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DASHAN EDUCATION HOLDINGS LIMITED

大山教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9986)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY AND BUSINESS UPDATE

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that, on 14 February 2022 (after trading hours of the Stock Exchange), the Transferee, a wholly owned subsidiary of the Company, the Transferors and the Target Company, entered into the Equity Transfer Agreement, pursuant to which, among others, the Transferee agreed to acquire from the Transferors an aggregate of 60% of the total equity interest of the Target Company after the Capital Reduction, at the Consideration of RMB1,000,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition, exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 14 February 2022 (after trading hours of the Stock Exchange), the Transferee, a wholly owned subsidiary of the Company, the Transferors and the Target Company, entered into the Equity Transfer Agreement, pursuant to which, among others, the Transferee agreed to acquire from the Transferors an aggregate of 60% of the total equity interest of the Target Company after the Capital Reduction, at the Consideration of RMB1,000,000.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Agreement are set out below:

Date: 14 February 2022

Parties:

- (a) the Transferee;
- (b) the Transferors; and
- (c) the Target Company

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, as at the date of this announcement, the Transferors are the ultimate beneficial owners of the Target Company and each of them is a third party independent of the Company and its connected persons.

Capital Reduction: The Transferors confirmed that they will cause the Target Company to effect the Capital Reduction, pursuant to which the registered capital of the Target Company will be reduced from RMB10,000,000 to RMB500,000.

Target Interest: An aggregate of 60% of the total equity interest (corresponding to RMB300,000 of the registered capital after the Capital Reduction) of the Target Company, among which:

- (i) an aggregate of 33% of the total equity interest of the Target Company will be transferred from the First Transferor; and
- (ii) an aggregate of 27% of the total equity interest of the Target Company will be transferred from the Second Transferor.

Consideration: an aggregate of RMB1,000,000, among which:

- (i) RMB550,000 shall be payable to the First Transferor; and
- (ii) RMB450,000 shall be payable to the Second Transferor.

Payment of Consideration:

The consideration shall be settled by way of three instalment payments in the following manner:

- (i) the first instalment payment, representing 30% of the Consideration, shall be payable to the Transferors (in proportion to their entitlement of the Consideration), conditional upon, among others, the Equity Transfer Agreement becoming effective;
- (ii) the second instalment payment, representing 60% of the Consideration, shall be payable to the Transferors (in proportion to their entitlement of the Consideration), conditional upon, among others, completion of registration in respect of the Capital Reduction and the Acquisition with the relevant administration for market regulation; and
- (iii) the third instalment payment, representing 10% of the Consideration, shall be payable to the Transferors (in proportion to their entitlement of the Consideration), after one (1) year from the date of Completion.

Each instalment payment is also payable conditional upon (i) there being no breach of the Equity Transfer Agreement by the Transferors and the Target Company, and (ii) there having been no legal impediment for the Transferee to invest in the Target Company.

Completion:

Completion shall take place and ownership in and the rights attaching to the Target Interest shall be transferred to the Transferee on the date on which the first instalment payment of the Consideration has been fully settled by the Transferee.

The Transferors and the Target Company shall, within 60 Business Days from the signing of the Equity Transfer Agreement, complete all procedures to effect the transfer of the Target Interest to the Transferee, including but not limited to, the updating of the articles of association and register of members of the Target Company, and registration of the Acquisition with the relevant administration for market regulation.

Capital Contribution: After completion of the registration of the Acquisition and the Capital Reduction with the relevant administration for market regulation, the Transferors and Transferee shall make capital contribution to the Target Company according to their respective registered capital commitment.

Termination: The Transferor is entitled to terminate the Equity Transfer Agreement by written notice to the other parties in the following situations, including but not limited to:

- (i) the Transferors and the Target Company failing to complete registration of the Acquisition with the relevant government authority;
- (ii) the Transferors and the Target Company failing to complete the Capital Reduction; or
- (iii) the Transferors or their related parties engage in businesses similar to that of the Target Company.

Upon termination of the Equity Transfer Agreement by the Transferee in accordance therewith, the Transferee is entitled to the refund of all the payments already made pursuant to the Equity Transfer Agreement together with interest calculated with reference to bank interest rate at the material time.

Basis of Consideration

The consideration was determined after arm's length negotiations between the Transferors and the Transferee with reference to the historical results of the Target Group, the Target Group's branding, the programs offered, its prospect and the expected room for its future development.

The Consideration will be financed by internal resources of the Group.

Management of the Target Company

As at the date of this announcement, the First Transferor is the executive director and general manager of the Target Company whereas the Second Transferor is the supervisor of the Target Company.

After Completion, the Second Transferor will be appointed as the executive director and general manager of the Target Company in place of the First Transferor whereas a person designated by Transferee will be appointed as the supervisor of the Target Company in place of the Second Transferor.

INFORMATION OF THE TARGET GROUP AND THE TRANSFERORS

The Target Company is a company established in the PRC with limited liability. As at the date of this announcement, the registered capital of the Target Company is RMB10,000,000, which is owned as to 55% by the First Transferor and as to 45% by the Second Transferor.

Henan Yun was a company established in the PRC with limited liability. Henan Yun was a 70% owned subsidiary of the Target Company and was deregistered in December 2021. Henan Yun had not commenced any business operation before its deregistration.

As at the date of this announcement, the Target Company does not have any subsidiary.

The Target Group is principally engaged in the provision of vocational training and technical education for adults in relation to computer science and information technology. It provides physical courses on practical and technical subjects such as Java programming, website development, user interface and user experience design and H5 development, which equips its students with IT skills that is of growing demand in the IT industry. It also provides online courses for the relevant subjects through third party online platforms from time to time when required. It has become an established institute and well-known brand for vocational IT training within Henan Province after just three years of operation and had a fast growth in revenue.

Set out below are the audited consolidated financial information of the Target Group for the two financial years ended 31 December 2021 and 2020 which were prepared under the generally accepted accounting principles of the PRC.

	Year ended 31 December	
	2021	2020
	(RMB'000)	(RMB'000)
Revenue	2,615.5	1,430.1
Profits/(loss) before taxation	250.1	(479.9)
Profits/(loss) after taxation	230.6	(480.4)

The audited consolidated net liability of the Target Group as at 31 December 2021 was approximately RMB347,000.

Upon Completion, the Target Company will be owned as to 60%, 22% and 18% by the Transferee, the First Transferor and the Second Transferor, respectively. As the Target Company will become an 60% non-wholly owned subsidiary of the Company upon Completion, the financial results of the Target Company will be consolidated into the financial statements of the Group.

The Transferors are PRC individuals and founders of the Target Company. As at the date of this announcement, the First Transferor is the executive director and general manager of the Target Company whereas the Second Transferor is the supervisor of the Target Company.

After Completion, the second Transferor will be appointed as the executive director and general manager of the Target Company in place of the First Transferor whereas a person designated by Transferee will be appointed as the supervisor of the Target Company in place of the second Transferor.

REASONS FOR AND BENEFIT OF THE ACQUISITION AND BUSINESS UPDATE

The Group is principally engaged in the provision of primary and secondary after-school education services in the PRC (the “**Existing Business**”).

Reference is made to the announcements of the Company dated 11, 22, 25 July and 13, 27 August and 10 September 2021 (collectively, the “**Announcements**”). As disclosed in the Announcements, the PRC government has been reforming its education system and promulgated the Opinion on Further Alleviating the Homework and After-school Training Workload of Students in Compulsory Education Stage (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the “**Opinion**”) for the purpose of alleviating the homework and after-school training workload of students.

The policy under the Opinion continues to be a challenge to the Group’s Existing Business. The Group has taken the opportunity to re-evaluate its Existing Business and resources taking into account the inevitable shift in industry and market trends in adapting to the new regulatory environment. While maintaining the operation of its Existing Business through provision of online courses in view of the COVID situation, the Group is also actively exploring opportunities and re-allocating resources for the expansion of its business to cover other types of services. After careful study and assessment, the Group planned to focus its new business on the provision of three main types of services, which are (i) vocational education targeting high school graduates and adults; (ii) extracurricular programmes for personal attainment in arts, sports and coding programming targeting children and teenagers; and (iii) overseas education consultation.

The Group has started organic growth of its operation in relation to extracurricular programmes and overseas education consultation. As at the date of this announcement, the Group is at an advance stage of preparation in relation to its extracurricular programmes in dancing, arts and programming, whereby the Group has (i) recruited experienced tutors and trainers to provide the relevant extracurricular courses; (ii) set up teaching centres for the provision of new programs with existing self-teaching centres or newly rented premises; and (iii) been recruiting students to join the new courses offered. Further, the Group has established five training centres to provide extracurricular classes in sports such as basketball where courses has commenced in the last quarter in 2021. In addition, the Group

has opened a centre in Zhengzhou City on 19 December 2021 providing consulting services for students intending to apply for further education abroad and started to generate income through receiving consultation fees.

In relation to vocational education, the Group planned to achieve the expansion through selective acquisitions of or strategic cooperation with established operation in the industry. As the Target Group is principally engaged in the provision of vocational training and technical education for adults in relation to computer science and information technology, the Acquisition represents a step to further the Group's plan in expanding and developing its business in the area of vocational education training.

Based on the track record of the Target Group, the Directors believe that the Acquisition and integration of the Target Group would bring sufficient synergy and room for development of the new business of the Group and introduce new income growth from the Group.

Pursuant to the PRC legal opinion obtained, business of the Target Group does not fall within the restriction or prohibition under the Special Administrative Measures for Access to Foreign Investment (2021 Version) (《外商投資准入特別管理措施(頁面清單)》(2021版)) and it is not restricted under the PRC laws for foreign owned enterprises to invest directly in the Target Group. Accordingly it is not necessary for the Target Group and its business to be covered by the structured contracts that the Group has in place for its Existing Business and the Company does not foresee any legal impediment for the Completion of the Acquisition.

The Board is of the view that the terms of the Acquisition, which have been determined after arm's length negotiations between the parties, are fair, reasonable and in the best interests of the Company and its shareholders as a whole.

The Group will continue to monitor closely the regulatory environment which may have material effects on our business operations and financial position and adjust its business plan from time to time, including but not limited to re-allocation of resources such as proceeds from the listing of its Shares on the Stock Exchange. The Group will make further announcement in compliance with the Listing Rules when a detailed plan is formulated.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition, exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“Acquisition”	the acquisition by the Transferee from the Transferors of the Target Interest pursuant to the terms of the Equity Transfer Agreement
“Board”	the board of directors of the Company
“Capital Reduction”	the reduction of the registered capital of the Target Company from RMB10,000,000 to RMB500,00
“Company”	Dashan Education Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange, stock code 9986
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning under the Listing Rules
“Consideration”	the consideration for the Acquisition payable by the Transferee pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 14 February 2022 entered into by the Transferee, Transferors and the Target Company in respect of the Acquisition
“First Transferor”	Bai Yadong (白亞東), an independent third party
“Group”	Company together with its subsidiaries
“Henan Yun”	Henan Yun Ruanhui Education Technology Company Limited* (河南雲軟匯教育科技有限公司), a company established in the PRC and deregistered in December 2021
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the official currency of the PRC
“Second Transferor”	Zhu Yanjun (朱岩軍), an independent third party
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Henan Zhongzhichuang Education Information Consulting Company Limited* (河南中之創教育信息諮詢有限公司), a company established in the PRC with limited liability
“Target Group”	the Target Company and Henan Yun
“Target Interest”	an aggregate of 60% of the total equity interest (corresponding to RMB300,000 of the registered capital after the Capital Reduction) of the Target Company
“Transferee”	Zhengzhou Dashan Yun Xiao Technology Company Limited* (鄭州大山雲效科技有限公司), a wholly owned subsidiary of the Company
“Transferors”	the First Transferor and the Second Transferor, collectively

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

Zhengzhou, 14 February 2022

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

This announcement is available for viewing on the website of the Company at www.dashanwaiyu.com and the website of the Stock Exchange at www.hkexnews.hk.

* For identification purposes only