RMB50,000; (iii) Online Publishing Services Licence — we may be subject to deregistration, order to shut down the relevant website, deletion of all related publications, confiscation of gain, facilities, and operating tools, a penalty of five to 10 times of the revenue (in case of revenue of RMB10,000 or more) or a penalty of up to RMB50,000 (in case of revenue less than RMB10,000) and may attract other civil liabilities. As such, the maximum penalty that may be imposed on us is approximately RMB1,800,000; and (iv) Online Cultural Operation Licence — we may be ordered to stop the commercial internet cultural activities, issued a warning and imposed a fine of less than RMB30,000. As such, the maximum penalty that may be imposed on us is approximately RMB30,000 If we refuse to stop, we may be blacklisted in the cultural market as credit penalty.	As at the Latest Practicable Date, we had obtained the ICP Licence, Broadcasting and TV Program Production and Operation Licence and Online Cultural Operation Licence and had entered into a collaboration agreement for online publication with an Independent Third Party, being an audio and video publishing company (the "**Licensed Partner**") which was established in the PRC and possesses an Online Publishing Services Licence (the "**Online Publication Collaboration Agreement**"). As advised by our PRC Legal Advisers, as we had (i) obtained the ICP Licence (Note) on 12 February 2019; and (ii) obtained the written confirmation dated 6 January 2020 issued by the Communications Administration of Henan* (河南省通信管理局), being the competent authority providing such confirmation as advised by our PRC Legal Advisers, confirming that since the date of issuance of our ICP Licence, the competent authority had not found that we had been punished for violating the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》), the Administrative Measures for Telecommunications Businesses Operating Licensing (《電信業務經營許可管理辦法》) and other applicable communications laws and regulations, the risk of us subject to an order to rectify, confiscation of gain or fine due to the lack of ICP Licence in the Track Record Period is relatively low. As advised by our PRC Legal Advisers, as we had (i) obtained the Broadcasting and TV Program Production and Operation Licence on 10 January 2019; (ii) consulted the Provincial Administration of Press, Publication, Radio and Television of Henan* (河南省新聞出版廣電局) on 19 March 2019, being the competent authority providing confirmation as advised by our PRC Legal Advisers, and have been advised that since we had obtained the Broadcasting and TV Program Production and Operation Licence, we will not be subject to any penalties due to the lack of the same during the Track Record Period; and (iii) obtained written confirmation issued by the competent authority confirming that since the date of issuance of the Broadcasting and TV Program Production and Operation Licence, our Group had complied with the applicable laws, regulations and policies governing Broadcasting and TV Programs and there was no record showing that our Group had violated the applicable laws and regulations relating to the supervision of Broadcasting and TV Programs, the risk of us being subject to deregistration, confiscation of operating tools, facilities and programme and penalties due to the lack of Broadcasting and TV Program Productions and Operation Licence during the Track Record Period is relatively low. As advised by our PRC Legal Advisers, as we had (i) obtained Online Cultural Operation Licence on 4 January 2019; and (ii) obtained the written confirmation dated 2 January 2020 issued by the Culture and Tourism Department of Henan* (河南省文化和旅遊廳), being the competent authority providing such confirmation as advised by our PRC Legal Advisers, confirming that we had complied with the Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》and relevant policies governing the internet culture and we had not been identified any irregularities in engaging internet culture activities and subject to any administrative punishment imposed by relevant government authorities, the risk of us being subject to an order to stop the commercial internet cultural activities, a warning and a fine due to the lack of Online Cultural Operation Licence during the Track Record Period is relatively low. Dashan Training entered into the Online Publication Collaboration Agreement with the Licensed Partner on 18 March 2019 for a term of three years from 18 March 2019 for an annual service fee of RMB50,000 payable by Dashan Training to the Licensed Partner. During the Agreement Period, the Licensed Partner (i) shall provide its online publishing platform to Dashan Training for the promotion of its online publications; (ii) is entitled to use the online publications of Dashan Training that published on the Licensed Partner's online platform at nil consideration; (iii) is entitled to authorise third parties to use the online publications of Dashan Training that have been vetted by the Licensed Partner, Dashan Training is entitle to 30% of the authorisation fee paid by the third party the Licensed Partner is entitled to 70% of such authorise fee paid by the third party; (iv) is responsible for the vetting, publication and promotion of the online publications of Dashan Training. With the assistance of our PRC Legal Advisers, we consulted the Provincial Administration of Press, Publication, Radio, Film and Television of Henan* (河南省新聞出版廣電局) on 19 March 2019, being the competent authority providing confirmation as advised by our PRC Legal Advisers, and were advised that as we had entered into the Online Publication Collaboration Agreement with the Licensed Partner, we would not be required to obtain the Online Publishing Services Licence for the online tutorial services and we would not be subject to any administrative punishment imposed by relevant government authorities due to the lack of the Online Publishing Services Licence during the Track Record Period.	To prevent recurrence of such noncompliance incident, (i) we have adopted the relevant internal control policy in relation to the licences relevant to online tutorial services; (ii) we have designated our legal department to ensure all the relevant licences are obtained for our online tutorial services as well as to monitor our ongoing compliance with the relevant rules and regulations; (iii) our legal department would be responsible to maintain a register for the relevant certificates/filings and monitor the status of obtaining such certificates; and (iv) we have developed a training plan to provide professional knowledge of all necessary approvals, licences and filings to our executive personnel in our legal department; and (v) all the certificates/filings of each of our online tutoring services have been filed and kept by a designated personnel of legal department. Set out below are the enhanced measures: (i) we maintain a register to record the details of all relevant licences for online tutorial service applied/obtained, including but not limited to the date of application, permit number, date of issuance, validity period, issuing authority and annual inspection status. Mr. Zhang, our Chief Executive Officer is responsible for reviewing the register on a quarterly basis; (ii) we perform check on a quarterly basis on the validity period of relevant certificates on the register and to ensure renewal applications are submitted to relevant authorities before the permit expires; (iii) if we discover any necessary relevant licences that have not been obtained, we will immediately prepare and submit the corresponding materials to the relevant authorities; (iv) our PRC Legal Advisers have provided training to our Directors, senior management and legal department on the latest development of the relevant laws and regulations; and (v) we will monitor of any update on or change in rules and regulations, including the new online tutorial service licences requirements, and take necessary action to fulfil the legal requirement. We will also consult relevant external professional parties if necessary

No.	Non-compliance incident	Reason for the non-compliance incident	Legal consequence and potential liabilities	Remedial actions and impact on our Group	Internal control measures to prevent recurrence of the non-compliance incident
				Based on the consultation with the Provincial Administration of Press, Publication, Radio, Film and Television of Henan* (河南省新聞出版廣電局), and the fact that the Licensed Partner possesses an Online Publishing Services Licence, our PRC Legal Advisers are of the view that the terms of the Online Publication Collaboration Agreement are in compliance with the relevant laws and regulations. As such, our PRC Legal Advisers are of the view that the risk of us being subject to deregistration, an order to shut down the relevant website, deletion of all related publications, confiscation of gain, facilities and operating tools, and penalties due to the lack of Online Publishing Services Licence during the Track Record Period is relatively low.	

Note: We first obtained the ICP Licence on 12 February 2019 and then obtained the updated ICP Licence on 10 June 2019 because of the change of our domain name.

No.	Non-compliance incident	Reason for the non-compliance incident	Legal consequence and potential liabilities	Remedial actions and impact on our Group	Internal control measures to prevent recurrence of the non-compliance incident
4.	During the two years ended 31 December 2018, our Group did not make social insurance and housing provident fund contribution in full for our employees. In this relation, a notice (the "**Notice**") dated 11 December 2018 was issued by Zhengzhou City Human Resources and Social Insurance Protection Bureau* (鄭州市人力資源和社會保障局) to Dashan Training in relation to the underpayment of the social insurance contribution.	The non-compliance incident occurred primarily because (i) our human resources management personnel were unfamiliar with the relevant requirements and inconsistent implementation or interpretation of the relevant regulations and policies by the local authorities; and (ii) we did not set up a detailed plan to comply with such requirements when such non-compliance incident occurred. In order to re-comply with the requirement and as advised by our PRC Legal Advisers during the Listing process, we immediately proceeded to rectify such non-compliance by making social insurance and housing provident fund contribution in full since 2019. Our Directors had no direct or wilful involvement in the breach.	According to the relevant laws and regulations, if any of the relevant social insurance authorities is of the view that the social insurance contribution we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed time period plus a daily late fine of 0.05% of the total outstanding balance. If we fail to do so within the prescribed period as requested by the relevant social insurance authorities, we may be subject to a fine ranging between one to three times of the total outstanding balance. According to the relevant laws and regulations, failure to make full contribution to the housing provident funds, the relevant PRC authorities may order us to pay the outstanding housing provident funds contributions within a prescribed time period, failing which the relevant PRC authorities may apply to the PRC court for compulsory enforcement.	Our Directors have assessed that the amount of our underpayment of social insurance contribution was approximately RMB2.0 million, RMB4.8 million and nil for three years ended 31 December 2019, respectively. Based on the consultation on 24 January 2019 with the Zhengzhou City Social Insurance Inspection Unit* (鄭州市社會保險稽查大隊), being the competent authority providing confirmation as advised by our PRC Legal Advisers, we understand that (i) the underpayment set out in the Notice had been settled, and they would not impose any punishment on us in this regard; and (ii) other than the non-compliance incident covered in the Notice, all social insurance contribution of our Group had been paid in full, and there was no unpaid social insurance contribution. Our PRC Legal Advisers are of the view that, based on the confirmation as described above, the risk of us being subject to any administrative penalty in respect of this non-compliance incident is remote. Our Directors have assessed that the amount of our underpayment of housing provident fund contribution was approximately RMB2.3 million, RMB3.5 million and nil for three years ended 31 December 2019, respectively. Regarding the housing provident fund contribution, based on the consultation on 21 March 2019 with the Zhengzhou City Housing Provident Fund Administrative Centre* (鄭州市住房公積金管理中心), being the competent authority providing confirmation as advised by our PRC Legal Advisers, we understand that we had not been under investigation, or subject to penalty or order to pay the underpayment of housing provident fund by Zhengzhou City Housing Provident Fund Administrative Centre* (鄭州市住房公積金管理中心) or its subordinated unit due to violation of relevant laws or regulations, and there was no outstanding or potential dispute in relation to the housing provident fund. Our PRC Legal Advisers are of the view that, based on the consultation as described above, the risk of us being subject to any administrative penalty in respect of this non-compliance incident is remote. As all of our employees in Xinxiang are employed by Dashan Training instead of our branch or the individual self-operated teaching centre in Xinxiang, thus there is no issue of underpayment of social insurance contribution and housing provident fund in relation to our Xinxiang operation. Based on the above, our Directors are of the view that this non-compliance incident would not have any material adverse impact on our financial condition and business operation.	To prevent recurrence of such noncompliance incident, (i) we have adopted relevant internal control policy with regard to social insurance and housing provident fund contribution; (ii) we have designated personnel of human resources department to closely monitor our ongoing compliance with the regulations relevant to social insurance and housing provident fund contribution and oversee the implementation; (iii) our human resources department is responsible to monitor the status of the contributions to social insurance and housing provident fund to ensure that we have made these contributions for our employees on a timely basis in accordance with the applicable laws and regulations. The records of contribution are properly filed and retained by human resources department; (iv) we will arrange regular training for our Directors and senior management on the latest development of the relevant laws and regulations; and (v) we will continue to communicate with our employees with regard to the contribution of the employee social insurance and housing provident fund consistent with the standards stipulated under the applicable PRC laws and regulations. Set out below are the enhanced measures: (i) we require our employees to apply for social insurance and housing provident fund contribution application within 30 days after signing the labour contract; (ii) prior to the payment of the social insurance/housing provident fund, we will submit relevant application for the approval by our human resources department and our finance department to ensure the amount of payment fulfil the legal requirements on a monthly basis. (iii) we will closely monitor our ongoing compliance with the regulations relevant to social insurance and housing provident fund contribution and oversee the implementation; (iv) we will arrange annual training by legal department for our Directors and senior management on the latest development of the relevant laws and regulations; (v) we will continue to communicate with our employees with regard to the contribution of the employee social insurance and housing provident fund consistent with the standards stipulated under the applicable PRC laws and regulations; and (vi) we will monitor any update on or change in rules and regulations, including the social insurance and housing provident fund contribution requirements, and take necessary action to fulfill the legal requirement. We will consult relevant external professional parties if necessary.

No.	Non-compliance incident	Reason for the non-compliance incident	Legal consequence and potential liabilities	Remedial actions and impact on our Group	Internal control measures to prevent recurrence of the non-compliance incident
5.	As at the Latest Practicable Date, (i) the lease agreements of 72 self-operated teaching centres in Zhengzhou and one self-operated teaching centre in Xinxiang had not been registered and filed with the relevant real estate management departments in the PRC; and (ii) the registration of the lease agreement of one self-operated teaching centre had expired and was still in process of renewal.	The non-compliance incidents occurred primarily due to (i) the oversight of the handling personnel of the administration department who were unfamiliar with the relevant regulatory requirements; and (ii) our failure to establish detailed procedures to review the registration status of our Group's lease agreements and to obtain the relevant documents from the landlords before starting operation. Our Directors had no direct or wilful involvement in the breach.	Under the relevant PRC laws and regulations, both lessors and lessees may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. As such, the maximum penalty that may be imposed on us is approximately RMB1,550,000. As advised by our PRC Legal Advisers, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities.	With the assistance of our PRC Legal Advisers, we consulted Zhengzhou Housing Security and Real Estate Management Bureau* (鄭州市住房保障和房地產管理局) on 7 March 2019, being the competent authority for confirming the registration and filing requirement of leased properties, and we have been advised that they will not impose administrative action, fines or penalty on us due to lack of relevant registration for the relevant lease agreements. As our self-operated teaching centre in Xinxiang may only be subject to a maximum penalty of RMB10,000 due to the failure to register or file the lease agreement, we did not conduct a consultation with the competent authorities in this regard. We sought cooperation from the landlords of the leased properties to register executed lease agreements. Registration of lease agreements requires the submission of certain documents of landlords, including their identity documentation and property ownership certificate to relevant authorities and therefore the registration is subject to cooperation of landlords which is not within our control. Nevertheless, we will continue to seek cooperation from the landlords of the leased properties to register executed lease agreements with the relevant real estate management departments in the PRC and adopt a variety of internal control measures to mitigate such regulatory risk in the future. Our PRC Legal Advisers are of the view that failure to register these leases agreements will not affect the legality, validity or enforceability of such lease agreements. As at the Latest Practicable Date, our Directors confirmed that we had not received any request or order from the relevant government authorities in Zhengzhou and Xinxiang requiring us to rectify the abovementioned issues. In light of above, our PRC Legal Advisers are of the view that the risks of administrative penalties imposed by the relevant government authorities as a result of our failure to register or file the lease agreements is remote in Zhengzhou.	We have established and adopted the enhanced internal control policy to require timely registration of all of our leased properties. Our administration department is responsible for preparing a register to record and monitor the status of our leased properties to ensure timely registration of the leased properties with the relevant real estate management department on a monthly basis. Pursuant to the enhanced internal control policy, our designated personnel from administration department would contact the landlord for renewal of the registration with the relevant real estate management department in the PRC 30 days prior to the end of the lease. Set out below are the enhanced measures: (i) we will obtain all necessary documents for lease agreement registration before signing lease agreement and maintaining a register to record details of the lease properties including but not limited to the address, name of the landlords, registration number of the lease agreement, date of issuance, validity period and issuing authority; (ii) we will monitor registration status of our leased properties with the relevant real estate management departments on a monthly basis; If any lease agreement has not been registered and filed with the relevant real estate management departments, we shall actively ask for the cooperation of the landlords and should immediately prepare and submit the corresponding materials to the relevant real estate management departments; (iii) we have developed a training plan to provide professional knowledge of all necessary registration and filing of lease agreements requirement of the new self-operated teaching centres to our executive personnel in our administration department. Our legal department will provide training to all relevant new and existing staff on a need basis or at least annually; and (iv) we will monitor any update on or change in rules and regulations, including the registration and filing of lease agreements requirements, and take necessary action to fulfil the relevant legal requirements. We will also consult relevant external professional parties if necessary.

The legal department, human resources department and administration department of our Group are responsible for the execution of the enhanced internal control measures for the non-compliance matters. Our Directors and the designated personnel from the abovementioned departments had attended the training given by our PRC Legal Advisers and are aware of the requirements of the relevant rules and regulations applicable to the business of our Group. Set out below are the relevant qualification and experience of the designated personnel:

Legal department

The designated personnel from the legal department of our Group are two legal officers.

One of the legal officers joined our Group in 2014. She possesses a bachelor's degree in law from Zhengzhou University* (鄭州大學) in the PRC and has completed the courses for legal secretary in Huanghuai College* (黃淮學院) in the PRC. Prior to joining our Group, she had around two years' experience working in the legal industry.

Another legal officer joined our Group in 2017 following her graduation from Henan Normal University* (河南師範大學) in the PRC. She possesses a bachelor's degree in law.

Human resources department

The designated personnel from the human resources department of our Group are the performance appraisal officer and the vice president of human resources department.

The performance appraisal officer joined our Group in 2017. Prior to joining our Group, she had around six years' experience with human resources and administration related matters. She was accredited as a human resources professional (second degree) by the MOHRSS in December 2011.

The vice president of human resources department joined our Group in 2017. Prior to joining our Group, he had around eight years' experience acting as human resources manager for companies in various industries. He possesses a bachelor's degree in management from Chongqing Technology and Business University* (重慶工商大學) in the PRC.

Administration department

The designated personnel from the administration department of our Group is the head of the administration department.

The head of the administration department first joined our Group in 2009 working on administration related matters and re-joined our Group in 2019. He possesses a bachelor's degree in business management from Henan Normal University* (河南師範大學) in the PRC.

Internal Control Adviser follow up review

The Internal Control Adviser has performed the internal control follow-up review (the "**Follow-up Review**") on the status of management's implementation of recommendations made by the Internal Control Adviser, our Group has followed the recommendations to improve our internal control system.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity pursuant to which our Controlling Shareholders have agreed, subject to the terms and conditions of the Deed of Indemnity, to indemnify our Group in respect of all claims, costs, expenses, losses that may be incurred by us and liabilities, damages and relocation costs from which we may suffer arising out of or in connection with the non-compliance incidents as disclosed in paragraph headed "Legal proceedings and non-compliance — Non-compliance" in this section before the Listing. Please refer to the section headed "Statutory and general information — E. Other information — 1. Tax and other indemnities" in Appendix V to this prospectus for further details of the Deed of Indemnity.

Views of our Directors

Our Directors are of the view that the occurrence of the aforementioned non-compliance incidents was principally due to the lack of knowledge of and familiarity with the applicable legal requirements rather than any material deficiencies in our internal control system. As part of the listing process, our Directors have undergone directors' training and have also engaged Hong Kong and PRC Legal Advisers to advise them on applicable legal or regulatory requirements. After considering the above rectification and improvement actions taken by our Company, and our business nature and operation scale, our Directors are satisfied that our internal control system is adequate and effective for our current operation environment and consider that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules.

Views of the Sole Sponsor

The Sole Sponsor considers that the enhanced internal control measures adopted by us are adequate and effective, and the abovementioned non-compliance incidents would not affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules having taken into account that:

(i) the non-compliance incidents disclosed above were not committed intentionally or wilfully and did not involve any element of fraud or dishonesty;

(ii) the Directors have taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with the relevant laws and regulations;

(iii) with the occurrence of these incidents, the Directors are minded and alert to any issues that might result in any non-compliance;

(iv) the Sole Sponsor has discussed with the Internal Control Adviser on its Follow-Up Review and is of the view that remediation actions taken by our Group are sufficient to address to the Internal Control Adviser's recommendations;

(v) our Directors have attended the training given by our PRC Legal Advisers and are aware of the requirements of the relevant rules and regulations applicable to our business.

INTERNAL CONTROL AND RISK MANAGEMENT

It is the responsibility of our Board to ensure that our Company maintains an effective internal control system to protect our assets and our Shareholders' interest during our business operation. We have designed and implemented a series of internal control policies and procedures designed to provide reasonable assurance for achieving effective and efficient operation. Highlights of our internal control system include the following:

Treasury management

We have formulated a risk assessment and on-going monitoring policy on the purchase of investment products without interfering with our business operations or capital expenditures. A proper approval mechanism is adopted and a thorough monitoring system is in place to control our risks.

We typically invest in low-risk, short-term (maturity period generally not more than one year) or principal-protected wealth management products, such as principal-protected structured deposits issued by financial institution in the PRC. We do not generally invest in equity securities or any wealth management products backed by unsecured debt securities.

Before implementing an investment decision, our finance department will review our cash position, operating cash requirements, and investment opportunity, then submit a monthly cash budget and investment proposal to our Board for review. The proposal shall include (i) the maximum balance of financial assets during the month and amount that may be used for investment; and (ii) the terms of the investment product or background information of the investment opportunity. The Board will take into account whether there will be any negative impact on our Group's cash position and operating cash requirements when approving the monthly cash budget and investment proposal. Our finance department tracks the performance and progress of our wealth management products. If it reveals any risks of our wealth management products, we shall take action immediately to manage our investment risks.

We will adopt new investment policy upon the Listing in accordance with applicable Listing Rules, including complying with relevant size test requirements under Chapter 14 of the Listing Rules.

Risk management

We have established a set of risk management and internal control policies and measures covering other aspects of our operations, including but not limited to:

(a) revenue and receipts;

(b) capital expenditure management;

(c) treasury management;

(d) investment policy;

(e) purchase, expenses and payments;

(f) human resources;

(g) financial reporting;

(h) data protection and privacy;

(i) branding;

(j) children's safety; and

(k) teaching quality.

For details of the major risks identified by our management, please refer to the section headed "Risk factors — Risks relating to our business and industry" in this prospectus.

Corporate governance

We have adopted or will adopt the following corporate governance and internal control measures to monitor the ongoing implementation of our risk management policies and corporate governance measures after Listing:

(a) we will establish an audit committee prior to the Listing, which will establish formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations;

(b) our internal control measures, policies and procedures, which were codified, adopted and implemented by us, have been updated and revised;

(c) subject to recommendation from our audit committee, we will appoint external internal control adviser to perform periodic review of our internal control system to evaluate the effectiveness and formulate plans and recommendations for improvement of our internal control measures and policies;

(d) we have appointed Alliance Capital as our compliance adviser upon the Listing to provide advice to our Directors and management team in respect of matters relating to the Listing Rules; and

(e) each of our Directors has received and reviewed a training memorandum prepared by our Hong Kong legal advisers and attended a training session conducted by our Hong Kong legal advisers in relation to responsibilities and duties of directors of a listed company in Hong Kong.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), approximately 62.00% of the issued share capital of our Company will be owned by Lucky Heaven, which is an investment holding company wholly-owned by Mr. Zhang, an executive Director, the chief executive officer of our Company and the chairman of our Board.

Accordingly, Lucky Heaven and Mr. Zhang will be our Controlling Shareholders within the meaning of the Listing Rules upon Listing.

Save as disclosed above, there is no other person who will, immediately following completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer, be entitled to exercise or control the exercise of 30% or more of the voting power at the general meetings of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following, our Directors believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective close associates after Listing.

Management independence

Our management and operational decisions are made by our Board and our senior management. The Board comprises three executive Directors, one non-executive Director and four independent non-executive Directors. Although Mr. Zhang also holds directorships in and senior management positions of our Company, we consider that our Board and senior management will be able to function independently from our Controlling Shareholders and their respective close associates taking into account the following:

(a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transaction, and shall not be counted in forming quorum; and

(c) our Group has established an (i) audit committee; (ii) remuneration committee; (iii) nomination committee; and (iv) investment management committee. Each committee includes independent non-executive Directors so as to monitor the operation of our Group. Further, we believe that our independent non-executive Directors will be able to exercise their independent judgment and will be able to provide impartial opinion and professional advice in the decision-making process of our Board to protect the interests of our Shareholders.

Operational independence

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities for daily operations of our Group.

During the Track Record Period, our Group acquired certain properties from close family members of Mr. Zhang. The aforesaid transactions were completed during the Track Record Period. Please refer to note 34 to the Accountants' Report as set out in Appendix I to this prospectus for further details.

In addition, during the Track Record Period, our Group has leased certain properties in Zhengzhou to Henan Guang Si Shi Ye Company Limited* (河南廣思實業有限公司) ("**Henan Guang Si**") which was used as an office. Henan Guang Si is a company established in the PRC with limited liability on 7 December 2017, which is owned as to 5% by Zhengzhou Hou Run Corporate Management and Consultancy Company Limited* (鄭州厚潤企業管理諮詢有限公司) ("**Zhengzhou Hou Run**") (a company owned as to 99% by Hou De Education which is in turn a wholly-owned company of Mr. Zhang and as to 1% by an Independent Third Party), as to 5% by an Independent Third Party and as to 90% by another Independent Third Party. In addition, Ms. Xing Bing who held 2% of the equity interest of, and was a director of An Li Chen prior to its deregistration, is a supervisor of Henan Guang Si. The aforesaid lease was expired during the Track Record Period.

We do not share operation resources, such as office premises, equipment, sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates. Based on the above, our Directors consider that we have full control over our assets to continue our business independently of our Controlling Shareholders and their respective close associates.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. Our suppliers and customers are all independent from our Controlling Shareholders. We have our own internal control systems and accounting systems for our business operations. We are also in possession of all relevant licences necessary to carry on and operate our business and we have sufficient workforce to operate independently from our Controlling Shareholders and their respective close associates.

In view of the above, our Directors are of the view that we will be able to operate independently from our Controlling Shareholders and their respective close associates.

Financial independence

Our Group has its own independent financial management system, internal control and accounting system and finance department and make financial decisions according to our own business needs.

In view of our Group's internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors also believe that, upon Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

Continuing connected transactions upon Listing

Save as disclosed in the sections headed "Structured Contracts" and "Connected transactions" in this prospectus, there are no continuing connected transactions between our Group and our Controlling Shareholders, their respective close associates and connected persons of our Company upon Listing.

OUR CONTROLLING SHAREHOLDERS' INTEREST IN OTHER BUSINESS

Guang Si Group

As at the Latest Practicable Date, Zhengzhou Hou Run, a company owned indirectly as to 99% by Mr. Zhang, being our Controlling Shareholder and as to 1% by an Independent Third Party, was the legal and beneficial owner of 5% of the equity interest of Henan Guang Si, a company established in the PRC with limited liability on 7 December 2017. As confirmed by Mr. Zhang, Henan Guang Si commenced business operation since around late 2018.

Henan Guang Si is owned as to 5% by Zhengzhou Hou Run, as to 5% by an Independent Third Party and as to 90% by another Independent Third Party (the "**Majority Shareholder**"). As at the Latest Practicable Date, Henan Guang Si, together with its subsidiaries (collectively, the "**Guang Si Group**"), was principally engaged in construction and property development, including but not limited to construction of schools and investment in educational technology and nursery school. The director and management of Guang Si Group are Independent Third Parties. During the Track Record Period and up to the Latest Practicable Date, Mr. Zhang was a passive investor of Henan Guang Si, did not hold any directorship or other major positions in Henan Guang Si, did not have any management control over the Guang Si Group, and was not able to exert any influence in its management.

The business scope as registered in the business licence of Henan Guang Si includes, among others, educational information consultancy, which is intended to encompass providing management services to and investment in institutions for formal education (學歷教育). Formal education is a format of education in the PRC the curriculum of which is provided by an institution approved by the PRC governmental education authorities and enrolments to which are through passing national examination or other ways predetermined by the state, and students will be granted with official certificates or diplomas after graduation. Based on Mr. Zhang's understanding, the Majority Shareholder may, in the future, expand the business of Guang Si Group into education consultation and/or operation of formal educational institutions (學歷教育機構) in the PRC.

Reason for non-inclusion in our Group

We are principally engaged in the provision of primary and secondary after-school education services in Zhengzhou and other cities in Henan. We offer primary and secondary school students with tutoring services which supplement their regular English, Chinese, Mathematics and other curriculum at school. On the other hand, Guang Si Group is principally engaged in construction and property development, including but not limited to construction of schools and investment in educational technology and nursery school, which are different from our core business.

In view of the minority interest of 5% held by Zhengzhou Hou Run (which is owned indirectly as to 99% by Mr. Zhang) in Henan Guang Si, our Directors believe that it is not in the interests of our Shareholders to include Henan Guang Si in our Group as we would not be able to gain a meaningful and material control over the business of the Guang Si Group.

In the event that the business of Guang Si Group is expanded into education consultation and/or operation of formal educational institutions (學歷教育機構) in the PRC, our Directors are of the view that its business will still be different from our core business and there will be no direct or indirect competition with our Group as our principal business is after-school education services rather than formal education (學歷教育) and that the business of Guang Si Group does not provide consultation and management services or investment in informal education institutions (非學歷教育機構), nor does it engage in the provision of informal education (非學歷教育) training services directly.

As at the Latest Practicable Date, there was no further update from the Majority Shareholder for any concrete plan to expand the business of Guang Si Group into education consultation and/or operation of formal educational institutions in the PRC. In light of the following, it is our Directors' view that our Group is and will be capable of carrying on our business independent of, and at arm's length from any potential competing interests of Mr. Zhang:

— Mr. Zhang is only a passive investor and has no control or day-to-day management over Guang Si Group;

— the Majority Shareholder's plan (if any) to expand to the business of the Guang Si Group is beyond Mr. Zhang's control; and

— safeguarding measures, namely, (i) the right of first refusal under the Deed of Non-competition; and (ii) the relevant additional corporate measures, are in place to safeguard the interests of our Group and our Shareholders as a whole.

For details of the Deed of Non-competition, please refer to the paragraph headed "Deed of Non-competition" in this section.

Bo Rui Zhi

As at the Latest Practicable Date, Zhengzhou Bo Rui Zhi Education Technology Company Limited* (鄭州博瑞智教育科技有限公司) ("**Bo Rui Zhi**"), a limited company established in the PRC, was owned as to 60% by a first cousin once removed of Mr. Zhang (being an executive Director, the chief executive officer of our Company and a Controlling Shareholder), and as to 40% by an Independent Third Party. Bo Rui Zhi is principally engaged in teenager quality training and counseling in the PRC, which includes providing courses that will help train and develop positive personality traits, enhance mental growth and release potential for teenagers. The principal business of Bo Rui Zhi is different from that of our Group as Bo Rui Zhi focuses in providing programmes for developing the emotional quotient for teenagers and does not engage in providing academic subjects training.

As (i) the principal business of Bo Rui Zhi is different from our core business and (ii) Mr. Zhang does not have any direct interest in or control over Bo Rui Zhi, our Directors are of the view that Mr. Zhang does not have any competing interests so far as Bo Rui Zhi is concerned.

For further details of Bo Rui Zhi, please refer to the section headed "Connected transactions" in this prospectus.

Save as disclosed above, each of our Directors and our Controlling Shareholders have confirmed that, as at the Latest Practicable Date, none of them or their respective close associates has any interest in a business which competes or may compete, either directly or indirectly, with our Group's business, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

To protect our Group from any potential competition, each of our Controlling Shareholders (collectively, the "**Covenantors**"), entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for and on behalf of each of our subsidiaries), pursuant to which the Covenantors have jointly and severally, irrevocably and unconditionally undertaken to and covenanted with our Company (for ourselves and for the benefit of our subsidiaries) that during the continuation of the Deed of Non-competition it/he would not, and would procure that its/his close associates (other than any member of our Group) would not, whether on its/his own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any right or interest or otherwise involved in (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the provision of primary and secondary after-school education services and primary and secondary school students OMO after-school education services which supplement their regular English, Chinese, Mathematics and other curriculum at school), in the PRC and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on such business from time to time (the "**Restricted Business**"). Such non-competition undertaking does not apply to:

(i) any interests in the shares of any member of our Group; or

(ii) interests in the shares of a company other than our Company whose shares are listed on a recognised stock exchange provided that:

(a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated revenue or consolidated assets, as shown in that company's latest audited accounts; or

(b) the total number of the shares held by the Covenantors and/or their respective close associates in aggregate is less than 5% of the issued shares of that class of the company in question and the Covenantors and/or their respective close associates are not entitled to appoint a majority of our directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Covenantors and their respective close associates in aggregate; or

(c) the Covenantors and/or their respective close associates do not have the control over the board of such company.

The Deed of Non-competition shall take effect upon Listing and shall expire on the earlier of:

(a) the day on which our Shares cease to be listed on the Stock Exchange or other recognised stock exchange; or

(b) the day on which the Covenantors and its/his close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as controlling shareholder under the Listing Rules and do not have power to control our Board or there is at least one other independent Shareholder other than the Covenantors and its/his close associates holding more Shares than the Covenantors and its/his close associates taken together.

Pursuant to the Deed of Non-competition, each of the Covenantors has undertaken that if each of the Covenantors and/or any of its/his close associates is offered or becomes aware of any project or new business opportunity ("**New Business Opportunity**") that relates to the Restricted Business, whether directly or indirectly, it/he shall (i) promptly within ten (10) Business Days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such New Business Opportunity; and (ii) use its/his best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such New Business Opportunity is offered to its/his and/or its/his close associates.

All of our Directors (excluding those who is/are interested in the New Business Opportunity and has/have conflict of interests with our Company) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within 30 Business Days (the "**30-day Offering Period**") of receipt of notice from the Covenantors, the Covenantors and/or its/his close associates shall be permitted to invest in or participate in the New Business Opportunity on its/his own accord. With respect to the 30-day Offering Period, our Directors consider that such period is adequate for our Company to assess any New Business Opportunity. In the event that our Company requires additional time to assess the new business opportunities, our Company may give a written notice to the Covenantors during the 30-day Offering Period and the Covenantors agree to extend the period to a maximum of 60 Business Days.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-competition. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) the Articles provide that a Director shall not be counted in the quorum or vote on any resolution of our Board approving any contract or arrangement or other proposal in which it/he/she or any of its/his/her close associates is materially interested unless in certain circumstances as expressly stated in the Articles;

(b) our independent non-executive Directors will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders;

(c) our Company will obtain (i) an annual written confirmation in respect of our Controlling Shareholders' compliance with the terms of the Deed of Non-competition, (ii) consent (from each of our Controlling Shareholders) to refer to the said confirmation in our annual reports, and (iii) all information as may reasonably be requested by us and/or our independent non-executive Directors for our review and enforcement of the Deed of Non-competition;

(d) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;

(e) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company; and

(f) our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his close associates to be involved in or participate in a Restricted Business and if so, specifying any condition to be imposed.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

With the corporate governance measures set out above, our Directors believe that the interest of our Shareholders will be protected.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the Listing, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

Transactions	Waiver sought	Proposed annual cap for the year ending 31 December 2020	2021	2022
Exempt continuing connected transactions				
Bo Rui Zhi Cooperation Agreement (as defined below)	—	Nil	—	—
Non-exempt continuing connected transactions				
Structured Contracts	Requirements as to announcement, circular, shareholders approval, annual cap, and terms not more than three years	N/A	N/A	N/A

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Bo Rui Zhi Cooperation Agreement

In December 2019, Dashan Training and Zhengzhou Bo Rui Zhi Education Technology Company Limited* (鄭州博瑞智教育科技有限公司) ("**Bo Rui Zhi**") entered into a memorandum of cooperation (the "**Bo Rui Zhi Cooperation Agreement**") reducing the parties' understanding into writing that during the period from 3 May 2017 to 2 May 2020, (i) Dashan Training and Bo Rui Zhi shall promote the service of the other during the course of its business, including but not limited to flyers, display boards, promotional videos and verbal promotion; (ii) Bo Rui Zhi shall provide training of parent-child education to the staff of Dashan Training not less than twice a year; and (iii) Dashan Training shall grant a licence to Bo Rui Zhi for using its trademark during its own promotion and marketing activities (subject to Bo Rui Zhi expressly distinguishing its own identity when using the said trademark). The parties to the Bo Rui Zhi Cooperation Agreement agreed that no cash consideration shall be paid by either party as the services provided by each party are complementary to each other.

Listing Rules Implications

Bo Rui Zhi is a limited company established in the PRC which is principally engaged in teenager quality training and counseling in the PRC, which is owned as to 60% by a first cousin once removed of Mr. Zhang (being an executive Director, the chief executive officer of our Company and a Controlling Shareholder), and as to 40% by an Independent Third Party. As such, Bo Rui Zhi is a connected person pursuant to Rule 14A.21(1)(b) of the Listing Rules and the transactions contemplated under the Bo Rui Zhi Cooperation Agreement constitute continuing connected transactions of our Company upon Listing.

As no cash consideration will be payable by either party under the Bo Rui Zhi Cooperation Agreement, each of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will not exceed 0.1%. Pursuant to Rule 14A.76(1) of the Listing Rules, the transactions under the Bo Rui Zhi Cooperation Agreement will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for and benefits of entering into of the Bo Rui Zhi Cooperation Agreement

Our Directors consider that the Bo Rui Zhi Cooperation Agreement represent an invaluable opportunity for (i) our staff to receive training in relation to parent-child education which is beneficial to the operations of our Group's business; and (ii) a means of promotion of our services by Bo Rui Zhi, an already established entity operating teenage quality training and counseling in the PRC, which would increase the exposure of our brand name to our potential customers, at no cost of our Group. At the same time, our Group shall promote the service of Bo Rui Zhi during the course of business, which would only incur minimal cost and effort. Our Directors consider that such cooperation is mutually beneficial to both our Group and Bo Rui Zhi.

Accordingly, our Directors (including our independent non-executive Directors) confirm that the Bo Rui Zhi Cooperation Agreement was entered into on normal commercial terms or better to our Group and in the interests of our Shareholders as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As disclosed in the section headed "Structured Contracts" in this prospectus, due to regulatory restrictions on foreign ownership in our schools in the PRC, we conduct a substantial portion of our business through our Consolidated Affiliated Entities in the PRC. We do not hold any equity interests in our Consolidated Affiliated Entities which are held directly or indirectly by the Registered Shareholders. Through the Contractual Arrangements, we effectively control these Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so.

For details of the Contractual Arrangements, please refer to the section headed "Structured Contracts" in this prospectus.

Listing Rules Implications

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

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

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

Our Directors (including our independent non-executive Directors) are of the view, and the Sole Sponsor concurs, that the Structured Contracts are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our Consolidated Affiliated Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including the announcement and independent shareholders' approval requirements.

Application for waiver

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

1. No change without independent non-executive Directors' approval

No change to the Structured Contracts will be made without the approval of our independent non-executive Directors.

2. No change without independent Shareholders' approval

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

Once the independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of our Company (as set out in paragraph 5 below) will however continue to be applicable.

3. Economic benefits flexibility

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

4. Renewal and reproduction

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

5. Ongoing reporting and approvals

Our Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

(a) The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

(b) Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by our Consolidated Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period under paragraph (4) above are fair and reasonable, or more favourable to our Group, so far as our Group is concerned and in the interests of our Shareholders as a whole.

(c) Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have been approved by our Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by our Consolidated Affiliated Entities which are not otherwise subsequently assigned or transferred to our Group.

(d) For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our Consolidated Affiliated Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executive or substantial shareholders of each of our Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to requirements under Chapter 14A of the Listing Rules.

(e) Each of our Consolidated Affiliated Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our Consolidated Affiliated Entities will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

New transactions amongst our Consolidated Affiliated Entities and our Company

Given the financial results of our Consolidated Affiliated Entities would be consolidated into our financial results and the relationship between our Consolidated Affiliated Entities and our Company under the Structured Contracts, all agreements other than the Structured Contracts that may be entered into between each of our Consolidated Affiliated Entities and our Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

Views of the Sole Sponsor and our Directors

Our Directors (including our independent non-executive Directors) are of the view that (i) the transactions contemplated under the Structured Contracts as described above, and for which waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, are fundamental to our legal structure and business operation, are on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) with respect to the terms of the relevant agreements underlying the Structured Contracts which is of a duration longer than three years, it is justifiable and normal business practice to ensure that (a) the financials and operation of our Consolidated Affiliated Entities can be effectively controlled by WFOE, (b) WFOE can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (c) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

The Sole Sponsor has reviewed the Structured Contracts and the relevant information provided by our Group, has participated in the due diligence and discussions with our management, and has obtained necessary representations and confirmations from our Company and our Directors. Based on the above, the Sole Sponsor concurs with the views of our Directors as stated in the previous paragraph.

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of eight Directors, comprising three executive Directors, one non-executive Director and four independent non-executive Directors. Our executive Directors together with our senior management, are responsible for the day-to-day management and operation of our Group. The following table sets forth certain information regarding our Directors and senior management.

Directors

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship amongst Directors and senior management
Mr. Zhang Hongjun (張紅軍)	42	10 September 1998 *(Note)*	30 November 2018	Chairman, executive Director and chief executive officer	Responsible for the overall operation and management	None
Mr. Shan Jingchao (單景超)	33	1 February 2009	22 March 2019	Executive Director	Responsible for overseeing our Group's operating system, supervising and managing the operation of teaching districts	None
Mr. Ma Wenhao (馬文浩)	47	15 May 2014	22 March 2019	Executive Director and chief financial officer	Responsible for supervising our Group's accounting and financial management	None
Mr. Jia Shuilin (賈水林)	51	25 June 2016	22 March 2019	Non-executive Director	Responsible for supervising our Group's market development	None
Mr. Lui Siu Keung (呂小強)	48	18 June 2020	18 June 2020	Independent non-executive Director	Responsible for supervising and providing independent advice to our Board	None
Mr. Li Gang (李罡)	51	18 June 2020	18 June 2020	Independent non-executive Director	Responsible for supervising and providing independent advice to our Board	None
Mr. Zhang Jian (張健)	66	18 June 2020	18 June 2020	Independent non-executive Director	Responsible for supervising and providing independent advice to our Board	None
Ms. Yang Min (楊敏)	43	18 June 2020	18 June 2020	Independent non-executive Director	Responsible for supervising and providing independent advice to our Board	None

Note: Mr. Zhang commenced the preparation for setting up of our first self-operated teaching centre in 1998. In March 2000, Zhengzhou Jinshui Dashan Foreign Language Training School* (鄭州金水大山外國語培訓學校) was subsequently established.

Senior management

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Roles and responsibilities	Relationship amongst Directors and senior management
Mr. Guo Xianwei (郭現偉)	38	1 October 2009	25 June 2016	Vice president of the national operation centre	Responsible for our Group's day-to-day management and operation	None

Executive Directors

Mr. Zhang Hongjun (張紅軍), aged 42, is our founder, the chairman of our Board, an executive Director and the chief executive officer of our Group. He was appointed as our Director on 30 November 2018 and was re-designated as our executive Director on 9 April 2019. Mr. Zhang is primarily responsible for the overall operation and management. Mr. Zhang is currently a director of Golden Town, Dashan Education (HK) and WFOE, each a subsidiary of our Company upon completion of the Reorganisation. He is also a director of Dashan Training, our Consolidated Affiliated Entity.

Mr. Zhang has over 21 years of experience in the education industry since he commenced the preparation for setting up of our first self-operated teaching centre in 1998. From May 2005 to October 2015, Mr. Zhang served as a principal of Zhengzhou Jinshui Dashan Foreign Language Training School* (鄭州金水大山外國語培訓學校). He served as a vice general manager from November 2015 to March 2016, a director and general manager from April 2016 to June 2016, then the general manager and the chairman of the board of directors of Dashan Training from June 2016. Mr. Zhang was elected as a member of the 12th Committee of the Henan Provincial Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆河南省委員會) in January 2018.

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

Mr. Zhang was previously a director, supervisor, legal representative and/or general manager of the companies as shown in the table below before their respective deregistration and/or revocation of business licence:

Name of company	Place of establishment	Principal business activity immediately before deregistration and/or revocation of business licence	Position	Status	Date of deregistration and/or revocation of business licence
Shanghai Yiqin Investment Management Company Limited* (上海逸秦投資管理有限公司)	PRC	N/A	Supervisor	Deregistered due to non-commencement of business	Deregistered on 19 June 2015
Zhengzhou Yue Hua Xiang Jiang Food Company Limited* (鄭州市粵華香江美食有限公司)	PRC	Catering	Supervisor	Business licence revoked due to failure to complete annual inspection	Business licence revoked on 12 July 2008
Beijing Dashan Education Technology Company Limited* (北京大山教育科技有限公司)	PRC	Education consultancy	Legal representative, director and general manager	Business licence revoked due to failure to complete annual inspection and deregistered subsequently	Business licence revoked on 23 November 2007 and deregistered on 3 June 2016
Henan Dashan Technology Education Development Company Limited* (河南大山科技教育發展有限公司)	PRC	Education research and consultancy	Legal representative	Business licence revoked due to failure to complete annual inspection and deregistered subsequently	Business licence revoked on 16 February 2007 and deregistered on 30 November 2015

Mr. Zhang confirmed that (i) to the best of his knowledge, information and belief and having made all reasonable enquiries, the above companies were solvent immediately prior to their respective dissolution; (ii) there is no wrongful act on his part leading to the dissolution of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the respective dissolution; and (iv) no misconduct or misfeasance had been involved in the respective dissolution of the companies.

Mr. Zhang has served as a former legal representative of Henan Dashan Technology Education Development Company Limited* (河南大山科技教育發展有限公司), as a former legal representative, director and general manager of Beijing Dashan Education Technology Company Limited (北京大山教育科技有限公司) and as a supervisor of Zhengzhou Yue Hua Xiang Jiang Food Company Limited* (鄭州市粵華香江美食有限公司), where their business licences were revoked on 16 February 2007, 23 November 2007 and 12 July 2008 respectively due to failure to complete annual inspection within the prescribed time.

According to article 147 of the Company Law of the PRC (《中華人民共和國公司法》), where the business licence of a company was revoked due to violation of law, any election or appointment of its legal representative as a director, supervisor or senior management of another company within three years from the date of the said revocation of business licence shall be deemed invalid. Pursuant to articles 4, 8 and 12 of the Management Regulations on the Registration of Legal Representatives of Enterprise Legal Persons (《企業法人法定代表人登記管理規定》), a legal representative of any company whose business license has been revoked due to violation of law shall not serve a legal representative of another company within three years from the date of the said revocation of business licence. Where such personnel is a legal representative of another company, the relevant company shall replace its legal representative in accordance with regulations. Where such replacement is not made within a prescribed time as set down by the relevant authority, a fine of RMB10,000 to RMB100,000 shall be imposed and revocation of business license or revocation of licence of the legal representative may also be resulted in an event of a serious case. Mr. Zhang served as a former legal representative only in two companies, namely Henan Dashan Technology Education Development Company Limited* (河南大山科技教育發展有限公司) and Beijing Dashan Education Technology Company Limited* (北京大山教育科技有限公司), as such, Mr. Zhang was not permitted to serve as a legal representative, director, supervisor, or senior manager of another company from 16 February 2007 to 22 November 2010 inclusively ("**Mr. Zhang's Qualification Restriction Period**").

Based on the above and as advised by our PRC Legal Advisers, since the liability of the violation of the Mr. Zhang's qualification restriction lies on the relevant company which appointed Mr. Zhang as its legal representative, director, supervisor or senior management during Mr. Zhang's Qualification Restriction Period rather than a personal liability of Mr. Zhang, Mr. Zhang is not subject to any legal liability or administrative penalties of the relevant company which appointed Mr. Zhang as its legal representative, director, supervisor or senior management during Mr. Zhang's Qualification Restriction Period. Further, as advised by our PRC Legal Advisers, since: (i) Mr. Zhang had not been appointed as a legal representative, director, supervisor or senior management of our Group during Mr. Zhang's Qualification Restriction Period; (ii) Mr. Zhang's Qualification Restriction Period was over when he was appointed as a legal representative, director, supervisor or senior management of our Group; and (iii) the government confirmations issued by relevant supervision and administration bureaus to the relevant Group Companies where Mr. Zhang was appointed have shown that there was no record of any administrative penalties for violation of law and regulation of commercial administration, the appointments of Mr. Zhang as a legal representative, director, supervisor or senior management of our Group is in compliance with the Company Law of the PRC (《中華人民共和國公司法》) and our Group is not subject to any legal liability or administrative penalties for the said appointments.

Mr. Shan Jingchao (單景超), aged 33, joined our Group on 1 February 2009 and was appointed as our Director on 22 March 2019 before being re-designated as our executive Director on 9 April 2019. He is primarily responsible for overseeing our Group's operating system, supervising and managing the operation of teaching districts.

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

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

Mr. Ma Wenhao (馬文浩), aged 47, joined our Group on 15 May 2014. Mr. Ma was appointed as our Director on 22 March 2019 and was re-designated as our executive Director on 9 April 2019. He is primarily responsible for supervising our Group's accounting and financial management.

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

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

Non-executive Director

Mr. Jia Shuilin (賈水林), aged 51, joined our Group on 25 June 2016 and was appointed as our Director on 22 March 2019 before being re-designated as our non-executive Director on 9 April 2019. He is primarily responsible for supervising our Group's market development. Since June 2016, Mr. Jia has been a director of Dashan Training.

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

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

Mr. Jia was previously a director, a supervisor, the legal representative, an operator and/or a general manager of the companies shown in the table below before their respective deregistration and/or revocation of business licence:

Name of company	Place of establishment	Principal business activity immediately before deregistration and/or revocation of business licence	Position	Status	Date of deregistration and/or revocation of business licence
Zhengzhou Linhai Motor Repair Company Limited* (鄭州林海汽車維修有限公司)	PRC	Provision of automobile repair	Legal representative, director and general manager	Business licence revoked due to failure to complete annual inspection and deregistered subsequently	Business licence revoked on 21 April 2009 and deregistered on 7 July 2016
Beijing Tong Yuan Rui Jie Trade Company Limited* (北京通源瑞捷商貿有限公司)	PRC	Provision of automobile parts and accessories	Legal representative and director	Deregistered due to cessation of business	19 October 2012
Henan Linhai Motor Service Limited* (河南林海汽車服務有限公司)	PRC	Sales of commercial vehicles	Legal representative, director and general manager	Deregistered due to cessation of business	23 November 2015
Zhengzhou Liuhai Automobile Sales Company Limited* (鄭州林海汽車銷售有限公司)	PRC	Sales of commercial vehicles and automobile accessories	Supervisor	Deregistered due to cessation of business	21 November 2018
Zhengzhou Jinshui Linhai Automobile Repair Shop* (鄭州市金水區林海汽車維修站)	PRC	Provision of automobile repair	Operator	Deregistered due to cessation of business	19 September 2011
Zhongzhou Baihe Highway Construction Materials Co. Ltd* (鄭州百合公路建材有限公司)	PRC	Sales of road construction materials and equipment	Supervisor	Deregistered due to cessation of business	16 August 2019

Mr. Jia confirmed that (i) to the best of his knowledge, information and belief and having made all reasonable enquiries, the above companies were solvent immediately prior to their respective dissolution; (ii) there is no wrongful act on his part leading to the dissolution of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the respective dissolution; and (iv) no misconduct or misfeasance had been involved in the respective dissolution of the companies.

Mr. Jia has served as a former legal representative, a former director and a former general manager of Zhengzhou Linhai Motor Repair Company Limited* (鄭州林海汽車維修有限公司), where its business licences was revoked on 21 April 2009 due to failure to complete annual inspection within the prescribed time.

According to article 147 of the Company Law of the PRC (《中華人民共和國公司法》), where the business licence of a company was revoked due to violation of law, any election or appointment of its legal representative as a director, supervisor or senior management of another company within three years from the date of the said revocation of business licence shall be deemed invalid. Pursuant to articles 4, 8 and 12 of the Management Regulations on the Registration of Legal Representatives of Enterprise Legal Persons (《企業法人法定代表人登記管理規定》), a legal representative of any company whose business license has been revoked due to violation of law shall not serve a legal representative of another company within three years from the date of the said revocation of business licence. Where such personnel is a legal representative of another company, the relevant company shall replace its legal representative in accordance with regulations. Where such replacement is not made within a prescribed time as set down by the relevant authority, a fine of RMB10,000 to RMB100,000 shall be imposed and revocation of business license or revocation of licence of the legal representative may also be resulted in an event of a serious case. As such, Mr. Jia was not permitted to serve as a legal representative, director, supervisor, or senior manager of another company from 21 April 2009 to 20 April 2012 inclusively ("**Mr. Jia's Qualification Restriction Period**").

Based on the above and as advised by our PRC Legal Advisers, since the liability of the violation of the Mr. Jia's qualification restriction lies on the relevant company which appointed Mr. Jia as its legal representative, director, supervisor or senior management during Mr. Jia's Qualification Restriction Period rather than a personal liability of Mr. Jia, Mr. Jia is not subject to any legal liability or administrative penalties of the relevant company which appointed Mr. Jia as its legal representative, director, supervisor or senior management during Mr. Jia's Qualification Restriction Period. Further, as advised by our PRC Legal Advisers, since: (i) Mr. Jia had not been appointed as a legal representative, director, supervisor or senior management of our Group during Mr. Jia's Qualification Restriction Period; (ii) Mr. Jia's Qualification Restriction Period was over when he was appointed as a director of our Group; and (iii) the government confirmations issued by relevant supervision and administration bureaus to the relevant Group Companies where Mr. Jia was appointed have shown that there was no record of any administrative penalties for violation of law and regulation of commercial administration, the appointment of Mr. Jia as a director of our Group is in compliance with the Company Law of the PRC (《中華人民共和國公司法》) and our Group is not subject to any legal liability or administrative penalties for the said appointment.

Independent non-executive Directors

Mr. Lui Siu Keung (呂小強), aged 48, was appointed as our independent non-executive Director on 18 June 2020. He is mainly responsible for supervising and providing independent advice to our Board. Mr. Lui has more than 20 years of experience in the corporate finance and accounting industry. Mr. Lui is currently the company secretary, the chief executive officer and an executive director of Zhongyu Gas Holdings Limited (a company listed on the main board of the Stock Exchange with stock code 3633), together with its subsidiaries, which is principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, and the distribution of piped gas to residential, industrial and commercial users; and (ii) the operation of compressed natural gas or liquefied natural gas vehicle filling stations in the PRC, and he is responsible for the management and general business operation. From May 2005 to March 2015, Mr. Lui was an independent non-executive director of Asia Television Holdings Limited (formerly known as Co-Prosperity Holdings Limited) (a company listed on the main board of the Stock Exchange with stock code 707), together with its subsidiaries, which has principally engaged in the sales of finished fabrics and provision of fabrics processing subcontracting services and the trading of goods at that time.

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

Mr. Li Gang (李罡), aged 51, was appointed as our independent non-executive Director on 18 June 2020. He is mainly responsible for supervising and providing independent advice to our Board. Mr. Li was a teacher in the department of education in Xinjiang Education Institute (新疆教育學院) from July 1990 to August 1992. Mr. Li has also served as an associate professor in the department of political science in Party School of the Beijing Municipal Committee of C.P.C. (北京市委黨校) since July 1998.

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

Mr. Li was previously a supervisor of the following companies below before their revocation of business licence:

Name of Company	Place of establishment	Principal business activity immediately before deregistration and/ or revocation of business licence	Position	Status	Date of deregistration and/or revocation of business licence
Beijing Jing Shi Lan Ke Technology Development Company Limited* (北京京師藍科科技發展有限公司)	PRC	Electronic library of secondary and primary schools	Supervisor	Business licence revoked due to failure to complete annual inspection and deregistered subsequently	Business licence revoked on 26 August 2016 and deregistered on 9 March 2020
Beijing Zhitong Yuanchuan Trading Company Limited* (北京志同遠川商貿有限公司)	PRC	Sales of mechanical equipment, hardware, electronics products, daily necessities	General manager	Business licence revoked due to failure to complete annual inspection and deregistered subsequently	Business licence revoked on 9 October 2011 and deregistered on 25 April 2018

Mr. Li confirmed that (i) to the best of his knowledge, information and belief and having made all reasonable enquiries, the above companies were solvent immediately prior to their respective dissolution; (ii) there is no wrongful act on his part leading to the dissolution of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the respective dissolution; and (iv) no misconduct or misfeasance had been involved in the respective dissolution of the companies.

Mr. Zhang Jian (張健), aged 66, was appointed as our independent non-executive Director on 18 June 2020. He is mainly responsible for supervising and providing independent advice to our Board. Mr. Zhang Jian worked for Henan Provincial Commission for Discipline Inspection* (河南省紀律檢查委員會) from July 1982 to April 2003 where he served as cadre (幹部) at deputy division, division and deputy provincial department. Mr. Zhang Jian has also worked for the Education Department of Henan Province (河南省教育廳) from May 2003 to March 2014 where he served as a disciplinary supervisor and an inspector, responsible for disciplinary inspection, policy and regulations, educational supervision, educational information and educational research.

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

Ms. Yang Min (楊敏), aged 43, was appointed as our independent non-executive Director on 18 June 2020. She is mainly responsible for supervising and providing independent advice to our Board. Ms. Yang served as the vice president of Zero2IPO Group (清科集團) ("**Zero2IPO Group**"), which is principally engaged in investment and provision of entrepreneurial and investment service platform, from 2002 to 2006. She was the president of Beijing Jingzhun Yiku Marketing Planning Co, Ltd.* (北京精準億庫營銷策劃有限公司), which is principally engaged in big data marketing business, from 2006 to 2011 and the chairman of Beijing Shengde Hengyun Technology Co., Ltd.* (北京盛德恒遠科技有限公司), which is principally engaged in product and technological development and marketing, from 2011 to 2014. Ms. Yan returned to Zero2IPO Group in April 2014 and served as a managing partner. She is currently a managing partner of Zero2IPO Group and a chief managing partner of Zero2IPO Asset Management, a specialised platform under Zero2IPO Group which is principally engaged in provision of asset management investment services for listed companies and family business. She has also served as a director of each of LingNan Eco&Culture-Tourism Co., Ltd* (嶺南生態文旅股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 002717), which is principally engaged in ecological landscape construction and repair, water project management and cultural and tourism, since January 2016; Beijing Sanhao Interactive Education Technology Company Limited* (北京三好互動教育科技有限公司), which is principally engaged in provision of personalised online learning platform for elementary and secondary school students, since March 2018; Maihe International Education Technology (Beijing) Company Limited* (麥禾國際教育科技(北京)有限責任公司), which is principally engaged in provision of training of children on English usage and social etiquette, since December 2018; Jiangsu Superbio Life Science Co., Ltd* (江蘇蘇博生物醫學股份有限公司), which is principally engaged in research on genetic sequence and testing service, since April 2019; Chezhubang (Beijing) Technology Company Limited* (車主邦(北京)科技有限公司), which is principally engaged in national energy resources procurement platform and energy data provider, since May 2019; and Zhongke Yihai Microelectronics Technology (Suzhou) Company Limited (中科億海微電子科技(蘇州)有限公司), which is principally engaged in smart chip design and application services, since August 2019. From February 2018 to March 2019, Ms. Yang served as a director of Inner Mongolia Hongyuan Agricultural Technology Co. Ltd.* (內蒙古宏源農業科技股份有限公司) (a company listed on the NEEQ with stock code 832893), which is principally engaged in planting, processing and sales of potatoes and forage, and production and sales of fries.

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

Ms. Yang was previously a legal representative, chairlady and general manager of the following companies below before their deregistration:

Name of company	Place of establishment	Principal business activity immediately before deregistration	Position	Status	Date of deregistration
Yili Boya (Beijing) Trading Co. Ltd* (怡麗博雅(北京)商貿有限公司)	PRC	Wholesale and retail	Legal presentative, chairlady and general manager	Deregistered due to cessation of business	9 February 2011
Beijing Shengde Hengrui Technology Co. Ltd. (北京盛德恒瑞科技有限公司)	PRC	Product and technological development and marketing	Supervisor	Deregistered due to cessation of business	18 March 2019

Ms. Yang confirmed that (i) to the best of her knowledge, information and belief and having made all reasonable enquiries, the above companies were solvent immediately prior to their respective dissolution; (ii) there is no wrongful act on her part leading to the dissolution of the above companies; (iii) she is not aware of any actual or potential claim that has been or will be made against her as a result of the respective dissolution; and (iv) no misconduct or misfeasance had been involved in the respective dissolution of the companies.

Disclosure of relationships and as required pursuant to Rule 13.51(2) of the Listing Rules

Save as the interests of Mr. Zhang, Mr. Jia Shuilin, Mr. Shan Jingchao and Mr. Ma Wenhao in our Shares which are disclosed in the section headed "Statutory and general information — C. Further information about Directors and substantial Shareholders — 1. Interests and short positions of Directors and the chief executive of our Company in our

Shares, underlying Shares or debentures of our Company and its associated corporations" in Appendix V to this prospectus, each of our Directors has no interests in our Shares within the meaning of Part XV of the SFO.

Save as disclosed above, none of our Directors (i) has been a director of any public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas (ii) has other major appointments and professional qualifications during the three years immediately preceding the date of this prospectus.

Save as disclosed above, none of our Directors and members of our senior management is personally related to any of our Directors, senior management or substantial Shareholders or Controlling Shareholders of our Company.

Save as disclosed above, none of our Directors have any other interest in any business which competes or is likely to compete, directly or indirectly, with us, which is discloseable under the Listing Rules.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed above, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

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

Mr. Guo Xianwei (郭現偉), aged 38, joined our Group on 1 October 2009. He is now serving as a vice president of the national operation centre (全國運營中心副校長) of the WFOE, primarily responsible for teaching materials development and overall management of our Group.

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

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

COMPANY SECRETARY

Ms. Chen Yibei (陳一蓓), aged 32, was appointed as the company secretary and a financial controller of our Company on 18 March 2019. Ms. Chen has over seven years of experience in the accounting industry. She worked in Deloitte Touche Tohmatsu, an accounting firm, from September 2011 to February 2019 with her last position as a manager of the firm.

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

BOARD COMMITTEES

The Board delegates certain responsibilities to various Board committees. In accordance with the Articles and the Listing Rules, we have established our audit committee, remuneration committee, nomination committee and investment management committee.

Audit committee

Our Company has established an audit committee on 18 June 2020 in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of four members, namely, Mr. Lui Siu Keung, Mr. Li Gang, Mr. Zhang Jian and Ms. Yang Min.

Mr. Lui Siu Keung has been appointed as the chairman of the audit committee and he possess the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting process and internal control procedures of our Group, and to develop and review the policies and procedures for corporate governance and make recommendations to our Board.

Remuneration committee

Our Company has established a remuneration committee on 18 June 2020 in compliance with rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Mr. Zhang Jian, Mr. Zhang and Mr. Li Gang. Mr. Zhang Jian has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are, among others, to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination committee

Our Company has established a nomination committee on 18 June 2020 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Mr. Zhang, Mr. Zhang Jian and Ms. Yang Min. Mr. Zhang has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are, among others, to review the structure, size, composition and diversity of our

Board, assess the independence of our independent non-executive Directors and make recommendations to our Board on matters relating to appointment and re-appointment of Directors.

Besides, it is also the duty of our nomination committee to review our board diversity policy (the "**Board Diversity Policy**"), which sets out the objective and approach to achieve and maintain diversity on our Board. We will ensure that the members of our Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support our Group's business strategy. Pursuant to our Board Diversity Policy, we seek to achieve Board diversity through consideration of various factors such as professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our nomination committee is delegated to be responsible for compliance with relevant code governing board diversity under the Corporate Governance Code and, after Listing, will review our Board Diversity Policy from time to time to ensure its continued effectiveness. Our implementation of our Board Diversity Policy will be disclosed in our corporate governance report on an annual basis.

Investment management committee

Our Company has established an investment management committee on 18 June 2020 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The investment management committee consists of seven members, comprising all our independent non-executive Directors and executive Directors, namely, Mr. Zhang, Mr. Shan Jingchao, Mr. Ma Wenhao, Mr. Lui Siu Keung, Mr. Li Gang, Mr. Zhang Jian and Ms. Yang Min. Mr. Zhang has been appointed as the chairman of the investment management committee. The primary duties of the investment management committee are, among others, to (i) monitor our Group's investment in wealth management products after Listing and to conduct periodical review of the investments of our Group and report to our Board; (ii) to review and approve the management's investment proposal together with the monthly cash budget with reference to the risk of the wealth management products; (iii) to provide advice to our Board on investment of wealth management products of our Company; and (iv) to advise on investment policies of our Company.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive directors and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment. Our Company's corporate governance practices have complied with the Corporate Governance Code.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report, which will be included in our annual reports upon the Listing.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

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 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.

Saved as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors and senior management receive remuneration in the form of fees, salaries, discretionary bonus, contribution to pension schemes and other benefits in kind subject to applicable laws and regulations. The aggregate amount of remuneration (including fees, salaries, contribution to pension schemes and other benefits in kind) paid to our Directors for the three years ended 31 December 2019 were approximately RMB1.3 million, RMB1.5 million and RMB1.9 million, respectively.

The five highest paid individuals of our Group included two Directors in 2017, one Director in 2018, and three Directors for the year ended 31 December 2019. The aggregate amount of remuneration (including salaries, discretionary bonuses, contributions to pension schemes and other benefits in kind) paid to the remaining highest paid individuals (three for 2017, four for 2018 and two for 2019) of our Group for the three years ended 31 December 2019 were approximately RMB0.6 million, RMB1.1 million and RMB0.8 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office as a director of any member of our Group or any other office in connection with the management of the affairs of any members of our Group.

Saved as disclosed as above, no payments have been paid or are payable by any members of our Group to our Directors or the five highest paid individuals during the Track Record Period.

Under the arrangements currently in force, the aggregate remuneration and benefits in kind (excluding any discretionary bonus) of our Directors in respect of the year ending 31 December 2020 is estimated to be approximately RMB2.79 million.

REMUNERATION POLICY

Our executive Directors, independent non-executive Directors and senior management receive compensation in the form of fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and responsibilities of respective Directors and senior management and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective experience and qualifications as well as responsibilities of our Directors and senior management and the performance of our Group.

COMPLIANCE ADVISER

We have appointed Alliance Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where we propose to apply the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, development or results derive from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry to us in respect of unusual price movement and trading volume or other issues.

The term of this appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme under which employees of our Group including executive Directors and other eligible participants may be granted options to subscribe for Shares. 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 this prospectus.

SHARE CAPITAL

The authorised and issued share capital of our Company immediately following completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer will be as follows:

Authorised share capital:		*HK$*
10,000,000,000	Shares of HK$0.01 each	100,000,000
Shares issued or to be issued, fully paid or credited as fully paid:		
10,000	Shares in issue as at the date of this prospectus	100
568,410,800	Shares to be issued pursuant to the Capitalisation Issue	5,684,108
31,579,200	Shares to be issued pursuant to the full conversion of the Pre-IPO Convertible Note	315,792
200,000,000	Shares to be issued pursuant to the Share Offer	2,000,000
800,000,000	Shares in total	8,000,000

In the event that the Over-allotment Option is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately after completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer will be HK$8,300,000 divided into 830,000,000 Shares.

Assumptions

The above table assumes the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to Directors as referred to below or otherwise.

Minimum public float

Pursuant to Rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

Ranking

The Offer Shares will rank *pari passu* with all our Shares issue or to be allotted and issued as set out in this prospectus, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus save for the entitlements under the Capitalisation Issue.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in the section headed "Statutory and general information — D. Share Option Scheme" in Appendix V to this prospectus. As at the Latest Practicable Date, no option has been granted under the Share Option Scheme.

General mandate to issue Shares

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares not exceeding:

(a) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme); and

(b) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described in the paragraph headed "General mandate to repurchase Shares" in this section below,

provided that if any subsequent consolidation or subdivision of Shares is effected, the maximum number of Shares that may be issued pursuant to the approval mentioned above as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of Shares shall be adjusted accordingly.

Our Directors may, in addition to our Shares which they are authorised to issue under the mandate, allot, issue and deal with Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements providing for the allotment of Shares in lieu of the whole or in part of any cash dividends or options to be granted under the Share Option Scheme or any other option scheme of our Company or similar arrangement for the time being adopted.

General mandate to repurchase Shares

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares not exceeding 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), provided that if any subsequent consolidation or subdivision of Shares is effected, the maximum number of Shares that may be repurchased pursuant to the approval mentioned above as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of Shares shall be adjusted accordingly.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules requirements is set out in the section headed "Statutory and general information — A. Further information about our Group — 6. Repurchase by our Company of its own securities" in Appendix V to this prospectus.

The general mandate to issue and repurchase Shares will expire:

(a) at the conclusion of the next annual general meeting of our Company;

(b) at the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles to be held; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of these general mandates, please refer to the sections headed "Statutory and general information — A. Further information about our Group — 3. Written resolutions of our Shareholders dated 18 June 2020" and "Statutory and general information — A. Further information about our Group — 6. Repurchase by our Company of its own securities" in Appendix V to this prospectus.

Circumstances under which general meeting and class meeting are required

The circumstances under which general meeting and class meeting are required are provided in the Articles. For details, please refer to the section headed "Summary of the constitution of our Company and Cayman Islands Companies Law" set out in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date and immediately after completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group:

Name	Capacity/ Nature of interest	Number of Shares interested as at the Latest Practicable Date (Note 1)	Percentage of shareholding as at the Latest Practicable Date	Number of Shares interested immediately after completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (Note 1)	Approximate percentage of shareholding immediately after completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer
Mr. Zhang (Note 2)	Interest in controlled corporation	8,727 (L)	87.27%	496,060,800 (L)	62.00%
Lucky Heaven (Note 2)	Beneficial owner	8,727 (L)	87.27%	496,060,800 (L)	62.00%
Bai Tai (Note 3)	Beneficial owner	1,273 (L)	12.73%	72,360,000 (L)	9.05%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of our Company.

2. 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.

3. 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 Dashan Training and Jing Guang Dashan and as to approximately 17.04% by Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to approximately 7.30% by Mr. Cheng Yang, as to approximately 3.65% by Mr. Tang Enze, as to approximately 3.65% by Ms. Song Yifei, as to approximately 0.73% by Ms. Wang Weiping and as to approximately 0.73% by to Ms. Sun Nuo, each being an employee of Dashan Training.

Save as disclosed above, our Directors are not aware of any person who as at the Latest Practicable Date or will, immediately following the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group.

You should read the following discussion and analysis of our Group's financial condition and results of operations together with our combined financial information at and for the three years ended 31 December 2019 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRSs. Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this prospectus.

OVERVIEW

We are principally engaged in the provision of primary and secondary after-school education services in Zhengzhou and our history can be traced back to 1998. According to the Frost & Sullivan Report, Henan had the largest number of primary and secondary student enrolments in the PRC in 2019 and we were the largest primary and secondary after-school education service provider in Henan by number of student enrolments in 2019. We offer primary and secondary school students OMO after-school education services which supplement their regular English, Chinese, Mathematics and other curriculum at school. We typically collect course tuition fees from students in advance for courses that they purchase and would only recognise the tuition fees as our revenue in proportion to the tutoring services rendered.

As at the Latest Practicable Date, we had 80 self-operated teaching centres, among which 79 of them were located in Zhengzhou and one of them was located in Xinxiang. In addition, we had 12 franchisees located in areas other than Zhengzhou. For details, please refer to the section headed "Business — Our network" in this prospectus. Within each of our self-operated teaching centres, we provide services for three key subjects through three different brands, namely "大山" (DaShan) for English, "御夫子" (Yufuzi) for Chinese and "小數點" (Xiaoshudian) for Mathematics (as well as for other science subjects). These subjects are offered in the form of regular class, small class and VIP class for our students to choose from according to their individual studying needs and preferences.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law. Historically, prior to and after the completion of the Reorganisation, all companies comprising of our Group were controlled by Mr. Zhang and Mr. Zhang exercises his control over the companies now comprising our Group in respect of all the relevant business activities of these companies.

Our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The combined statement of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period have been prepared as if the current group structure has been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment of the relevant companies now comprising our Group where applicable.

The combined statements of financial position of our Group as at 31 December 2017, 2018 and 2019 has been prepared to present the carrying amount of the assets and liabilities of the combined entities as if the current group structure had been in existence as at those dates taking into account the respective dates of incorporation where applicable.

No statutory audited financial statements have been prepared for our Company since its date of incorporation as it was incorporated in a jurisdiction where there are no statutory audit requirements.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations are subject to the influence of numerous factors, the principal of which are set out below:

- **Market recognition of our brand and reputation**

  We operate our teaching centres under our brand names "大山" (DaShan) for English, "御夫子" (Yufuzi) for Chinese and "小數點" (Xiaoshudian) for Mathematics (as well as for other science subjects). We believe that the market awareness and reputation of our brand names are important to the success and growth of our business. As we continue to grow in size and expand our services, it may become difficult to maintain the quality and consistency of the services we offer, which may lead to diminishing confidence in our brand name.

  Our ability to maintain our reputation may be affected by various factors, including but not limited to, the levels of students and parents satisfaction with our curriculums, our teachers and their teaching quality, the grades achieved by our students in the examinations, accidents in our teaching centres, scandals, negative press, disruptions to our teaching services, loss of certifications and approvals that enable us to operate our teaching centres, unauthorised use or infringement of our brand or intellectual properties by third parties and use of our brand by our licensees without adhering to our standards of education. In addition, our teaching centres may not be able to meet our students' and their parents' expectations in terms of students' academic performance, or to ensure that students enrolled in our teaching centres would be accepted by schools or university of their choice. A student may not be able to achieve his or her expected academic results and/or other achievements and, at any time, his or her performance may decline due to reasons beyond our control. Students and parents satisfaction with our programs may also decline.

- **Ability to adequately and promptly respond to changes in PRC's education systems, admission standards, test materials, teaching methods**

School admissions rely heavily on examination results in the PRC and students' performance in these examinations is critical to their future employment prospects. Therefore, it is common for students to enrol in after-school tutoring classes to improve their academic performances. Admission and assessment processes undergo continuous changes and we are therefore required to continuously update and enhance our curriculums, teaching materials and teaching methods. In order for us to keep up and respond to changes and maintain our competitiveness in the industry, we keep abreast of any new development or advancements and would, provided we have the required capital, invest and devote our resources into new technologies, teaching equipment and/or techniques.

- **Ability to continue to attract students to enrol in our courses**

Our revenue was generated primarily from the tuition fees we collect from our students through our self-operated teaching centres. For the three years ended 31 December 2019, we had 137,225, 187,728 and 248,134 student enrolments, respectively, for our regular classes, small classes and VIP classes. Therefore, our ability to continue to maintain and attract students to enrol in our courses is critical to the continuous success and growth of our business. This will depend on a number of factors, including, amongst others, our ability to develop new courses and enhance existing programmes to respond to changes in market trends, competition and student demands, expand our geographic coverage while maintaining the teaching quality, effectively market our programmes. Any inability to maintain or achieve the aforesaid could materially and adversely affect our revenue and profitability.

- **Ability to control labour costs, particularly increasing teachers' salary**

Labour costs in the PRC have risen in recent years as a result of social development and increasing inflation in the PRC. The increase in labour cost may erode our profitability and materially harm our business, financial conditions and results of operations. Staff costs represented approximately 55.9%, 59.1% and 55.6% of our total cost of sales for the three years ended 31 December 2019, respectively. If labour costs in the PRC continue to increase, our operating costs will increase. We may not be able to pass on these increased costs to our customers by increasing our tuition fees in light of competitive pressure in the markets. In such circumstances, our profit margin may decrease, which could have an adverse effect on our business, financial condition and results of operations.

- **Preferential tax treatments as a result of a high and new technology enterprise**

Pursuant to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Implementation Provisions for the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), the companies of our Group which operate in the PRC are subject to EIT at a rate of 25% on their taxable income and some of our subsidiaries enjoyed preferential tax treatments, such as preferential tax treatments for Dashan Training, which is recognised as a high and new technology enterprise and is entitled to a preferential EIT rate of 15%. Please refer to the section headed "Regulations — Regulations on tax" in this prospectus.

For each of the three years ended 31 December 2019, our income tax expenses amounted to approximately RMB9.0 million, RMB8.6 million and RMB8.3 million, respectively. Our effective tax rate was approximately 24.2%, 16.1% and 14.4% for each of the three years ended 31 December 2019, respectively. The decrease in effective tax rate for the two years ended 31 December 2019 was mainly due to Dashan Training being recognised as a high and new technology enterprise and therefore entitled to a preferential tax rate of 15% for a period of three years from 2018 to 2020, compared to a rate of 25% on taxable income for the year ended 31 December 2017. If we fail to continue to be recognised as a high and new technology enterprise and enjoy the preferential tax rate, our business, financial condition and results of operations may be materially and adversely affected as a result.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATION

Significant accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainty and judgment, and could yield materially different results under different conditions and/or assumptions. The preparation of the financial information in conformity with HKFRSs requires our management to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis as they may have a significant impact on our operational results as reported in our combined financial statements included elsewhere in this prospectus. Below is a summary of the accounting policies in accordance with HKFRSs that we believe are important to the presentation of our financial results and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies, judgments, estimates and assumptions that we consider as significant, which are set out in detail in notes 4 and 5 to the Accountants' Report set out in Appendix I to this prospectus.

Significant accounting policies

Revenue from contracts with customers

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

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

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

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

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

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

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

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

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

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

A contract liability (receipts in advance) represents our Group's obligation to transfer goods or services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

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

Output method

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

Leases

Definition of a lease

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

Our Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which our Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Our Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

Our Group presents lease liabilities as a separate line item on the combined statements of financial position.

Lease modifications

Our Group accounts for a lease modification as a separate lease if:

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

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

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

Property, plant and equipment

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

Ownership interests in leasehold land and building

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

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

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

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

Impacts of new HKFRS

Our Group has adopted HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**") and HKFRS 9 on a consistent basis throughout the Track Record Period. Our Directors considered that there is no material impact on our Group's financial position and performance with the adoption of HKFRS 9 and HKFRS 15 during the Track Record Period.

Adoption of HKFRS 16 "Leases"

HKFRS 16 will result in almost all leases being recognised on our combined statements of financial position of the lessees, as the distinction between operating leases and finance leases has been removed. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by our Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the period of lease term and the expected useful life of the underlying asset on a straight-line basis.

Assets and liabilities arising from the leases are initially measured on a present value basis. Lease liabilities include the present value of fixed lease payments (including in-substance fixed payments), less any lease incentives, variable lease payments that depend on a rate, the exercise price of a purchase option if the receivable lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising the option to terminate the lease. The lease payments are discounted using the incremental borrowing rate of our Group. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, lease payments made at or before the commencement date, less any lease incentives received, and any initial direct costs and an estimate of costs to be incurred by our Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying assets to the condition required by the terms and conditions of the lease.

Payments associated with short-term leases with a lease term of 12 months or less and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The management of our Group determines the lease term for lease contracts in which it is a lease that includes renewal option. The assessment of whether our Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Following the early adoption of HKFRS 16, leases (except for those with lease term of less than 12 months or of low value) are recognised in the form of an asset (being the right-of-use assets in the combined statements of financial position) together with financial liabilities (being the lease liabilities in the combined statements of financial position) and in respect of which depreciation expenses and finance costs are charged instead of rental expenses (mainly under cost of sales). The table below sets forth the summary of major impacts of the adoption of HKFRS 16 on our Group's (a) combined statements of financial position; (b) combined statements of profit or loss and other comprehensive income; (c) combined statements of cash flows; and (d) certain key financial ratios when compared to that of HKAS 17.

(a) Impact to combined statements of financial position

Based on our Group's initial assessment, if HKAS 17 was applied instead of HKFRS 16 throughout the Track Record Period, the management of our Group estimates that the key items in our Group's combined statements of financial position as at 31 December 2017, 2018 and 2019 would have been affected as follows:

	Total assets			Total liabilities		
	As at 31 December			As at 31 December		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As if reported under HKAS 17 <A>	208,876	284,940	357,834	(135,552)	(186,884)	(254,757)
Currently reported under HKFRS 16 <B>	321,202	421,676	537,609	(255,152)	(334,331)	(449,688)
Difference (<B> – <A>)	112,326	136,736	179,775	(119,600)	(147,447)	(194,931)

	Right-of-use assets			Lease liabilities		
	As at 31 December			As at 31 December		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As if reported under HKAS 17 <A>	—	—	—	—	—	—
Currently reported under HKFRS 16 <B>	124,915	152,944	200,479	(119,600)	(147,447)	(194,931)
Difference (<B> – <A>)	124,915	152,944	200,479	(119,600)	(147,447)	(194,931)

	Total equity As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
As if reported under HKAS 17 <A>	73,324	98,056	103,077
Currently reported under HKFRS 16 <B>	66,050	87,345	87,921
Difference (<B> – <A>)	(7,274)	(10,711)	(15,156)

As compared those that would have been presented under HKFRS 16 to HKAS 17, there was an impact on our Group's total non-current assets, current liabilities, non-current liabilities, net current assets and net assets as at 31 December 2017, 2018 and 2019. According to HKFRS 16, our Group as a lessee is required to recognise a right-of-use asset (i.e. non-current assets) representing its right to use the underlying leased asset and a lease liability (i.e. current and non-current liabilities) representing its obligation to make lease payments resulting in the increase in our Group's total non-current assets, current liabilities and non-current liabilities and the decrease in our Group's net current assets.

(b) Impact to combined statements of profit or loss and other comprehensive income

If HKAS 17 was applied instead of HKFRS 16 throughout the Track Record Period, the key items in our Group's combined statements of profit or loss and other comprehensive income during the Track Record Period would have been affected as follows:

	Profit and total comprehensive income For the year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
As if reported under HKAS 17 <A>	32,023	48,380	53,411
Currently reported under HKFRS 16 <B>	28,060	44,943	48,966
Difference (<B> – <A>)	(3,963)	(3,437)	(4,445)

	Cost of sales For the year ended 31 December			Finance costs For the year ended 31 December		
	2017	2018	2019	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As if reported under HKAS 17 <A>	(122,111)	(162,223)	(212,833)	—	—	—
Currently reported under HKFRS 16 <B>	(122,446)	(160,925)	(213,992)	(4,115)	(4,815)	(6,687)
Difference (<B> – <A>)	(335)	1,298	(1,159)	(4,115)	(4,815)	(6,687)

	Other income			Other gains and losses, net		
	For the year ended 31 December			For the year ended 31 December		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As if reported under HKAS 17 <A>	3,911	6,362	5,761	(991)	(672)	(1,163)
Currently reported under HKFRS 16 <B>	3,945	6,414	5,859	(538)	(644)	2,140
Difference (<B> – <A>)	34	52	98	453	28	3,303

The adoption of HKFRS 16 did not result in significant changes to our Group's profit and total comprehensive income for the years ended 31 December 2017, 2018 and 2019 as compared with those that would have been presented under HKAS 17, however, there was an impact on the composition of certain profit and loss items (such as cost of sales, finance costs, other income and other gains and losses, net) mainly due to the recognition of depreciation on right-of-use assets and interest expenses on leases liabilities as well as de-recognition of rental expenses. The impact of HKFRS 16 on our Group's profit and total comprehensive income depends on the pattern of expenses recognised (i.e. depreciation on right-of-use assets and interests on lease liabilities). The depreciation on right-of-use assets was charged on a straight-line basis, whereas the interests on lease liabilities was charged based on the effective interest rate method. The combination of depreciation and finance charge recognised in accordance with HKFRS 16 results in an expenses recognition pattern where a higher charge will be recognised on the combined statements of profit or loss and other comprehensive income in the initial years of the lease and lead to a lower net profit.

(c) Impact to combined statements of cash flows

	Net cash from operating activities			Net cash (used in) from financing activities		
	For the year ended 31 December			For the year ended 31 December		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As if reported under HKAS 17 <A>	99,470	110,201	83,964	100	(25,019)	92
Currently reported under HKFRS 16 <B>	135,930	151,908	138,197	(36,360)	(66,726)	(54,141)
Difference (<B> – <A>)	36,460	41,707	54,233	(36,460)	(41,707)	(54,233)

The adoption of HKFRS 16 resulted in significant impact on the net change of our Group's cash and cash equivalents for the years ended 31 December 2017, 2018 and 2019 as compared with those that would have been presented under HKAS 17, whereas there was an increase in our Group's net cash from operating activities and net cash used in financing activities which was mainly due to the classification and recognition of lease payments in accordance with HKFRS 16. The major difference in the classification and recognition of cash flows in relation to lease payment between HKFRS 16 and HKAS 17 is that the payment of leases is classified as cash outflows under financing activities under HKFRS 16, whereas it was classified as cash outflows under operating activities under the HKAS 17.

(d) Impact to certain key financial ratios

If HKAS 17 was applied instead of HKFRS 16 throughout the Track Record Period, the net profit margin, interest coverage, return on equity, return on assets, current ratio and gearing ratio of our Group during the Track Record Period would have been affected as follows:

	Net profit margin (Note 1) For the year ended 31 December			Interest coverage (Note 2) For the year ended 31 December		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
	%	%	%	*(times)*	*(times)*	*(times)*
As if reported under HKAS 17 <A>	14.7	16.7	13.9	N/A	N/A	N/A
Currently reported under HKFRS 16 <B>	12.9	15.5	12.8	10.0	12.1	9.6

	Return on equity (Note 3) Year ended 31 December			Return on assets (Note 4) Year ended 31 December		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
	%	%	%	%	%	%
As if reported under HKAS 17 <A>	43.7	49.3	51.8	15.3	17.0	14.9
Currently reported under HKFRS 16 <B>	42.5	51.5	55.7	8.7	10.7	9.1

	Current ratio (Note 5) As at 31 December			Gearing ratio (Note 6) As at 31 December		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
	(times)	*(times)*	*(times)*	*(times)*	*(times)*	*(times)*
As if reported under HKAS 17 <A>	1.1	1.1	1.3	—	—	0.5
Currently reported under HKFRS 16 <B>	0.9	0.9	1.1	1.8	1.7	2.8

Notes:

1. Net profit margin is calculated based on the profit and total comprehensive income for the respective year divided by the revenue for the respective year and multiplied by 100%.

2. Interest coverage is calculated based on the profit and total comprehensive income for the year before interest and taxation for the respective year divided by the interests on lease liabilities for the respective year.

3. Return on equity is calculated based on the profit and total comprehensive income for the year divided by the total equity at the end of the respective year and multiplied by 100%.

4. Return on assets is calculated based on the profit and total comprehensive income for the year divided by the total assets at the end of the respective year and multiplied by 100%.

5. Current ratio is calculated based on the total current assets at the end of the year divided by the total current liabilities at the end of the respective year.

6. Gearing ratio is calculated based on total debt at the end of the year divided by total equity at the end of the respective year. Total debt represents lease liabilities arising from the adoption of HKFRS 16 "Leases" and the Pre-IPO Convertible Note.

The above hypothetical amounts or financial ratios are estimates only and are presented solely to illustrate the impact on the Combined Financial Statements of our Group during the Track Record Period based on HKAS 17.

FINANCIAL PERFORMANCE OF THE DASHAN TRAINING PRIOR TO THE TRACK RECORD PERIOD

On 21 December 2016, all of the issued shares of Dashan Training were listed on the NEEQ with its then stock code being 870106, and the shares of Dashan Training were delisted from the NEEQ on 30 July 2018. According to the disclosed information on NEEQ, the revenue of Dashan Training increased significantly from approximately RMB33.9 million for the year ended 31 December 2014 to approximately RMB217.3 million for the year ended 31 December 2017. Set out below are the revenue breakdown for the four years ended 31 December 2017 which was disclosed on NEEQ.

	For the year ended 31 December							
	2014		**2015**		**2016**		**2017**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Tuition fees income	32,515	95.8	76,496	92.8	78,716	94.5	213,885	98.4
Other income *(Note)*	1,421	4.2	5,969	7.2	4,614	5.5	3,458	1.6
Total revenue	**33,936**	**100.0**	**82,465**	**100.0**	**83,330**	**100.0**	**217,343**	**100.0**

Note: Other income comprises revenue from (i) sales of books and others, (ii) brand name licensing fees, (iii) sales of study accounts, and (iv) provision of training and consultancy services.

The following table sets out tuition fees income we generated from the same self-operated teaching centres for the years indicated:

	Number of self-operated teaching centres	For the year ended 31 December				Year to year comparison		
		2014	2015	2016	2017	2014 vs 2015	2015 vs 2016	2016 vs 2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*%*	*%*	*%*
Existing self-operated teaching centres as at 31 December 2017								
Opened prior to 1 January 2014	10	16,849	33,488	32,185	51,327	98.8	(3.9)	59.5
Opened during 2014	9	10,183	30,096	31,937	56,179	195.6	6.1	75.9
Opened during 2015	4	N/A	1,153	6,039	12,856	N/A	423.8	112.9
Opened during 2016	11	N/A	N/A	4,621	25,276	N/A	N/A	447.0
Opened during 2017	29	N/A	N/A	N/A	66,059	N/A	N/A	N/A
Subtotal	**63**	**27,032**	**64,737**	**74,782**	**211,697**	**139.5**	**15.5**	**183.1**
Closed self-operated teaching centres from 2014 to 2017								
Opened prior to 1 January 2014 and closed in 2015	2	2,618	5,949	—	—	127.2	(100.0)	—
Opened prior to 1 January 2014 and closed in 2016	1	1,561	2,213	1,759	—	41.7	(20.5)	(100.0)
Opened and closed during 2014	2	536	—	—	—	(100.0)	—	—
Opened during 2014 and closed in 2016	2	—	1,228	5	—	—	(99.6)	(100.0)
Opened during 2014 and closed in 2017	1	768	2,369	2,170	2,188	208.3	(8.4)	0.8
Subtotal	**8**	**5,483**	**11,759**	**3,934**	**2,188**	**114.5**	**(66.5)**	**(44.4)**
Total tuition fees income(Note 1)		**32,515**	**76,496**	**78,716**	**213,885**	**135.3**	**2.9**	**171.7**
Total tutoring hours(Note 2)		**N/A**(Note 3)	**2,282,804**	**2,598,555**	**4,640,515**	**N/A**	**13.8**	**78.6**
Average tuition fees per tutoring hour (RMB) (approximately)		**N/A**	**33.5**	**30.3**	**46.1**	**N/A**	**(9.6)**	**52.1**
No. of self-operated teaching centres at the end of the year		**25**	**27**	**35**	**63**			

Notes:

1. Total tuition fees income represents income derived from (i) regular classes, small classes and VIP classes for our primary school tutoring and secondary school tutoring; and (ii) other tutorial services.

2. Total tutoring hours include tutoring hours we delivered to our students in respect of (i) regular classes, small classes and VIP classes for our primary school tutoring and secondary school tutoring; and (ii) other tutorial services.

3. Our Group only implemented the ERP system in 2015, data storage and retrieval for any period prior to its implementation may be incomplete. As such, total tutoring hours and average tuition fees per tutoring hours for the year ended 31 December 2014 are not available.

Review of the historical result of revenue for the four years ended 31 December 2017

Year ended 31 December 2015 compared to year ended 31 December 2014

Our tuition fees income increased by approximately RMB44.0 million or approximately 135.3% from approximately RMB32.5 million for the year ended 31 December 2014 to approximately RMB76.5 million for the year ended 31 December 2015, mainly attributed to (i) the increase in the tuition fees of approximately RMB1.2 million due to commencement of operations of three self-operated teaching centres in 2015, (ii) the increase in the tuition fees of approximately RMB22.7 million generated from the 12 self-operated teaching centres opened in 2014, including the two centres which were closed in 2016 and one centre which was closed in 2017, mainly due to full year operation impact, and (iii) the increase in the tuition fees of approximately RMB20.6 million generated from the 13 self-operated teaching centres opened prior to 1 January 2014 including the two centres which were closed in December 2015 and one centre which was closed in 2016.

Although the total tutoring hours and average tuition fees per tutoring hours for the year ended 31 December 2014 are not available, based on the best knowledge of our Directors, our Directors are of the view that:

(i) The total tutoring hours for the year ended 31 December 2015 was increased compared to that for the year ended 31 December 2014, which was mainly attributable to: (a) the contribution from the newly opened self-operated teaching centres and the full-year operation of the self-operated teaching centres opened in 2014 as aforementioned; and (b) the extensive marketing and advertisement campaigns our Group conducted such as the outdoor advertisements and the sales skills training for sales staff, which could be told from the significant increase in the marketing expense from approximately RMB5.6 million for the year ended 31 December 2014 to approximately RMB15.4 million for the year ended 31 December 2015 as disclosed on the NEEQ, leading to more students enrolling with our Group.

(ii) The average tuition fees per tutoring hour for the year ended 31 December 2015 was increased compared to that for the year ended 31 December 2014, which was mainly due to: (a) the image upgrading and the brand awareness promoting of our Group by renovation of the existing self-operated teaching centres with such expenses amounted to approximately RMB15.1 million for the year ended 31 December 2014, and the extensive marketing and advertisement campaigns aforementioned; (b) more capital investment on the research and development on the quality of the tutoring courses; (c) normal price upward adjustment based on annual review.

Year ended 31 December 2016 compared to year ended 31 December 2015

Our tuition fees income increased by approximately RMB2.2 million or approximately 2.9% from approximately RMB76.5 million for the year ended 31 December 2015 to approximately RMB78.7 million for the year ended 31 December 2016, primarily driven by the combined effect of (i) the increase in the tuition fees of approximately RMB4.6 million due to commencement of operation of 11 self-operated teaching centres newly opened in

2016, (ii) the increase in the tuition fees of approximately RMB4.9 million generated from the four self-operated teaching centres opened during 2015 mainly due to the full-year operation impact, (iii) the increase in the tuition fees of approximately RMB1.8 million generated from the nine self-operated teaching centres opened during 2014 due to the increased student enrolments; and (iv) the decrease in the tuition fees of approximately RMB5.9 million generated from the two self-operated teaching centres opened prior to 1 January 2014 and closed during 2015.

In overall, the modest increase in the tuition fees income was the combined effect of (i) the increase in the tutoring hours by approximately 316,000 hours or approximately 13.8% from approximately 2.3 million hours to 2.6 million hours as a result of abovementioned reasons (i.e. point (i) to (iii)), and (ii) the decrease in the average tuition fees per tutoring hour by approximately RMB3.2 or approximately 9.6% from approximately RMB33.5 to approximately RMB30.3. The decrease in the average tuition fees per tutoring hour for the year ended 31 December 2016 was mainly because our Group offered relatively big promotional discount, such as class per course at RMB18 ("**18 元班**"), to compete with other market players as the competition in Zhengzhou became fierce as many players launched low-priced classes to attract the customers and promote their business in Zhengzhou market in 2016 according to the Frost & Sullivan Report.

Year ended 31 December 2017 compared to year ended 31 December 2016

Our tuition fees income increased by approximately RMB135.2 million or approximately 171.7% from approximately RMB78.7 million for the year ended 31 December 2016 to approximately RMB213.9 million for the year ended 31 December 2017, mainly attributable to (i) the increase in the tuition fees of approximately RMB66.1 million due to commencement of operations of 29 newly opened self-operated teaching centres in 2017; (ii) the increase in the tuition fees of approximately RMB20.7 million generated from the 11 self-operated teaching centres opened in 2016, mainly due to the full-year operation impact. In particular, three of them were opened towards the year end and thus did not generate any revenue, and four were opened in the fourth quarter and thus generated limited revenue for the year ended 31 December 2016; and (iii) the increase in the tuition fees income of approximately RMB50.2 million generated from the 23 self-operated teaching centres opened prior to 2016 (including 10 opened prior to 1 January 2014, nine during 2014 and four during 2015), primarily attributable to (1) the increase in the tutoring hours by approximately 403,000 hours or approximately 17.3% from approximately 2.3 million hours to 2.7 million hours as a result of the further enhanced market awareness from the listing to the NEEQ in December 2016 and fast business expansion in 2017; and (2) the increase in the average tuition fees per tutoring hour by approximately RMB13.9 or approximately 46.3%, mainly because (a) overcome from the price competition in 2016 aforementioned, our Group adopted an aggressive pricing strategy after its listing to the NEEQ in December 2016 with further enhanced market awareness and reputation and adjusted the price upward in overall by approximately 52.1% from approximately RMB30.3 for the year ended 31 December 2016 to approximately RMB46.1 for the year ended 31 December 2017, which also represented an increase of approximately RMB12.6 (or approximately 37.6%) compared with that for the year ended 31 December 2015; and (b) more VIP classes in overall with higher average tuition fees per tutoring hour were opened in 2017 in correspondence of the market demand, the revenue contribution from which was approximately 33.6% for the year ended 31 December 2017 compared to that of approximately 27.3% for the year ended 31 December 2016. For further details, please refer to the section headed "Business — Our tutoring services — Our classes" in this prospectus.

SELECTED ITEMS OF THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Results of operations

The following table sets out the combined results of our Group for the years indicated, which are derived from, and should be read in conjunction with, the combined financial information set out in the Accountants' Report in Appendix I to this prospectus.

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	217,343	289,787	383,647
Cost of sales	(122,446)	(160,925)	(213,992)
Gross profit	94,897	128,862	169,655
Other income	3,945	6,414	5,859
Other gains and losses, net	(538)	(644)	2,140
Selling and marketing expenses	(16,658)	(20,400)	(22,918)
Content and information technology development and training expenses	(12,125)	(19,602)	(32,228)
Administrative expenses	(27,850)	(29,922)	(48,080)
Listing expenses	(545)	(6,337)	(10,572)
Finance costs	(4,115)	(4,815)	(6,687)
Fair value change of financial liabilities designated at fair value through profit or loss	—	—	65
Profit before taxation	37,011	53,556	57,234
Taxation	(8,951)	(8,613)	(8,268)
Profit and total comprehensive income for the year	28,060	44,943	48,966

DESCRIPTION OF MAJOR ITEMS FROM OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue was generated primarily from the tuition fees we collect from our students through our self-operated teaching centres. We generated revenue of approximately RMB217.3 million, RMB289.8 million and RMB383.6 million for the three years ended 31 December 2019, respectively, of which approximately 98.5%, 98.4% and 97.5%, respectively, was contributed by our tuition fees income.

We typically collect course tuition fees from students in advance for courses that they purchase and would only recognise the tuition fees as our revenue in proportion to the tutoring services rendered. For further information of our course tuition fees received from students in advance, please refer to the paragraph headed "Selected items of financial position — Receipts in advance" in this section.

The following table sets out our revenue by different segments for the years indicated:

	For the year ended 31 December					
	2017		**2018**		**2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Tuition fees income						
— Regular classes, small classes and VIP classes	208,438	96.0	274,863	94.9	363,602	94.8
— Online courses	—	—	106	0.0	398	0.1
— Other tutorial services *(Note 1)*	5,447	2.5	10,216	3.5	9,952	2.6
Subtotal	213,885	98.5	285,185	98.4	373,952	97.5
Sales of books and teaching materials	1,327	0.6	2,338	0.8	4,311	1.1
Brand name licensing and advisory services income	1,601	0.7	1,938	0.7	4,801	1.2
Other services *(Note 2)*	530	0.2	326	0.1	583	0.2
Total	217,343	100.0	289,787	100.0	383,647	100.0

Notes:

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

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

The increase in our revenue during the Track Record Period was primarily attributable to the tuition fees income received from the newly established self-operated teaching centres, as our newly established self-operated teaching centres typically demonstrate a relatively significant growth at the initial stage of operations in the first two years after establishment.

The following table sets out tuition fees income (exclusive of tuition fees income generated from provision of online courses) we generated from the same self-operated teaching centres for the years indicated:

	Number of self-operated teaching centres	For the year ended 31 December			Year to year comparison	
		2017	2018	2019	2017 vs 2018	2018 vs 2019
		Revenue	Revenue	Revenue		
		RMB'000	*RMB'000*	*RMB'000*	*%*	*%*
Existing self-operated teaching centres as at 31 December 2019:						
Opened prior to 1 January 2017	30	131,307	153,334	186,213	16.8	21.4
Opened during 2017	26	59,896 *(Note 1)*	107,531	140,605	79.5	30.8
Opened during 2018	10	N/A	6,751	31,042 *(Note 2)*	N/A	359.8
Opened during 2019	14	N/A	N/A	7,198	N/A	N/A
Subtotal	**80**	**191,203**	**267,616**	**365,058**	**40.0**	**36.4**
Closed self-operated teaching centres during the Track Record Period:						
Opened prior to 1 January 2017 and closed during 2017	1	2,189	N/A	N/A	N/A	N/A
Opened prior to 1 January 2017 and closed during 2018	2	5,047	3,031	N/A	(39.9)	N/A
Opened prior to 1 January 2017 and closed during 2019	2	9,283	9,224	2,762	(0.6)	(70.1)
Opened during 2017 and closed during 2019	3	6,163	5,208	5,734	(15.5)	10.1
Subtotal	**8**	**22,682**	**17,463**	**8,496**	**(23.0)**	**(51.3)**
Tuition fees income (exclusive of tuition fees income generated from provision of online courses)		**213,885**	**285,079**	**373,554**	**33.3**	**31.0**

Notes:

1. Among the 26 existing self-operated teaching centres opened during the year ended 31 December 2017, three self-operated teaching centres were opened near the end of 2017 and did not contribute revenue for the year ended 31 December 2017. As a result of the full year operation in the year ended 31 December 2018, we experienced a significant revenue growth of approximately 79.5% from these existing self-operated teaching centres opened during the year ended 31 December 2017.

2. Among the 10 existing self-operated teaching centres opened during the year ended 31 December 2018, nine self-operated teaching centres were opened after June 2018 and contributed relatively insignificant amount of revenue for the year ended 31 December 2018. As a result of the full year operation in the year ended 31 December 2019, we experienced a significant revenue growth of approximately 359.8% from these existing self-operated teaching centres opened during the year ended 31 December 2018.

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

	For the year ended 31 December																			
	2016					2017					2018					2019				
	Revenue		Student enrolments	Total number of tutoring hours	Average tuition fees per tutoring hour	Revenue		Student enrolments	Total number of tutoring hours	Average tuition fees per tutoring hour	Revenue		Student enrolments	Total number of tutoring hours	Average tuition fees per tutoring hour	Revenue		Student enrolments	Total number of tutoring hours	Average tuition fees per tutoring hour
	(RMB'000)	%			*(RMB)*	*(RMB'000)*	%			*(RMB)*	*(RMB'000)*	%			*(RMB)*	*(RMB'000)*	%			*(RMB)*
Primary school tutoring																				
Regular classes	40,581	52.4	41,401	1,651,152	25	102,751	49.3	76,533	2,990,712	34	128,792	46.9	99,939	3,685,673	35	187,315	51.5	135,853	4,437,250	42
Small classes	812	1.0	893	27,940	29	100	0.0	111	2,482	40	21,263	7.7	10,191	309,751	69	16,002	4.4	8,099	214,727	75
VIP classes	8,602	11.1	4,752	131,299	66	32,677	15.7	13,029	355,265	92	33,889	12.3	12,059	249,678	136	40,595	11.2	17,541	270,237	150
	49,995	64.5	47,046	1,810,391	28	135,528	65.0	89,673	3,348,459	40	183,944	66.9	122,189	4,245,102	43	243,912	67.1	161,493	4,922,214	50
Secondary school tutoring																				
Regular classes	14,135	18.3	20,365	517,614	27	35,531	17.1	32,318	888,760	40	39,888	14.5	44,506	1,035,517	39	60,105	16.5	63,525	1,397,477	43
Small classes	764	1.0	1,121	23,687	32	54	0.0	35	1,320	41	12,798	4.7	6,920	173,603	74	12,700	3.5	7,409	156,286	81
VIP classes	12,557	16.2	6,588	157,559	80	37,325	17.9	15,199	329,634	113	38,233	13.9	14,113	230,213	166	46,885	12.9	15,707	254,209	184
	27,456	35.5	28,074	698,860	39	72,910	35.0	47,552	1,219,714	60	90,919	33.1	65,539	1,439,333	63	119,690	32.9	86,641	1,807,972	66
Total	**77,451**	**100.0**	**75,120**	**2,509,251**	**31**	**208,438**	**100.0**	**137,225**	**4,568,173**	**46**	**274,863**	**100.0**	**187,728**	**5,684,435**	**48**	**363,602**	**100.0**	**248,134**	**6,730,186**	**54**

The increase in our revenue during the Track Record Period primarily reflected the increase in the number of student enrolments, the total number of tutoring hours we delivered to our students and the increase in our average tuition fees per tutoring hour.

Cost of sales

Our cost of sales primarily consists of (i) staff costs; and (ii) depreciation during the Track Record Period. The following table sets out the breakdown of our cost of sales for the years indicated:

	For the year ended 31 December					
	2017		**2018**		**2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs *(Note 1)*	68,517	55.9	95,179	59.1	119,022	55.6
Depreciation of right-of-use assets	30,417	24.8	36,938	23.0	51,451	24.0
Depreciation of property, plant and equipment (excluding right-of-use assets)	11,835	9.7	15,224	9.4	22,479	10.5
Cost of materials	7,173	5.9	8,123	5.1	13,832	6.5
Utilities and facilities cost	3,327	2.7	3,927	2.4	5,612	2.6
Others *(Note 2)*	1,177	1.0	1,534	1.0	1,596	0.8
Total	122,446	100.0	160,925	100.0	213,992	100.0

Notes:

1. Staff costs include both the amounts attributable to our teaching staff and outsourced teaching staff.

2. Others mainly represent cost for the maintenance of online platform and promotion fees.

Staff costs primarily consist of salaries and performance based payment attributable to our teaching staff including teachers, trainee teachers and academic affairs officers, among others, engaged by us or through human resources agents which are/were the Independent Third Parties. Staff costs were our major cost component during the Track Record Period and accounted for approximately 55.9%, 59.1% and 55.6% of the cost of sales for the three years ended 31 December 2019, respectively. The increase in staff costs during the Track Record Period mainly corresponds to the increase in the number of teaching staff which was in line with the growth of our business and expansion in the number of our self-operated teaching centres. The amount attributable to our teaching staff was approximately RMB63.2 million, RMB86.1 million and RMB86.0 million, and the amount attributable to outsourced teaching staff was approximately RMB5.3 million, RMB9.1 million and RMB33.0 million for the three years ended 31 December 2019, respectively.

The following table sets out the breakdown of the staff costs attributable to our outsourced teaching staff by functions included in cost of sales for the years indicated *(Note 1)*:

	As at/For the year ended 31 December														
	2017					2018					2019				
	Staff costs	%	Number of staff *(Note 2)*	Total number of payment *(Notes 2 and 3)*	Average salary	Staff costs	%	Number of staff *(Note 2)*	Total number of payments *(Notes 2 and 3)*	Average salary	Staff costs	%	Number of staff *(Note 2)*	Total number of payment *(Notes 2 and 3)*	Average salary
	RMB'000	*%*			*RMB*	*RMB'000*	*%*			*RMB*	*RMB'000*	*%*			*RMB*
Teachers *(Note 4)*	5,323	100.0	260	3,017	1,764	5,027	55.2	17	2,720	1,848	—	—	—	—	—
Trainee teachers *(Note 5)*	—	—	—	—	—	—	—	—	—	—	6,125	18.5	80	2,081	2,943
Academic affairs officers *(Note 6)*	—	—	—	—	—	3,393	37.2	201	801	4,236	23,845	72.2	454	5,024	4,746
Others *(Note 7)*	—	—	—	—	—	689	7.6	21	99	6,963 *(Note 8)*	3,070	9.3	61	539	5,696 *(Note 8)*
Total	5,323	100.0	260	3,017		9,109	100.0	239	3,620		33,040	100.0	595	7,644	

Notes:

1. As at the Latest Practicable Date, we had nil outsourced teacher, 144 outsourced trainee teachers, 388 outsourced academic affairs officers and five outsourced other teaching staff.

2. Number of staff represents the number of staff as at the end of the respective year. In order to prioritise our resources on teachers, we decided not to engage outsourced teachers since late 2018. We reduced our engagement of the outsourced teachers gradually after late 2018, and thus the number of our outsourced teachers was 17 as at 31 December 2018, which was significantly less than 260 as at 31 December 2017. However, as the total number of payment made to our outsourced teachers represents the cumulative total number of payment made during the whole year, the total number of payment made to our outsourced teachers decreased slightly from 3,017 in 2017 to 2,720 in 2018. Instead of engaging outsourced teachers, we began to outsource the trainee teachers, academic affairs officers and other teaching staff. Therefore, there was an increase in the number of our outsourced trainee teachers, academic affairs officers and other teaching staff and the total number of payment made to them, respectively, from the year ended 31 December 2018 to the year ended 31 December 2019.

3. It represents the cumulative total number of payment made to our outsourced teaching staff, through human resources agents, for the respective year. We pay our outsourced teaching staff, through human resources agents, every month based on their services rendered to us. If we paid our outsourced teaching staff, through human resources agents, more than once during the respective year, it would be counted as multiple number of payment.

4. Our outsourced teachers are primarily engaged on a part-time basis according to our business demand and were paid on an hourly basis.

5. Our outsourced trainee teachers are engaged on a full-time basis and were primarily fresh graduates who have not completed our mandatory training program and have not formally commenced teaching to our students but are expected to be our own teachers upon passing the examination of our internal training. Therefore, the average salary attributable to our outsourced trainee teachers was relatively lower than that attributable to our outsourced academic affairs officers and other teaching staff, respectively.

6. Our outsourced academic affairs officers are mainly responsible for our course management, coordination among students, parents and teachers, and facilitating the daily operation of our self-operated teaching centres.

7. Others mainly represent staff responsible for the overall operation and management of our respective teaching districts, procurement of books and teaching materials, liaising with our franchisees and contracted parties for our brand name licensing and advisory services, and etc. As our outsourced other teaching staff includes our outsourced teaching district supervisors who were paid at a relatively higher rate, the average salary attributable to our outsourced other teaching staff was higher than that attributable to our outsourced teachers, trainee teachers and academic affair officers, respectively.

8. The decrease in average salary attributable to our outsourced other teaching staff from 2018 to 2019 was mainly because the number of our outsourced teaching district supervisors who were paid at a relatively higher rate as a percentage to the number of our outsourced other teaching staff in 2019 decreased as compared to that of 2018.

Our outsourced teaching staff primarily includes (i) teachers, who provide teaching to our students; (ii) trainee teachers, who have not completed our mandatory training program and have not formally commenced teaching to our students but expected to be our own teachers upon passing the examination of our internal training; and (iii) academic affairs officers, who are responsible for our course management, coordination among students, parents and teachers, and facilitating the daily operation of our self-operated teaching centres. In order to prioritise our resources on teachers, we decided not to engage outsourced teachers since late 2018. Instead, we began to outsource (i) the trainee teachers who have not yet completed our mandatory training program and not yet passed the examination of our internal training; and (ii) other non-teacher teaching staff, while reducing the number of our own non-teacher teaching staff as a mean to enhance our operational efficiency. For the three years ended 31 December 2019, the amount attributable to our outsourced teachers was approximately RMB5.3 million, RMB5.0 million and nil, respectively, and the amount attributable to our outsourced non-teacher teaching staff was nil, approximately RMB4.1 million and RMB33.0 million, respectively. The increase in our staff costs attributable to outsourced non-teacher teaching staff from 2018 to 2019 was mainly due to (i) the increase in our outsourced staff costs of approximately RMB6.1 million attributable to our newly hired trainee teachers; and (ii) the increase in our outsourced staff costs of approximately RMB20.4 million attributable to more outsourced academic affairs officers when we commenced outsourcing in late 2018, with the staff costs attributable to our outsourced academic affairs officers increased from approximately RMB3.4 million in 2018 to approximately RMB23.8 million in 2019 due to the full year effect and our business expansion, while with the reduced number of our own academic affairs officers, the staff costs attributable to our own academic affairs officers decreased from approximately RMB24.7 million in 2018 to approximately RMB13.5 million in 2019.

Depreciation represents the declined asset value for our property, plant and equipment relating to our self-operated teaching centres (which includes the right-of-use assets) which accounted for approximately 34.5%, 32.4% and 34.5% of the cost of sales for each of the three years ended 31 December 2019, respectively. The increase in depreciation was primarily in line with our expansion in the number of our self-operated teaching centres.

Sensitivity analysis on major items in cost of sales

For illustration purposes, a sensitivity analysis on fluctuations of change in staff costs is set out as follows, which shows the effects on our profit before taxation for each of the three years ended 31 December 2019, assuming the change by approximately 7.9% and 8.9% (being the CAGR of average annual salary of employed persons in education in China and Henan respectively from 2014 to 2019) and other parameters remain constant:

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Change in profit before taxation:			
+/–7.9% change in staff costs	–/+5,413	–/+7,519	–/+9,403
+/–8.9% change in staff costs	–/+6,098	–/+8,471	–/+10,593

Note: The sensitivity analysis above assumes that all other variables remain unchanged. This sensitivity analysis is illustrated for reference only. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact on changes in the relevant item of our cost of sales.

Gross profit and gross profit margin

Our gross profit represents our revenue less cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. Our gross profit was approximately RMB94.9 million, RMB128.9 million and RMB169.7 million for the three years ended 31 December 2019, respectively, representing a gross profit margin of approximately 43.7%, 44.5% and 44.2%, respectively.

Other income

Other income mainly consists of (i) government grants; and (ii) income from financial assets designated at fair value through profit or loss. The following table sets out the breakdown of our other income during the years indicated:

	For the year ended 31 December					
	2017		**2018**		**2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Government grants	1,860	47.1	1,287	20.1	573	9.8
Income from financial assets designated at fair value through profit or loss	1,880	47.7	4,862	75.8	4,685	80.0
Bank interest income	170	4.3	186	2.9	279	4.7
Imputed interest income from rental deposits	34	0.9	52	0.8	98	1.7
Rental income	—	—	—	—	132	2.2
Others	1	0.0	27	0.4	92	1.6
Total	3,945	100.0	6,414	100.0	5,859	100.0

The government grants of approximately RMB1.9 million and RMB1.3 million recorded during the year ended 31 December 2017 and 2018, respectively were related to the reward received from the local government from the successful listing of our shares on the NEEQ during 2016 and subsidies from the local government for the cost incurred for the college student internship programme run by us. For the year ended 31 December 2019, government grants mainly represented the subsidies from the local government for the recognition of Dashan Training as a high and new technology enterprise. The government grants were recognised as other income upon receipt during the Track Record Period, and there was no unfulfilled condition attached to these government grants in the years in which they were recognised.

Income from financial assets designated at fair value through profit or loss mainly related to the income from our investment in wealth management products from financial institutions in the PRC, who were all Independent Third Parties, and accounted for approximately RMB1.9 million, RMB4.9 million and RMB4.7 million for the three years ended 31 December 2019, respectively. For details, please refer to the paragraph headed "Selected items of financial position — Financial assets designated at fair value through profit or loss" in this section.

Other gains and losses, net

Others gains and losses mainly consist of (i) impairment loss recognised in respect of trade and other receivables; (ii) loss on disposal of property, plant and equipment; and (iii) gain on derecognition of right-of-use assets and lease liabilities. The following table sets out a breakdown of our other gains and losses for the years indicated:

	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Foreign exchange losses	—	(180)	(587)
Impairment loss recognised in respect of trade and other receivables, net	(703)	(203)	(415)
Loss on disposal of property, plant and equipment	(288)	(216)	(161)
Gain on derecognition of right-of-use assets and lease liabilities	453	28	3,303
Others	—	(73)	—
Total	(538)	(644)	2,140

Selling and marketing expenses

Our selling and marketing expenses primarily include wages and salaries for our marketing personnel and advertising expenses. The following table sets out the breakdown of our selling and marketing expenses during the years indicated:

	For the year ended 31 December					
	2017		**2018**		**2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Marketing expenses	15,800	94.8	19,659	96.3	21,927	95.7
Staff costs	342	2.1	155	0.8	333	1.4
Others *(Note)*	516	3.1	586	2.9	658	2.9
Total	16,658	100.0	20,400	100.0	22,918	100.0

Note: Others mainly represent travelling expenses and office expenses.

The marketing expenses are related to the marketing effort to promote and attract potential new students, such as offline promotion activities, advertisements, radio commercial and online advertisements. The staff costs are related to the salaries and benefits attributable to our marketing staff.

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.

During the Track Record Period, our content and information technology development and training expenses were approximately RMB12.1 million, RMB19.6 million and RMB32.2 million, respectively, representing approximately 5.6%, 6.8% and 8.4% of our revenue, respectively.

The following table sets out the breakdown of our content and information technology development and training expenses during the years indicated:

	For the year ended 31 December					
	2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	11,584	95.5	16,376	83.6	27,057	84.0
Outsourcing service fees	420	3.5	1,925	9.8	2,260	7.0
Depreciation	121	1.0	1,301	6.6	1,971	6.1
Others *(Note)*	—	—	—	—	940	2.9
Total	12,125	100.0	19,602	100.0	32,228	100.0

Note: Others mainly represent the costs attributable to the engagement of several top tier universities or their associated publishing house in Beijing to customise or advise us on the design of our teaching materials.

During the year ended 31 December 2017, we began expanding our research and development for our teaching materials, our proprietary online learning platform "學習8"(Learning Bar) and online content and related materials. For the two years ended 31 December 2019, we continued to invest additional resources into our research and development, resulting in the increase in staff costs, outsourcing service fees and depreciation. As a result, our content and information technology development and training expenses amounted to approximately RMB12.1 million, RMB19.6 million and RMB32.2 million for the three years ended 31 December 2019, respectively.

Administrative expenses

Our administrative expenses mainly comprise of staff costs at our head office, office expenses and travelling expenses. During the Track Record Period, our administrative expenses were approximately RMB27.9 million, RMB29.9 million and RMB48.1 million, respectively, representing approximately 12.8%, 10.3% and 12.5% of our revenue for the corresponding years, respectively. The following table sets out the breakdown of our administrative expenses during the years indicated:

	For the year ended 31 December					
	2017		**2018**		**2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs *(Note 1)*	10,907	39.2	12,917	43.2	25,546	53.1
Office expenses	11,125	39.9	11,292	37.7	15,572	32.4
Travelling expenses	3,625	13.0	1,970	6.6	3,068	6.4
Depreciation and amortisation	1,004	3.6	1,497	5.0	1,971	4.1
Legal and professional fees	182	0.7	1,499	5.0	578	1.2
Others *(Note 2)*	1,007	3.6	747	2.5	1,345	2.8
Total	27,850	100.0	29,922	100.0	48,080	100.0

Notes:

1. Staff costs include both the amounts attributable to our administrative staff and outsourced administrative staff.

2. Others mainly comprise of donation, other tax and other promotion fees.

Staff costs primarily consist of salaries and benefits attributable to administrative staff, engaged by us or through human resources agents which are/were the Independent Third parties. Staff costs were one of the major components for our administrative expenses and amounted to approximately 39.2%, 43.2% and 53.1% of our administrative expenses for each of the three years ended 31 December 2019, respectively. More administrative personnel related costs were incurred during the Track Record Period to support our expansion, which were also generally in line with the increase in our total number of self-operated teaching centres. The amount attributable to our administrative staff was approximately RMB9.9 million, RMB11.6 million and RMB14.6 million, and the amount attributable to outsourced administrative staff was approximately RMB1.0 million, RMB1.3 million and RMB10.9 million for the three years ended 31 December 2019, respectively.

The following table sets out the breakdown of the staff costs attributable to our outsourced administrative staff by functions included in administrative expenses for the years indicated *(Note 1)*:

	As at/For the year ended 31 December														
	2017					2018					2019				
	Staff costs	%	Number of staff *(Note 2)*	Total number of payment *(Note 3)*	Average salary	Staff costs	%	Number of staff *(Note 2)*	Total number of payment *(Note 3)*	Average salary	Staff costs	%	Number of staff *(Note 2)*	Total number of payment *(Note 3)*	Average salary
	RMB'000	*%*			*RMB*	*RMB'000*	*%*			*RMB*	*RMB'000*	*%*			*RMB*
Learning Bar technicians	60	5.7	—	8	7,445 *(Note 5)*	465	34.8	37	98	4,745 *(Note 5)*	4,929	45.1	97	968	5,092 *(Note 5)*
Accounting and finance staff	2	0.2	—	1	2,000	298	22.3	19	85	3,504 *(Note 6)*	4,267	39.1	66	878	4,859 *(Note 6)*
Others *(Note 4)*	987	94.1	—	509	1,940	572	42.9	47	318	1,800	1,730	15.8	37	1,211	1,429
Total	1,049	100.0	—	518		1,335	100.0	103	501		10,926	100.0	200	3,057	

Notes:

1. As at the Latest Practicable Date, we had 88 outsourced Learning Bar technicians, 64 outsourced accounting and finance staff and 81 outsourced other administrative staff.

2. Number of staff represents the number of staff as at the end of the respective year.

3. It represents the cumulative total number of payment we made to our outsourced administrative staff, through human resources agents, for the respective year. We pay our outsourced administrative staff, through human resources agents, every month based on their services rendered to us. If we paid our outsourced administrative staff, through human resources agents, more than once during the respective year, it would be counted as multiple number of payments.

4. Others mainly represent our outsourced back office supporting staff.

5. The average salary attributable to our outsourced Learning Bar technicians was higher in 2017 as a consultant was engaged to assist us to set up our administrative work plan relevant to our proprietary online learning platform "學習8" (Learning Bar) when it was first launched in 2017, while in 2018 and 2019, only general technicians were engaged to provide general maintenance services for our proprietary online learning platform "學習8" (Learning Bar).

6. The average salary attributable to our outsourced accounting and finance staff was higher in 2019 as (i) there was a pay rise to our outsourced accounting and finance staff in general; and (ii) we began to outsource part of our own senior accounting and finance staff since 2019.

The increase in our staff costs attributable to outsourced administrative staff from 2017 to 2018 was mainly due to the increase in our outsourced staff costs of approximately RMB0.3 million, resulting from the increase in the number of outsourced administrative staff engaged to support our proprietary online learning platform "學習8" (Learning Bar). The increase in our staff costs attributable to outsourced administrative staff from 2018 to 2019 was mainly due to (i) the increase in our outsourced staff costs to approximately RMB4.9 million in 2019, resulting from the further increase in our number of outsourced administrative staff engaged to support our proprietary online learning platform "學習8" (Learning Bar); and (ii) the increase in our outsourced staff costs of approximately RMB4.0 million attributable to our decision to outsource more accounting and finance staff since late 2018, with the staff costs attributable to our outsourced accounting and finance staff increased from approximately RMB0.3 million in 2018 to approximately RMB4.3 million in 2019, while staff costs attributable to our own accounting and finance staff decreased from approximately RMB4.4 million in 2018 to approximately RMB1.2 million in 2019.

Office expenses was another major component for our administrative expenses, which related to our office supplies, equipment and conference charge, and amounted to approximately RMB11.1 million, RMB11.3 million and RMB15.6 million, representing approximately 39.9%, 37.7% and 32.4% of our administrative expenses for each of the three years ended 31 December 2019, respectively.

Listing expenses

Our listing expenses primarily consist of professional fees, underwriting commission and other fees and expenses payable by us in connection with the previous listing on the NEEQ, the Listing and the Share Offer. Our listing expenses amounted to approximately RMB0.5 million, RMB6.3 million and RMB10.6 million for the three years ended 31 December 2019, respectively, among which our listing expenses incurred during 2017 was related to our previous listing on the NEEQ.

Finance costs

During the Track Record Period, we did not have any interest-bearing borrowings and our finance costs represent interests on lease liabilities. For each of the three years ended 31 December 2019, our finance costs amounted to approximately RMB4.1 million, RMB4.8 million and RMB6.7 million, respectively.

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 our Pre-IPO Convertible Note issued by our Company to the Pre-IPO Investor on 31 October 2019. We recorded a fair value gain of approximately RMB65,000 for the year ended 31 December 2019 based on the valuation carried out on 31 December 2019 by an independent valuer. For further details, please refer to the paragraph headed "Selected items of financial position — Financial liabilities designated at fair value through profit or loss" in this section.

Taxation

We are subject to income tax for profits generated by or derived from the jurisdictions where the members of our Group were established or operated. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, our Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands. No provision for Hong Kong profits tax has been made as our Group has no assessable profits derived from or earned in Hong Kong. Pursuant to PRC Income Tax Law and the respective regulations, the companies of our Group which operate in the PRC are subject to EIT.

For each of the three years ended 31 December 2019, our income tax expenses amounted to approximately RMB9.0 million, RMB8.6 million and RMB8.3 million, respectively. Our effective tax rate was approximately 24.2%, 16.1% and 14.4% for each of the three years ended 31 December 2019, respectively. The decrease in effective tax rate for the two years ended 31 December 2019 were mainly due to Dashan Training being recognised as a high and new technology enterprise and therefore entitled to a preferential tax rate of 15% for a period of three years from 2018 to 2020, compared to a tax rate of 25% on taxable income for the year ended 31 December 2017. During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 December 2019 compared to year ended 31 December 2018

Revenue

Our revenue increased by approximately RMB93.8 million or 32.4% from approximately RMB289.8 million for the year ended 31 December 2018 to approximately RMB383.6 million for the year ended 31 December 2019. Such increase was primarily due to the increase in our tuition fees income from primary and secondary school tutoring, mainly attributable to (i) the increase in number of student enrolments from 187,728 for the year ended 31 December 2018 to 248,134 for the year ended 31 December 2019 and the increase in total number of tutoring hours from 5,684,435 hours for the year ended 31 December 2018 to 6,730,186 hours for the year ended 31 December 2019, mainly as a result of the full year operation of our 10 self-operated teaching centres which were opened during the year ended 31 December 2018 and rapid growth contributed by the self-operated teaching centres established in the previous year; and (ii) the increase in average tuition fees per tutoring hour from approximately RMB48 for the year ended 31 December 2018 to approximately RMB54 for the year ended 31 December 2019.

Cost of sales

Our cost of sales increased by approximately RMB53.1 million or 33.0% from approximately RMB160.9 million for the year ended 31 December 2018 to approximately RMB214.0 million for the year ended 31 December 2019. Such increase was primarily due to (i) the increase in staff costs by approximately RMB23.8 million, which was mainly due to the increase in number of staff; and (ii) the increase in depreciation by approximately RMB21.8 million, which was mainly due to our expansion in the number of our self-operated teaching centres.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB40.8 million or 31.7% from approximately RMB128.9 million for the year ended 31 December 2018 to approximately RMB169.7 million for the year ended 31 December 2019, which was primarily as a result of the increase in our revenue. The gross profit margin remained relatively stable at approximately 44.5% and 44.2% for the two years ended 31 December 2019, respectively.

Other income

Our other income decreased by approximately RMB0.5 million or 7.8% from approximately RMB6.4 million for the year ended 31 December 2018 to approximately RMB5.9 million for the year ended 31 December 2019. Such decrease was mainly due to decrease in government grants of approximately RMB0.7 million for the year ended 31 December 2019.

Other gains and losses, net

We recorded net other losses of approximately RMB0.6 million for the year ended 31 December 2018 and net other gains of approximately RMB2.1 million for the year ended 31 December 2019. Such increase in other gains was mainly due to the gain on derecognition of right-of-use assets and lease liabilities of approximately RMB3.3 million for the year ended 31 December 2019, which was mainly attributable to the early termination for the purpose of meeting the development needs of our self-operated teaching centres.

Selling and marketing expenses

Our selling and marketing expenses remained relatively stable at approximately RMB20.4 million and RMB22.9 million for the two years ended 31 December 2019, respectively.

Content and information technology development and training expenses

Our content and information technology development and training expenses increased by approximately RMB12.6 million or 64.3% from approximately RMB19.6 million for the year ended 31 December 2018 to approximately RMB32.2 million for the year ended 31 December 2019. The increase was primary due to the increase in staff costs associated with content and information technology development and training activities by approximately RMB10.7 million, which was primarily due to the increase in the number of research and development personnel.

Administrative expenses

Our administrative expenses increased by approximately RMB18.2 million or 60.9% from approximately RMB29.9 million for the year ended 31 December 2018 to approximately RMB48.1 million for the year ended 31 December 2019. Such increase was attributed to the increase in staff costs associated with administration and operation by approximately RMB12.6 million, which was primarily due to the increase in number of administrative personnel to support our expansion in the number of our self-operated teaching centres.

Finance costs

Our finance costs, represented interests on lease liabilities, amounted to approximately RMB4.8 million and RMB6.7 million for the two years ended 31 December 2019, respectively. The increase was primarily relating to our expansion in the number of our self-operated teaching centres, which resulted from an increased 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 our Pre-IPO Convertible Note issued by our Company to the Pre-IPO Investor on 31 October 2019. We recorded a fair value gain of approximately RMB65,000 for the year ended 31 December 2019 based on the valuation carried out on 31 December 2019 by an independent valuer. For further details, please refer to the paragraph headed "Selected items of financial position — Financial liabilities designated at fair value through profit or loss" in this section.

Taxation

We incurred income tax expenses of approximately RMB8.3 million for the year ended 31 December 2019, representing a decrease of approximately RMB0.3 million or approximately 3.5% as compared to approximately RMB8.6 million for the year ended 31 December 2018. Our effective tax rate decreased from approximately 16.1% and 14.4% for the two years ended 31 December 2019, respectively. The income tax expenses decreased by approximately 3.5%, while the profit before taxation increased by approximately 6.9% primarily due to (i) the increase of effect of super deduction for content and information technology development and training expenses of approximately RMB2.5 million from approximately RMB3.4 million for the year ended 31 December 2018 to approximately RMB5.9 million for the year ended 31 December 2019; and (ii) the decrease in tax effect of tax losses not recognised from approximately RMB1.0 million for the year ended 31 December 2018 to nil for the year ended 31 December 2019.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year ended 31 December 2019 was approximately RMB49.0 million, representing an increase of approximately RMB4.1 million as compared to approximately RMB44.9 million for the year ended 31 December 2018. The increase in our profit and total comprehensive income was primarily due to the increase in our gross profit of approximately RMB40.8 million from approximately RMB128.9 million for the year ended 31 December 2018 to approximately RMB169.7 million for the year ended 31 December 2019. Our net profit margin was approximately 15.5% and 12.8% for the two years ended 31 December 2019, respectively. The decrease in our net profit margin was primarily due to (i) an increase in non-tax deductible listing expenses of approximately RMB4.3 million from approximately RMB6.3 million for the year ended 31 December 2018 to approximately RMB10.6 million for the year ended 31 December 2019; and (ii) the increase in proportion of certain operating expenses as a percentage of our revenue during the year, including content and information technology development and training expenses from approximately 6.8% for the year ended 31

December 2018 to 8.4% for the year ended 31 December 2019 and administrative expenses from approximately 10.3% for the year ended 31 December 2018 to 12.5% for the year ended 31 December 2019.

Year ended 31 December 2018 compared to year ended December 2017

Revenue

Our revenue increased by approximately RMB72.5 million or 33.4% from approximately RMB217.3 million for the year ended 31 December 2017 to approximately RMB289.8 million for the year ended 31 December 2018. Such increase was primarily due to the increase in our tuition fees income from primary and secondary school tutoring, mainly attributable to (i) the increase in number of student enrolments from 137,225 for the year ended 31 December 2017 to 187,728 for the year ended 31 December 2018 and the increase in total number of tutoring hours from 4,568,173 hours for the year ended 31 December 2017 to 5,684,435 hours for the year ended 31 December 2018 mainly as a result of the increase in number of self-operated teaching centres during the year and rapid growth contributed by the self-operated teaching centres established for the year ended 31 December 2017; and (ii) the increase in average tuition fees per tutoring hour from approximately RMB46 for the year ended 31 December 2017 to approximately RMB48 for the year ended 31 December 2018.

Cost of sales

Our cost of sales increased by approximately RMB38.5 million or 31.5% from approximately RMB122.4 million for the year ended 31 December 2017 to approximately RMB160.9 million for the year ended 31 December 2018. Such increase was primarily due to (i) the increase in staff costs by approximately RMB26.7 million, mainly due to the increase in number of staff; and (ii) the increase in depreciation by approximately RMB9.9 million, which was mainly due to our expansion in the number of our self-operated teaching centres.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB34.0 million or 35.8% from approximately RMB94.9 million for the year ended 31 December 2017 to approximately RMB128.9 million for the year ended 31 December 2018, which was primarily as a result of the increase in our revenue. The gross profit margin remained relatively stable at approximately 43.7% and 44.5% for the year ended 31 December 2017 and 2018, respectively.

Other income

Our other income increased by approximately RMB2.5 million or 64.1% from approximately RMB3.9 million for the year ended 31 December 2017 to RMB6.4 million for the year ended 31 December 2018. Such increase was mainly due to the increase in income from financial assets designated at fair value through profit or loss of approximately RMB3.0 million.

Other gains and losses, net

Our net other losses remained relatively stable at approximately RMB0.5 million and RMB0.6 million for the two years ended 31 December 2018, respectively.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately RMB3.7 million or 22.2% from approximately RMB16.7 million for the year ended 31 December 2017 to approximately RMB20.4 million for the year ended 31 December 2018. Such increase was driven by the increase in the spending in advertisement and marketing.

Content and information technology development and training expenses

Our content and information technology development and training expenses increased by approximately RMB7.5 million or 62.0% from approximately RMB12.1 million for the year ended 31 December 2017 to approximately RMB19.6 million for the year ended 31 December 2018. The increase was primary due to the increase in staff costs associated with content and information technology development and training activities by approximately RMB4.8 million, which was primarily due to the increase in number of research and development personnel.

Administrative expenses

Our administrative expenses increased by approximately RMB2.0 million or 7.2% from approximately RMB27.9 million for the year ended 31 December 2017 to approximately RMB29.9 million for the year ended 31 December 2018. Such increase was attributed to the increase in the staff costs associated with administrative and operation, which was primarily due to the increase in number of administrative personnel to support our expansion in the number of our self-operated teaching centres.

Finance costs

Our finance costs, represented interests on lease liabilities, amounted to approximately RMB4.1 million and RMB4.8 million for the two years ended 31 December 2018, respectively. The increase was primarily relating to our expansion in the number of our self-operated teaching centres, which resulted from an increased number of leased properties.

Taxation

We incurred income tax expenses of approximately RMB8.6 million for year ended 31 December 2018, representing a decrease of approximately RMB0.4 million as compared to approximately RMB9.0 million for the year ended 31 December 2017. Our effective tax rate was approximately 24.2% and 16.1% for the two years ended 31 December 2018, respectively. The decrease in income tax expenses and effective tax rate was primarily due to (i) the significant increase in listing expenses by approximately RMB5.8 million for the year ended 31 December 2018; and (ii) Dashan Training being recognised as a high and new technology enterprise and therefore entitled to a preferential tax rate of 15% for the year ended 31 December 2018, compared to a rate of 25% on taxable income for the year ended 31 December 2017.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year ended 31 December 2018 was approximately RMB44.9 million, representing an increase of approximately RMB16.8 million as compared to approximately RMB28.1 million for the year ended 31 December 2017. Our net profit margin was approximately 12.9% and 15.5% for the two years ended 31 December 2018, respectively. The increase in our profit and total comprehensive income and net profit margin was primarily due to (i) the increase in revenue and gross profit; and (ii) the decrease in effective tax rate.

SELECTED ITEMS OF FINANCIAL POSITION

The following table sets forth selected items of our combined financial position as at the dates indicated:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets:				
Inventories	2,483	4,266	7,091	7,403
Financial assets designated at fair value through profit or loss	80,000	40,000	55,000	100,000
Trade and other receivables	5,409	4,676	9,221	13,305
Bank balances and cash	54,262	146,527	176,939	77,787
Total current assets	142,154	195,469	248,251	198,495
Current liabilities:				
Trade payables	351	254	777	1,094
Other payables and accrued charges	15,385	17,507	30,261	21,314
Receipts in advance	111,659	163,549	170,892	138,226
Tax liabilities	8,157	5,574	3,017	204
Lease liabilities	17,233	21,983	26,704	37,539
Total current liabilities	152,785	208,867	231,651	198,377
Net current (liabilities)/assets	(10,631)	(13,398)	16,600	118

As at 30 April 2020, our Group recorded net current assets of approximately RMB0.1 million which represented a decrease of approximately RMB16.5 million, as compared to the net current assets as at 31 December 2019. Such decrease was mainly due to (i) the decrease in bank balances and cash of approximately RMB99.2 million primarily used for financial investment in wealth management products; and (ii) the increase in the current portion of lease liabilities of approximately RMB10.8 million primarily because we entered into lease agreements for our new self-operated teaching centres after the Track Record Period, which was partially offset by (i) the increase of approximately RMB45.0 million in financial assets designated at fair value through profit or loss due to the increase in financial investment in wealth management products; (ii) the decrease in receipts in advance of approximately RMB32.7 million primarily because we received less tuition fees in advance from students/parents due to the outbreak of COVID-19; and (iii) the decrease in other payables and accrued charges of approximately RMB8.9 million primarily due to settlement of listing expenses.

As at 31 December 2019, our Group recorded net current assets of approximately RMB16.6 million which represented an increase of approximately RMB30.0 million, as compared to the net current liabilities as at 31 December 2018. Such increase was mainly due to (i) the increase in bank balances and cash of approximately RMB30.4 million; and (ii) increase in financial assets designated at fair value through profit or loss of RMB15.0 million due to the increase in financial investment in wealth management products, which was partially offset by (i) the increase in other payables and accrued charges of approximately RMB12.8 million primarily due to increase in staff cost payables and accrued listing expenses; (ii) increase in receipts in advance of approximately RMB7.3 million; and (iii) the increase in the current portion of lease liabilities of approximately RMB4.7 million following the increase in the number of our self-operated teaching centres.

As at 31 December 2018, our Group recorded net current liabilities of approximately RMB13.4 million which represented an increase of approximately RMB2.8 million, as compared to the net current liabilities as at 31 December 2017. Such increase was mainly due to (i) the increase of approximately RMB51.9 million in receipts in advance, as a result of the increase in our prepaid tuition fees which was resulted from the combined effect of the increase in student enrolments, hence the enrolled tutoring hours included in the receipts in advance increased by approximately 0.3 million hours or 10.7% from approximately 2.8 million hours for the year ended 31 December 2017 to approximately 3.1 million hours for the year ended 31 December 2018 due to our expansion in network of the self-operated teaching centres, and the increase in the relevant average tuition fees per tutoring hour by approximately RMB12.8 or 32.2% from approximately RMB39.7 for the year ended 31 December 2017 to approximately RMB52.5 for the year ended 31 December 2018; (ii) the increase in the current portion of lease liabilities of approximately RMB4.8 million following the increase in the number of our self-operated teaching centres; and (iii) the decrease in financial assets designated at fair value through profit or loss of approximately RMB40.0 million primarily due to the decrease in financial investment in wealth management products, which was partially offset by an increase of approximately RMB92.3 million in bank balances and cash, primarily because certain amount of invested wealth management products matured at the end of 2018.

Reasons for our net current liabilities position as at 31 December 2017 and 2018

Our Group had net current liabilities of approximately RMB10.6 million and RMB13.4 million as at 31 December 2017 and 2018, respectively. Our Directors believe that our net current liabilities position was primarily due to (i) the receipts in advance which related to the advance payment received from our students, which would be recognised as revenue subsequently; (ii) the adoption of HKFRS 16 "Leases", of which leases have been recognised in the form of a non-current asset (for the right-of-use) and a financial liability (for the payment obligation) in our Group's combined statements of financial position during the Track Record Period, which in turn decreased our current assets (prepayment for leases are reclassified to non-current assets) and recognised additional current liabilities (arising from the presence of lease liabilities); and (iii) the declaration and payment of dividends during the year ended 31 December 2018, which in turn decreased our bank balances and cash.

Directors' view

Going forward, our Directors consider that our Group has financial resources to meet its liquidity needs based on the following:

(i) For the three years ended 31 December 2019, we had operating cash inflows before movements in working capital of approximately RMB83.0 million, RMB108.8 million and RMB134.6 million, respectively;

(ii) We expect to have sufficient working capital to meet the requirements of our operation in the 12 months period from the date of this prospectus; and

(iii) Our Group considered the abovementioned non-current assets (for the right-of-use) could generate sufficient cash flows to cover the lease liabilities under normal circumstances. Excluding the current portion of lease liabilities which represents the net present value of its future rental that is only liable to be paid month by month in the coming one year from the year/period end date as non-HKFRS measure for illustrative purpose, we would record the net current assets amounted to approximately RMB6.6 million, RMB8.6 million, RMB43.3 million and RMB37.7 million as at 31 December 2017, 2018, 2019 and 30 April 2020, respectively.

Please refer to the below for further details and analysis of our current assets and current liabilities.

Inventories

Our inventories primarily consist of books and teaching materials used in our tutorial classes and sale to other parties. The following table sets out our Group's inventories as at the end of each reporting period during the Track Record Period:

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Book and teaching materials	2,483	4,266	7,091

As at 31 December 2017, 2018 and 2019, we had inventories of approximately RMB2.5 million, RMB4.3 million and RMB7.1 million, respectively. Throughout the Track Record Period, our inventories continued to increase as our sales of books and teaching materials continued to increase.

The following table sets out the inventory turnover days of our Group for the years indicated:

	For the year ended 31 December		
	2017	2018	2019
Inventory turnover days*(Note)*	111	152	150

Note: Inventory turnover days are calculated by dividing the average inventory balance by cost of materials (a component in cost of sales) sold for the year multiplied by the number of days during the year (i.e. 365 days for each of the three years ended 31 December 2019).

Our inventory turnover days increased from approximately 111 days for the year ended 31 December 2017 to approximately 152 days for the year ended 31 December 2018, and remained stable at approximately 150 days for the year ended 31 December 2019. Such increase was primarily due to increase in buffer stock in light of the significant increase in our sales of book and teaching materials and our expansion in the number of our self-operated teaching centres. As at the Latest Practicable Date, approximately 17.7% of our inventories as at 31 December 2019 had been subsequently utilised.

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 during the Track Record Period. We purchase wealth management products as a means of cash management. Our financial assets designated at fair value through profit or loss decreased from RMB80.0 million as at 31 December 2017 to RMB40.0 million as at 31 December 2018, increased to RMB55.0 million as at 31 December 2019 and further increased to RMB100.0 million as at 30 April 2020.

Having regard to our excess cash in our bank balances and cash of approximately RMB176.9 million as at 31 December 2019 and in order to minimise the loss in revenue due to COVID-19, we increased our investment in wealth management products with an aim to derive additional income, leading to an increase of RMB45.0 million or approximately 81.8% in our financial assets designated at fair value through profit or loss from RMB55.0 million as at 31 December 2019 to RMB100.0 million as at 30 April 2020.

The following table sets out the details of our wealth management products as at Track Record Period and as at 30 April 2020:

Product type	Industry	Level of risk (Note 1)	Underlying assets	As at 31 December 2017 *RMB'000*	As at 31 December 2018 *RMB'000*	As at 31 December 2019 *RMB'000*	As at 30 April 2020 *RMB'000*
Non-principal protected	Banking industry	Level 2	Mainly consists of money market instruments, bonds, direct financing instruments, money market funds, bond funds	40,000	—	—	—
Non-principal protected	Banking industry	Level 2	Mainly consists of money market instruments, bonds, direct financing instruments, money market funds, bond funds	10,000	—	—	—
Non-principal protected	Banking industry	Level 2	Mainly consists of money market instruments, bonds, direct financing instruments, money market funds, bond funds	5,000	—	—	—
Non-principal protected	Banking industry	PR1	High liquidity assets, debt assets or other assets or portfolios (Note 2)	4,000	—	—	—
Non-principal protected	Banking industry	PR1	High liquidity assets, debt assets or other assets or portfolios (Note 2)	4,000	—	—	—
Non-principal protected	Banking industry	PR1	High liquidity assets, debt assets or other assets or portfolios (Note 2)	4,000	—	—	—
Non-principal protected	Banking industry	PR1	High liquidity assets, debt assets or other assets or portfolios (Note 2)	4,000	—	—	—
Non-principal protected	Banking industry	PR1	High liquidity assets, debt assets or other assets or portfolios (Note 2)	3,000	—	—	—
Non-principal protected	Banking industry	R2	Equity assets, debt assets, bonds and money market instrument assets and other asset portfolios	2,000	—	—	—
Non-principal protected	Banking industry	Level 2	Mainly consists of money market instruments, bonds, direct financing instruments, money market funds, bond funds	2,000	—	—	—
Non-principal protected	Banking industry	PR1	High liquidity assets, debt assets or other assets or portfolios (Note 2)	1,000	—	—	—
Principal protected	Banking industry	PR1	Highly liquid assets or other assets or portfolios	1,000	—	—	—

Product type	Industry	Level of risk(Note 1)	Underlying assets	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000	As at 31 December 2019 RMB'000	As at 30 April 2020 RMB'000
Principal protected	Banking industry	Level 2	3-month USD LIBOR	—	20,000	—	—
Principal protected	Banking industry	R0	Gold prices published by the London Bullion Market Association	—	20,000	—	—
Principal protected	Banking industry	Level 2	3-month USD LIBOR	—	—	30,000	30,000
Principal protected	Banking industry	Level 2	3-month USD LIBOR	—	—	15,000	15,000
Non-principal protected	Banking industry	R2	Cash assets, money market instruments, money market funds and standardised fixed income assets	—	—	5,000	5,000
Non-principal protected	Banking industry	R2	Money market instruments, negotiable securities, securities investment funds and financing instruments	—	—	5,000	5,000
Principal protected	Banking industry	Level 1	3-month USD LIBOR	—	—	—	20,000
Principal protected	Banking industry	R0	Gold prices published by the London Bullion Market	—	—	—	15,000
Principal protected	Banking industry	R0	EUR/USD exchange rate	—	—	—	10,000
Total				**80,000**	**40,000**	**55,000**	**100,000**

Notes:

1. R0 refers to no risk; Level 1/PR1 refer to low risk; and Level 2/R2 refer to low-medium risk according to the classification set by the relevant financial institutions.

2. "Other assets or portfolios" includes, without limitation to, collective asset management plans or directional asset management plans of securities companies, specific asset management plans of fund management companies and investment plans of insurance asset management companies.

As at 31 December 2019, none of our wealth management products purchased was secured by any collateral. We invested in wealth management products during the Track Record Period with a view to better using our cash on hand, most of which is tuition fees we received in advance.

As at 31 December 2019, all of our financial assets and financial liabilities at fair value through profit or loss were classified as Level 3 fair value measurements. Our accounting department performs an assessment of Level 3 fair value measurements for financial reporting purposes once a year. For the purpose of assessing the fair value of the wealth management products, our accounting department will (i) review the terms of the agreements underlying the wealth management products; (ii) consider all relevant market and non-market information input, in particular expected returns of the wealth management products requiring management assessments and estimates; and (iii) review the statements of the wealth management products issued by the relevant financial institutions. For the purpose of assessing the fair value of the Pre-IPO Convertible Note, our accounting department (i) reviewed the terms of the agreements underlying the Pre-IPO Convertible Note; (ii) engaged an independent valuer to perform valuation of the fair value of the Pre-IPO Convertible Note and assessed the qualification and background of the independent valuer; (iii) discussed and reviewed the methodologies, bases and key inputs adopted by the independent valuer; and (iv) assessed the reasonableness of the fair value of the Pre-IPO Convertible Note by reviewing relevant valuation working papers performed by the independent valuer. Please refer to the paragraph headed "Selected items of financial position — Financial liabilities designated at fair value through profit or loss" in this section.

Our accounting department uses valuation techniques and key inputs to determine the fair value of our Level 3 financial instruments and reports to senior management and our Directors. For details, please refer to notes 18, 26 and 32 to the Accountants' Report set out in Appendix I to this prospectus. Our Directors have reviewed the fair value measurement of Level 3 financial instruments, taking into account the significant unobservable inputs and the applicable valuation techniques, and determined that the fair value measurement of Level 3 financial instruments is in accordance with the applicable HKFRSs.

In light of the above, our Directors are of the view that the assessment of the fair value of the wealth management products and Pre-IPO Convertible Note is reasonable, and the financial statements of our Group are properly prepared. In addition, our Directors are satisfied with the valuation exercise for financial assets and financial liabilities categorised as Level 3 financial instruments in its historical financial information for the purpose of preparing the Accountants' Report set out in Appendix I to this prospectus.

Details of the fair value measurement of the Level 3 financial liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs and reconciliation of Level 3 measurements are disclosed in notes 26 and 32 to the historical financial information of our Group for the Track Record Period in the Accountants' Report set out in Appendix I to this prospectus issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountants' opinion on the historical financial information of our Group during the Track Record Period as a whole is set out on page I-2 of the Accountants' Report set out in Appendix I to this prospectus.

The Sole Sponsor has conducted due diligence work in relation to our Directors' assessment of fair value of the wealth management products and Pre-IPO Convertible Note, including: (i) reviewing the relevant notes (in particular notes 18, 26 and 32) to the Accountants' Report set out in Appendix I to this prospectus; (ii) understanding the general features of the wealth management products, including in particular the risk level, maturity and expected return and comparing the relevant period-end balance to the fair value assessed by our Directors with a view to checking whether the fair value assessed is reasonably in line, and commensurate with, the general features of the relevant wealth management products; (iii) reviewing the valuation reports prepared by the independent valuer; (iv) discussing with the independent valuer about the methodologies, bases and key inputs adopted by them in the assessment of fair value of the Pre-IPO Convertible Note; and (v) discussing with our Company and the Reporting Accountants about the key basis and assumptions used in the assessment of fair value of the wealth management products and Pre-IPO Convertible Note.

On the basis of the work done by our Directors and the Reporting Accountants and the Sole Sponsor's due diligence work set out above, nothing has come to the attention of the Sole Sponsor that would lead to cast doubts on the fair value of the wealth management products and Pre-IPO Convertible Note assessed by our Directors.

Investment policy

We have formulated a risk assessment and on-going monitoring policy on the purchase of investment products without interfering with our business operations or capital expenditures. A proper approval mechanism is adopted and a thorough monitoring system is in place to control our risks.

We typically invest in low-risk, short-term (maturity period generally not more than one year) or principal-protected wealth management products, such as principal-protected structured deposits issued by financial institutions in the PRC. We do not generally invest in equity securities or any wealth management products backed by unsecured debt securities.

Before implementing an investment decision, our finance department which is supervised by our executive Director, Mr. Ma Wenhao, will review our cash position, operating cash requirements, and investment opportunity, then submit a monthly cash budget and investment proposal to our Board for review. The proposal shall include (i) the maximum balance of financial assets during the month and amount that may be used for investment; and (ii) the terms of the investment product or background information of the investment opportunity. Our Board will take into account whether there will be any negative impact on our Group's cash position and operating cash requirements when approving the monthly cash budget and investment proposal. Our finance department tracks the performance and progress of our wealth management products. If it reveals any risks for our wealth management products, we shall take action immediately to manage our investment risks.

We will adopt new investment policy upon the Listing in accordance with applicable Listing Rules, including complying with relevant size test requirements under Chapter 14 of the Listing Rules. In addition, our Company will establish an investment management committee (the "**Investment Management Committee**") comprising all our independent non-executive Directors and executive Directors. The primary duties of the Investment Management Committee include, among others, (i) to monitor our Group's investment in wealth management products after Listing and to conduct periodical review of the investments of our Group and report to our Board; (ii) to review and approve the investment proposal together with the monthly cash budget with reference to the risk of the wealth management products; (iii) to provide advice to our Board on investment of wealth management products of our Company; and (iv) to advise on investment policies of our Company. In the future, pursuant to the written terms of reference of the Investment Management Committee, only principal-protected product with medium risk ranking or lower can be invested after the investment proposal together with the monthly cash budget have been approved in writing by the Investment Management Committee. Ms. Yang Min, our independent non-executive Director and a member of the Investment Management

Committee, is experienced in dealing with financial products. She is currently a chief managing partner of Zero2IPO Asset Management, a specialised platform under Zero2IPO Group which is principally engaged in provision of asset management investment services for listed companies and family business. Ms. Yang's experience and knowledge in dealing with financial products will be beneficial for the Investment Management Committee to understand the product nature and risk profile of the wealth management products. In light of the Ms. Yang's expertise and experience as described above, our Directors believe that the Investment Management Committee is capable to assess the risk of the wealth management products in which our Company might invest after the Listing.

Trade and other receivables

The following table sets out our respective trade and other receivables as at the dates indicated:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	80	23	—
Less: loss allowance	(4)	(2)	—
Total trade receivables	**76**	**21**	**—**
Other receivables			
Staff advance	9	13	—
Receivables from third-party payment platforms	2,594	1,390	468
Prepayments	2,277	235	2,559
Other taxes prepaid	387	495	539
Prepaid listing expense	—	549	427
Deferred share issue costs	—	1,787	4,917
Rental deposits	1,338	2,066	2,720
Others	772	245	458
Less: loss allowance	(841)	(346)	(659)
Total other receivables	**6,536**	**6,434**	**11,429**
Total trade and other receivables	**6,612**	**6,455**	**11,429**
Less: non-current rental deposits	(1,203)	(1,779)	(2,208)
Current portion	**5,409**	**4,676**	**9,221**

Our trade and other receivables slightly decreased from approximately RMB5.4 million as at 31 December 2017 to approximately RMB4.7 million as at 31 December 2018, and increased significantly to approximately RMB9.2 million as at 31 December 2019. The fluctuation of our trade and other receivables during the Track Record Period was primarily due to (i) the change in our prepayments related to operation expenses; and (ii) the increase in deferred share issue costs.

Our trade receivables was mainly amount due from our franchisees and contracted parties of our brand name licensing and advisory services for the sales of books and teaching materials, which was relatively insignificant during the Track Record Period. The following table sets out an aging analysis of our trade receivables arising from franchisees and contracted parties of our brand name licensing and advisory services based as the invoice dates as at the dates indicated.

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
0–30 days	14	2	—
31–60 days	5	1	—
61–90 days	9	1	—
Over 90 days	48	17	—
Total	76	21	—

The general credit period granted to the franchisees and contracted parties of our brand name licensing and advisory services for sales of books and teaching materials is usually within 90 days from the date of billings.

Bank balances and cash

Bank balances and cash held by us normally had a maturity of three months or less and carry interest at prevailing market rates ranging from 0.30% to 0.35%, 0.30% to 0.35% and 0.001% to 0.35% per annum at 31 December 2017, 2018 and 2019, respectively. As at 31 December 2017, 2018 and 2019, the bank balances and cash were approximately RMB54.3 million, RMB146.5 million and RMB176.9 million, respectively, which representing approximately 38.2%, 75.0% and 71.3% of the total current assets as at the respective dates.

Trade payables

Our trade payables are primarily related to purchases of books and teaching materials. Our trade payables remained relatively stable at approximately RMB0.4 million and RMB0.3 million as at 31 December 2017 and 2018, respectively. As at 31 December 2019, our trade payables increased to approximately RMB0.8 million, which was primarily due to the increase in purchases of books and teaching materials for as a result of increase in sales of books and teaching materials.

The following table sets out an aging analysis of our trade payables as at the dates indicated:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
0–30 days	351	254	522
31–60 days	—	—	208
61–90 days	—	—	2
Over 90 days	—	—	45
Total	351	254	777

Lease liabilities

We 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. The total cash outflow for leases including the payments of lease liabilities and interests for the three years ended 31 December 2019 were approximately RMB36.5 million, RMB41.7 million and RMB54.2 million, respectively, which corresponded with our expanding network of self-operated teaching centres.

Our Group has adopted HKFRS 16 "Leases" during the Track Record Period as stated in note 3 to the Accountants' Report in Appendix I to this prospectus. As such, leases have been recognised in the form of a non-current asset (for the right-of-use) and a financial liability (for the payment obligation) in our Group's combined statements of financial position at the end of each reporting period during the Track Record Period.

As at 31 December 2017, 2018 and 2019, our present value of lease liabilities were as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Present value of lease liabilities			
— within one year	17,233	21,983	26,704
— more than one year but not exceeding two years	28,663	33,556	42,322
— more than two years but not exceeding five years	55,221	66,088	94,202
— more than five years	18,483	25,820	31,703
	119,600	147,447	194,931

Other payables and accrued charges

Our other payables and accrued charges are mainly comprised of staff cost payables, renovation cost payables, refundable tuition deposits and accrued listing expenses. Our other payables and accrued charges amounted to approximately RMB15.4 million, RMB17.5 million and RMB30.3 million, as at 31 December 2017, 2018 and 2019, respectively.

The following table sets out the breakdown of our other payables and accrued charges as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Staff cost payables	7,065	9,309	12,052
Renovation cost payables	4,345	1,260	2,264
Refundable tuition deposits*(Note)*	2,897	2,716	3,076
Refundable deposits	250	988	889
Other taxes payables	694	758	685
Other payables	134	438	1,486
Accrued listing expenses	—	1,622	7,656
Accrued issue costs	—	416	2,153
Total	15,385	17,507	30,261

Note: Refundable tuition deposits mainly represent (i) the deposits from those students/parents who cannot confirm which courses to enrol yet, which will become part of the tuition fees when enrolment(s) is/are confirmed or will be refunded if students/parents decide not to take any course which amounted to approximately RMB2.9 million, RMB2.7 million and RMB2.0 million as at 31 December 2017, 2018 and 2019, respectively; and (ii) the deposits from franchisees which amounted to nil, approximately RMB46,000 and RMB1.0 million as at 31 December 2017, 2018 and 2019, respectively, which will become part of the penalties if franchisees breach terms and conditions in the contracts with our Group, or otherwise will be refunded to franchisees after the completion of the contract.

Our other payables and accrued charges increased from approximately RMB15.4 million as at 31 December 2017 to approximately RMB17.5 million as at 31 December 2018. Such increase was mainly due to (i) the increase in staff cost payables by approximately RMB2.2 million; (ii) the accrued listing expenses of approximately RMB1.6 million as at 31 December 2018; and (iii) the accrued issue costs of approximately RMB0.4 million as at 31 December 2018, partially offset by the decrease in renovation cost payables of approximately RMB3.1 million.

Our other payables and accrued charges increased from approximately RMB17.5 million as at 31 December 2018 to approximately RMB30.3 million as at 31 December 2019. Such increase was mainly due to (i) the increase in accrued listing expenses by approximately RMB6.0 million; (ii) the increase in staff cost payables by approximately RMB2.7 million; and (iii) the increase in accrued issue costs by approximately RMB1.7 million.

Receipts in advance

The receipts in advance primarily relate to the advance consideration received from the students/parents, where the revenue is recognised when the performance obligation is satisfied through service rendered. The following table sets out the breakdown of our receipts in advance as at the dates indicated:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Tutoring fees	110,904	158,669	167,557
Brand name licensing and advisory services income	755	4,880	3,335
Total	111,659	163,549	170,892

The changes in receipts in advance during the Track Record Period on a gross basis are as follows:

	As at/For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	60,621	111,659	163,549
Amount refunded in receipts in advance during the year	(7,465)	(15,674)	(29,018)
Revenue recognised during the year	(215,951)	(287,343)	(378,355)
Increase due to cash received during the year	274,454	354,907	414,716
At the end of the year	111,659	163,549	170,892

The changes in receipts in advance during the Track Record Period on a net basis are as follows:

	As at/For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	60,621	111,659	163,549
Amount refunded due to contract termination that was included in the contract liabilities at the beginning of the year	(1,632)	(3,493)	(6,840)
Revenue recognised that was included in the contract liabilities at the beginning of the year	(50,778)	(100,099)	(147,034)
Increase due to cash received, excluding amounts recognised as revenue during the year	103,448	155,482	161,217
At the end of the year	111,659	163,549	170,892

The following table sets out the aging analysis of our receipts in advance as at the dates indicated:

	As at 31 December 2017	**Refund amount up to the Latest Practicable Date**	**Utilisation up to the Latest Practicable Date**	**Utilisation rate up to the Latest Practicable Date** (Note)	**As at 31 December 2018**	**Refund amount up to the Latest Practicable Date**	**Utilisation up to the Latest Practicable Date**	**Utilisation rate up to the Latest Practicable Date** (Note)	**As at 31 December 2019**	**Refund amount up to the Latest Practicable Date**	**Utilisation up to the Latest Practicable Date**	**Utilisation rate up to the Latest Practicable Date** (Note)
	RMB'000	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*RMB'000*	*%*
Less than three months	38,949	1,159	38,785	99.6	54,803	2,175	53,558	97.7	43,148	794	17,908	41.5
Three months to six months	31,078	1,424	30,945	99.6	38,647	1,652	37,818	97.9	41,419	713	23,485	56.7
Six months to nine months	30,280	1,217	30,164	99.6	56,907	2,195	55,762	98.0	66,203	1,101	37,829	57.1
Nine months to one year	3,141	170	3,117	99.2	5,125	376	4,953	96.6	10,447	209	5,422	51.9
One to two years	6,700	231	6,628	98.9	7,727	696	7,290	94.3	7,567	209	4,176	55.2
Over two years	1,511	37	1,506	99.7	340	18	263	77.4	2,108	37	1,594	75.6
Total	111,659	4,238	111,145	99.5	163,549	7,112	159,644	97.6	170,892	3,063	90,414	52.9

Note: Utilisation rate is calculated by the utilisation up to the Latest Practicable Date (which included refund amount and revenue recognised subsequently) divided by the amount of receipts in advance as at the dates indicated.

We typically collect tuition fees in advance before the relevant tutoring services are rendered. We normally offer promotional discount to students in order to attract more students to enrol into our tutoring services. For example, we offer discount when two students enrol the same course together. We also offer discount for a student who subscribes for one course or more. Our discount is generally at a range of between 5% and 50%. As a result of this, we had receipts in advance of over one year during the Track Record Period. As at the Latest Practicable Date, we had subsequently utilised approximately 99.5%, 97.6% and 52.9% of our receipts in advance as at 31 December 2017, 2018 and 2019, respectively.

The following table sets out the (i) amounts of the revenue expected to be recognised from the receipts in advance, the actual amounts of which may be different from the expected amounts due to the outbreak of COVID-19 and other factors; and (ii) the relevant number of enrolled tutoring hours, number of student enrolments and number of classes of the receipts in advance as at the dates indicated:

	As at 31 December					
	2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Amounts expected to be recognised as revenue in next year	100,099 *(Note 1)*	89.6	147,034 *(Note 2)*	89.9	135,729 *(Note 3)*	79.4
Amounts expected to be recognised as revenue in the next second year or after	7,322 *(Note 1)*	6.6	9,403 *(Note 2)*	5.8	32,100 *(Note 3)*	18.8
Amounts refunded up to the Latest Practicable Date	4,238	3.8	7,112	4.3	3,063	1.8
Total	111,659	100.0	163,549	100.0	170,892	100.0
Number of enrolled tutoring hours	2,809,161		3,116,467		3,139,679	
Number of student enrolments	87,663		108,647		122,017	
Number of regular classes	4,707		4,631		5,228	
Number of small classes	42		1,192		745	
Number of VIP classes	7,614		4,423		5,849	
Number of other tutorial services classes	83		26		41	

Notes:

1. For the receipts in advance as at 31 December 2017, the amount expected to be recognised as revenue in next year was the actual amount recognised for the year ended 31 December 2018, while the amount expected to be recognised as revenue in the next second year or after was the balance of receipts in advance as at 31 December 2017 deducted by the (i) amount refunded up to the Latest Practicable Date; and (ii) amount expected to be recognised as revenue in next year.

2. For the receipts in advance as at 31 December 2018, the amount expected to be recognised as revenue in next year was the actual amount recognised for the year ended 31 December 2019, while the amount expected to be recognised as revenue in the next second year or after was the balance of receipts in advance as at 31 December 2018 deducted by the (i) amount refunded up to the Latest Practicable Date; and (ii) amount expected to be recognised as revenue in next year.

3. Based on the historical trend for the two years ended 31 December 2018, we estimate that approximately 90.0% of the receipts in advance as at 31 December 2019 would be expected to be recognised as revenue in next year but for the outbreak of COVID-19. Due to the outbreak of COVID-19, we expect that such amount should be discounted further as we estimate that only approximately 88.2% of the total enrolled tutoring hours which were originally scheduled for the year ending 31 December 2020 could be finally delivered to our students based on our latest course schedule and the situation from 1 January 2020 to the Latest Practicable Date. The receipts in advance as at 31 December 2019 relevant to the enrolled tutoring hours which are cancelled but unable to be rescheduled for our students for the year ending 31 December 2020 would be expected to become unutilised credits which would only be utilised and recognised as revenue in 2021 or after. Therefore, for the receipts in advance as at 31 December 2018 and 2019, the amounts expected to be recognised as revenue in the next second year or after increased significantly from approximately RMB9.4 million to approximately RMB32.1 million, respectively.

Financial liabilities designated at fair value through profit or loss

On 31 October 2019, we issued the Pre-IPO Convertible Note in the principal amount of approximately US$7.08 million. Please refer to the section headed "History, development and Reorganisation — Pre-IPO Investment — Subscription of the Pre-IPO Convertible Note" in this prospectus for further details.

Our Group designated the Pre-IPO Convertible Note as financial liabilities at fair value through profit or loss. The following table sets out the movement of fair value of our Pre-IPO Convertible Note:

	RMB'000
At 1 January 2019	—
Issued during the year	49,875
Fair value gain	(65)
At 31 December 2019	49,810

For details of the valuation of the Pre-IPO Convertible Note, please refer to note 26 to the Accountants' Report set out in Appendix I to this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our working capital and capital expenditure principally through our operation. We expected these financial resources will remain as our core sources of liquidity, while net proceeds from the Share Offer is expected to enhance our liquidity and provide capital for our business expansion. Our Directors believe that in the long run, our Group's working capital and other liquidity requirements will be funded by, among others, cash generated from our operation and, if necessary, other external equity.

Cash flows

The following table sets out a summary of our combined cash flow statements for the years indicated. For more details of our cash flows, please refer to the Accountants' Report set out in Appendix I to this prospectus.

	For the year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Net cash from operating activities	135,930	151,908	138,197
Net cash (used in) from investing activities	(94,016)	7,083	(53,197)
Net cash used in financing activities	(36,360)	(66,726)	(54,141)
Net increase in cash and cash equivalents	5,554	92,265	30,859
Effect of foreign exchange rate changes	—	—	(447)
Cash and cash equivalents at the beginning of the year	48,708	54,262	146,527
Cash and cash equivalents at the end of the year, represented by bank balances and cash	54,262	146,527	176,939

Operating activities

During the Track Record Period, our cash inflow from operating activities principally from the receipt of tuition fees, which are typically paid in advance before the relevant tutoring services are rendered.

For the year ended 31 December 2019, our net cash generated from operating activities amounted to approximately RMB138.2 million, which was primarily contributed by (i) the operating cash flows before movements in working capital of approximately RMB134.6 million; (ii) the increase in receipts in advance of approximately RMB7.3 million; and (iii) the increase in other payables and accrued charges of approximately RMB11.0 million due to increase in staff cost payables and increase in accrued listing expenses. Such cash inflow was slightly offset by the income tax paid of approximately RMB10.9 million.

For the year ended 31 December 2018, our net cash generated from operating activities amounted to approximately RMB151.9 million, which was primarily contributed by (i) the operating cash flows before movements in working capital of approximately RMB108.8 million; and (ii) the increase in receipts in advance of approximately RMB51.9 million which was mainly due to our expansion in network of self-operated teaching centres. Such cash inflow was partially offset by the income tax paid of approximately RMB11.0 million.

For the year ended 31 December 2017, our net cash generated from operating activities amounted to approximately RMB135.9 million, which was primarily contributed by (i) the operating cash flows before movements in working capital of approximately RMB83.0 million; (ii) the increase in other payables and accrued charges of approximately RMB7.1 million which was mainly due to the increase in staff cost payables and renovation cost payables, primarily as a result of our expansion in network of self-operated teaching centres; and (iii) the increase in receipts in advance of approximately RMB51.0 million which was mainly due to our expansion in network of self-operated teaching centres. Such cash inflow was partially offset by (i) the increase in trade and other receivables of approximately RMB2.6 million which was mainly due to the increase in prepayments related to operation expenses, primarily as a result of our expansion in network of self-operated teaching centres; and (ii) the income tax paid of approximately RMB2.1 million.

Increase in receipts in advance for the year ended 31 December 2019 was substantially lower than that for each of the two years ended 31 December 2018 primarily due to cash received in 2019 was increased at a slower rate after the promulgation of the State Council Opinions 80 which prohibits after-school education institutions to collect advance payments of tuition fees with a time span over three months on a one-off basis.

Investing activities

During the Track Record Period, our investment activities related primarily to (i) purchase of financial assets designated at fair value through profit or loss; and (ii) purchase of property, plant and equipment.

For the year ended 31 December 2019, our net cash used in investing activities amounted to approximately RMB53.2 million, which was primarily contributed by (i) the purchase of property, plant and equipment of approximately RMB41.9 million; and (ii) the addition of financial assets designated at fair value through profit or loss of approximately RMB456.2 million, partially offset by (i) the proceeds on redemption on financial assets designated at fair value through profit or loss of approximately RMB441.2 million; and (ii) the income from financial assets designated at fair value through profit or loss received of approximately RMB4.7 million.

For the year ended 31 December 2018, our net cash generated from investing activities amounted to approximately RMB7.1 million, which was primarily contributed by (i) the proceeds on redemption on financial assets designated at fair value through profit or loss of approximately RMB563.9 million; and (ii) the income from financial assets designated at fair value through profit or loss received of approximately RMB4.9 million, partially offset by (i) the purchase of property, plant and equipment of approximately RMB37.0 million; and (ii) the addition of financial assets designated at fair value through profit or loss of approximately RMB523.9 million.

For the year ended 31 December 2017, our net cash used in investing activities amounted to approximately RMB94.0 million, which was primarily contributed by (i) the purchase of property, plant and equipment of approximately RMB34.2 million; and (ii) the addition of financial assets designated at fair value through profit or loss of approximately RMB178.0 million, partially offset by the proceeds on redemption on financial assets designated at fair value through profit or loss of approximately RMB117.0 million.

Financing activities

During the Track Record Period, our financing activities related primarily to (i) payment of lease liabilities; (ii) dividends paid to our Shareholders; (iii) proceeds on issuance of the Pre-IPO Convertible Note; and (iv) the interest element of lease liabilities.

For the year ended 31 December 2019, our net cash used in financing activities amounted to approximately RMB54.1 million, which was primarily contributed by (i) the payment of lease liabilities of approximately RMB47.6 million; and (ii) the dividend payments to our Shareholders of approximately RMB48.4 million, which was partially offset by proceeds on issuance of the Pre-IPO Convertible Note of approximately RMB49.9 million.

For the year ended 31 December 2018, our net cash used in financing activities amounted to approximately RMB66.7 million, which was primarily resulted from (i) the payment of lease liabilities of approximately RMB36.9 million; and (ii) the dividend payments to our Shareholders of approximately RMB23.6 million.

For the year ended 31 December 2017, our net cash used in financing activities amounted to approximately RMB36.4 million, which was primarily resulted from the payment of lease liabilities of approximately RMB32.3 million.

KEY FINANCIAL RATIOS

The following table sets out key financial ratios as at the dates or for years indicated:

	As at/For the year ended 31 December		
	2017	**2018**	**2019**
Current ratio *(Note 1)*	0.9	0.9	1.1
Quick ratio *(Note 2)*	0.9	0.9	1.0
Gearing ratio *(Note 3)*	1.8	1.7	2.8
Gross profit margin *(Note 4)*	43.7%	44.5%	44.2%
Net profit margin *(Note 5)*	12.9%	15.5%	12.8%
Interest coverage *(Note 6)*	10.0	12.1	9.6
Return on assets *(Note 7)*	8.7%	10.7%	9.1%
Return on equity *(Note 8)*	42.5%	51.5%	55.7%

Notes:

1. Current ratio is calculated based on the total current assets at the end of the year divided by the total current liabilities at the end of the respective year.

2. Quick ratio is calculated based on the total current assets (excluding inventories) as at the end of the year divided by the total current liabilities as at the end of the respective year.

3. Gearing ratio is calculated based on total debt at the end of the year divided by total equity at the end of the respective year. Total debt represents lease liabilities arising from the adoption of HKFRS 16 "Leases" and the Pre-IPO Convertible Note.

4. Gross profit margin is calculated based on the gross profit for the respective year divided by the revenue for the respective year and multiplied by 100%.

5. Net profit margin is calculated based on the profit and total comprehensive income for the year divided by the revenue for the respective year and multiplied by 100%.

6. Interest coverage is calculated based on the profit and total comprehensive income for the year before interest and taxation for the respective year divided by the interests on lease liabilities for the respective year.

7. Return on assets is calculated based on the profit and total comprehensive income for the year divided by the total assets at the end of the respective year and multiplied by 100%.

8. Return on equity is calculated based on the profit and total comprehensive income for the year divided by the total equity at the end of the respective year and multiplied by 100%.

Current ratio

Our current ratio remained stable at approximately 0.9, 0.9 and 1.1 as at 31 December 2017, 2018 and 2019, respectively.

Quick ratio

Our inventories was relatively insignificant during the Track Record Period, therefore our quick ratio was the same as our current ratio and remained stable at approximately 0.9, 0.9 and 1.0 as at 31 December 2017, 2018 and 2019, respectively.

Gearing ratio

Our gearing ratio remained relatively stable at approximately 1.8 and 1.7 as at 31 December 2017 and 2018 respectively. Our gearing ratio increased to approximately 2.8 as at 31 December 2019, which was primarily due to (i) the issuance of the Pre-IPO Convertible Note on 31 October 2019; (ii) the increase in lease liabilities as a result of our expansion in the number of our self-operated teaching centres; and (iii) the dividends paid to our Shareholders which in turn decreased our equity.

Gross profit margin

Our gross profit margin was approximately 43.7%, 44.5% and 44.2% for the three years ended 31 December 2019, respectively. For details, please refer to the paragraph headed "Description of major items from our combined statements of profit or loss and other comprehensive income — Gross profit and gross profit margin" in this section.

Net profit margin

	For the year ended 31 December		
	2017	**2018**	**2019**
Profit and total comprehensive income for the year *(RMB'000)*	28,060	44,943	48,966
Revenue *(RMB'000)*	217,343	289,787	383,647
Net profit margin	12.9%	15.5%	12.8%

Our net profit margin was approximately 12.9%, 15.5% and 12.8% for the three years ended 31 December 2019, respectively. The change in our net profit margin was generally in line with our change in gross profit margin.

Interest coverage

We did not have any interest-bearing borrowings during the Track Record Period, and our finance costs represented the interest expenses on lease liabilities arising from the adoption of HKFRS 16 "Leases".

	For the year ended 31 December		
	2017	**2018**	**2019**
Profit and total comprehensive income for the year *(RMB'000)*	28,060	44,943	48,966
Add: interests on lease liabilities *(RMB'000)*	4,115	4,815	6,687
Add: taxation *(RMB'000)*	8,951	8,613	8,268
Profit and total comprehensive income for the year before interest and taxation for the year *(RMB'000)*	41,126	58,371	63,921
Interest coverage *(times)*	10.0	12.1	9.6

For the three years ended 31 December 2019, our interest coverage was approximately 10.0 times, 12.1 times and 9.6 times, respectively. The change in our interest coverage was generally in line with our change in revenue and gross profit.

Return on assets

	For the year ended 31 December		
	2017	**2018**	**2019**
Profit and total comprehensive income for the year *(RMB'000)*	28,060	44,943	48,966
Total assets *(RMB'000)*	321,202	421,676	537,609
Return on assets	8.7%	10.7%	9.1%

Our return on assets was approximately 8.7%, 10.7% and 9.1% for the three years ended 31 December 2019, respectively. The change in our return on assets was generally in line with our change in the profit and total comprehensive income for the year.

Return on equity

	For the year ended 31 December		
	2017	**2018**	**2019**
Profit and total comprehensive income for the year *(RMB'000)*	28,060	44,943	48,966
Total equity *(RMB'000)*	66,050	87,345	87,921
Return on equity	42.5%	51.5%	55.7%

Our return on equity was approximately 42.5%, 51.5% and 55.7% for the three years ended 31 December 2019, respectively. The change in our return on equity was generally in line with our change in the profit and total comprehensive income for the year.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, our Group did not have any material contingent liabilities.

INDEBTEDNESS

The following table sets out a breakdown of our indebtedness as the dates indicated:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	119,600	147,447	194,931	212,552
Financial liabilities designated at fair value through profit or loss *(Note)*	—	—	49,810	45,024
Total carrying value	119,600	147,447	244,741	257,576

Note: It represented the Pre-IPO Convertible Note in the principal amount of USD7,083,959.

As at the close of business on 30 April 2020, our Group had outstanding lease liabilities amounted to approximately RMB212.6 million, among which approximately RMB173.5 million was secured by our Group's rental deposits and unguaranteed, while the remaining approximately RMB39.1 million was unsecured and unguaranteed.

As at 30 April 2020, our Group had outstanding unsecured and unguaranteed convertible note with the principal amount of approximately USD7.1 million (equivalent to approximately RMB50.0 million).

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables arising in the ordinary course of business, as at the close of business on 30 April 2020, our Group did not have other outstanding mortgages, charges, hire purchases commitments, debentures or other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, lease obligations, liabilities under acceptances or acceptance credits, guarantees or any material contingent liabilities.

Our Directors confirm that there has not been any material change in the indebtedness commitments and contingent liabilities of our Group up to the Latest Practicable Date.

Our Directors confirm that our Group did not have any banking facilities and/or unutilised banking facilities as at 30 April 2020.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our transactions with related parties are summarised as follows:

Nature of transaction	For the year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of leasehold land and buildings:			
Sang Xinxiang (桑新香)	2,113	—	—
Yan Zhiyuan (嚴志遠)	1,159	—	—
Tang Fang (湯芳)	—	1,634	—
Zhang Daping (張大平)	—	1,946	—
Zhang Hongliang (張紅亮)	—	2,590	—
Total	**3,272**	**6,170**	**—**

All of the above related parties are closed family member of Mr. Zhang, Chairman, executive Director and chief executive officer of our Group. Our Directors confirm that each of such transactions was conducted on normal commercial terms and/or that such terms that were no less favourable to our Group than term available from Independent Third Parties which are fair and reasonable and in the interest of our Shareholders as a whole.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

Credit risk

Our Group's credit risk is primarily attributable to our receivables from (i) third-party payment platforms, (ii) other receivables and (iii) bank balances.

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

The credit risk for receivables from third-party payment platforms is considered low as such amounts are the cash settlement from creditworthy third-party payment platforms within one month. The credit risk for bank balances is considered low as such amounts are placed in banks with good reputation. Also, there is no history of defaults on the receivables from third-party payment platforms and bank balances in the past by considering the available reasonable and supportive forward-looking information.

For other receivables, management of our Group makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience and also available reasonable and supportive forward-looking information. The management of our Group believes that there is no material credit risk inherent in our Group's outstanding balances of other receivables.

Liquidity risk

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

The table below analyses our Group's financial liabilities into relevant maturity groupings based on the remaining period as at 31 December 2017, 2018 and 2019 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and carrying amount as at 31 December 2017, 2018 and 2019.

	Effective interest rate	On demand	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 year	Total undiscounted cash flow	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017								
Trade payables	N/A	—	351	—	—	—	351	351
Other payables and accrued charges	N/A	—	7,626	—	—	—	7,626	7,626
Lease liabilities	3.25	—	5,788	15,287	91,010	19,433	131,518	119,600
		—	13,765	15,287	91,010	19,433	139,495	127,577
As at 31 December 2018								
Trade payables	N/A	—	254	—	—	—	254	254
Other payables and accrued charges	N/A	—	7,440	—	—	—	7,440	7,440
Lease liabilities	3.25	—	6,472	20,254	108,587	27,040	162,353	147,447
		—	14,166	20,254	108,587	27,040	170,047	155,141
As at 31 December 2019								
Trade payables	N/A	—	777	—	—	—	777	777
Other payables and accrued changes	N/A	—	17,524	—	—	—	17,524	17,524
Lease liabilities	3.25	—	9,709	23,271	148,751	32,851	214,582	194,931
Financial liabilities designated at fair value through profit or loss	N/A	—	—	—	49,462	—	49,462	49,810
		—	28,010	23,271	198,213	32,851	282,345	263,042

Interest rate risk

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

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

Cushman & Wakefield Limited has valued our properties as at 30 April 2020. Details of the valuation are summarised in Appendix III to this prospectus.

The reconciliation between the carrying amount of the properties held by our Group as at 31 December 2019 and the valuation of such properties as at 30 April 2020 is as follows:

	RMB'000
Carrying amount of the properties held by our Group as at 31 December 2019*(Note)*	30,198
Net changes during the period from 31 December 2019 to 30 April 2020	(204)
Valuation surplus	9,136
Total market value of the properties held by our Group as at 30 April 2020	39,130

Note: It represented the leasehold land and buildings under property, plant equipment and investment properties of approximately RMB25.0 million and RMB5.2 million, respectively. Please refer to notes 14 and 15 to the Accountants' Report set out in Appendix I to this prospectus for details.

DIVIDEND POLICY

For each of the three years ended 31 December 2019, we declared and paid dividends of nil, approximately RMB23.6 million and RMB48.4 million, respectively. The dividends were declared to provide returns to our Shareholders on their respective investments, and are not an indicator of the dividends to be declared in the future. As at the Latest Practicable Date, all declared dividends payable had been fully settled.

We intend to adopt, after our Listing, a general dividend policy of declaring and paying dividends on an annual basis up to 30% of our distributable net profit attributable to our Shareholders in the future but subject to, among others, our results of operations, cash flows, financial conditions, future prospects and regulatory restrictions on the payment of dividends by us or our operating subsidiaries. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in the future.

WORKING CAPITAL SUFFICIENCY

After taking into account the financial resources presently available to us, including cash flow from operations, bank balances and cash available and the estimated net proceeds from the Share Offer, our Directors after due and careful enquiry, are of the opinion that our Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this prospectus.

DISTRIBUTABLE RESERVE

Our Company was incorporated on 30 November 2018 and has not carried on any business since the date of our incorporation. Accordingly, our Company has no reserve available for distribution to our Shareholders as at 31 December 2019.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed "Unaudited pro forma financial information" set out in Appendix II to this prospectus.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, save as disclosed in this prospectus, they are not aware of any circumstances which would give rise to the disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT

According to the Frost & Sullivan Report, up to 31 May 2020, the outbreak of COVID-19 had resulted in 1,273 confirmed cases in total including 22 deaths in Henan, and 157 confirmed cases in total including five deaths in Zhengzhou. The situation in Henan is not as serious as Hubei Province, which had 68,135 confirmed cases in total including 4,512 deaths up to 31 May 2020.

Suspension and resumption of our self-operated teaching centres

In response to the outbreak of COVID-19, the Zhengzhou Municipal Education Bureau (鄭州市教育局) required all after-school education institutions in Zhengzhou to suspend physical classes from 24 January 2020. As such, we converted certain of our physical regular classes, small classes and VIP classes, respectively, scheduled to be delivered to our students from 1 February to 30 April 2020 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. Although we converted our physical classes to online classes, we did not adjust our tuition fees.

After-school education institutions in Zhengzhou have been allowed to resume physical classes since 18 May 2020 upon application with the competent authorities. As at the Latest Practicable Date, all of our self-operated teaching centres had received the competent authorities' approval on the resumption of physical classes. Our Directors expect that students' attendance in our physical classes will recover soon, taking into account (i) the number of tutoring hours delivered by our existing self-operated teaching centres opened prior to 1 January 2019 from January to March 2020 and from January to April 2020 as a percentage of that of the corresponding periods in 2019 has gradually improved from approximately 41.8% to approximately 76.5%; and (ii) in particular during May 2020, such percentage further reached to approximately 82.4%, of which we noted a relatively high attendance rate in our resumed physical classes from 20 May 2020 and up to 31 May 2020, the total number of student enrolments attending our resumed physical classes were approximately 18,970, representing approximately 98.1% of the total number of student enrolments under our resumed physical classes.

Unaudited net loss for the four months ended 30 April 2020

Our business, results of operations and financial condition (in particular, our revenue and net profit) are temporarily affected by the outbreak of COVID-19, which were mainly attributable to (i) temporarily suspension of our physical classes which induced our total number classes decreased by approximately 9.1% from approximately 11,000 for the four months ended 30 April 2019 to approximately 10,000 for the four months ended 30 April 2020; (ii) average duration per class decreased by approximately 32.4% from approximately 17.9 hours for the four months ended 30 April 2019 to approximately 12.1 hours for the four months ended 30 April 2020 resulting from our online classes have shorter duration as compared to the physical classes; and (iii) average students enrolments per class decreased by approximately 14.2% from approximately 9.3 for the four months ended 30 April 2019 to approximately 8.0 for the four months ended 30 April 2020.

In light of the above, our tutoring hours decreased from approximately 1.9 million hours for the four months ended 30 April 2019 to approximately 1 million hours for the four months ended 30 April 2020 and the following table sets out certain of our operational data for the periods indicated:

	For the four months ended 30 April		
	2019	**2020**	**Variance (%)**
Unaudited revenue *(RMB'000)*	109,144	61,981	–43.2
Unaudited tuition fee income *(RMB'000)*	106,203	60,100	–43.4
Total number of classes (approximately)	11,000	10,000	–9.1
Average duration per class during the four months period (number of hours) (approximately)	17.9	12.1	–32.4
Average students enrolments per class (approximately)	9.3	8.0	–14.2
Tutoring hours	1,905,265	987,045	–48.2
Tutoring hours for physical classes	1,905,265	312,128	–83.6
Tutoring hours for online classes	—	674,917	N/A
Average tuition fees per tutoring hour *(RMB)* (approximately)	56	61	+8.9
Number of student enrolments (approximately)	106,000	81,000	–23.6

Based on the unaudited combined financial information of our Group for the four months ended 30 April 2020, which have been reviewed by the Reporting Accountants in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, our unaudited revenue for the four months ended 30 April 2020 amounted to approximately RMB62.0 million, representing a decrease of approximately 43.2% from approximately RMB109.1 million as compared to the corresponding period in 2019, of which our Directors considered that it was mainly attributable to the decrease in the total number of tutoring hours delivered by us during the four months ended 2020 as compared to the same period in 2019 with the abovementioned reasons. Our unaudited net loss for the four months ended 30 April 2020 amounted to approximately RMB14.2 million (which included listing expenses of approximately RMB2.8 million) as compared to our unaudited net profit of approximately RMB12.3 million (which included listing expenses of approximately RMB2.8 million) for the corresponding period in 2019.

Our unaudited refund in receipts in advance during the four months ended 30 April 2019 and 2020 amounted to approximately RMB3.6 million and RMB1.7 million, representing approximately 3.4% and 2.8% of the tuition fees income during the same period, respectively. In addition, following the implementation of a variable interest entity structure with the execution of the Structured Contracts on 12 January 2020, we may not be subject to the preferential tax treatments as a high and new technology enterprise, and are subject to the EIT and value-added tax under the Contractual Arrangements which may increase our Group's effective tax rate. As a result, our Directors expect that our financial performance for the year ending 31 December 2020 will decrease as compared to that of 2019.

Having regard to the loss we sustained for the first four months in 2020, we plan to cancel the summer holiday of our teaching staff in August 2020 and offer more summer tutorial courses with a more intensive course schedule for our primary and secondary school students as compared to last year. Our Directors believe that we can turnaround from the net loss we sustained for the first four months in 2020 to net profit for the year ending 31 December 2020 after we resumed physical classes for our self-operated teaching centres in May 2020 and in June 2020.

Opening of the new self-operated teaching centres

After the Track Record Period and up to the Latest Practicable Date, (i) there was no closure of self-operated teaching centre; and (ii) we entered into lease agreements for 11 of our new self-operated teaching centres, in which eight self-operated teaching centres were under renovation, two self-operated teaching centres were in the preparation of renovation and one self-operated teaching centre had completed renovation and in the process of preparing the relevant documents for the private school operation permit application. As at the Latest Practicable Date, we had 80 self-operated teaching centres. To the best of our Directors' knowledge, as at the Latest Practicable Date, there had been no confirmed cases of COVID-19 infection of our employees and students.

Our Directors will continue to (i) assess the impact of the COVID-19 outbreak on our Group's business operations and financial performance; and (ii) closely monitor our Group's exposure to the relevant risks and uncertainties and respond accordingly.

Our Directors confirm that the outbreak of COVID-19 had an adverse impact on our Group's business operation in the short run in terms of the decreased tutoring hours, student enrolments and revenue due to the temporary suspension of our physical classes. However, it is unlikely to have a material adverse impact on our Group's continuing business operation and sustainability in the long run as (i) our Group are able to provide tutoring services online and students can attend classes without physically present at our self-operated teaching centres, which reduce the impact on our business operation; (ii) as at the Latest Practicable Date, all of our self-operated teaching centres had been approved by the competent authorities to resume physical classes; (iii) our Group is able to discharge our obligations under the existing lease agreements; and (iv) our Group has sufficient cash and cash equivalents to maintain our business operation.

For details, please refer to the sections headed "Business — Impact of outbreak of COVID-19 on our business" and "Business — Health, workplace safety and environmental measures" in this prospectus.

IMPACT OF LISTING EXPENSES

Our Group's listing expenses primarily consist of professional fees, underwriting commission and other fees and expenses payable by us in connection with the previous listing on the NEEQ, the Listing and the Share Offer.

For the year ended 31 December 2017, we recorded, in the combined statements of profit or loss and other comprehensive income, the listing expenses of approximately RMB0.5 million for our previous listing on the NEEQ on 21 December 2016, before we subsequently delisted on 30 July 2018.

In respect of the Listing and the Share Offer, assuming an Offer Price of HK$1.50 per Offer Share, being the mid-point of the indicative range of the Offer Price, our Directors estimated the listing expenses to be approximately HK$48.0 million (equivalent to approximately RMB43.9 million), representing approximately 16.0% of the gross proceeds from the Share Offer, of which (i) approximately RMB6.3 million and RMB10.6 million have been recognised in our combined statements of profit or loss and other comprehensive income for the years ended 31 December 2018 and 2019, respectively; (ii) approximately RMB7.7 million is expected to be recognised in the combined statements of profit or loss and other comprehensive income for the year ending 31 December 2020; and (iii) the remaining of approximately RMB19.3 million is expected to be recognised as a deduction from equity upon the Listing.

Accordingly, the financial results of our Group for the year ending 31 December 2020 are expected to be affected by the estimated expenses in relation to the Listing, and as a result, it is expected that there will be a significant decrease in net profit for the year ending 31 December 2020. Our Directors would like to emphasise that the listing expenses of approximately HK$48.0 million is a current estimate for reference only, and therefore the actual amount may differ from our estimate and the final amount to be recognised in the combined statement of profit or loss and other comprehensive for the year ending 31 December 2020 is subject to adjustment based on any changes in variables and assumptions.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraphs headed "Recent development" and "Listing expenses" in this section, our Directors confirm that since 31 December 2019 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there had been no material adverse change in the trading, operating and financial position or prospects of our Group; and (iii) no event had occurred in all material respects since 31 December 2019 and up to the Latest Practicable Date that would adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Please refer to the section headed "Business — Business strategies" in this prospectus for a detailed description of our future plans.

REASONS FOR THE NEEQ DELISTING AND LISTING ON THE STOCK EXCHANGE

Our Directors believe that the delisting from the NEEQ and application for the Listing will be beneficial to our business and marketing development strategies since (i) the Stock Exchange, as a leading player of the international financial market, could offer us direct access to the international capital market, enhance our fund-raising capabilities and channels and broaden our Shareholders base; and (ii) the Listing will allow us to further broaden our business portfolio and to raise our brand awareness and influence on the market so as to speed up our steps in becoming a renowned listed primary and secondary after-school education service provider.

Please refer to the section headed "History, development and Reorganisation — History of our major consolidated affiliated entities — 1. Dashan Training — Delisting from the NEEQ" in this prospectus for a detailed description of the reasons for the NEEQ delisting and listing on the Stock Exchange.

USE OF PROCEEDS

The estimated net proceeds of the Share Offer which we will receive, assuming the Offer Price is fixed at low-end and high-end of the Offer Price range stated in this prospectus and the Over-allotment Option is not exercised after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Share Offer are set out in the table below:

	Offer Price of HK$1.25 per Offer Share (low-end of Offer Price)	**Offer Price of HK$1.75 per Offer Share (high-end of Offer Price)**
Market capitalisation of our Shares	HK$1,000 million	HK$1,400 million
Unaudited pro forma adjusted consolidated net tangible assets per Share*(Note)*	HK$0.47	HK$0.59

Note: For the assumptions and calculation method, please refer to the section headed "Unaudited pro forma financial information" set out in Appendix II to this prospectus.

Assuming an Offer Price of HK$1.50 per Offer Share, being the mid-point of the stated Offer Price range of HK$1.25 to HK$1.75 per Offer Share, the net proceeds of the Share Offer would be approximately HK$252.0 million which we intend to use as follows:

- Approximately 60.0%, or approximately HK$151.2 million, to be used for the expansion of our business and self-operated teaching centres network, through organic growth by expanding nationally and in particular in Zhengzhou, being the stronghold and headquarter of our Group, where there is demand for primary and secondary after-school education service and is currently not being served or where there is room for our Group to enter.

  According to the Frost & Sullivan Report:

  (1) in 2019, there were approximately 0.48 million out of a total of 1.62 million primary and secondary students participated in after-school education in Zhengzhou, or approximately 29.6% of the total primary and secondary students in the city. This is to be compared with over 70.0% of the primary and secondary students in first-tier cities in the PRC take part in after-school education. As Zhengzhou has been promoted as a national central city in the PRC in 2017 with an increasing household disposable income and an increasing number of students participating in primary and secondary education, it is expected that the ratio of students participating in after-school education services versus total primary and secondary student enrolments will continue to grow in Zhengzhou;

  (2) the total number of students participating in primary and secondary after-school education in Henan is anticipated to increase by approximately 0.3 million persons from 2019 to 2022. Meanwhile, total number of students participating in primary and secondary after-school education in Zhengzhou is anticipated to increase by approximately 0.03 million persons, representing approximately 10.0% of the total number of students participating in primary and secondary after-school education in Henan, during the same period; and

  (3) revenue of primary and secondary after-school education service market in Zhengzhou is anticipated to increase from approximately RMB3.96 billion in 2019 to approximately RMB4.91 billion in 2022 with a CAGR of approximately 7.4%. In particular, revenue of primary and secondary after-school education service market focuses on English is expected to grow from approximately RMB1.30 billion in 2019 to approximately RMB1.64 billion in 2022 with a CAGR of approximately 8.0%.

  Throughout the years, our "大山" (DaShan) brand has been awarded a number of recognitions, including "An Education Training Institution Endorsed by People for the academic year 2013 to 2014*" (2013–2014學年人民滿意的教育培訓機構), "Well-known Brand Recognition*" (知名品牌) in 2016, "Partner with the Most Influential Brand*" (最具品牌影響力合作夥伴) and "Influential Education Brand of 2019*" (2019年度影響力教育品牌) in 2019. We believe that our "大山"

(DaShan) brand has now become a trustworthy and credible brands among parents and students in Henan and we are well positioned to capture the increase in demand of the after-school education services in Henan, especially in Zhengzhou.

We expect to set up 60 additional self-operated teaching centres, with an aim to achieve a total of 140 self-operated teaching centres directly operated by us by the end of 2022. Out of the 60 additional self-operated teaching centres, we intend to establish 15 new self-operated teaching centres for the year ending 31 December 2020. After the Track Record Period and up to the Latest Practicable Date, we entered into lease agreements for 11 of our new self-operated teaching centres. For details, please refer to the section headed "Business — Business strategies" in this prospectus;

- Approximately 30.0%, or approximately HK$75.6 million, to be used for the expansion of our geographic presence and scale of operations in the PRC. We plan to achieve this 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 beyond our geographic reach during the Track Record Period, such as second and third tier city.

  According to the Frost & Sullivan Report, from 2019 to 2024, total number of students enrolled in primary and secondary education in non-first tier cities in the PRC is expected to grow from approximately 61.6 million persons in 2019 to approximately 77.1 million persons in 2024, representing a CAGR of approximately 4.3%. Meanwhile, by 2019, the primary and secondary after-school education service market in non-first tier cities in the PRC is relatively fragmented, with a range of approximately 150,000 to 200,000 service providers in the market.

  Our key criteria in evaluating our potential acquisition or investment targets other than their geographical location, among others, include (a) the historical performance of the target company; (b) the availability and type of potential customers; (c) the target company's size and scale of operation in terms of number of students; and (d) key financial indicators and profitability of the target company.

  To substantiate our expansion plan and optimise the expected return, we have set the following criterion on our target companies for acquisition with specific indicating figures which form the basis for our estimation of the total purchase price and in turn the amount of proceeds from the Share Offer for the acquisitions:

  (a) the target company is expected to have at least 1,500 students;

  (b) each target company shall have a net profit margin of approximately 10.0% or higher; and

(c) the price-to-earnings ratio of each target company should be in line with the price-to-earnings ratio of comparable private companies in the PRC which engage in the provision of primary and secondary after-school education services in the PRC.

Our Directors consider that as compared to establishing branches and subsidiaries in other parts of the PRC beyond our geographic reach during the Track Record Period, the benefits of expanding our geographic presence by way of strategic acquisitions are that we can efficiently tap into new local markets and expand our market presence within a relatively shorter timeframe by leveraging the existing customer base and other resources of the acquisition targets, as well as utilise their industry knowledge of the local market.

As at the Latest Practicable Date, we had not identified any specific target or engaged in any negotiations or finalised any definitive memorandum or understanding or agreements for the investment or acquisition. For further details, please refer to the section headed "Business — Business strategies" in this prospectus.

- Approximately 10.0%, or approximately HK$25.2 million, to be used for general working capital.

The following table sets out a breakdown of how the net proceeds of the Share Offer are intended to be used for the periods indicated:

	From the Latest Practicable Date to 31 December 2020	From 1 January 2021 to 30 June 2021	From 1 July 2021 to 31 December 2021	From 1 January 2022 to 30 June 2022	From 1 July 2022 to 31 December 2022	Total
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Expanding business and self-operated teaching centres network through organic growth	—	47.4	17.6	35.7	50.5	151.2
Expanding geographic presence through strategic acquisitions or setting up joint ventures	—	18.9	18.9	18.9	18.9	75.6
Working capital purposes	2.5	7.6	3.7	7.6	3.8	25.2
	2.5	73.9	40.2	62.2	73.2	252.0

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$1.75 per Share, the net proceeds we receive from the Share Offer will increase by approximately HK$48.0 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK$1.25 per Share, the net proceeds we receive from the Share Offer will decrease by approximately HK$48.0 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by us, will be approximately (i) HK$50.4 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$1.75 per Share; and (ii) HK$43.2 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK$1.50 per Share; and (iii) HK$36.0 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK$1.25 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks.

PUBLIC OFFER UNDERWRITERS (in alphabetical order)

Alliance Capital Partners Limited
Alpha International Securities (HONG KONG) Limited
Astrum Capital Management Limited
AWSG International Securities Limited
BOCOM International Securities Limited
Bradbury Securities Limited
CMB International Capital Limited
CMBC Securities Company Limited
Essence International Securities (Hong Kong) Limited
First Shanghai Securities Limited
Freeman Securities Limited
Fulbright Securities Limited
Futu Securities International (Hong Kong) Limited
Haitong International Securities Company Limited
Luk Fook Securities (HK) Limited
Pulsar Capital Limited
Sheng Yuan Securities Limited
TD King Capital Limited
Valuable Capital Limited
Zhongtai International Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters on a conditional basis on the terms and conditions set out in this prospectus, the related Application Forms and the Public Offer Underwriting Agreement. The Placing is expected to be fully underwritten by the Placing Underwriters. If, for any reason, the Offer Price is not agreed among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

The Share Offer comprises the Public Offer of initially 20,000,000 Public Offer Shares and the Placing of initially 180,000,000 Placing Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Share Offer" in this prospectus as well as to the Over-allotment Option in the case of the Placing.

RESTRICTIONS ON THE OFFER SHARES

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or be deemed by his or her acquisition of the Public Offer Shares to, confirm that he or she is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering 20,000,000 Public Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions set out in this prospectus and the related Application Forms. The Public Offer Underwriters have agreed, to procure applications to subscribe for, or failing which themselves as principals shall subscribe for, the Public Offer Shares.

Subject to (i) the Listing Committee granting the listing of, and permission to deal in, our Shares issued and to be issued on the Main Board of the Stock Exchange immediately after completion of the Share Offer and any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme; and (ii) certain other conditions set out in the Public Offer Underwriting Agreement (including, among others, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Public Offer Underwriters have agreed, severally but not jointly, to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered and which are not taken up under the Public Offer, on the terms and the conditions set out in this prospectus, the related Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

Grounds for Termination of the Public Offer Underwriting Agreement

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination with immediate effect by notice, in writing, from the Joint Global Coordinators, for themselves and on behalf of the Public Offer Underwriters, if any of the following events occurs prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, acts of government or orders of any court, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, nuclear leakage, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the U.S., the BVI, the United Kingdom, the European Union (or any member thereof), the Cayman Islands, Japan, Australia, or any other jurisdiction relevant to any member of our Group (together, the "**Specific Jurisdictions**"); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development or a prospective change, in any local, regional, national or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in any stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting the Specific Jurisdictions; or

(iii) any new law or any change or development involving a prospective change or any event or circumstance likely to result in a change in existing laws or development involving a prospective change (or in the interpretation or application by any court or other competent authority in or affecting) the Specific Jurisdictions; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or Tokyo Stock Exchange; or the imposition of any general moratorium on commercial banking activities in the Specific Jurisdictions declared by the relevant authorities or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services or procedures in any of the Specific Jurisdictions; or

(v) the imposition of tariffs, economic or other sanctions, in whatever form, directly or indirectly, by or on any of the Specific Jurisdiction; or

(vi) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment laws (including, without limitation, a material devaluation of the Hong Kong dollars or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Specific Jurisdictions; or

(vii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(viii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(ix) the chairman or chief executive officer or chief financial officer of our Company vacating his office; or

(x) the commencement by any governmental, regulatory or political body or organisation in any relevant jurisdiction commencing any investigation or take other action, against any Director; or

(xi) a contravention by any member of our Group of the Listing Rules or applicable laws; or

(xii) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of our Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xiii) any material breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than upon any of the Sole Sponsor, the Public Offer Underwriters or the Placing Underwriters); or

(xiv) any event, act or omission which gives rise to or is likely to give rise to any liability of any of our Company, our Controlling Shareholders or our executive Directors, in the sole and absolute opinion of the Joint Global Coordinators, under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or

(xv) any adverse change, or any development involving a prospective adverse change or development in conditions, in the assets, liabilities, business affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or

(xvi) any material breach of any warranties under the Public Offer Underwriting Agreement or any event or circumstances rendering such warranties be or would be when repeated untrue, incorrect or misleading in any material respect; or

(xvii) a petition or an order for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group;

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters):

(A) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or conditions, financial or otherwise, or performance of our Company or any of our subsidiaries taken as a whole; or

(B) has or will have or may have a material adverse effect on the success of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or

(C) makes or will make or may make it inadvisable or inexpedient or impracticable for the Share Offer to proceed; or

(D) has or will have or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in this prospectus, the Application Forms, the formal notice issued or to be used by or on behalf of our Company in connection with the Public Offer (the "**PO Documents**") and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any respect, or misleading or deceptive, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the PO Documents is not fair and honest and based on reasonable assumptions, in the sole and absolute opinion of the Joint Global Coordinators, and when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, in the sole and absolute discretion of the Joint Global Coordinators, constitute an omission from any of the PO Documents and/or in any notices, announcements, advertisements, communications or other documents including any supplement or amendment thereto; or

(iii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including Shares to be allotted and issued under the Over-Allotment Option) pursuant to the terms of the Share Offer; or

(iv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer of our Shares) or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or

(v) that any person (other than the Joint Global Coordinators, the Sole Sponsor or any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus, the Application Forms and any other document issued, given or used by or on behalf of our Company in connection with the contemplated offering of the Offer Shares or otherwise in connection with the Share Offer, including, without limitation, any roadshow materials relating to the Offer Shares and, in each case, all amendments or supplements or to the issue of any of the abovementioned documents; or

(vi) approval by the Listing Committee of the listing of, and permission to deal in, our Shares issued and to be issued on the Main Board of the Stock Exchange immediately after completion of the Share Offer and any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer.

Upon the occurrence of the events as above provided, the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) will, subject to the consent of the Sole Sponsor, be entitled to, upon giving notice in writing to our Company, terminate the Public Offer Underwriting Agreement with immediate effect.

Undertakings

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except pursuant to the Share Offer and the Over-allotment Option, he/it shall not and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner(s) (whether direct or indirect); or

(b) in the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of our Company.

In addition, in accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, within the period commencing on the date with reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(a) when he/it pledges or charges any Shares or other securities of our Company beneficially owned by him/it in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and

(b) when he/it receives any indications, either verbal or written, from any pledgee or chargee of any of the Shares or other securities of our Company pledged or charged that such Shares or other securities will be disposed of, immediately inform us of any such indication.

We shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with the Listing Rules.

Undertakings by our Company pursuant to the Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, we have undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and the Sole Sponsor that, except for the Capitalisation Issue, the allotment and issue of the Conversion Shares and the offer of the Offer Shares pursuant to the Share Offer (including the grant of, and the allotment and issue of Shares pursuant to the exercise of the Over-allotment Option) and the grant of, and the allotment and issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme, during the First Six-Month Period, we will not, and will procure each other member of our Group not to, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the Listing Rules:

(a) (except for the allotment of shares or securities by our subsidiaries to our Company or other members of our Group) offer, accept subscription for, pledge, lend, assign, mortgage, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or buyback, any of the share capital of our Company or other securities of any subsidiary or any securities convertible into or exercisable or exchangeable for or that represent the right to receive, or interests in, such share capital or any derivatives with our Shares or the shares of any subsidiary as underlying securities; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above;

whether any of the foregoing transactions described above is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that our Group will or may enter into any transaction described above.

We have further agreed that, during the Second Six-Month Period, in the event that our Company enters into any of the transactions specified in (a), (b), or (c) above or offers to or agrees to or announces any intention to effect any such transaction, we shall take all reasonable steps to ensure that it will not create a disorderly or false market for any of our Shares or other securities of our Company.

Undertakings by our Controlling Shareholders pursuant to the Public Offer Underwriting Agreement

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and the Sole Sponsor that, except pursuant to the Stock Borrowing Agreement:

(a) during the First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Global Coordinators and our Company and unless in compliance with the requirements of the Listing Rules, (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of our Shares in respect of which he or it is the beneficial owner (directly or indirectly) as at the Listing Date or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities (together, the "**Relevant Securities**"); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of our Shares or such other securities, in cash or otherwise; (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;

(b) during the Second Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and their respective associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Global Coordinators and our Company and unless in compliance with the Listing Rules, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder (as defined in the Listing Rules) or would together with other Controlling Shareholders (as defined in the Listing Rules) cease to be a group of Controlling Shareholders (as defined in the Listing Rules);

(c) in the event of a disposal of any Relevant Securities or our Company's securities or any interest therein within the Second Six-Month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company; and

(d) he/it shall, and shall procure that his/its associates and companies controlled by and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and the Sole Sponsor that, from the date of the Public Offer Underwriting Agreement up to the expiry of the first 12 months from the Listing Date, he/it will:

(a) if he/it pledges or charges any securities or interests in the Relevant Securities, immediately inform our Company, the Joint Global Coordinators and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(b) when he/it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Joint Global Coordinators and the Sole Sponsor in writing of such indications.

Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Agreement with, among others, the Placing Underwriters. Under the Placing Underwriting Agreement, it is expected that the Placing Underwriters would, subject to certain conditions, severally but not jointly, agree to purchase the Placing Shares being offered pursuant to the Placing or procure purchasers for their respective applicable proportions of Placing Shares.

Under the Placing Agreement, our Company intends to grant to the Placing Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) for up to 30 days from the last day for the lodging of applications under the Public Offer, to require us to issue an aggregate of 30,000,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Share Offer. These additional Shares will be sold at the Offer Price per Offer Share (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price) and will be for the purpose of covering over-allocations, if any, in the Placing.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 4.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions agreed by them. For unsubscribed Public Offer Shares reallocated to the Placing, if any, our Company will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Joint Global Coordinators and the relevant Placing Underwriters (but not the Public Offer Underwriters).

Assuming an Offer Price of HK$1.50 per Offer Share (being the mid-point of the indicative offer price range of HK$1.25 to HK$1.75 per Offer Share), the aggregate commissions, together with the Stock Exchange listing fee, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expense relating to the Share Offer, are estimated to amount to approximately HK$48.0 million (assuming that the Over-allotment Option is not exercised) in total.

The commission and expenses were determined after arm's length negotiations between our Company and the Public Offer Underwriters by reference to the current market conditions.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters for certain losses which they may incur, or suffer, including, among other matters, losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us, our Controlling Shareholders and our executive Directors of the Public Offer Underwriting Agreement.

Public Offer Underwriters' Interests

Except as disclosed in this prospectus and except for its obligations under the Public Offer Underwriting Agreement, none of the Public Offer Underwriters has any shareholding interests in our Company or in any of our subsidiaries or has any right, legally enforceable or not, to subscribe for or to nominate persons to subscribe for our securities or securities of any of our subsidiaries.

Following the completion of the Share Offer, the Underwriters and their affiliates may hold a certain portion of our Shares in connection with the performance of their obligations under the Underwriting Agreements.

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE SHARE OFFER

This prospectus is published in connection with the Share Offer. The Share Offer comprises (assuming the Over-allotment Option is not exercised):

- the Public Offer of initially 20,000,000 Shares (subject to reallocation as mentioned below) (representing 10% of the initial total number of Offer Shares) in Hong Kong as described in the paragraph headed "The Public Offer" in this section; and

- the Placing of initially 180,000,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) (representing 90% of the initial total number of Offer Shares) as described below under the paragraph headed "The Placing" in this section.

Investors may apply for Public Offer Shares under the Public Offer or apply for or indicate an interest for Placing Shares under the Placing, but may not do both.

The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation and, in the case of the Placing only, the Over-allotment Option as described below in the paragraph headed "Over-allotment and stabilisation" in this section.

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), agreeing on the Offer Price. Our Company expects to enter into the Placing Agreement relating to the Placing on the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

THE PUBLIC OFFER

Number of Shares Initially Offered

Under the Public Offer, our Company is initially offering 20,000,000 Shares at the Offer Price for subscription (subject to reallocation) by members of the public in Hong Kong, representing 10% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Offer Shares between (i) the Placing and (ii) the Public Offer, the number of Offer Shares initially offered under the Public Offer will represent 2.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer, assuming that the Over-allotment Option is not exercised.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Public Offer" in this section.

Conditions of the Public Offer

Acceptance of all applications for the Public Offer Shares in the Public Offer will be conditional on:

(i) the Listing Committee granting the listing of, and permission to deal in, our Shares issued and to be issued on the Main Board of the Stock Exchange immediately after completion of the Share Offer and any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme and such listing and permission not subsequently having been revoked prior to the commencement of dealings in our Shares on the Stock Exchange;

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the Placing Underwriting Agreement and the Stock Borrowing Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed on or before Wednesday, 8 July 2020 between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the websites of our Company at ***www.dashanwaiyu.com*** and the Stock Exchange at ***www.hkexnews.hk*** on the next business day following such lapse. In such eventuality, we will return all application monies, without interest, on the terms set out in the section headed "How to apply for Public Offer Shares". In the meantime, we will hold all application monies in separate bank account(s) with the receiving bank(s) or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 14 July 2020 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 15 July 2020 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination of the Public Offer Underwriting Agreement" has not been exercised.

Allocation

The total number of Offer Shares available under the Public Offer (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B.

- Pool A: The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less.

- Pool B: The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Applicants should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. If Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for our Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 10,000,000 Public Offer Shares (being 50% of the 20,000,000 Public Offer Shares initially comprised in the Public Offer) are liable to be rejected.

Allocation of Public Offer Shares to investors under the Public Offer, both in relation to pool A or pool B, will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. When there is over subscription under the Public Offer, such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

(a) if both the Public Offer Shares and the Placing Shares are undersubscribed, the Share Offer shall not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements;

(b) if the Public Offer Shares are undersubscribed and the Placing Shares are oversubscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Global Coordinators deem appropriate;

(c) if the Placing Shares are fully subscribed or oversubscribed and:

   (i) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares (before taking into account any exercise of Over-allotment Option) initially available under the Public Offer, then 40,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Public Offer Shares available under the Public Offer will be increased to 60,000,000 Offer Shares, representing 30% of the total number of Offer Shares initially available under the Share Offer (before taking into account any exercise of the Over-allotment Option);

   (ii) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 60,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 80,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer; and

(iii) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 80,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 100,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer,

in each case the additional Offer Shares reallocated to the Public Offer will be allocated between Pool A and Pool B in equal proportion and the number of Offer Shares allocated to the Placing will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

(d) pursuant to the Stock Exchange's Guidance Letter HKEX-GL91-18:

(i) if the Placing Shares are undersubscribed and if the Public Offer Shares are fully subscribed or oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer in such circumstances; or

(ii) if the Placing Shares are fully subscribed or oversubscribed, and if the Public Offer Shares are fully subscribed or oversubscribed but the number of Shares validly applied for under the Public Offer represents less than 15 times of the initial number of the Public Offer Shares,

then, provided that the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.25 per Offer Share) stated in this prospectus, up to 20,000,000 Offer Shares may be reallocated from the Placing to the Public Offer to satisfy valid applications in pool A and pool B under the Public Offer, so that the total number of Offer Shares available for subscription under the Public Offer will be increased up to 40,000,000 Offer Shares, and such limit represents 20% of the number of the Offer Shares initially available under the Share Offer (before taking into account any exercise of the Over-allotment Option).

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Offer Shares under the Placing.

Applicants under the Public Offer are required to pay, on application, the maximum price of HK$1.75 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Public Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Share Offer" in this section below, is less than the maximum price of HK$1.75 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to apply for Public Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Shares offered

Subject to reallocation as described above and the Over-allotment Option, the Placing will consist of 180,000,000 Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer, assuming that the Over-allotment Option is not exercised. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the options which may be granted under the Share Option Scheme and the Over-allotment Option).

Allocation

The Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing of the Share Offer" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit, of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application of Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed "The Public Offer — Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

PRICING OF THE SHARE OFFER

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective professional and institutional investors will be required to specify the number of the Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, 7 July 2020, and in any event on or before Wednesday, 8 July 2020, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$1.75 per Offer Share and is expected to be not less than HK$1.25 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process in respect of the Placing, and with the consent of our Company, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published on the websites of the Stock Exchange at ***www.hkexnews.hk*** and our Company at ***www.dashanwaiyu.com***, an announcement, or a supplemental prospectus (as appropriate), in connection with such reduction.

Upon issue of such an announcement or supplemental prospectus (as appropriate), the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

Applicants should have regard to the possibility that any announcement or supplemental prospectus (as appropriate) in connection with any such reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Such announcement or supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Share Offer statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction.

If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information contained in the announcement or supplemental prospectus (as appropriate)) be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement or supplemental prospectus (as appropriate) and all unconfirmed applications will not be valid. In the absence of any such notice or supplemental prospectus (as appropriate) published in relation to the reduction in the Offer Price, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Share Offer accruing to our Company (after deduction of underwriting fees, brokerage, SFC transaction levy, the Stock Exchange trading fees and estimated expenses payable by our Company in relation to the Share Offer, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$203.8 million, assuming an Offer Price per Offer Share of HK$1.25, or approximately HK$291.6 million, assuming an Offer Price per Offer Share of HK$1.75.

The final Offer Price, the indications of interest in the Offer, the results of applications and the basis of allotment of Public Offer Shares available under the Public Offer, are expected to be announced on Tuesday, 14 July 2020, in the manner set out in the paragraph "How to apply for Public Offer Shares — Publication of results" in this prospectus.

OVER-ALLOTMENT OPTION

Pursuant to the Over-allotment Option, the Placing Underwriters will have the right, exercisable by the Joint Global Coordinators (for themselves and on behalf of the Placing Underwriters) at any time from the day on which trading of our Shares commences on the Stock Exchange until the 30th day after the last day for the lodging of applications under the Public Offer and from time to time, to require our Company to allot and issue up to 30,000,000 additional Shares, representing 15% of the initial Offer Shares, at the same price per Offer Shares at which Offer Shares were initially offered under the Placing, to cover over-allocations in the Placing, if any, on the same terms and conditions as the Offer Shares that are subject to the Share Offer.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it, to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it reasonably regards as the best interest of our Company, (ii) may be discontinued at any time and is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under paragraphs (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling or agreeing to sell any of our Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything as described in paragraphs (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

The Joint Global Coordinators may, at their option, also cover such over-allocations by purchasing the Offer Shares in the secondary market or through stock borrowing arrangements from holders of our Shares or exercise of Over-allotment Option, or by a combination of these means or otherwise as may be permitted under applicable laws, rules and regulations. If the Joint Global Coordinates exercise the Over-allotment Option in full, the additional Offer Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately following completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Share Offer, the Stabilising Manager (or its affiliates and agents) may choose to borrow Shares from Shareholders of our Company under Stock Borrowing Agreement (being the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercise of the Over-allotment Option.

The Stabilising Manager will enter into the Stock Borrowing Agreement with Lucky Heaven, one of our Controlling Shareholders, whereby the Stabilising Manager may borrow Shares from Lucky Heaven on the following conditions:

(a) the stock borrowing will only be effected by the Stabilising Manager for the settlement of over-allocations in connection with the Placing prior to the exercise of the Over-allotment Option;

(b) the maximum number of Shares to be borrowed from Lucky Heaven will be limited to 30,000,000 Shares, being the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-allotment Option;

(c) the same number of Shares borrowed from Lucky Heaven must be returned to it or its nominees (as the case may be) no later than the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the day on which the Over-allotment Option is exercised in full and our Shares to be allotted and issued upon exercise of the Over-allotment Option have been allotted and issued; or (iii) such earlier time as may be agreed in writing between Lucky Heaven and the Stabilising Manager;

(d) borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

(e) no payments will be made to Lucky Heaven by the Stabilising Manager in relation to such stock borrowing arrangement.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stock Borrowing Agreement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set forth in Rule 10.07(3) of the Listing Rules. No payment will be made to Lucky Heaven by the Stabilising Manager or its agent in relation to such Stock Borrowing Agreement.

DEALING

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 15 July 2020, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 15 July 2020.

Our Shares will be traded in board lots of 2,000 Shares each.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at ***www.hkeipo.hk*** or the **IPO App**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the Securities Act); and
- (unless permitted by all applicable PRC laws and regulations to subscribe for Public Offer Shares) are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **HK eIPO White Form** Service Provider at the designated website at ***www.hkeipo.hk*** or the **IPO App**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Tuesday, 30 June 2020 until 12:00 noon on Monday, 6 July 2020 from:

(i) any of the following offices of the Public Offer Underwriters:

Alliance Capital Partners Limited
Room 1502–1503A
Wing On House
71 Des Voeux Road Central
Central
Hong Kong

Alpha International Securities (HONG KONG) Limited
Unit 2301, 23/F
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Astrum Capital Management Limited
Room 2704, Tower 1
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

AWSG International Securities Limited
Room 804B, 8/F
K. Wah Centre
191 Java Road
North Point
Hong Kong

BOCOM International Securities Limited
15/F Man Yee Building
68 Des Voeux Road Central
Hong Kong

Bradbury Securities Limited
5106–07, 51/F
The Center
99 Queen's Road Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Essence International Securities (Hong Kong) Limited
39/F, One Exchange Square
Central
Hong Kong

First Shanghai Securities Limited
19/F & Room 2505–10
Wing On House
71 Des Voeux Road Central
Hong Kong

Freeman Securities Limited
13/F, Fortis Tower
77–79 Gloucester Road
Wanchai
Hong Kong

Fulbright Securities Limited
33/F Cosco Tower Grand Millennium Plaza
183 Queen's Road
Central
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1–2, 13/F
United Centre
No. 95 Queensway
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Luk Fook Securities (HK) Limited
Units 2201–2207 & 2213–2214
22/F Cosco Tower
183 Queen's Road Central
Hong Kong

Pulsar Capital Limited
Room 1204, 12/F
Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

Sheng Yuan Securities Limited
Room 2202, 22/F.
No. 238 Des Voeux Road Central
Hong Kong

TD King Capital Limited
13/F Printing House
6 Duddell Street
Central
Hong Kong

Valuable Capital Limited
Room 2808, 28/F
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Zhongtai International Securities Limited
19/F Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

(ii) any of the branches or outlets of the following receiving banks:

(a) CMB Wing Lung Bank Limited

District	**Branch name**	**Address**
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Central District Branch	189 Des Voeux Road Central
Kowloon	Mongkok Branch	B/F CMB Wing Lung Bank Centre 636 Nathan Road

(b) Bank of Communications Co., Ltd. Hong Kong Branch

District	Outlet name	Address
Hong Kong Island	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
New Territories	Tiu Keng Leng Sub-Branch	Shops Nos. L2-064 and L2-065, Level 2, Metro Town, Tiu Keng Leng

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 30 June 2020 until 12:00 noon on Monday, 6 July 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**CMB WING LUNG (NOMINEES) LIMITED — DASHAN EDUCATION HOLDINGS LIMITED PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches or outlets of the receiving banks listed above, at the following times:

- 9:00 a.m. to 5:00 p.m. on Tuesday, 30 June 2020.
- 9:00 a.m. to 5:00 p.m. on Thursday, 2 July 2020.
- 9:00 a.m. to 5:00 p.m. on Friday, 3 July 2020.
- 9:00 a.m. to 1:00 p.m. on Saturday, 4 July 2020.
- 9:00 a.m. to 12:00 noon on Monday, 6 July 2020.

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 6 July 2020, the last application day or such later time as described in "Effect of bad weather and Extreme Conditions on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) **undertake** to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Law and the Memorandum and the Articles of Association;

(iii) **confirm** that you have received and read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) **confirm** that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) **agree** that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

(viii) **agree** to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and other parties involved in the Share Offer will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) **agree** that your application will be governed by the laws of Hong Kong;

(xii) **represent**, **warrant** and **undertake** that (i) you understand that the Public Offer Shares have not been and will not be registered under the Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) **warrant** that the information you have provided is true and accurate;

(xiv) **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) **authorise** our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or our agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) **understand** that our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at ***www.hkeipo.hk*** or the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website or in the **IPO App**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website or the **IPO App**, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider through the designated website at ***www.hkeipo.hk*** or in the **IPO App** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 30 June 2020 until 11:30 a.m. on Monday, 6 July 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 6 July 2020 or such later time under the paragraph headed "Effect of bad weather and Extreme Conditions on the opening of the applications lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System ***https://ip.ccass.com*** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- **agree** to accept the Public Offer Shares applied for or any lesser number allocated;

- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

- (if the **electronic application instructions** are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- **confirm** that you understand that our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- **authorise** our Company to place the name of the HKSCC Nominees on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Forms and agree to be bound by them;

- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- **agree** that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- **agree** to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer any personal data which this may require about you;

- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Public Offer Shares. Instructions for more than

2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions *(Note)*

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m. on Tuesday, 30 June 2020.
- 8:00 a.m. to 8:30 p.m. on Thursday, 2 July 2020.
- 8:00 a.m. to 8:30 p.m. on Friday, 3 July 2020.
- 8:00 a.m. to 12:00 noon on Monday, 6 July 2020.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 30 June 2020 until 12:00 noon on Monday, 6 July 2020 (24 hours daily, except on Monday, 6 July 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 6 July 2020, the last application day or such later time as described in the paragraph headed "Effect of bad weather and Extreme Conditions on the opening of the application lists" in this section.

Note: The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 6 July 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at ***www.hkeipo.hk*** or in the **IPO App**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure of the Share Offer — Pricing of the Share Offer" in this prospectus.

10. EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;

- an Extreme Condition; and/or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 6 July 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 6 July 2020 or if there is a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal or an Extreme Condition in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 14 July 2020 on our Company's website at ***www.dashanwaiyu.com*** and the website of the Stock Exchange at ***www.hkexnews.hk***.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at ***www.dashanwaiyu.com*** and the Stock Exchange's website at ***www.hkexnews.hk*** by no later than 9:00 a.m. on Tuesday, 14 July 2020;
- from the designated results of allocations website at ***www.tricor.com.hk/ipo/result*** and ***www.hkeipo.hk/IPOResult*** or the "Allotment Result" in the **IPO App** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 14 July 2020 to 12:00 midnight on Monday, 20 July 2020;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 14 July 2020 to Friday, 17 July 2020;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 14 July 2020 to Thursday, 16 July 2020 at all the receiving banks' designated branches and outlets.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website or the **IPO App**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.75 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer — Conditions of the Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 14 July 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Tuesday, 14 July 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 15 July 2020 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 14 July 2020 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 14 July 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 14 July 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 14 July 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 14 July 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your refund cheque(s) and/or Share certificate(s) from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 14 July 2020, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address specified in your application instructions on Tuesday, 14 July 2020, by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 14 July 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of results" above on Tuesday, 14 July 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 14 July 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 14 July 2020. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 14 July 2020.

15. ADMISSION OF OUR SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-57, received from our Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DASHAN EDUCATION HOLDINGS LIMITED AND ALLIANCE CAPITAL PARTNERS LIMITED

Introduction

We report on the historical financial information of Dashan Education Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-57, which comprises the combined statements of financial position of the Group as at 31 December 2017, 2018 and 2019, the statements of financial position of the Company as at 31 December 2018 and 2019 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the three years ended 31 December 2019 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-57 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2020 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2017, 2018 and 2019, of the Company's financial position as at 31 December 2018 and 2019 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-4 as were considered necessary.

Dividend

We refer to note 12 to the Historical Financial Information which contains information about the dividend declared and paid by the entities now comprising the Group in respect of the Track Record Period and states that no dividend has been declared by the Company since its date of incorporation.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirement.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 June 2020

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on (i) the consolidated financial statements of Zhengzhou Jinshui Dashan Training School Company Limited* (鄭州市金水區大山培訓學校有限公司) (formerly known as Zhengzhou Dashan Education Consultancy Company Limited* (鄭州大山教育諮詢有限公司) and Zhengzhou Dashan Education Technology Company Limited* (鄭州大山教育科技股份有限公司)) ("**Dashan Training**") and its subsidiaries for the Track Record Period; (ii) the financial statements of Zhengzhou Dashan Yun Xiao Technology Company Limited* (鄭州大山雲效科技有限公司) ("**WFOE**") for the period from its date of incorporation to 31 December 2019; and (iii) the management accounts of the Company, Golden Town Ventures Limited ("**Golden Town**") and Dashan Education (HK) Company Limited ("**Dashan Education (HK)**") for the period from their respective dates of incorporation to 31 December 2018 and the year ended 31 December 2019. The consolidated financial statements of Dashan Training and the financial statements of WFOE have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards of Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

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

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2017	**2018**	**2019**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	6	217,343	289,787	383,647
Cost of sales		(122,446)	(160,925)	(213,992)
Gross profit		94,897	128,862	169,655
Other income	7	3,945	6,414	5,859
Other gains and losses, net	7	(538)	(644)	2,140
Selling and marketing expenses		(16,658)	(20,400)	(22,918)
Content and information technology development and training expenses		(12,125)	(19,602)	(32,228)
Administrative expenses		(27,850)	(29,922)	(48,080)
Listing expenses		(545)	(6,337)	(10,572)
Finance costs	8	(4,115)	(4,815)	(6,687)
Fair value change of financial liabilities designated at fair value through profit or loss	26	—	—	65
Profit before taxation		37,011	53,556	57,234
Taxation	9	(8,951)	(8,613)	(8,268)
Profit and total comprehensive income for the year	10	28,060	44,943	48,966
Profit and total comprehensive income attributable to:				
Owners of the Company		28,062	44,943	48,966
Non-controlling interest		(2)	—	—
		28,060	44,943	48,966

STATEMENTS OF FINANCIAL POSITION

		The Group			The Company	
		As at 31 December			As at 31 December	
		2017	2018	2019	2018	2019
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS						
Property, plant and equipment	14	177,546	223,142	279,313	—	—
Investment properties	15	—	—	5,163	—	—
Deferred tax assets	16	211	56	107	—	—
Rental deposits	19	1,203	1,779	2,208	—	—
Deposits for leasehold improvements		88	1,230	2,567	—	—
		179,048	226,207	289,358	—	—
CURRENT ASSETS						
Inventories	17	2,483	4,266	7,091	—	—
Financial assets designated at fair value through profit or loss	18	80,000	40,000	55,000	—	—
Trade and other receivables	19	5,409	4,676	9,221	2,336	5,344
Bank balances and cash	20	54,262	146,527	176,939	—	45,068
		142,154	195,469	248,251	2,336	50,412
CURRENT LIABILITIES						
Trade payables	21	351	254	777	—	—
Amounts due to related companies	22	—	—	—	6,815	8,864
Other payables and accrued charges	23	15,385	17,507	30,261	2,038	9,809
Receipts in advance	24	111,659	163,549	170,892	—	—
Tax liabilities		8,157	5,574	3,017	—	—
Lease liabilities	25	17,233	21,983	26,704	—	—
		152,785	208,867	231,651	8,853	18,673
NET CURRENT (LIABILITIES) ASSETS		(10,631)	(13,398)	16,600	(6,517)	31,739
TOTAL ASSETS LESS CURRENT LIABILITIES		168,417	212,809	305,958	(6,517)	31,739
NON-CURRENT LIABILITIES						
Lease liabilities	25	102,367	125,464	168,227	—	—
Financial liabilities designated at fair value through profit or loss	26	—	—	49,810	—	49,810
		102,367	125,464	218,037	—	49,810
NET ASSETS (LIABILITIES)		66,050	87,345	87,921	(6,517)	(18,071)
CAPITAL AND RESERVES						
Share capital	27	32,260	32,260	32,260	—	—
Reserves		33,692	55,085	55,661	(6,517)	(18,071)
Equity attributable to owners of the Company		65,952	87,345	87,921	(6,517)	(18,071)
Non-controlling interest		98	—	—	—	—
TOTAL EQUITY		66,050	87,345	87,921	(6,517)	(18,071)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the Company						
	Share capital *RMB'000* *(note 27)*	**Capital surplus** *RMB'000*	**Statutory surplus reserve** *RMB'000* *(Note)*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interest** *RMB'000*	**Total** *RMB'000*
At 1 January 2017	32,260	1,443	444	3,743	37,890	—	37,890
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	28,062	28,062	(2)	28,060
Capital contribution in cash	—	—	—	—	—	100	100
Transfer from retained profits	—	—	2,268	(2,268)	—	—	—
At 31 December 2017	32,260	1,443	2,712	29,537	65,952	98	66,050
Profit and total comprehensive income for the year	—	—	—	44,943	44,943	—	44,943
Return of capital to non-controlling interest of a subsidiary	—	—	—	—	—	(98)	(98)
Dividend paid *(note 12)*	—	—	—	(23,550)	(23,550)	—	(23,550)
Transfer from retained profits	—	—	2,994	(2,994)	—	—	—
At 31 December 2018	32,260	1,443	5,706	47,936	87,345	—	87,345
Profit and total comprehensive income for the year	—	—	—	48,966	48,966	—	48,966
Dividend paid *(note 12)*	—	—	—	(48,390)	(48,390)	—	(48,390)
Transfer from retained profits	—	—	6,765	(6,765)	—	—	—
At 31 December 2019	32,260	1,443	12,471	41,747	87,921	—	87,921

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.

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2017	2018	2019
	NOTE	*RMB'000*	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES				
Profit before taxation		37,011	53,556	57,234
Adjustments for:				
Bank interest income		(170)	(186)	(279)
Income from financial assets designated at fair value through profit or loss		(1,880)	(4,862)	(4,685)
Finance costs		4,115	4,815	6,687
Loss on disposal of property, plant and equipment		288	216	161
Depreciation of investment properties		—	—	38
Depreciation of property, plant and equipment (including right-of-use assets for buildings)		43,377	54,960	77,834
Impairment loss recognised in respect of trade and other receivables, net		703	203	415
Gain on derecognition of right-of-use assets and lease liabilities		(453)	(28)	(3,303)
Imputed interest income from rental deposits		(34)	(52)	(98)
Fair value change of financial liabilities designated at fair value through profit or loss		—	—	(65)
Write-down for inventories		—	—	71
Foreign exchange losses		—	180	587
Operating cash flows before movements in working capital		82,957	108,802	134,597
Increase in inventories		(604)	(1,783)	(2,896)
(Increase) decrease in trade and other receivables		(2,560)	2,431	(1,511)
Increase (decrease) in trade payables		24	(97)	523
Increase in other payables and accrued charges		7,128	1,706	11,017
Increase in receipts in advance		51,038	51,890	7,343
Cash generated from operations		137,983	162,949	149,073
Income tax paid		(2,053)	(11,041)	(10,876)
NET CASH FROM OPERATING ACTIVITIES		135,930	151,908	138,197
INVESTING ACTIVITIES				
Bank interest received		170	186	279
Income from financial assets designated at fair value through profit or loss received		1,880	4,862	4,685
Refund of rental deposits upon early termination of leases		—	40	110
Payment for rental deposits		(800)	(1,058)	(1,553)
Purchase of property, plant and equipment		(34,163)	(36,991)	(41,929)
Proceeds on disposal of property, plant and equipment		11	44	211
Acquisition of assets through purchase of a subsidiary	35(e)	(114)	—	—
Addition of financial assets designated at fair value through profit or loss		(178,000)	(523,870)	(456,150)
Proceeds on redemption on financial assets designated at fair value through profit or loss		117,000	563,870	441,150
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(94,016)	7,083	(53,197)

	Year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
FINANCING ACTIVITIES			
Interest paid	(4,115)	(4,815)	(6,687)
Payment of lease liabilities	(32,345)	(36,892)	(47,546)
Capital contributions	100	—	—
Return of capital to non-controlling interest of a subsidiary	—	(98)	—
Dividend paid	—	(23,550)	(48,390)
Share issue costs paid	—	(1,371)	(1,393)
Proceeds on issuance of convertible note	—	—	49,875
NET CASH USED IN FINANCING ACTIVITIES	(36,360)	(66,726)	(54,141)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,554	92,265	30,859
Effect of foreign exchange rate changes	—	—	(447)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	48,708	54,262	146,527
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	54,262	146,527	176,939

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 30 November 2018. The addresses of the Company's registered office and the principal place of business are disclosed in the section headed "Further Information About Our Group" in the Prospectus. The principal activity of the Company is investment holding and the principal activities of its subsidiaries are provision of primary and secondary after-school education services.

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

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company and its subsidiaries.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Historically, prior to and after the completion of the reorganisation as detailed below and in the section headed "History, Development and Reorganisation" in this Prospectus (the "**Reorganisation**"), all the companies now comprising the Group were controlled by the Controlling Shareholder.

In preparation of the listing of the Company's shares on the Stock Exchange (the "**Listing**"), the companies now comprising the Group underwent a series of reorganisation which principally involves the following steps.

The principal steps of the Reorganisation are as follows:

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

(ii) On 25 October 2018, Bai Tai Investments Limited ("**Bai Tai**") was incorporated in BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of US$1.00 each. On 23 November 2018, 10,000 fully-paid shares in Bai Tai were allotted and issued to the non-controlling shareholders of Dashan Training;

(iii) On 29 November 2018, Dashan Training was converted from a joint-stock company to a limited liability company;

(iv) On 30 November 2018, the Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same date, the Company issued and allotted one ordinary share to the initial subscriber at nil paid and the said share was transferred to Lucky Heaven at nil consideration;

(v) On 25 October 2018, Golden Town was incorporated in BVI with limited liability and is authorised to issue a maximum of 50,000 shares with a par value of US$1.00 each. On 26 November 2018, 8,727 and 1,273 fully paid shares in Golden Town were allotted and issued to Lucky Heaven and Bai Tai respectively;

(vi) On 10 December 2018, Dashan Education (HK) was incorporated in Hong Kong with limited liability. On the same date, 1 fully paid share in Dashan Education HK was allotted and issued to Golden Town;

(vii) On 9 January 2019, WFOE was established in the PRC with a registered capital of RMB1,000,000, and wholly and directly owned by Dashan Education (HK);

(viii) On 12 January 2020, WFOE, Dashan Training and its wholly owned subsidiary, namely, Zhengzhou Jing Guang Dashan Training School Company Limited* (鄭州京廣大山培訓學校有限公司) (formerly known as Zhengzhou Jing Guang Dashan Education Consultation Limited* (鄭州市京廣大山教育諮詢有限公司)) ("**Jing Guang Dashan**"), and shareholders of Dashan Training entered into a series of contractual agreements, which enables the Company to obtain control over Dashan Training. See the section below headed "Contractual Arrangements" for further detail; and

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

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

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group (the "**Combined Entities**") since 18 June 2020. Prior to the Reorganisation, Dashan Training and its subsidiaries were owned by the Controlling Shareholder and the non-controlling interests. The Reorganisation involved steps of interspersing of the Company and certain investment holding companies, through issuance of shares and entering into the Contractual Arrangements, between Dashan Training and its shareholders. Accordingly, the Company and the Combined Entities resulting from the Reorganisation is regarded as a continuing entity. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment where there is a shorter period. The combined statements of financial position of the Group as at 31 December 2017, 2018 and 2019 have been prepared to present the carrying amount of the assets and liabilities of the Combined Entities as if the current group structure had been in existence as at those dates taking into account the respective dates of incorporation/establishment where applicable.

Contractual Arrangements

Due to regulatory restrictions on foreign ownership in the operation of education institutions that provides primary and secondary after-school education in the PRC and impose conditions on brand name licensing and advisory services business, the Group conducts a substantial portion of the business through Dashan Training and Jing Guang Dashan, a wholly owned subsidiary of Dashan Training ("**Consolidated Affiliated Entities**") in the PRC. WFOE, Dashan Training, Jing Guang Dashan and shareholders of Dashan Training entered into a series of contractual agreements ("**Contractual Arrangements**") enable WFOE and the Group to:

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

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

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

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

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

The Company does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries pursuant to the Contractual Arrangements. The Group has combined the financial position and results of Dashan Training in the Historical Financial Information during the Track Record Period.

The following balances and amounts of the Consolidated Affiliated Entities were included in the Historical Financial Information:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	217,343	289,787	379,633
Profit before taxation	37,011	59,893	65,827

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	179,048	226,207	289,111
Current assets	142,154	199,948	197,492
Current liabilities	152,785	206,829	215,134
Non-current liabilities	102,367	125,464	168,192

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with Hong Kong Accounting Standards ("**HKAS**"), HKFRSs, amendments and interpretations issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2019 throughout the Track Record Period. Specifically, the Group has adopted HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**"), HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and HKFRS 16 "Leases" ("**HKFRS 16**") on a consistent basis throughout the Track Record Period.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[5]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Except as described below, the management of the Company anticipates that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

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

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

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

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

The principal accounting policies adopted are set out below.

Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

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

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

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

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

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

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

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

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

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

Revenue from contracts with customers

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract

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

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;

- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and

- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

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

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

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

Output method

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

Leases

Definition of a lease

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

The Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

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

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

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

The Group as a lessor

Classification and measurement of leases

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

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

Refundable rental deposits

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

Lease modification

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

Foreign currencies

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

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

Borrowing costs

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

Government grants

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit scheme contribution

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

Short-term employee benefits

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

Research and development costs

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

Taxation

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

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

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

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

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

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

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

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

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

Property, plant and equipment

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

Ownership interests in leasehold land and building

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

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

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

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

Investment properties

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

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

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

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

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

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

In addition, corporates assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

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

Inventories

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

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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

- the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on a specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("**FVTOCI**") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

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

Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets is assessed individually.

For all other instruments (including other receivables, refundable deposits and bank balances), the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood of risk of a default occurring since initial recognition.

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

Definition of default

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

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

Credit-impaired financial assets

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

- Significant financial difficulty of the issuer of the borrower;

- A breach of contract, such as a default or past due event;

- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

- It is becoming probably that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

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

Measurement and recognition of ECL

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Repurchase of the group entities' own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group entities' own equity instruments.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortised cost

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

The Company's financial liabilities including other payables and amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

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

Provisions

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

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

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

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment and investment properties

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

Management of the Group will increase the depreciation charge where useful lives are shorter than previously estimated lives, or will write off or write down obsolete assets that have been abandoned or sold. As at 31 December 2017, 2018 and 2019, the carrying amounts of property, plant and equipment were RMB177,546,000, RMB223,142,000 and RMB279,313,000, respectively and investment properties were nil, nil and RMB5,163,000, respectively. Details of the useful lives of property, plant and equipment and investment properties are disclosed in notes 14 and 15, respectively.

Fair value measurement of financial liabilities designated at fair value through profit or loss

As at 31 December 2019, the Group's convertible note amounting to RMB49,810,000 is measured at fair value determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of this instrument. Details of the fair value measurement of financial liabilities designated at fair value through profit or loss are disclosed in note 26.

6. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers is as follows:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Tuition fees income	213,885	285,185	373,952
Sales of books and teaching materials	1,327	2,338	4,311
Brand name licensing and advisory services income	1,601	1,938	4,801
Other services	530	326	583
	217,343	289,787	383,647
Timing of revenue recognition			
A point of time	1,327	2,338	4,311
Over time	216,016	287,449	379,336
	217,343	289,787	383,647

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

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

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

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

All unsatisfied contracts in respect of revenue from tuition programs, brand name licensing and advisory services arrangement, sales of books and teaching materials and other services at 31 December 2017, 2018 and 2019 are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

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

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

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

Geographical information

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

Information about major customers

No service provided or goods sold to a single customer contributed to 10% or more of total revenue of the Group during each of the reporting period.

7. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

Other income

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Bank interest income	170	186	279
Government grants *(note)*	1,860	1,287	573
Income from financial assets designated at FVTPL	1,880	4,862	4,685
Imputed interest income from rental deposits	34	52	98
Rental income	—	—	132
Others	1	27	92
	3,945	6,414	5,859

Other gains and losses, net

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Foreign exchange losses	—	(180)	(587)
Impairment loss recognised in respect of trade and other receivables, net	(703)	(203)	(415)
Loss on disposal of property, plant and equipment	(288)	(216)	(161)
Gain on derecognition of right-of-use assets and lease liabilities	453	28	3,303
Others	—	(73)	—
	(538)	(644)	2,140

Note: During the years ended 31 December 2017 and 2018, these government grants are mainly related to the reward received from the local government for the successful listing of the shares of Dashan Training in National Equities Exchange and Quotations in the PRC during year 2016 and subsidies from the local government for the cost incurred for the college student internship programme as run by the Group. For the year ended 31 December 2019, government grants mainly represents the subsidies from the local government for the recognition of Dashan Training as High and New Technology Enterprise. These amounts have been recognised as other income upon receipt during the Track Record Period, and there was no unfulfilled condition attached to these government grants.

8. FINANCE COSTS

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Interests on lease liabilities	4,115	4,815	6,687

9. TAXATION

	Year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
PRC Enterprise Income Tax	9,127	8,458	8,319
Deferred tax (credit) charge *(Note 16)*	(176)	155	(51)
	8,951	8,613	8,268

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 Track Record Period.

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

The taxation for the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	37,011	53,556	57,234
Tax at the domestic income tax rate of 25%	9,253	13,389	14,309
Tax effect of expenses not deductible for tax purposes	1,279	546	2,252
Tax effect of tax losses not recognised	77	1,010	—
Utilisation of tax losses not recognised	—	(21)	(28)
Effect of different tax rates of a subsidiary	—	554	982
Effect of concessionary rates of subsidiaries	(25)	(3,487)	(3,380)
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	—	31	—
Effect of super deduction for content and information technology development and training expenses	(1,633)	(3,409)	(5,867)
Taxation for the year	8,951	8,613	8,268

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	Year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Profit and total comprehensive income for the year has been arrived at after charging:			
Staff costs:			
Directors' remuneration *(note 11)*	1,254	1,500	1,933
Other staff costs	79,387	102,096	110,033
Other staff's retirement benefits scheme contributions	4,337	10,587	16,850
	84,978	114,183	128,816
Write-down for inventories	—	—	71
Auditor's remuneration	200	200	—
Cost of inventories sold	759	1,421	2,089
Depreciation of investment properties	—	—	38
Depreciation of property, plant and equipment (including right-of-use assets for buildings)	43,377	54,960	77,834

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

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

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

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

	Year ended 31 December 2017			Year ended 31 December 2018			Year ended 31 December 2019		
	Salaries and other benefits	Retirement scheme contributions	Total	Salaries and other benefits	Retirement scheme contributions	Total	Salaries and other benefits	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors									
Mr. Zhang *(Chief executive officer)*	812	10	822	971	11	982	1,222	53	1,275
Mr. Shan Jingchao	205	10	215	235	23	258	285	44	329
Mr. Ma Wenhao	207	10	217	237	23	260	285	44	329
	1,224	30	1,254	1,443	57	1,500	1,792	141	1,933

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

There was no arrangement under which a director waived or agreed to waive any emolument during the Track Record Period.

Employees' emoluments

The five highest paid individuals included two, one and three director(s) whose emoluments are included in the disclosures in above for the years ended 31 December 2017, 2018 and 2019 respectively. The emoluments of the remaining three, four and two individuals for the years ended 31 December 2017, 2018 and 2019 respectively, were as follows:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other benefits	457	993	739
Discretionary bonus *(note)*	95	—	—
Retirement benefit scheme contributions	29	91	42
	581	1,084	781

Note: The discretionary bonus is determined with reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

Their emoluments were within the following band:

	Year ended 31 December		
	2017	**2018**	**2019**
	Number of individuals	*Number of individuals*	*Number of individuals*
Nil to HK$1,000,000	3	4	2

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

12. DIVIDEND

No dividend was declared or paid by the Company since its date of incorporation.

During the years ended 31 December 2018 and 2019, dividends of approximately RMB23,550,000 and RMB48,390,000 have been declared and paid by Dashan Training to its then equity owners respectively. The rate of dividend is not presented as such information is not considered meaningful having regard to the purpose of this report.

13. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for each of the three years ended 31 December 2017, 2018 and 2019 on a combined basis as disclosed in note 2.

14. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets for buildings *RMB'000*	Leasehold land and buildings *RMB'000*	Leasehold improvements *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
COST						
At 1 January 2017	87,307	17,913	24,211	6,642	513	136,586
Additions	93,854	5,037	20,040	8,372	626	127,929
Acquisition of a subsidiary	—	—	—	98	—	98
Disposals/written off	—	—	(647)	(568)	(20)	(1,235)
Derecognition upon early termination of leases	(8,958)	—	—	—	—	(8,958)
At 31 December 2017	172,203	22,950	43,604	14,544	1,119	254,420
Additions	65,249	8,996	18,081	6,925	1,847	101,098
Disposals	—	—	—	(899)	—	(899)
Derecognition upon early termination of leases	(658)	—	—	—	—	(658)
At 31 December 2018	236,794	31,946	61,685	20,570	2,966	353,961
Additions	118,327	—	25,788	14,804	—	158,919
Disposals/written off	—	—	(3,980)	(1,023)	—	(5,003)
Derecognition upon early termination of leases	(33,160)	—	—	—	—	(33,160)
Transfer to investment properties	—	(5,574)	—	—	—	(5,574)
At 31 December 2019	321,961	26,372	83,493	34,351	2,966	469,143
ACCUMULATED DEPRECIATION						
At 1 January 2017	20,481	251	15,112	2,024	175	38,043
Provided for the year	30,417	359	9,245	3,129	227	43,377
Eliminated on disposals/written off	—	—	(647)	(285)	(4)	(936)
Eliminated on derecognition upon early termination of leases	(3,610)	—	—	—	—	(3,610)
At 31 December 2017	47,288	610	23,710	4,868	398	76,874
Provided for the year	36,938	531	12,840	4,136	515	54,960
Eliminated on disposals	—	—	—	(639)	—	(639)
Eliminated on derecognition upon early termination of leases	(376)	—	—	—	—	(376)
At 31 December 2018	83,850	1,141	36,550	8,365	913	130,819
Provided for the year	51,451	569	18,701	6,460	653	77,834
Eliminated on disposals/written off	—	—	(3,980)	(651)	—	(4,631)
Eliminated in derecognition upon early termination of leases	(13,819)	—	—	—	—	(13,819)
Eliminated upon transfer to investment properties	—	(373)	—	—	—	(373)
At 31 December 2019	121,482	1,337	51,271	14,174	1,566	189,830
CARRYING VALUES						
At 31 December 2017	124,915	22,340	19,894	9,676	721	177,546
At 31 December 2018	152,944	30,805	25,135	12,205	2,053	223,142
At 31 December 2019	200,479	25,035	32,222	20,177	1,400	279,313

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

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

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

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

The Group is in the process of obtaining title deeds from relevant government authorities for its land and buildings in the PRC amounting to Nil, RMB4,212,000 and RMB4,106,000 at 31 December 2017, 2018 and 2019 respectively. In the opinion of the directors of the Company, the Group is not required to incur additional cost in obtaining the title deeds for its land and buildings in the PRC.

The directors of the Company considered that the payments for the leasehold land and building elements of the Group's owned properties located in the PRC with a carrying value of RMB22,340,000, RMB30,805,000 and RMB25,035,000 at 31 December 2017, 2018 and 2019, respectively cannot be allocated reliably.

15. INVESTMENT PROPERTIES

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

	Investment properties *RMB'000*
COST	
At 1 January 2019	—
Transfer from property, plant and equipment	5,201
At 31 December 2019	5,201
ACCUMULATED DEPRECIATION	
At 1 January 2019	—
Provided for the year	38
At 31 December 2019	38
CARRYING VALUES	
AT 31 December 2019	5,163

The fair value of the Group's investment properties as at 31 December 2019 was RMB6,640,000 which was arrived at on the basis of a valuation carried out on 31 December 2019 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.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value measurements of the Group's investment properties is classified as Level 3 for the Track Record Period. The above investment properties are depreciated on a straight-line basis over the shorter of the relevant lease terms or 50 years.

16. DEFERRED TAX ASSETS

The following are the deferred tax assets recognised by the Group and movement thereon during the Track Record Period.

	Loss allowance for trade and other receivables
	RMB'000
At 1 January 2017	35
Credit to profit or loss	176
At 31 December 2017	211
Charge to profit or loss	(124)
Effect of change in tax rate	(31)
At 31 December 2018	56
Credit to profit or loss	51
At 31 December 2019	107

As 31 December 2017, 2018 and 2019, the Group has unused tax losses of RMB353,000, RMB4,229,000 and nil respectively, available for offset against future profits. No deferred assets has been recognised due to the unpredictability of future profit steams. Tax losses would expire in the following years:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
2021	47	—	—
2022	306	189	—
2023	—	4,040	—
	353	4,229	—

17. INVENTORIES

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Books and teaching materials	2,483	4,266	7,091

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

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Financial assets designated at FVTPL	80,000	40,000	55,000

During the Track Record Period, the Group entered into several contracts of wealth management products with financial institutions in the PRC. Except for the principals of RMB1,000,000, RMB40,000,000 and RMB45,000,000 as at 31 December 2017, 2018 and 2019, respectively, which was guaranteed by the relevant financial institutions, the remaining principals of RMB79,000,000, Nil and RMB10,000,000 as at 31 December 2017, 2018 and 2019, respectively, 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 31 December 2017, 2018 and 2019 range from 2.40% to 5%, 1.35% to 4.10% and 3.55% to 4.80% per annum respectively.

In the opinion of the management of the Group, the fair value of the wealth management products at 31 December 2017, 2018 and 2019 approximated their principal amounts. All wealth management products will be matured within twelve months for the end of each reporting period.

19. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	80	23	—
Less: loss allowance	(4)	(2)	—
Total trade receivables	76	21	—
Other receivables			
Staff advance	9	13	—
Receivables from third-party payment platforms	2,594	1,390	468
Prepayments	2,277	235	2,559
Other taxes prepaid	387	495	539
Prepaid listing expense	—	549	427
Deferred share issue costs	—	1,787	4,917
Rental deposits	1,338	2,066	2,720
Others	772	245	458
Less: loss allowance	(841)	(346)	(659)
Total other receivables	6,536	6,434	11,429
Total trade and other receivables	6,612	6,455	11,429
Less: non-current rental deposits	(1,203)	(1,779)	(2,208)
Current portion	5,409	4,676	9,221

As at 1 January 2017, trade receivables from contracts with customers of the Group amounted to RMB28,000.

Trade receivables for sales of books and teaching materials

The general credit period granted to the Contracted Parties for sales of books and teaching materials is usually within 90 days from the date of billings.

The Group applies simplified approach to provide for ECL allowance on trade receivables for sales of books and teaching materials prescribed by HKFRS 9. To measure the ECL allowance of trade receivables for sales of books and teaching materials, trade receivables have been assessed individually. The loss allowance provision of the trade receivables at the end of each reporting period were insignificant.

The following is an aged analysis of trade receivables presented based on the invoice dates at the end of each reporting period.

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
0–30 days	14	2	—
31–60 days	5	1	—
61–90 days	9	1	—
Over 90 days	48	17	—
	76	21	—

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 Track Record Period were insignificant.

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

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	142	845	348
Impairment losses recognised on trade and other receivables	703	203	417
Reversal of impairment losses on trade receivables	—	—	(2)
Write off	—	(700)	(104)
At end of the year	845	348	659

The Company

As at 31 December 2018 and 2019, the amount represents the prepaid listing expense and deferred issue costs.

20. BANK BALANCES AND CASH

The Group

Bank balances and cash comprise cash and bank balances held by the Group with maturity of three months or less and carry interest at prevailing market rates ranging from 0.30% to 0.35%, 0.30% to 0.35% and 0.001% to 0.35% per annum at 31 December 2017, 2018 and 2019 respectively.

The Company

As at 31 December 2019, the amount represents the bank balances held by the Company with maturity of three months or less and carry interest at prevailing market rates ranging from 0.001% to 0.002%.

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

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
United States Dollars ("**US$**")	—	—	42,944
Hong Kong Dollars ("**HK$**")	—	—	2,124

21. 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 each reporting period:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
0–30 days	351	254	522
31–60 days	—	—	208
61–90 days	—	—	2
Over 90 days	—	—	45
	351	254	777

22. AMOUNTS DUE TO RELATED COMPANIES

As at 31 December 2019, the amount of RMB459,000 is due to WFOE which the Company obtained the control over WFOE on 18 June 2020 (note 2(ix)) and the amount is non-trade nature, unsecured, interest-free and repayable on demand.

As at 31 December 2018 and 2019, the amount of RMB6,815,000 and RMB8,405,000 respectively is due to Dashan Training which the Company obtained the control over Dashan Training on 12 January 2020 (note 2(viii)) and the amount is non-trade nature, unsecured, interest-free and repayable on demand.

23. OTHER PAYABLES AND ACCRUED CHARGES

The Group

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Staff cost payables	7,065	9,309	12,052
Renovation cost payables	4,345	1,260	2,264
Refundable tuition deposits	2,897	2,716	3,076
Refundable deposits from Contracted Parties	250	988	889
Other taxes payables	694	758	685
Other payables	134	438	1,486
Accrued listing expenses	—	1,622	7,656
Accrued issue costs	—	416	2,153
	15,385	17,507	30,261

The Company

As at 31 December 2018 and 2019, the amount represents the accrued listing expenses and issue costs.

24. RECEIPTS IN ADVANCE

As at 1 January 2017, receipt in advance amounted to RMB60,621,000.

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

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Receipts in advance:			
— Tutoring fees	110,904	158,669	167,557
— Brand name licensing and advisory services income	755	4,880	3,335
	111,659	163,549	170,892

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

Changes in receipts in advance during the Track Record Period are as follows:

	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	60,621	111,659	163,549
Amount refunded due to contract termination that was included in the contract liabilities at the beginning of the year	(1,632)	(3,493)	(6,840)
Revenue recognised that was included in the contract liabilities at the beginning of the year	(50,778)	(100,099)	(147,034)
Increase due to cash received, excluding amounts recognised as revenue during the year	103,448	155,482	161,217
At the end of the year	111,659	163,549	170,892

25. LEASE LIABILITIES

Buildings	As at 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000
Non-current	102,367	125,464	168,227
Current	17,233	21,983	26,704
	119,600	147,447	194,931

	As at 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000
Minimum lease payment due:			
— within one year	21,075	26,726	32,980
— more than one year but not exceeding two years	30,872	37,104	47,151
— more than two years but not exceeding five years	60,138	71,483	101,600
— more than five years	19,433	27,040	32,851
	131,518	162,353	214,582
Less: future finance charge	(11,918)	(14,906)	(19,651)
Present value of lease liabilities	119,600	147,447	194,931

	As at 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000
Present value of lease liabilities			
— within one year	17,233	21,983	26,704
— more than one year but not exceeding two years	28,663	33,556	42,322
— more than two years but not exceeding five years	55,221	66,088	94,202
— more than five years	18,483	25,820	31,703
	119,600	147,447	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 years ended 31 December 2017, 2018 and 2019 were RMB36,460,000, RMB41,707,000 and RMB54,233,000 respectively.

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

The Group and the Company

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 and the Capitalisation Issue) 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 31 December 2019.

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

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

	Convertible note *RMB'000*
At 1 January 2019	—
Issued during the year	49,875
Fair value gain	(65)
At 31 December 2019	49,810

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.

The valuer adopted Guideline Public Company ("**GPC**") method under the market approach to perform the valuation analysis on the equity interest of the Group. 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.

Three scenarios were considered in the valuation of convertible note:

Scenario A: Automatic conversion on the first assumed date of Listing of 3 June 2020.

Scenario B: Automatic conversion on the second assumed date of Listing of 31 December 2021.

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.

As at 31 December 2019, the amount of convertible note is denominated in US$, a currency other than the functional currency of the Company.

27. SHARE CAPITAL

The Group

For the purpose of presenting the Historical Financial Information, balances of the share capital of the Group at 1 January 2017 and 31 December 2017 represented the paid up capital of Dashan Training, the then holding company of the companies now comprising the Group.

The balance of the share capital of the Group at 31 December 2018 and 2019 represented the aggregate of the share capital of Dashan Training and the Company.

The Company

	Number of Shares	Amount	Shown in Historical Financial Information as
		HK$	*RMB'000*
Ordinary share of HK$0.01 each			
Authorised:			
At 30 November 2018 (date of incorporation), 31 December 2018 and 31 December 2019	38,000,000	380,000	
Issued and Nil paid:			
At 30 November 2018 (date of incorporation), 31 December 2018 and 31 December 2019	1	—	—

28. RESERVE OF THE COMPANY

	Accumulated losses
	RMB'000
At 30 November 2018 (date of incorporation)	—
Loss for the period	6,517
At 31 December 2018	6,517
Loss for the year	11,554
At 31 December 2019	18,071

29. RETIREMENT BENEFITS SCHEMES

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

The total expense recognised in profit or loss of RMB4,367,000, RMB10,644,000 and RMB16,991,000 for the years ended 31 December 2017, 2018 and 2019, respectively, represents contributions paid and payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2017, 2018 and 2019, contributions of Nil, RMB28,000 and Nil were due in respect of the years ended 31 December 2017, 2018 and 2019, which had not been paid over to the plans.

30. OPERATING LEASES

The Group as lessor

All of the properties held for rental purposes have committed lessees for the next two to five years.

Minimum lease payments receivable on leases are as follows:

	As at 31 December 2019
	RMB$'000
Within one year	193
In the second year	203
In the third year	160
In the fourth year	168
In the fifth year	101
	825

31. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes lease liabilities and financial liabilities designated at FVTPL disclosed in notes 25 and 26, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, other reserves and retained profits.

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

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group			The Company	
	As at 31 December			As at 31 December	
	2017	2018	2019	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets					
Amortised cost (including cash and cash equivalents)	58,298	151,146	182,493	—	45,068
Financial assets designated at FVTPL	80,000	40,000	55,000	—	—
	138,298	191,146	237,493	—	45,068
Financial liabilities					
Amortised cost	7,977	7,694	18,301	8,853	18,673
Financial liabilities designated at FVTPL	—	—	49,810	—	49,810
	7,977	7,694	68,111	8,853	68,483

Financial risk management objectives and policies

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

Market risk

Currency risk

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

	Liabilities			Assets		
	2017	2018	2019	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
US$	—	—	49,810	—	—	42,944
HK$	—	—	—	—	—	2,124

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

Sensitivity analysis

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

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against US$ and HK$ during the years ended 31 December 2017, 2018 and 2019. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The sensitivity analysis includes bank balances and cash and financial liabilities designated at FVTPL that are denominated in US$ and HK$. A positive (negative) number below indicates a decrease (an increase) in post-tax profit in post-tax loss for the year where US$ and HK$ weakening 5% against the functional currency of the relevant group entity. For a 5% strengthen of US$ and HK$ against the functional currency of the relevant group entity, there would be an equal and opposite impact on the result.

	US$ Impact			**HK$ Impact**		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Post-tax (loss) profit for the year	—	—	(343)	—	—	106

Interest rate risk

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

Sensitivity analysis

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

Credit risk and impairment assessment

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

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

The credit risk for receivables from third-party payment platforms with gross carrying amounts of RMB2,594,000, RMB1,390,000 and RMB468,000 as at 31 December 2017, 2018 and 2019, respectively is considered low as such amounts are the cash settlement from creditworthy third-party payment platforms within one month. The credit risk for bank balances with gross carrying amounts of RMB54,262,000, RMB146,527,000 and RMB176,939,000 as of 31 December 2017, 2018 and 2019, respectively is considered low as such amounts are placed in banks with good reputation.

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

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

For other receivables with gross carrying amounts of RMB2,207,000, RMB3,554,000 and RMB5,745,000 as at 31 December 2017, 2018 and 2019, respectively, management of the Group makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience and also available reasonable and supportive forward-looking information.

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

	12m ECL	Lifetime ECL (credit-impaired)	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	140	—	140
New financial assets originated or purchased	1	700	701
At 31 December 2017	141	700	841
Changes due to financial instruments recognised as at 1 January 2018:			
— Amounts written off *(note)*	—	(700)	(700)
New financial assets originated or purchased	205	—	205
At 31 December 2018	346	—	346
Transfer	(104)	104	—
Changes due to financial instruments recognised as at 1 January 2019			
— Amounts written off *(note)*	—	(104)	(104)
New financial assets originated or purchased	417	—	417
At 31 December 2019	659	—	659

Note: During the two years ended 31 December 2018 and 2019, the Group reassessed the impaired receivable and considered that there is no realistic prospect of recovery, the relevant receivable of RMB700,000 and RMB104,000 was written off accordingly.

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

Liquidity risk

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

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

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

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

The Group

	Effective interest rate	On demand	1–3 months	3 months to 1 year	1 year to 5 years	Over 5 year	Total undiscounted cash flow	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017								
Trade payables	N/A	—	351	—	—	—	351	351
Other payables and accrued charges	N/A	—	7,626	—	—	—	7,626	7,626
Lease liabilities	3.25	—	5,788	15,287	91,010	19,433	131,518	119,600
		—	13,765	15,287	91,010	19,433	139,495	127,577
As at 31 December 2018								
Trade payables	N/A	—	254	—	—	—	254	254
Other payables and accrued charges	N/A	—	7,440	—	—	—	7,440	7,440
Lease liabilities	3.25	—	6,472	20,254	108,587	27,040	162,353	147,447
		—	14,166	20,254	108,587	27,040	170,047	155,141
As at 31 December 2019								
Trade payables	N/A	—	777	—	—	—	777	777
Other payables and accrued changes	N/A	—	17,524	—	—	—	17,524	17,524
Lease liabilities	3.25	—	9,709	23,271	148,751	32,851	214,582	194,931
Financial liabilities designated at FVTPL	N/A	—	—	—	49,462	—	49,462	49,810
		—	28,010	23,271	198,213	32,851	282,345	263,042

The Company

	Effective interest rate %	On demand *RMB'000*	1–3 months *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	Over 5 year *RMB'000*	Total undiscounted cash flow *RMB'000*	Total carrying amount *RMB'000*
As at 31 December 2018								
Other payables and accrued charges	N/A	—	2,038	—	—	—	2,038	2,038
Amount due to a related company	N/A	6,815	—	—	—	—	6,815	6,815
		6,815	2,038	—	—	—	8,853	8,853
As at 31 December 2019								
Other payables and accrued charges	N/A	—	9,809	—	—	—	9,809	9,809
Amounts due to related companies	N/A	8,864	—	—	—	—	8,864	8,864
Financial liabilities designated at FVTPL	N/A	—	—	—	49,462	—	49,462	49,810
		8,864	9,809	—	49,462	—	68,135	68,483

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 Historical Financial Information 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 31 December 2017	31 December 2018	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: RMB40,000,000	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	31 December 2017	Fair value at 31 December 2018	31 December 2019	Fair value hierarchy	Valuation technique and key inputs
Financial liabilities designated at FVTPL	—	—	Convertible note: RMB49,810,000	Level 3	Refer to note 26 *(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 Track Record Period as the amount involved is insignificant.

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

If the equity value to the valuation model had been 5% higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year ended 31 December 2019 would have been decreased/increased by RMB1,953,000.

There were no transfers between levels of the fair value hierarchy during the Track Record Period.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were for future cash flows will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Accrued share issue costs	Dividends payable	Lease liabilities	Financial liabilities designated at FVTPL	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	—	—	64,043	—	64,043
Net financing cash flows	—	—	(36,460)	—	(36,460)
Finance costs	—	—	4,115	—	4,115
Recognition of lease liabilities *(note 36)*	—	—	93,703	—	93,703
Derecognition of lease liabilities *(note 36)*	—	—	(5,801)	—	(5,801)
At 31 December 2017	—	—	119,600	—	119,600
Net financing cash flows	(1,371)	(23,550)	(41,707)	—	(66,628)
Finance costs	—	—	4,815	—	4,815
Recognition of lease liabilities *(note 36)*	—	—	65,049	—	65,049
Derecognition of lease liabilities *(note 36)*	—	—	(310)	—	(310)
Dividends declared	—	23,550	—	—	23,550
Share issue costs recognised	1,787	—	—	—	1,787
At 31 December 2018	416	—	147,447	—	147,863
Net financing cash flows	(1,393)	(48,390)	(54,233)	49,875	(54,141)
Finance costs	—	—	6,687	—	6,687
Recognition of lease liabilities *(note 36)*	—	—	117,945	—	117,945
Derecognition of lease liabilities *(note 36)*	—	—	(22,915)	—	(22,915)
Dividends declared	—	48,390	—	—	48,390
Share issue costs recognised	3,130	—	—	—	3,130
Fair value change of financial liabilities designated at fair value through profit or loss	—	—	—	(65)	(65)
At 31 December 2019	2,153	—	194,931	49,810	246,894

34. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Group had purchased of leasehold land and buildings from the close family members of Mr. Zhang in aggregate amount of RMB3,272,000, RMB6,170,000 and nil during the year ended 31 December 2017, 2018 and 2019 respectively. All properties were leased to the Group at free of charge before the purchase.

Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the Track Record Period were as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Short-term benefits	1,800	2,195	2,766
Post-employment benefits	90	182	301
	1,890	2,377	3,067

35. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct or indirect equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Paid up capital/ Share capital	Date of incorporation/ establishment	Equity interest attributable to the Group As at 31 December 2017 %	2018 %	2019 %	Date of this report %	Principal activities	Notes
Subsidiaries:										
Golden Town^	BVI	HK	US$50,000	25 October 2018	N/A	100	100	100	Investment holding	(b)
Dashan Education (HK)	HK	HK	HK$1	10 December 2018	N/A	100	100	100	Investment holding	(b)
WFOE	PRC	PRC	RMB1,000,000	9 January 2019	N/A	N/A	100	100	Sales of books and teaching materials and provision of technical services	(b)
Structured entities *(Note a)*:										
Dashan Training	PRC	PRC	RMB32,260,000	30 December 2010	100	100	100	100	After-school education services	(c)
Jing Guang Dashan	PRC	PRC	RMB1,000,000	21 September 2015	100	100	100	100	After-school education services	(d)
Zhengzhou Dashan Ruan Jian Development Company Limited* (鄭州大山軟件開發有限公司)	PRC	PRC	RMB1,000,000	16 March 2011	100	100	N/A *(Note g)*	N/A	Brand name licensing and advisory services	(b)
Zhengzhou Ai Zhi Tang Corporate Management Consultation Company Limited* (鄭州愛智堂企業管理諮詢有限公司) (**"Ai Zhi Tang"**) *(Note e)*	PRC	PRC	RMB500,000	25 August 2016	100	100	N/A *(Note g)*	N/A	Not yet commenced business	(b)
Zhengzhou An Li Chen Corporate Management Consultation Company Limited* (鄭州市安立辰企業管理諮詢有限公司)	PRC	PRC	RMB5,000,000	18 September 2017	98	N/A *(Note f)*	N/A	N/A	Not yet commenced business	(b)

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

^ *The equity interest is directly held by the Company upon completion of the Reorganisation.*

None of the subsidiaries had any debt securities at the end of each reporting period.

Notes:

(a) The Company does not have direct or indirect legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, Contractual Arrangements have been entered into with these structured entities and the equity holders of these structured entities on 12 January 2020 as detailed in note 2.

(b) No statutory audited financial statements have been prepared since their date of incorporation/ registration as they are either incorporated in the jurisdiction where there is no statutory audit requirements or the statutory audited financial statements were not yet due for issuance.

(c) The statutory financial statements of the entity for the years ended 31 December 2017, 2018 and 2019 prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises have been audited by 山東和信會計師事務所(特殊普通合夥), 河南日昇聯合會計師事務所(普通合夥), and 河南日昇聯合會計師事務所(普通合夥), respectively, certified public accounting firms registered in the PRC respectively.

(d) The statutory financial statements of the entity for the years ended 31 December 2018 and 2019 prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises have been audited by 河南日昇聯合會計師事務所(普通合夥), a certified public accounting firm registered in the PRC. The statutory financial statements have not been issued for the entity for the year ended 31 December 2017 as at the date of this report.

(e) On 6 September 2017, Dashan Training completed the acquisition of 100% equity interest of Ai Zhi Tang, for a cash consideration of RMB384,000. Ai Zhi Tang did not commence any business and mainly held bank balances of RMB270,000 at the date of acquisition. The net cash outflow arising from such acquisition amounted to RMB114,000.

(f) The company was deregistered during the year ended 31 December 2018.

(g) The company was deregistered during the year ended 31 December 2019.

36. NON-CASH TRANSACTIONS

During the Track Record Period, the Group has entered into the following major non-cash transactions:

Right-of-use assets for buildings with a total amount of RMB93,854,000, RMB65,249,000 and RMB118,327,000 and lease liabilities of RMB93,703,000, RMB65,049,000 and RMB117,945,000 were recognised on commencement date of new leases entered into by the Group during the year ended 31 December 2017, 2018 and 2019 respectively;

Right-of-use assets for buildings with a total carrying amount of RMB5,348,000, RMB282,000 and RMB19,341,000 and lease liabilities of RMB5,801,000, RMB310,000 and RMB22,915,000 were derecognised during the year ended 31 December 2017, 2018 and 2019 respectively upon early termination of relevant lease agreements.

37. SUBSEQUENT EVENTS

Save as disclosed in the Historical Financial Information, subsequent events of the Group are detailed as below.

(i) On 18 June 2020, the Reorganisation as detailed in note 2 and in the section headed "History, Development and Reorganisation" in the Prospectus was duly completed.

(ii) 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.

(iii) 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 Share Offer (as defined in the Prospectus), 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.

(iv) In response to the outbreak of coronavirus disease 2019, the Group launched online course for students in February 2020 and converted physical class to online class temporarily where students are 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.

For the four months ended 30 April 2020, the Group's unaudited revenue decreased by appropriately 43.2% as compared to the corresponding period in year 2019. Further details are set out in the section headed "Summary" to the Prospectus.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company and its subsidiaries have been prepared in respect of any period subsequent to 31 December 2019.

*The information set forth in this appendix does not form part of the accountants' report on historical financial information of our Group for the years ended 31 December 2017, 2018 and 2019 (the "**Accountants' Report**") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's reporting accountants as set forth in Appendix I to this prospectus, and is included herein for information only.*

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" to this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with Rules 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer (as defined in this prospectus) on the combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019, as if the Share Offer had taken place on such date.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 or at any future dates following the Share Offer. It is prepared based on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 as shown in the Accountants' Report set out in Appendix I to this prospectus and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$1.75 per Offer Share	87,921	291,622	379,543	0.49	0.54
Based on an Offer Price of HK$1.25 per Offer Share	87,921	203,782	291,703	0.38	0.41

Notes:

1. The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 is based on the combined net assets of the Group attributable to the owners of the Company amounted to RMB87,921,000 extracted from the combined statement of financial position as at 31 December 2019 set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on 200,000,000 Offer Shares at the high-end and low-end of the indicative Offer Price range of HK$1.75 and HK$1.25 per Offer Share, respectively, after deduction of the estimated underwriting fees and commissions and other related expenses incurred and to be incurred by the Group (excluding the listing expenses which had been charged to profit or loss up to 31 December 2019), and without taking into account any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, (ii) which may be allotted and issued or repurchased by the Company under the general mandates or (iii) which may be issued pursuant to the full conversion of the Pre-IPO Convertible Note.

   For the purpose of this unaudited pro forma financial information, the estimated net proceeds from the Share Offer is converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1 to RMB0.9150 (being the exchange rate prevailing on the Latest Practicable Date). No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at all.

3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 per Share has been arrived at after making the adjustments referred to in this section and on the basis of a total of 768,420,800 Shares, assuming that (i) 9,999 Shares had been issued pursuant to the Reorganisation; (ii) 200,000,000 Shares pursuant to the Share Offer had been issued; and (iii) 568,410,800 Shares to be issued pursuant to the Capitalisation Issue had been completed on 31 December 2019, and without taking into account 31,579,200 Shares to be issued pursuant to the full conversion of the Pre-IPO Convertible Note. It also does not take into account any Shares which (i) may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or (ii) which may be allotted and issued or repurchased by the Company under the general mandates.

4. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 per Share is converted from Renminbi to Hong Kong dollars at an exchange rate of RMB0.9150 to HK$1 (being the exchange rate prevailing on the Latest Practicable Date). No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

5. No adjustment have been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company at 31 December 2019 to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2019.

   In particular, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 as shown above have not been adjusted to illustrate the effect of the conversion of the Pre-IPO Convertible Note upon completion of the Share Offer.

   Upon completion of the Share Offer, the Pre-IPO Convertible Note will be mandatorily and automatically converted into 31,579,200 Shares under which the then carrying amount of the Pre-IPO Convertible Note recorded in the liabilities of the Company will be transferred to the Company's equity.

   Should the conversion of the Pre-IPO Convertible Note be taken into account as if it had been completed at 31 December 2019, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 as disclosed in the table above would have been adjusted to show the effect of the full conversion of the Pre-IPO Convertible Note as below.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019	Estimated net proceeds from the Share Offer	Estimated impact to the net tangible assets of the Group attributable to the owners of the Company upon the full conversion of the Pre-IPO Convertible Note	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company taking into account the Share Offer and the full conversion of the Pre-IPO Convertible Note as at 31 December 2019	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company taking into account the Share Offer and the full conversion of the Pre-IPO Convertible Note as at 31 December 2019 per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*	*(Note a)*		*(Note b)*	*(Note 4)*
Based on an Offer Price of HK$1.75 per Offer Share	87,921	291,622	49,810	429,353	0.54	0.59
Based on an Offer Price of HK$1.25 per Offer Share	87,921	203,782	49,810	341,513	0.43	0.47

(a) For the purpose of this unaudited pro forma financial information, the estimated impact to the net tangible assets of the Group attributable to the owners of the Company upon the full conversion of the Pre-IPO Convertible Note is RMB49,810,000, being the carrying amount of the Pre-IPO Convertible Note as at 31 December 2019.

(b) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company taking into account the Share Offer and the full conversion of the Pre-IPO Convertible Note as at 31 December 2019 per Share has been arrived at after making the adjustments referred to in this section and on the basis of a total of 800,000,000 Shares, assuming that (i) 9,999 Shares had been issued pursuant to the Reorganisation; (ii) 200,000,000 Shares pursuant to the Share Offer had been issued; (iii) 568,410,800 Shares to be issued pursuant to the Capitalisation Issue had been completed on 31 December 2019; and (iv) 31,579,200 Shares to be issued pursuant to the full conversion of the Pre-IPO Convertible Note had been completed on 31 December 2019. It does not take into account any Shares which (i) may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or (ii) which may be allotted and issued or repurchased by the Company under the general mandates.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's reporting accountants, in respect of our Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF DASHAN EDUCATION HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Dashan Education Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 31 December 2019 and related notes, as set out on pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated 30 June 2020 (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Share Offer (as defined in the Prospectus) on the Group's financial position as at 31 December 2019 as if the Share Offer had taken place at 31 December 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 December 2019, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the

Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 June 2020

The following is the text of a letter, summary of valuations and valuation reports prepared for the purpose of incorporation in this prospectus received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market values of the properties held by Dashan Education Holdings Limited as at 30 April 2020.

16/F
Jardine House
1 Connaught Place
Central
Hong Kong

30 June 2020

The Directors
Dashan Education Holdings Limited
Room 1504, 15/F.
Jubilee Centre
18 Fenwick Street
Wan Chai
Hong Kong

Dear Sirs,

INSTRUCTION, PURPOSE & VALUATION DATE

In accordance with your instructions for us to value the properties (the "**properties**") held by Dashan Education Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of market values of the properties as at 30 April 2020 (the "**Valuation Date**").

DEFINITION OF MARKET VALUE

Our valuations of each of the properties represent its Market Value which in accordance with HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTIONS

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the properties in the PRC, we have prepared our valuations on the basis that the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company. In valuing the properties, we have prepared our valuations on the basis that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group are set out in the notes of the valuation report.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the properties, we have assumed that the grantees or the users of the properties have free and uninterrupted rights to use or to assign the properties for the whole of the unexpired term as granted.

METHOD OF VALUATION

In valuing each of the properties which are occupied by the Group for owner-occupation or investment in the PRC, we have adopted the Direct Comparison Method by making reference to comparable sales evidence as available in the relevant market; or where appropriate, by Investment Method by capitalising the rental derived from the existing tenancy with due provision of the reversionary rental potential of the property.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and HKIS Valuation Standards 2017.

SOURCES OF INFORMATION

We have been provided by the Company with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original document to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC.

SITE INSPECTION

Our valuer, Ms. Jasmine Zhang (2 year's experience in property valuation in PRC), inspected the exterior and, whenever possible, the interior of the properties in December 2019. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

MARKET UNCERTAINTY ALERT

The recent outbreak of the coronavirus disease 2019 ("**COVID-19**") has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuations of the properties are valid only at the Valuation Date and any subsequent changes in market conditions as well as the resulting impacts on property values after the Valuation Date cannot be taken into account. If any party intends to make reference to our valuations when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the Valuation Date.

CURRENCY

Unless otherwise stated, all sums stated in our valuation are in Renminbi, the official currency of the PRC.

We enclose here with a summary of our valuations and our valuation reports.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 27 years' experience in the valuation of properties in the PRC.

English translation of company names in Chinese which are marked with "" are for identification purpose only.*

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 30 April 2020 *(RMB)*	Interest attributable to the Group *(%)*	Market value in existing state attributable to the Group as at 30 April 2020 *(RMB)*
	Group I — Properties occupied by the Group in the PRC			
1.	No. 0706–0708, Level 7, No. 1901–1923, Level 19, Building 4, No. 6, Linke Road, Jinshui District, Zhengzhou, Henan Province, the PRC 中華人民共和國河南省鄭州市金水區林科路6號院4號樓7層0706至0708號19層1901至1923號	27,730,000	100	27,730,000
2.	Room 111, Levels 1–2, Building 2, Ruhe Road South, Lijianggou Road West, Zhongyuan District, Zhengzhou, Henan Province, the PRC 中華人民共和國河南省鄭州市中原區汝河路南李江溝路西2幢1–2層111號房	4,760,000	100	4,760,000
	Sub-total:	**32,490,000**		**32,490,000**
	Group II — Property held for investment by the Group in the PRC			
3.	No. 113–119, Level 11, Building 1, No. 66, Jianshe Road West, Zhongyuan District Zhengzhou, Henan Province, the PRC 中華人民共和國河南省鄭州市中原區建設西路66號院1號樓11層付113號至付119號	6,640,000	100	6,640,000
	Grant total:	**39,130,000**		**39,130,000**

VALUATION REPORT

Group I — Properties occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2020
1.	No. 0706–0708, Level 7, No. 1901–1923, Level 19, Building 4, No. 6, Linke Road, Jinshui District, Zhengzhou, Henan Province, the PRC 中華人民共和國河南省鄭州市金水區林科路6號院4號樓7層0706至0708號19層1901至1923號	The property comprises 3 units on Level 7 and whole Level 19 in Building 4 (known as "**Guoxin Plaza**") which is a 28-storey building completed in 2012. The property has a total gross floor area of approximately 1,623.30 sq m. The property is located at 100 meters to the south of the intersection of Dongfeng Road and Jingsan Road, Jinshui District, Zhengzhou. Developments nearby are mainly commercial and residential development. According to the Company, the property is planned for office uses; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the property. The land use rights of the property have been granted for a term due to expire on 20 January 2070 for residential use.	As at the Valuation Date, No. 0706–0708 on Level 7 were vacant. No. 1901–1923 on Level 19 were owner-occupied as office.	RMB27,730,000 (RENMINBI TWENTY SEVEN MILLION SEVEN HUNDRED THIRTY THOUSAND) (100% interest attributable to the Group: RMB27,730,000)

Notes:

(1) According to 26 Real Estate Title Certificates, the building ownership of the property with a total gross floor area of 1,623.30 sq m have been vested in 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**"), a wholly owned subsidiary of the Company, for residential use with a land use term due to expire on 20 January 2070 with details as follows:

Certificate No.	**Block No. 4, No. 6 Linke Road, Jinshui District**	**Gross Floor Area** *(sq m)*
(2019) 0395012	Unit 0706, 7/F	57.30
(2019) 0395304	Unit 0707, 7/F	57.30
(2019) 0395293	Unit 0708, 7/F	134.68
(2019) 0393630	Unit 1901, 19/F	144.58
(2019) 0395358	Unit 1902, 19/F	57.97
(2019) 0395286	Unit 1903, 19/F	52.19
(2019) 0394789	Unit 1904, 19/F	51.02
(2019) 0394811	Unit 1905, 19/F	51.02
(2019) 0395120	Unit 1906, 19/F	51.02
(2019) 0395687	Unit 1907, 19/F	51.02
(2019) 0395043	Unit 1908, 19/F	108.65
(2019) 0395682	Unit 1909, 19/F	45.54
(2019) 0395654	Unit 1910, 19/F	57.23
(2019) 0393694	Unit 1911, 19/F	120.44
(2019) 0395030	Unit 1912, 19/F	93.17
(2019) 0395330	Unit 1913, 19/F	43.33
(2019) 0395371	Unit 1914, 19/F	36.38
(2019) 0394615	Unit 1915, 19/F	37.03
(2019) 0395408	Unit 1916, 19/F	37.03
(2019) 0395307	Unit 1917, 19/F	37.03
(2019) 0395624	Unit 1918, 19/F	42.51
(2019) 0395000	Unit 1919, 19/F	62.58
(2019) 0395603	Unit 1920, 19/F	38.18
(2019) 0395402	Unit 1921, 19/F	43.98
(2019) 0395383	Unit 1922, 19/F	46.07
(2019) 0394974	Unit 1923, 19/F	66.05
Total:		1,623.30

(2) According to Purchase Agreements of Commodity House dated 12 March 2018, the property comprising 26 units with a total gross floor area of 1,623.20 sq m was purchased by Dashan Training at a total consideration of RMB21,162,298.

(3) The purpose of the premises stated in the Real Estate Title Certificates is residential. Deyi Community Residents Committee of Fengchan Road Sub-district Office in Jinshui District of Zhengzhou City* (鄭州市金水區豐產路街道辦事處德億社區居民委員會) issued the Certificate dated 14 July 2015 to prove that Dashan Training can used the residential premises as a business premises and has been approved by the relevant stakeholder.

(4) According to Business Licence No. 91410105567277289X dated 30 December 2010, Dashan Training was established as a limited liability company with a registered capital of RMB32,260,000.

(5) According to the PRC legal opinion:

(i) Dashan Training has obtained the relevant Real Estate Title Certificates of the property;

(ii) Dashan Training has the right to freely occupy, use, lease, transfer and dispose of building ownership.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Group:

Real Estate Title Certificate	Yes
Business Licence	Yes

VALUATION REPORT

Group I — Properties occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2020
2.	Room 111, Levels 1–2, Building 2, Ruhe Road South, Lijianggou Road West, Zhongyuan District, Zhengzhou, Henan Province, the PRC 中華人民共和國 河南省鄭州市中原區 汝河路南 李江溝路西 2幢1–2層 111號房	The property comprises a two-storey retail unit located at the first and second floor of a 33-storey residential building completed in 2018. Hechang Lanjing is a residential development erected on a parcel of land with a site area of approximately 93,478.05 sq m. The property has a total gross floor area of approximately 269.08 sq m. The property is located at west of Lijianggou Road and south of Ruhe Road, Zhongyuan District, Zhengzhou. Developments nearby are mainly commercial and residential development. According to the Company, the property is planned for commercial service use; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the property. The land use rights of the property have been granted for a term due to expire on 13 January 2085 for residential use.	As at the Valuation Date, the property was owner-occupied as education centre.	RMB4,760,000 (RENMINBI FOUR MILLION SEVEN HUNDRED SIXTY THOUSAND) (100% interest attributable to the Group: RMB4,760,000)

Notes:

(1) According to Purchase Agreement of Commodity House dated 24 June 2018, the property comprising a retail unit with a gross floor area of 269.08 sq m was purchased by 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**"), a wholly owned subsidiary of the Company, at a total consideration of RMB4,221,284. The land use rights of the property have been granted for a term due to expire on 18 February 2074 for residential use.

(2) According to Business Licence No. 91410105567277289X dated 30 December 2010, Dashan Training was established as a limited liability company with a registered capital of RMB32,260,000.

(3) According to the PRC legal opinion:

(i) The Purchase Agreement of Commodity House is valid, legal and binding under the PRC laws;

(ii) Upon obtaining the Real Estate Title Certificate, Dashan Training has the right to freely occupy, use, lease, transfer and dispose of building ownership.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Group:

Real Estate Title Certificate	No
Purchase Agreement of Commodity House	Yes
Business Licence	Yes

VALUATION REPORT

Group II — Property held for investment by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2020
3.	No. 113–119, Level 11, Building 1, No. 66, Jianshe Road West, Zhongyuan District Zhengzhou, Henan Province, the PRC 中華人民共和國河南省鄭州市中原區建設西路66號院1號樓11層付113號至付119號	The property comprises 7 residential units located in a 13-storey residential building completed in 2005. The property has a total gross floor area of approximately 565.02 sq m. The property is located at No. 66 Jianshe Xi Road, Zhongyuan District, Zhengzhou. Developments nearby are mainly residential development. According to the Company, the property is planned for office uses; there is no environmental issues and litigation dispute; there is no plan for renovation or change the use of the property. According to the Real Estate Title Certificates of the Property, the land use rights of the property have been granted for a term due to expire on 18 February 2074 for residential use.	As at the Valuation Date, the property Units 118 and 119 are leased to a third party for a term from 1 November 2019 to 31 December 2021 at a monthly rent of RMB4,000, exclusive of water, electricity and management fee. **The other 5 units** Units 113 to 117 are leased to a third party for a term from 1 August 2019 to 31 July 2024 at a monthly rent of RMB11,861.64 for the first year and with an annual increase of 5%, exclusive of water, electricity and management fee.	RMB6,640,000 (RENMINBI SIX MILLION SIX HUNDRED FORTY THOUSAND) (100% interest attributable to the Group: RMB6,640,000) (in which Units 118 and 119: RMB1,500,000 RENMINBI ONE MILLION FIVE HUNDRED THOUSAND Units 113 to 117: RMB5,140,000 RENMINBI FIVE MILLION ONE HUNDRED FORTY THOUSAND)

Notes:

(1) According to 7 Real Estate Title Certificates, the building ownership of the property with a total gross floor area of 565.02 sq m have been vested in 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**"), a wholly owned subsidiary of the Company, for residential use with a land use term due to expire on 18 February 2074 with details as follows:

Certificate No.	**11/F of Block No. 1, No. 66 Jianshe Road West, Zhongyuan District**	**Gross Floor Area** *(sq m)*
(2019) 0393199	Unit No. 113	86.77
(2019) 0393260	Unit No. 114	86.26
(2019) 0393593	Unit No. 115	139.47
(2019) 0393617	Unit No. 116	40.48
(2019) 0393650	Unit No. 117	86.34
(2019) 0393830	Unit No. 118	40.10
(2019) 0393680	Unit No. 119	85.60
Total		565.02

(2) According to Purchase Agreements of Commodity House dated 22 January 2016, the property comprising 7 residential units with a total gross floor area of 565.02 sq m was purchased by Dashan Training at a total consideration of RMB5,360,000.

(3) According to Business Licence No. 91410105567277289X dated 30 December 2010, Dashan Training was established as a limited liability company with a registered capital of RMB32,260,000.

(4) According to the PRC legal opinion:

(i) Dashan Training has obtained relevant Real Estate Title Certificates of the property;

(ii) Dashan Training has the right to freely occupy, use, lease, transfer and dispose of building ownership.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided to us by the Group:

Real Estate Title Certificate	Yes
Business Licence	Yes

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 November 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). Our Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 18 June 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock

Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by our Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Our Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to our Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Directors may determine; or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of our Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting; or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if our Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which our Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where our Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

(dd) any contract or arrangement in which our Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

Our Company must hold an annual general meeting of our Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by our Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of our Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the

Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, our Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 11 December 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

Our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, our Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection — Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 November 2018 under the Companies Law. Our Company's registered office is at the office of Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established a principal place of business in Hong Kong at Room 1504, 15/F., Jubilee Centre, 18 Fenwick Street, Wan Chai, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 3 April 2019. Ms. Chen Yibei has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operation is subject to the laws of the Cayman Islands and its constitutive documents comprising the Memorandum and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. The following alterations in the share capital of our Company have taken place since the date of its incorporation:

(a) one Share was allotted and issued in nil paid form to the initial subscriber, which was transferred to Lucky Heaven on the same date at nil consideration;

(b) on 18 June 2020, in consideration of Lucky Heaven and Bai Tai transferring 8,727 shares and 1,273 shares in Golden Town respectively to our Company, our Company has (i) allotted and issued 8,726 Shares and 1,273 Shares of HK$0.01 each and credited as fully paid to Lucky Heaven and Bai Tai respectively and (ii) credited the one nil-paid Share registered in the name of Lucky Heaven as fully paid;

(c) pursuant to the written resolutions of our Shareholders passed on 18 June 2020, the authorised share capital of our 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;

(d) pursuant to the Capitalisation Issue, our Company will allot and issue 496,052,073 Shares and 72,358,727 Shares to Lucky Heaven and Bai Tai respectively;

(e) upon granting of the Listing, the Pre-IPO Convertible Note shall be mandatorily and automatically converted into 31,579,200 Conversion Shares in full which shall represent approximately 5.2632% of the entire issued share capital of our Company (as enlarged by the allotment and issue of the Conversion Shares and the Capitalisation Issue); and

(f) immediately following completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each and the issued share capital will be HK$8,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid and 9,200,000,000 Shares will remain unissued.

Save as disclosed in this prospectus, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the paragraph headed "A. Further information about our Group — 3. Written resolutions of our Shareholders dated 18 June 2020" in this appendix, there has been no other alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of our Shareholders dated 18 June 2020

Pursuant to the written resolutions of our Shareholders dated 18 June 2020:

(a) the authorised share capital of our Company was increased from HK$380,000 to HK$100,000,000 by the creation of an additional 9,962,000,000 Shares; and

(b) our Company approved and adopted the Memorandum and the Articles of Association, both with effect from the Listing Date;

(c) conditional on the same conditions as stated in the section headed "Structure of the Share Offer — Conditions of the Public Offer" of this prospectus:

(i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares subject to the terms and conditions stated in this prospectus and the Application Forms;

(ii) the Over-allotment Option was approved and our Directors were authorised to effect the same and to allot and issue our Shares upon the exercise of the Over-allotment Option;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in this appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares upon the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of a rights issue or any scrip dividend schemes or similar arrangements in accordance with the Articles of Association or the conversion of the Pre-IPO Convertible Note, or the Share Offer or the Capitalisation Issue, or an issue of Shares upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) Shares not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following the Capitalisation Issue, the conversion of the Pre-IPO Convertible Note and the completion of the Share Offer (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme); and (bb) the total number of Shares repurchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, and to make or grant offers, agreements and options which may require the exercise of such powers, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first, PROVIDED that if any subsequent consolidation or subdivision of Shares is effected, the maximum amount of Shares that may be issued pursuant to the approval in sub-paragraph (iv) of this resolution as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of Shares shall be adjusted accordingly;

(v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares not exceeding 10% of the total number of Shares in issue immediately following the completion of Capitalisation Issue, the conversion of the Pre-IPO Convertible Note and the Share Offer (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first, PROVIDED that if any subsequent consolidation or subdivision of Shares is effected, the maximum amount of Shares that may be repurchased pursuant to the approval in sub-paragraph (v) of this resolution as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of Shares shall be adjusted accordingly; and

(vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the total number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to or in accordance with the mandate to repurchase Shares referred to in sub-paragraph (v) above.

(d) conditional upon the share premium amount of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise the amount of HK$5,684,108.00 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 our Shareholders whose names appeared on the register of members of our Company at the close of business on 18 June 2020; and

(e) conditional on and upon the grant of the Listing, and subject to the terms and conditions of the instrument constituting the Pre-IPO Convertible Note, our Directors were authorised to allot and issue the Conversion Shares to the holder of the Pre-IPO Convertible Note.

4. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the stock Exchange. For information relating to the Reorganisation, please refer to the section headed "History, development and Reorganisation" in this prospectus.

5. Changes in share capital of subsidiaries in our Company

Our subsidiaries are set out under the Accountants' Report set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

Save as disclosed in the section headed "History, development and Reorganisation" in this prospectus, there has been no other alteration in the share capital of any of the subsidiaries in our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes information relating to the repurchase of our Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders on 18 June 2020, a general unconditional mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or applicable laws to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with a company's constitutional documents and the laws of the jurisdiction in which the company is incorporated or otherwise established. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under the Cayman Islands law, any repurchase by our Company may be made out of profits of our Company, out of the share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any premium payable on a redemption or purchase over the par value of our Shares to be repurchased must be provided for out of either or both of the profits or the share premium account of our Company. Subject to the Companies Law, a repurchase may also be made out of capital.

(iii) Trading restrictions

Our Company may repurchase up to 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (excluding shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of the shares for a period of 30 days immediately following a repurchase of shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchase our Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by our Company to effect a repurchase of our Shares is required to disclose to the Stock Exchange any information with respect to a Share repurchase as the Stock Exchange may require. Our Company shall not purchase Shares if the purchase price is higher by 5% or more than the average closing market for the five preceding trading days on which our Shares were traded on the Stock Exchange.

(iv) Status of repurchased shares

All repurchased Shares (whether on the Stock Exchange or otherwise) will be cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Islands law, a company's shares repurchased may be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the shares repurchased accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

Repurchase of Shares are prohibited after inside information has come to the knowledge of our Company until such information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not reported under the Listing Rules); and (bb) the deadline for our Company to announce its results for any year, half-year or quarter-year period under the Listing Rules or any other interim period (whether or not required under the

Listing Rules), our Company may not repurchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchase of Shares on the Stock Exchange if our Company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchase of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, our Company's annual report and accounts are required to disclose details regarding repurchases of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per Share or the highest and lowest prices paid for all such repurchases, where relevant, and the aggregate prices paid. The directors' report is also required to contain reference to the repurchases made during the year and the directors' reasons for making such repurchases.

(vii) Core connected persons

According to the Listing Rules, a company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their close associates and a core connected person shall not knowingly sell his/her/its securities to our Company on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate is to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the Listing, would result in up to 80,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) General

None of our Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified our Company that he has a present intention to sell his Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

If as a result of any securities repurchase pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code.

Accordingly, a shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

If the Repurchase Mandate is fully exercised immediately following completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be 80,000,000 Shares, being 10% of the issued share capital of our Company based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately 68.89% of the issued share capital of our Company immediately following the full exercise of the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following material contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus, and are or may be material:

(a) a convertible note purchase agreement dated 31 October 2019 and entered into among SCGC Capital as the purchaser, our Company as the issuer, Dashan Training as the domestic company and Mr. Zhang as the founder pursuant to which SCGC Capital agreed to subscribe for and our Company agreed to issue the Pre-IPO Convertible Note in consideration of US$7,083,959;

(b) an agreement for sale and purchase dated 18 June 2020 and entered into among Bai Tai as vendor, our Company as purchaser and the shareholders of Bai Tai (being Mr. Jia Shuilin, Mr. Shan Jingchao, Mr. Ma Wenhao, Mr. Guo Xianwei, Mr. Zhang Junying, Mr. Ou Junzhan, Mr. Cheng Yang, Mr. Tang Enze, Ms. Song Yifei, Ms. Wang Weiping and Ms. Sun Nuo) as warrantors, pursuant to which Bai Tai agreed to transfer 1,273 shares in Golden Town to our Company, in consideration of our Company allotting and issuing 1,273 new Shares to Bai Tai, all credited as fully paid;

(c) an agreement for sale and purchase dated 18 June 2020 and entered into among Lucky Heaven as vendor, our Company as purchaser and Mr. Zhang as warrantor, pursuant to which Lucky Heaven agreed to transfer 8,727 shares in Golden Town to our Company, in consideration of our Company (i) allotting and issuing 8,726 new Shares to Lucky Heaven, all credited as fully paid; and (ii) crediting the one nil-paid Share registered in the name of Lucky Heaven as fully paid;

(d) an exclusive business cooperation agreement entered into by and among WFOE, Dashan Training, Jing Guang Dashan, and the Registered Shareholders dated 12 January 2020, pursuant to which WFOE has the exclusive right to provide each of our Consolidated Affiliated Entities technical services, management support and consulting services necessary for our primary and secondary after-school education business and franchise business, and as consideration, our Consolidated Affiliated Entities shall pay WFOE a service fee;

(e) an exclusive technical service and management consultancy agreement entered into by and among WFOE, Dashan Training and Jing Guang Dashan dated 12 January 2020, pursuant to which WFOE agreed to provide exclusive technical services and management consultancy services to our Consolidated Affiliated Entities, and as consideration, our Consolidated Affiliated Entities shall pay WFOE a service fee;

(f) an exclusive call option agreement entered into by and among WFOE, Dashan Training, Jing Guang Dashan and the Registered Shareholders dated 12 January 2020, pursuant to which the Registered Shareholders irrevocably agreed to grant WFOE or its designated third party an exclusive option to purchase all or part of the equity interests in the Consolidated Affiliated Entities directly and indirectly held by Registered Shareholders;

(g) an equity pledge agreement entered into by and among WFOE, Dashan Training and the Registered Shareholders dated 12 January 2020, pursuant to which the Registered Shareholders unconditionally and irrevocably pledged all of their equity interests in Dashan Training, respectively, to WFOE;

(h) a shareholders' rights entrustment agreement executed by WFOE, Dashan Training and the Registered Shareholders dated 12 January 2020, pursuant to which each of the Registered Shareholders has irrevocably authorised and entrusted WFOE or any person designated by WFOE to exercise all of its respective rights as shareholders of Dashan Training;

(i) the power of attorney executed by each of the Registered Shareholders dated 12 January 2020, appointing WFOE, or any person designated by WFOE, to exercise his/its respective shareholder's rights in Dashan Training;

(j) a spouse undertaking executed by Ms. Peng Xin dated 12 January 2020, who is the spouse of Mr. Zhang Junying, pursuant to which Ms. Peng Xin has full knowledge of and has consented unconditionally and irrevocably to the entering into of the Structured Contracts by Mr. Zhang Junying;

(k) a spouse undertaking executed by Ms. Yuan Zhaoxia dated 12 January 2020, who is the spouse of Mr. Shan Jingchao, pursuant to which Ms. Yuan Zhaoxia has full knowledge of and has consented unconditionally and irrevocably to the entering into of the Structured Contracts by Mr. Shan Jingchao;

(l) an undertaking executed by Mr. Zhang dated 12 January 2020, pursuant to which Mr. Zhang irrevocably undertakes and ensures to procure his future spouse to sign an undertaking in the form of the Individual Shareholder Spouse Undertaking;

(m) the Deed of Indemnity;

(n) the Deed of Non-competition; and

(o) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks in the PRC:

Trademark	Registered owner	Class	Place of registration	Trademark registration number	Registration date	Expiry date
大山外語	Dashan Training	41	PRC	1463419	21 October 2010	20 October 2020
DASHAN	Dashan Training	41	PRC	3597874	28 February 2015	27 February 2025
DaShan大山外语 Foreign Language	Dashan Training	41	PRC	6751842	21 March 2012	20 March 2022
DaShan	Dashan Training	41	PRC	6751843	21 January 2011	20 January 2021
小数点	Dashan Training	41	PRC	13581567	28 February 2015	27 February 2025
大山	Dashan Training	41	PRC	13943636	14 April 2015	13 April 2025
学习八	Dashan Training	41	PRC	21521293	7 December 2017	6 December 2027
学习八云平台	Dashan Training	9	PRC	22449430	7 February 2018	6 February 2028
学习八云平台	Dashan Training	42	PRC	22449539	7 February 2018	6 February 2028
学习八云平台	Dashan Training	35	PRC	23087160	14 March 2018	13 March 2028

Trademark	Registered owner	Class	Place of registration	Trademark registration number	Registration date	Expiry date
笔兴语文	Dashan Training	41	PRC	27165222	21 October 2018	20 October 2028
御夫子	Dashan Training	41	PRC	17679005	7 October 2016	6 October 2026
御夫子	Dashan Training	41	PRC	36834421	14 December 2019	13 December 2029
	Dashan Training	35	PRC	32200836	21 May 2019	20 May 2029
	Dashan Training	38	PRC	32202274	21 May 2019	20 May 2029
	Dashan Training	41	PRC	32204169	21 May 2019	20 May 2029
	Dashan Training	18	PRC	32209402	21 May 2019	20 May 2029
	Dashan Training	25	PRC	32210715	21 May 2019	20 May 2029
	Dashan Training	9	PRC	32213810	21 May 2019	20 May 2029
	Dashan Training	16	PRC	32213829	21 May 2019	20 May 2029
	Dashan Training	20	PRC	32222003	28 July 2019	27 July 2029
	Dashan Training	42	PRC	32216174	28 May 2019	27 May 2029
	Dashan Training	21	PRC	32210696	28 July 2019	27 July 2029
	Dashan Training	28	PRC	32207829	28 July 2019	27 July 2029
飞小课	Dashan Training	38	PRC	32211156	21 May 2019	20 May 2029
飞小课	Dashan Training	9	PRC	33211564	21 May 2019	20 May 2029
飞小课	Dashan Training	35	PRC	33216572	21 May 2019	20 May 2029
飞小课	Dashan Training	41	PRC	33226768	21 May 2019	20 May 2029
飞小课	Dashan Training	42	PRC	33226792	21 May 2019	20 May 2029

Trademark	Registered owner	Class	Place of registration	Trademark registration number	Registration date	Expiry date
小数点	Dashan Training	16	PRC	33226824	21 May 2019	20 May 2029
山果儿	Dashan Training	28	PRC	32168434	7 April 2019	6 April 2029
山果儿	Dashan Training	41	PRC	32162042	7 April 2019	6 April 2029
山果儿	Dashan Training	35	PRC	32160084	7 April 2019	6 April 2029
山果儿	Dashan Training	21	PRC	32147981	7 April 2019	6 April 2029
	Dashan Training	9	PRC	31911809	21 March 2019	20 March 2029
	Dashan Training	41	PRC	31908755	21 March 2019	20 March 2029
	Dashan Training	20	PRC	31908696	21 March 2019	20 March 2029
	Dashan Training	21	PRC	31904029	21 March 2019	20 March 2029
	Dashan Training	38	PRC	31903172	21 March 2019	20 March 2029
	Dashan Training	35	PRC	31903145	21 March 2019	20 March 2029
	Dashan Training	18	PRC	31896577	21 March 2019	20 March 2029
	Dashan Training	25	PRC	31896243	21 March 2019	20 March 2029
	Dashan Training	42	PRC	31894904	21 March 2019	20 March 2029
	Dashan Training	28	PRC	31893688	21 March 2019	20 March 2029
	Dashan Training	16	PRC	31892137	21 March 2019	20 March 2029
YUFUZI	Dashan Training	41	PRC	36834036	28 February 2020	27 February 2030
STEAM GOOD	Dashan Training	16	PRC	36832427	14 February 2020	13 February 2030

As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong:

Trademark	Registered owner	Class	Place of registration	Trademark registration number	Registration date	Expiry date
御夫子	Dashan Training	41	Hong Kong	304731039	12 November 2018	11 November 2028
大山	Dashan Training	41	Hong Kong	304731057	12 November 2018	11 November 2028
学习八	Dashan Training	41	Hong Kong	304731075	12 November 2018	11 November 2028
学习八云平台	Dashan Training	9	Hong Kong	304731084	12 November 2018	11 November 2028
学习八云平台	Dashan Training	42	Hong Kong	304731084	12 November 2018	11 November 2028
御夫子大语文	Dashan Training	41	Hong Kong	304915701	7 May 2019	6 May 2029
大山外语	Dashan Training	41	Hong Kong	304915693	7 May 2019	6 May 2029

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks in Hong Kong, and the following applications are still in progress:

Trademark	Name of applicant	Class	Place of registration	Trademark application number	Date of application
小数点数学	Dashan Training	41	Hong Kong	304915710	7 May 2019

(b) Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registered owner	Registration date	Expiry date
大山教育.中國	Dashan Training	10 April 2017	10 April 2021
大山教育.公司	Dashan Training	10 April 2017	10 April 2021
大山教育.網絡	Dashan Training	10 April 2017	10 April 2021
大山教育.cn	Dashan Training	10 April 2017	10 April 2021
大山教育.com	Dashan Training	10 April 2017	10 April 2021
大山教育.net	Dashan Training	10 April 2017	10 April 2021
大山外語.公司	Dashan Training	10 April 2017	10 April 2021
大山外語.網絡	Dashan Training	10 April 2017	10 April 2021
大山外語.中國	Dashan Training	10 April 2017	10 April 2021
大山外語.cn	Dashan Training	10 April 2017	10 April 2021
大山外語.com	Dashan Training	10 April 2017	10 April 2021
大山外語.net	Dashan Training	10 April 2017	10 April 2021
bixingyuwen.cn	Dashan Training	13 October 2017	13 October 2020
bixingyuwen.com	Dashan Training	13 October 2017	13 October 2020
bixingyuwen.net	Dashan Training	13 October 2017	13 October 2020
dashanedu.cn	Dashan Training	30 August 2005	30 August 2022
dashanedu.com	Dashan Training	30 August 2005	30 August 2022
dashanedu.com.hk	Dashan Education (HK)	19 June 2020	19 June 2021
dashanwaiyu.com	Dashan Training	30 October 2001	30 October 2022
dashanwaiyu.cn	Dashan Training	17 March 2003	17 March 2022
dashanwaiyu.com.cn	Dashan Training	4 March 2010	17 March 2022
fzwx.com	Dashan Training	5 March 2015	12 June 2022
xsdsxw.com	Dashan Training	26 April 2017	26 April 2021
xuelem.com	Dashan Training	23 September 2015	23 September 2022
xuexi8.net	Dashan Training	11 September 2015	11 September 2022
xuexi8.tech	Dashan Training	25 July 2018	26 July 2022
xuexi8.work	Dashan Training	8 November 2018	8 November 2022
yufuzi.cn	Dashan Training	21 October 2016	21 October 2022
dashankids.cn	Dashan Training	16 January 2020	16 January 2021
dashankids.com	Dashan Training	16 January 2020	16 January 2021
dashankids.net	Dashan Training	16 January 2020	16 January 2021
yunxiaoedu.com	WFOE	4 July 2019	4 July 2022

(c) Copyright

As at the Latest Practicable Date, our Group had registered the following copyright in the PRC:

Copyright	Registered Owner	Registration Number	Certificate Number	Registration Approval Date
Class Management System V1.0	Dashan Training	2018SR001283	2330378	2 January 2018
Error Data System V1.0	Dashan Training	2018SR001303	2330398	2 January 2018
Teacher Monitoring System V1.0	Dashan Training	2018SR000684	2329779	2 January 2018
Review System V1.0	Dashan Training	2018SR003497	2332592	2 January 2018
Test Base Management System V1.0	Dashan Training	2018SR001190	2330285	2 January 2018
Learning Progress System V1.0	Dashan Training	2018SR001357	2330452	2 January 2018
Online Homework System V1.0	Dashan Training	2018SR000694	2329789	2 January 2018
Homework Management System V1.0	Dashan Training	2018SR000691	2329786	2 January 2018
學習8 Teaching Software (Android) V2.4.2	Dashan Training	2017SR725050	2310334	25 December 2017
學習8 Teaching Software (IOS) V2.1.0	Dashan Training	2017SR725039	2310323	25 December 2017
學習8 Teaching and Research Cloud Platform V1.0	Dashan Training	2017SR725122	2310406	25 December 2017
學習8 Client Software (Android) V1.2.1	Dashan Training	2017SR725034	2310318	25 December 2017
學習8 Client Software (IOS) V3.0.0	Dashan Training	2017SR718824	2304108	22 December 2017
學習8 Operation Cloud Platform V1.0	Dashan Training	2017SR719196	2304480	22 December 2017
學習8 Online Cloud Platform V1.0	Dashan Training	2017SR719204	2304488	22 December 2017
Dashan Education Integrated Management System V1.0	Dashan Training	2016SR042179	1220796	2 March 2016
Teaching and Research Review System V1.0	Dashan Training	2018SR176657	2505752	19 March 2018
Online Evaluation System V1.0	Dashan Training	2018SR176642	2505737	19 March 2018
Roll-call System V1.0	Dashan Training	2018SR176567	2505662	19 March 2018
Courseware Management System V1.0	Dashan Training	2018SR176651	2505746	19 March 2018
Teaching Plan Preparation System V1.0	Dashan Training	2018SR176662	2505757	19 March 2018
Audition Appointment System V1.0	Dashan Training	2018SR176668	2505763	19 March 2018
Class Hour Statistical System V1.0	Dashan Training	2018SR176675	2505770	19 March 2018
Substitution System V1.0	Dashan Training	2018SR175501	2504596	16 March 2018
VIP Course Management System V1.0	Dashan Training	2019SR0160648	3581405	20 February 2019

Copyright	Registered Owner	Registration Number	Certificate Number	Registration Approval Date
Time Attendance System V1.0	Dashan Training	2019SR0160207	3580964	20 February 2019
Teaching Plan Management System V1.0	Dashan Training	2019SR0160122	3580879	20 February 2019
Teacher Management System V1.0	Dashan Training	2019SR0160109	3580866	20 February 2019
Exam Papers Management System V1.0	Dashan Training	2019SR0162077	3582834	20 February 2019
Knowledge Management System V1.0	Dashan Training	2019SR0159550	3580307	20 February 2019
Internet Order Management System V1.0	Dashan Training	2019SR1338496	4759253	11 December 2019
Internet Electronic Account Management System V1.0	Dashan Training	2019SR1334343	4755100	10 December 2019
Internet Make-up Management System V1.0	Dashan Training	2019SR1345835	4766592	11 December 2019
Internet 1-to-N Group Management System V1.0	Dashan Training	2019SR1338624	4759381	11 December 2019
Internet Student Return Visit Management System V1.0	Dashan Training	2019SR1338507	4759264	11 December 2019
Internet Student File Management System V1.0	Dashan Training	2019SR1331847	4752604	10 December 2019
Internet Student Performance Management System V1.0	Dashan Training	2019SR1332016	4752773	10 December 2019
Internet Campus Information System V1.0	Dashan Training	2019SR1332617	4753374	10 December 2019
Internet Micro Lesson Production System V1.0	Dashan Training	2019SR1332079	4752836	10 December 2019
Internet Employee Management System V1.0	Dashan Training	2019SR1300706	4721463	6 December 2019
Internet Performance Distribution System V1.0	Dashan Training	2019SR1297097	4717854	6 December 2019
Internet Student Renewal Warning System V1.0	Dashan Training	2019SR1288508	4709265	5 December 2019
Internet Student Credit Management System V1.0	Dashan Training	2019SR1295395	4716152	5 December 2019
Internet 1-to-1 Management System V1.0	Dashan Training	2019SR1295151	4715908	5 December 2019
Internet Transfer Fee Management System V1.0	Dashan Training	2019SR1288518	4709275	5 December 2019
Internet Class Shift Management System V1.0	Dashan Training	2019SR1292741	4713498	5 December 2019
Internet Refund Management System V1.0	Dashan Training	2019SR1290582	4711339	5 December 2019
Internet Expenditure Management System V1.0	Dashan Training	2019SR1291804	4712561	5 December 2019
Internet Online Courseware Production System V1.0	Dashan Training	2019SR1291807	4712564	5 December 2019
Internet Student Registration System V1.0	Dashan Training	2019SR1287823	4708580	5 December 2019
Internet Customer Management System V1.0	Dashan Training	2019SR1300705	4721462	6 December 2019

Copyright	Registered Owner	Registration Number	Certificate Number	Registration Approval Date
Internet Comment Management System V1.0	Dashan Training	2019SR1315513	4736270	9 December 2019
Internet Guided Study Case Production System V1.0	Dashan Training	2019SR1315523	4736280	9 December 2019
Internet Communication Record Management System V1.0	Dashan Training	2019SR1319707	4740464	9 December 2019
Internet Contract Management System V1.0	Dashan Training	2019SR1319696	4740453	9 December 2019
Internet Parent Association Management System V1.0	Dashan Training	2019SR1317015	4737772	9 December 2019
Internet Inventory Management System V1.0	Dashan Training	2019SR1319687	4740444	9 December 2019
Internet Teacher Schedule Management System V1.0	Dashan Training	2019SR1317142	4737899	9 December 2019
Internet Mall Management System V1.0	Dashan Training	2019SR1321517	4742274	9 December 2019
Internet Commodity Management System V1.0	Dashan Training	2019SR1315198	4735955	9 December 2019
Internet On-site Management System V1.0	Dashan Training	2019SR1319678	4740435	9 December 2019
Internet Complaint Management System V1.0	Dashan Training	2019SR1336535	4757292	11 December 2019
Internet Class Suspension and Resumption Management System V1.0	Dashan Training	2019SR1336543	4757300	11 December 2019
Internet Fee Collection Management System V1.0	Dashan Training	2019SR1332025	4752782	10 December 2019
Internet Lesson Audition Management System V1.0	Dashan Training	2019SR1338578	4759335	11 December 2019
Internet Approval Management System V1.0	Dashan Training	2019SR1338642	4759399	11 December 2019
Internet Database Management System V1.0	Dashan Training	2019SR1338505	4759262	11 December 2019
Internet Fund Distribution System V1.0	Dashan Training	2019SR1338131	4758888	11 December 2019
Internet Referral Management System V1.0	Dashan Training	2019SR1334088	4754845	10 December 2019
Internet Work Log Management System V1.0	Dashan Training	2019SR1332446	4753203	10 December 2019

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Interests and short positions of Directors and the chief executive of our Company in our Shares, underlying shares or debentures of our Company and its associated corporations

So far as is known to our Directors, immediately following completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be 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 in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which, once our Shares are listed, will be required to notify to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules, will be as follows:

(a) Our Company

Name of Director	Capacity/ Nature of interest	Number of Shares/ underlying shares interested (Note 1)	Approximate percentage of shareholding
Mr. Zhang (Note 2)	Interest in controlled corporation	496,060,800 (L)	62.00%
Mr. Jia Shuilin (Note 3)	Interest in controlled corporation	72,360,000 (L)	9.05%
Mr. Shan Jingchao (Note 3)	Interest in controlled corporation	72,360,000 (L)	9.05%
Mr. Ma Wenhao (Note 3)	Interest in controlled corporation	72,360,000 (L)	9.05%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of our Company.

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

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

(b) Associated corporations of our Company

Lucky Heaven

Name of Director	Capacity/Nature of interest	Number of shares held *(Note 1)*	Position	Approximate percentage of shareholding
Mr. Zhang	Beneficial owner	1 (L)	Long	100%

Dashan Training

Name of Director	Capacity/ Nature of interest *(Note 2)*	Number of shares	Approximate percentage of shareholding
Mr. Zhang	Nominee shareholder whose shareholder's rights are subject to the Contractual Arrangements	13,562,500	42.04%
	Interest in controlled corporation whose shareholder's rights are subject to the Contractual Arrangements *(Note 3)*	13,750,000	42.62%
Mr. Jia Shuilin	Interest in controlled corporation whose shareholder's rights are subject to the Contractual Arrangements *(Note 4)*	4,772,500	14.79%
Mr. Shan Jingchao	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 4)*	4,772,500	14.79%
Mr. Ma Wenhao	Interest in controlled corporation whose shareholder's rights are subject to the Contractual Arrangements *(Note 4)*	4,772,500	14.79%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the associated corporation.

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

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

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

2. Interests and/or short positions of substantial Shareholders in our Shares

So far as is known to our Directors, immediately following completion of the Capitalisation Issue, the full conversion of the Pre-IPO Convertible Note and the Share Offer (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of our Company as required under section 336 of the SFO or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other members of our Group:

Our Company

Name	Capacity/ Nature of interest	Number of Shares interested (Note 1)	Approximate percentage of Shareholding
Lucky Heaven (Note 2)	Beneficial owner	496,060,800 (L)	62.00%
Bai Tai (Note 3)	Beneficial owner	72,360,000 (L)	9.05%

Notes:

1. The letters "L" denotes a long position in the shareholder's interest in the share capital of our Company.

2. The entire issued share capital of Lucky Heaven is legally and beneficially wholly owned by Mr. Zhang.

3. 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, each being a member of the senior management of our Group; (iii) as to approximately 22.46% by Mr. Zhang Junying, being a director of Dashan Training and Jing Guang Dashan, and as to approximately 17.04% by Mr. Ou Junzhan, being a director of Dashan Training; and (iv) as to approximately 7.30% by Mr. Cheng Yang, as to approximately 3.65% by Mr. Tang Enze, as to approximately 3.65% by Ms. Song Yifei, as to approximately 0.73% by Ms. Wang Weiping and as to approximately 0.73% by to Ms. Sun Nuo, each being an employee of Dashan Training.

3. Particulars of service agreements

Each of Mr. Zhang, Mr. Shan Jingchao and Mr. Ma Wenhao, all being our executive Directors, has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to their respective basic salary set out below (subject to an annual review, which will be made one year after the commencement date of the service agreement at the discretion of our Directors).

Each of (a) Mr. Jia Shuilin, being our non-executive Director, and (b) Mr. Lui Siu Keung, Mr. Li Gang, Mr. Zhang Jian and Ms. Yang Min, being our independent non-executive Directors, has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of them is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Save as aforesaid, none of our Directors has or is proposed to have a service agreement with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Each of the above remunerations is determined by our Company with reference to duties and level of responsibilities of each Director and the remuneration policy of our Company and the prevailing market conditions.

The appointments of our executive Directors, our non-executive Director and our independent non-executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

4. Directors' emoluments

(i) For the three years ended 31 December 2019, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately RMB1.3 million, RMB1.5 million and RMB1.9 million, respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2020 is expected to be approximately RMB2,789,000.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period, (1) as an inducement to join or upon joining our Company or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

(v) Under the arrangements currently proposed, conditional upon the Listing, the basic annual emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors

Mr. Zhang	RMB1,680,000
Mr. Shan Jingchao	RMB400,000
Mr. Ma Wenhao	RMB400,000

Non-executive Director

Mr. Jia Shuilin	RMB130,000

Independent non-executive Directors

Mr. Lui Siu Keung	HK$150,000
Mr. Li Gang	RMB100,000
Mr. Zhang Jian	RMB100,000
Ms. Yang Min	RMB150,000

(vi) Each of our Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or in discharge of his/her duties to our Group under his/her service agreement or letter of appointment.

5. Agency fees or commissions received

Save as disclosed in the section headed "Underwriting — Underwriting arrangements and expenses — Commissions and expenses" in this prospectus, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

6. Related party transactions

Details of related party transactions are set out in note 34 to the Accountants' Report set out in Appendix I to this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

(i) without taking into account (i) any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and (ii) any Shares which may be allotted and issued or bought back by our Company under the Issue Mandate and the Repurchase Mandate, our Directors are not aware of any person who immediately following the completion of the Share Offer will have an interest or short position in our Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

(ii) none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, any interests and short positions in our Shares, underlying Shares, and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules, once our Shares are listed on the Stock Exchange;

(iii) none of our Directors or the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group, nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;

(iv) none of our Directors or the experts named in the paragraph headed "E. Other information — 6. Qualification of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and

(v) none of the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this appendix has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

D. SHARE OPTION SCHEME

1. Summary of the terms of the Share Option Scheme

(i) Purpose of the Share Option Scheme

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

(ii) Who may join

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

(1) any employee (whether full-time or part-time) of our Group and any Invested Entity;

(2) any director (including executive, non-executive and independent non-executive directors) of our Group or any Invested Entity;

(3) any supplier of goods or services to any member of our Group or any Invested Entity;

(4) any customer of our Group or any Invested Entity;

(5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to our Group or any Invested Entity; or

(6) any person who, in the sole discretion of our Board, has contributed or may contribute to our Group or any Invested Entity eligible for options under the Share Option Scheme.

(iii) Maximum number of Shares

(1) Notwithstanding anything to the contrary herein, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme

and any other share option schemes of our Company must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

(2) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 80,000,000 Shares, being 10% of the total number of Shares in issue (assuming the Over-allotment Option is not exercised) as at the Listing Date unless our Company obtains the approval of our Shareholders in general meeting for renewing the 10% limit ("**Scheme Mandate Limit**") under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

(3) Our company may seek approval of our Shareholders in general meeting to renew the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company as "renewed" shall not exceed 10% ("**Renewal Limit**") of the total number of Shares in issue as at the date of the approval of our Shareholders on the renewal of the Scheme Mandate Limit, provided that options previously granted under the Share Option Scheme or any other share option schemes of our Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company or exercised options) will not be counted for the purpose of calculating the Renewal Limit.

For the purpose of seeking the approval of our Shareholders for the Renewal Limit, a circular containing the information and the disclaimer as required under the Listing Rules must be sent to our Shareholders.

(4) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the Scheme Mandate Limit or the Renewal Limit provided that the proposed grantee(s) of such option(s) must be specifically identified by our Company before such approval is sought. For the purpose of seeking the approval of our Shareholders, our Company must send a circular to our Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and the information and disclaimer as required under the Listing Rules and such further information as may be required by the Stock Exchange from time to time.

(iv) Maximum entitlement of each Eligible Participant

No option shall be granted to any Eligible Participant if any further grant of options would result in our Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised and outstanding options) in the 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, unless:

(1) such further grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of our Shareholders in general meeting at which the Eligible Participant and his/her/its associates shall abstain from voting;

(2) a circular regarding the further grant has been despatched to our Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the Eligible Participant, the number and terms of the options to be granted and options previously granted to such Eligible Participant); and

(3) the number and terms (including the subscription price) of such option are fixed before the general meeting of our Company at which the same are approved and the date of the board meeting of our Company for proposing such further grant shall be taken as the date of the grant of such option for the purpose of calculating the subscription price.

(v) Grant of options to connected persons

(1) The grant of options to a Director, chief executive or substantial Shareholder of our Company or any of his/her/its respective associates (including discretionary trust in which any connected persons are beneficiary) requires the approval of all our independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.

(2) Where an option is to be granted to a substantial Shareholder or an independent non-executive Director (or any of his/her/its respective associates), and such grant will result in our Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) exceeding 0.1% of the total number of Shares in issue at the relevant time of grant; and

(b) exceeding an aggregate value (based on the closing price of the shares on the Stock Exchange on the date of each grant) of HK$5.0 million, such grant shall not be valid unless:

I. a circular containing the details of the grant has been despatched to our Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules, including, in particular, (i) details of the number and terms (including subscription price) of the options to be granted to each such proposed grantee who is a connected person of our Company, which must be fixed before the Shareholders' meeting and the date of our Board meeting for proposing such further grant is to be taken as the date of grant for the purposes of calculating the subscription price, and (ii) a recommendation from the independent non-executive Directors (excluding our independent non-executive Director who is the prospective grantee of the option) to the independent Shareholders as to voting; and

II. the grant has been approved by our Shareholders in general meeting (taken on a poll) at which all such proposed grantee concerned, his/her close associates and all core connected persons of the Company shall abstain from voting in favour of the grant.

(vi) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an Eligible Participant within the date as specified in the offer letter issued by our Company, being a date not later than 21 Business Days from the date upon which it is made, by which the Eligible Participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten (10) years after the date of adoption of the Share Option Scheme.

A consideration of HK$1 is payable on acceptance of the offer of grant of an option. Such consideration shall in no circumstances be refundable. An option may be exercised in whole or in part by the grantee (or his/her personal representative(s)) at any time before the expiry of the period to be determined and notified by our Board to the grantee which in any event shall not be longer than ten (10) years commencing on the date of the offer letter and expiring on the last day of such ten (10)-year period subject to the provisions for early termination as contained in the Share Option Scheme.

(vii) Performance targets

Unless otherwise determined by our Board and specified in the offer letter at the time of the offer of grant of an option, there is no performance target that has to be achieved before the exercise of any option.

(viii) Subscription price for Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by our Board in its absolute discretion and notified to an Eligible Participant, and shall be at least the higher of: (1) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date (as defined below), (2) the average closing price of our Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive Business Days immediately preceding the Offer Date (as defined below), and (3) the nominal value of a Share on the Offer Date (as defined below).

Where an option is to be granted to an Eligible Participant, the date of our Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option, which must be a Business Day (the "**Offer Date**"). For the purpose of calculating the subscription price, where an option is to be granted fewer than five Business Days after the listing of our Shares on the Stock Exchange, the Offer Price shall be used as the closing price for any Business Day falling within the period before the Listing.

(ix) Ranking of Shares

Our Shares to be issued and allotted upon the exercise of an option shall be subject to the Memorandum and the Articles of Association of our Company for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as at the date of allotment and issue (the "**Exercise Date**"), and will entitle the holders to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. Shares allotted and issued upon the exercise of an Option shall not carry out voting rights until the name of the Grantee has been duly entered into the register of members of our Company as the holder thereof.

(x) Restrictions on the time of grant of options

No option shall be granted after a price-sensitive development concerning our Company or any subsidiary has occurred or a price-sensitive matter concerning our Company or any subsidiary has been the subject of a decision of our Group until such price-sensitive information has been announced pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, during the period commencing one month immediately preceding the earlier of:

(1) the date of the meeting of our Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline for our Company to publish an announcement of our results for any year or half-year, quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no option shall be granted.

(xi) Period of the Share Option Scheme

Subject to any prior termination by our Company in a general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption of the Share Option Scheme ("**Option Period**"), after which period no further option shall be granted but in respect of all options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect.

(xii) Rights on cessation of employment

Where the grantee of an outstanding option ceases to be an employee of our Group for any reason (other than his/her death) including the termination of his/her employment on one or more of the grounds specified in (xxi)(e), the option shall lapse on the date of such cessation (to the extent not already exercised) and not be exercisable unless our Board otherwise determines to grant an extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the discretion of our Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his/her cessation to be an employee of our Group.

(xiii) Rights on death

Where the grantee of an outstanding option dies before exercising the option in full or at all, and none of the events specified in (xxi)(e) which would be a ground for termination of his/her employment or engagement arises, the option may be exercised in full or in part (to the extent not already exercised) by his/her personal representative(s) within 12 months following the date of his/her death or such longer period as our Board may at its absolute discretion determine from the date of death to exercise the option up to the entitlement of such grantee as at the date of death (to the extent which has become exercisable and not already exercised).

(xiv) Rights on a general offer

In the event of a general or partial offer (whether by way of take-over offer, share buy-back offer or scheme of arrangement or otherwise in like manner) being made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, and if such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his/her/its option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his/her/its option within one month after the date on which the offer becomes or is declared unconditional.

(xv) Rights on winding-up

In the event that a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall, on the same date as or soon after it despatches such notice to each Shareholder, give notice thereof to all grantees (together with a notice of existence of this provision) and thereupon, each grantee (or his/her personal representative(s)) shall, subject to the provisions of all applicable laws, be entitled to exercise all or any of his/her/its options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company, by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of the company available in liquidation.

(xvi) Rights on scheme of arrangement

In the event of a general or partial offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the grantee (or his/her personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and the record date for entitlements under the scheme of arrangement.

(xvii) Rights on compromise or arrangement between our Company and our creditors

In the event of a compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our Shareholders (or any class of them) in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to our Shareholders or creditors to consider such a compromise or arrangement, and thereupon any grantee (or his/her personal representative(s)) may by notice in writing to our Company accompanied by the remittance of the subscription price in respect of the relevant option (such notice to be received by our Company not later than two Business Days before the proposed meeting) exercise any of his/her/its options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the grantee which may fall to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the grantee (or his/her personal representative(s)) to transfer or otherwise deal with our Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(xviii) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any option has been granted and remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of shares as consideration in respect of a transaction), the company shall (if applicable) make corresponding alterations (if any), in accordance with the Listing Rules and any applicable guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplementary guidance issued on 5 September 2005), to:

(1) the number and/or nominal amount of Shares subject to the options already granted so far as they remain exercisable; and/or

(2) the subscription price; and/or

(3) the maximum number of Shares referred to in paragraphs (iii) and (iv) above provided that:

(aa) no such alteration shall be made in respect of an issue of Shares or other securities by our Company as consideration in a transaction;

(bb) any such alterations must be made so that each grantee is given the same proportion of the issued share capital of our Company as that to which he/she/it was previously entitled;

(cc) no such alterations shall be made which would result in the subscription price for a Share being less than its nominal value; and (dd) any such alterations, save those made on a capitalisation issue, shall be confirmed by an independent financial adviser or the auditors in writing to our Directors, to be in their opinion fair and reasonable, as satisfying the requirements of provisions referred to in sub-sections (bb) and (cc) above.

(xix) ***Cancellation of options***

Our Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any option granted but not exercised. Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the Scheme Mandate Limit approved by the shareholders.

(xx) ***Termination of the Share Option Scheme***

Our Company, by resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination and not then exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme and the Listing Rules.

(xxi) ***Rights are personal to grantee***

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so. Any breach of the foregoing by the grantee shall entitle our Company to cancel any option or part thereof granted to such grantee (to the extent not already exercised) without incurring any liability on the part of our Company.

(xxii) ***Lapse of option***

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry of the Option Period (subject to the provision referred to in paragraph (xx));

(b) the expiry of the periods referred to in paragraphs (xii), (xiii) or (xvii), where applicable;

(c) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer, the expiry of the period referred to in paragraph (xiv);

(d) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (xvi);

(e) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his/her/its employment or engagement on the grounds that he/she/it has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract or engagement contract, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has committed any act of bankruptcy, or has become insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his/her/its creditors generally, or has been convicted of any criminal offence or (if so determined by our Board, the board of the relevant subsidiary or the board of the relevant associated company of our Company, as the case may be) on any other ground on which an employer or a sourcing party would be entitled to terminate his/her/its employment or engagement at common law or pursuant to any applicable laws or under the grantee's service contract or supply contract with our Company, the relevant subsidiary or the relevant associated company of our Company (as the case may be);

(f) the date of the commencement of the winding-up of our Company referred to in paragraph (xv);

(g) the date on which the grantee commits a breach of paragraph (xxi); or

(h) the date on which the option is cancelled by our Board as set out in paragraph (xix).

(xxiii) ***Alterations to the Share Option Scheme***

(1) The Share Option Scheme may be amended or altered in any respect to the extent allowed by the Listing Rules by resolution of our Board except that the following alterations must be approved by a resolution of our Shareholders in general meeting:

(aa) any changes to the definitions of Eligible Participant, grantee and option period;

(bb) any changes to the terms and conditions of the Share Option Scheme to the advantage of the grantees of the options;

(cc) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature;

(dd) any changes to the terms of options granted; and (ee) any changes to the authority of our Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme except where such alterations take effect automatically under the existing terms of the Share Option Scheme, provided that: (aa) the amended terms of the Share Option Scheme or the options must comply with Chapter 17 of the Listing Rules; and (bb) no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of grantees then subject to the option granted under the Share Option Scheme.

(2) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be amended or altered in any respect by resolution of our Board without the approval of our Shareholders or the grantee(s) to the extent such amendment or alteration is required by the Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(3) Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(xxiv) ***Conditions***

The Share Option Scheme is conditional on:

(aa) the Listing Committee granting approval of the listing of, and permission to deal in, our Shares in issue, our Shares to be issued pursuant to the Capitalisation Issue, the Share Offer and any Shares which may fall to be issued pursuant to the exercise of any options under the Share Option Scheme; and

(bb) the commencement of dealings in our Shares on the Stock Exchange.

2. Present status of the Share Option Scheme

(i) Approval and adoption of the rules of the Share Option Scheme

The rules of the Share Option Scheme were approved and adopted by our Shareholders on 18 June 2020.

(ii) Approval of the Stock Exchange required

The Share Option Scheme is conditional, among other matters, on the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of the options under the Share Option Scheme up to 10% of our Shares in issue as at the Listing Date.

(iii) Application for listing

Application has been made to the Stock Exchange for the listing of, and permission to deal in, our Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme. The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 80,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date (assuming the Over-allotment Option is not exercised) unless our Company obtains the approval of our Shareholders in general meeting for renewing the said 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit mentioned above.

(iv) Grant of option

As at the Latest Practicable Date, no options have been granted or agreed to be granted under the Share Option Scheme.

(v) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (the "**Indemnifiers**") entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for and on behalf of each of our subsidiaries) (being a material contract referred to in the paragraph headed "B. Further information about the business of our Group — 1.

Summary of material contracts" in this appendix) to provide joint and several indemnities in respect of, among other matters, any liability which might be incurred by any member of our Group as a direct or indirect result of or in consequence of any claim relating to the amount of any and all taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring or deemed to occur before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The indemnity contained above shall not apply:

(i) to the extent that full provision or reserve has been made for such taxation in the audited accounts of our Group or the audited accounts of the relevant member of our Group for any accounting period up to 31 December 2019; or

(ii) to the extent that such taxation or liability for such taxation falling on any members of our Group in respect of any accounting period commencing on 1 January 2020 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction: in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or after 1 January 2020 and on or before the Listing Date; or carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in the Prospectus; or consisting of any member of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation;

(iii) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group for each of the three financial years ended 31 December 2019 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter;

(iv) to the extent that such taxation liability or claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules or regulations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong or any other relevant authority (whether in Hong Kong or any part of the world) or any other statutory or governmental authority coming into force after the date of the Deed of Indemnity or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect;

(v) to the extent that such taxation arises as a result of our Group or any member of our Group being in breach of any provision of the Deed of Indemnity; or

(vi) to the extent that such taxation arises as a result of any incomes, profits or gains earned, accrued or received by the members of our Group or any event occurred or any transactions entered into in the ordinary course of business of the members of our Group on or after 1 January 2020.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) whereby they would jointly and severally indemnify each member of our Group against, among others, all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature that may be suffered or incurred by any member of our Group directly or indirectly in connection with (i) any possible or alleged violation or non-compliance with or breach of any laws, rules or regulations of the PRC, Hong Kong or laws or regulations in any relevant jurisdictions by any member of our Group on or before the Listing Date which include, without limitation to, (aa) the failure to make adequate contribution to social insurance funds for its employees, in breach of the requirements of the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and other relevant PRC regulations; (bb) the failure to make adequate contribution to housing provident funds for its employees, in breach of the requirements of the Administrative Regulations on the Housing Provident Fund of the PRC (《住房公積金管理條例》) and other relevant PRC regulations; (cc) the failure to complete the fire control acceptance inspection on fit-out construction and passing the fire control design examination on fit-out construction, in breach of the requirements of Fire Safety Law of the PRC (《中華人民共和國消防法》) and other relevant PRC regulations; (dd) all claims, costs, expenses, losses or other liabilities and damages that may be incurred or suffered by any member of our Group arising out of or in connection with the non-compliance incidents with any applicable laws, rules or regulations by our Company and/or any member of our Group; (ee) all liabilities, damages and relocation costs from which any member of our Group may suffer arising out of or in connection with the non-compliance incident with any applicable laws, rules or regulations by any of member of our Group; (ff) any possible or alleged violation or breach or non-compliance incidents of any member of our Group with any law, rule or regulation in any relevant jurisdiction on all matters which include, without limitation to, those set out in the sections headed "Regulations" and "Business" in this prospectus; (gg) the Companies Ordinance and their respective subsidiary legislations; (hh) the requirement to obtain all relevant licences, approvals, permit and certificates for conducting its business; and (ii) any other applicable laws, rules or regulations in the PRC, Hong Kong or in any part of the world; (ii) any arbitration, demand, litigation (pending or potential), proceeding, complaints, claims (including counter-claims), investigation, inquiry, enforcement proceeding or process by which (a) any member of our Group, their respective directors and/or licensed representatives or any of them is/are involved; and/or (b) arises due to some act or omission of, or transaction voluntarily effected by, our Group or any member of our Group (whether alone or in conjunction with some other act, omission or transaction) on or before the Listing Date; (iii) the reorganisation arrangements undergone by the members of our Group in preparation for the Listing as set forth in the section headed "History, Development and Reorganisation — Reorganisation" in this prospectus;.

The indemnity contained above shall not apply to the extent that provision has been made for such claim in the audited accounts of our Group or the audited accounts of any member of our Group for any accounting period up to 31 December 2019.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Hong Kong and other jurisdictions in which the companies comprising our Group are incorporated.

2. Litigation

Save as disclosed in the section headed "Business — Legal proceedings and non-compliance" in this prospectus, as at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance was known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus.

The Sole Sponsor satisfies the independence criteria applicable to sponsors under Rule 3A.07 of the Listing Rules. The Sole Sponsor is entitled to the sponsor's fee in the amount of HK$7.1 million.

4. Preliminary expenses

The preliminary expenses of our Company are approximately US$10,000 and are payable by our Company.

5. Promoter

(a) Our Company has no promoter for the purpose of the Listing Rules.

(b) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to paid, allotted or given to the promoter in connection with the Share Offer or the related transactions described in this prospectus.

6. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	**Qualifications**
Alliance Capital Partners Limited	Licensed corporation holding a licence to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants Registered public interest entity auditors
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Win-Full Law Firm	Legal advisers as to PRC law
Commerce & Finance Law Offices	Legal advisers as to PRC law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Cushman & Wakefield Limited	Independent property valuer
Cushman & Wakefield International Property Advisers (Guangzhou) Co., Ltd.	Independent valuer

7. Consents of experts

Each of the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with copies of its reports and/or letters and/or opinions and/or the references to its name included herein in the form and context in which they are respectively included.

None of the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this appendix has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Share registrar

Our Company's principal register of members will be maintained in the Cayman Islands by our principal share registrar, Conyers Trust Company (Cayman) Limited, and a branch register of members will be maintained in Hong Kong by our Hong Kong Share Registrar, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfers and other documents of title of our Shares must be lodged for registration with and registered by our Hong Kong Share Registrar in Hong Kong and may not be lodged in the Cayman Islands.

10. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

11. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

  (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

  (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

  (iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares;

  (iv) no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries have been issued or agreed to be issued;

(b) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(d) all necessary arrangements have been made enabling our Shares to be admitted into CCASS;

(e) our Company has no outstanding convertible debt securities;

(f) our Directors confirm that none of them shall be required to hold any Shares by way of qualification and none of them has any interest in the promotion of our Company;

(g) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2019 (being the date to which the latest audited combined financial statements of our Group were made up);

(h) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;

(i) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong; and

(j) there is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the section headed "Statutory and general information — E. Other information — 7. Consents of experts" in Appendix V to this prospectus, the statement of adjustments relating to the accountants' report set out in Appendix I to this prospectus prepared by Deloitte Touche Tohmatsu, and copies of the material contracts referred to in the section headed "Statutory and general information — B. Further information about the business of our Group — 1. Summary of material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Unit 901, 9th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles;

(b) the Accountants' Report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus, together with the related statement of adjustments;

(c) the audited consolidated financial statements of Dashan Training for each of the three years ended 31 December 2019;

(d) the audited financial statements of WFOE for the period from 9 January 2019 (date of establishment) to 31 December 2019;

(e) the report on unaudited pro forma financial information prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;

(f) the letter and valuation report relating to our Group's properties prepared by Cushman & Wakefield Limited, the text of which is set out in Appendix III to this prospectus;

(g) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;

(h) the Companies Law;

(i) the service agreements and letters of appointment referred to in the section headed "Statutory and general information — C. Further information about Directors and substantial Shareholders — 3. Particulars of service agreements" in Appendix V to this prospectus;

(j) the rules of the Share Option Scheme referred to in the section headed "Statutory and general information — D. Share Option Scheme" in Appendix V to this prospectus;

(k) the material contracts referred to in the section headed "Statutory and general information — B. Further information about the business of our Group — 1. Summary of material contracts" in Appendix V to this prospectus;

(l) the written consents referred to in the section headed "Statutory and general information — E. Other information — 7. Consents of experts" in Appendix V to this prospectus;

(m) the industry report prepared by Frost & Sullivan referred to in the section headed "Industry overview" in this prospectus;

(n) the PRC legal opinions issued by Commerce & Finance Law Offices in respect of certain aspects of our Group;

(o) the letter of advice issued by Win-Full Law Firm in respect of certain aspects of our Group; and

(p) the valuation report prepared by Cushman & Wakefield International Property Advisers (Guangzhou) Co., Ltd. in relation to the valuation of the Pre-IPO Convertible Note.

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