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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 ACQUISITION OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 15 September 2022 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, and the Vendor, an Independent Third Party, entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Shares and the Shareholder's Loan and the Vendor has conditionally agreed to sell the Sale Shares and the Shareholder's Loan at the total Consideration of GBP5,800,000. The Sale Shares represent approximately 45.75% of the issued share capital of the Target Company. Upon completion of the Acquisition, the Purchaser will hold approximately 45.75% of the issued share capital of the Target Company and each member of the Target Group will become an associate of the Company.

LISTING RULES IMPLICATIONS

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

THE ACQUISITION

INTRODUCTION

The Board is pleased to announce that on 15 September 2022 (after trading hours), the Purchaser and the Vendor, an Independent Third Party, entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire the Sale Shares free from all encumbrances and third party rights, together with all present and future rights attached, accrued or accruing thereto, including all dividends and other distributions declared, paid or made in respect thereof on or after Completion and the Shareholder's Loan free from all encumbrances and third party rights and the Vendor has conditionally agreed to sell the Sale Shares and the Shareholder's Loan at a total Consideration of GBP5,800,000. The Sale Shares represent approximately 45.75% of the issued share capital of the Target Company.

SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised below:

- Date : 15 September 2022 (after trading hours)
- Parties : (a) the Purchaser, a direct wholly-owned subsidiary of the Company
(b) the Vendor, an Independent Third Party

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Vendor and the Target Company and their respective ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire the Sale Shares and the Shareholder's Loan and the Vendor has conditionally agreed to sell the Sale Shares free from all encumbrances and third party rights, together with all present and future rights attached, accrued or accruing thereto, including all dividends and other distributions declared, paid or made in respect thereof on or after Completion and the Shareholder's Loan free from all encumbrances and third party rights. The Sale Shares represent approximately 45.75% of the issued share capital of the Target Company as at the date of this announcement.

Consideration

The Consideration for the sale and purchase of the Sale Shares and the Shareholder's Loan shall be an aggregate sum of GBP5,800,000 in which GBP5,500,000 shall be the consideration for the Sale Shares and GBP300,000 shall be the consideration for the Shareholder's Loan. If the amount of the Shareholder's Loan increases or decreases on the Completion Date, the consideration for the Shareholder's Loan shall be adjusted accordingly. The total Consideration of GBP5,800,000 shall be paid and satisfied by the Purchaser by the following manner:

- (i) GBP2,900,000 shall be paid by the Purchaser to the bank account designated by the Vendor within three Business Days after signing of the Sales and Purchase Agreement and the fulfilment of or waiver (as the case may be) of all the conditions precedent; and
- (ii) GBP2,900,000 shall be paid by the Purchaser to the bank account designated by the Vendor within three Business Days upon the Completion.

The Consideration was agreed between the Purchaser and the Vendor after arm's length negotiation. Having considered (i) the audited consolidated net asset value as shown in the audited accounts of the Target Group as at 31 August 2021; (ii) the unaudited consolidated management accounts of the Target Group as at 31 May 2022; (iii) the outstanding Shareholder's Loan; (iv) the development prospects of the Target Group; (v) the current market condition; and (vi) the reasons and benefits of the Acquisition as stated under the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and the terms and conditions of the Acquisition are fair and reasonable.

Conditions Precedent

Completion shall be conditional upon and subject to:

- (a) all necessary consents and approval in relation to the disposal of the Sale Shares and the assignment of the Shareholder's Loan having been obtained by the Vendor;
- (b) all necessary consents and approval in relation to the acquisition of the Sale Shares and the Shareholder's Loan having been obtained by the Purchaser;
- (c) the Purchaser having confirmed in writing that it is satisfied in all respects with the results of the due diligence exercise on the Sale Shares, the Shareholder's Loan, the Target Group's legal, financial, taxation, corporate, business operations and affairs, contracts, properties and trading activities and other related aspects; and
- (d) the warranties given by the Vendor remain true and accurate in all material respects at all time between the date of the Sale and Purchase Agreement and up to the Completion.

The Vendor shall use its best efforts to ensure that all the conditions precedent set out above are met. The Purchaser shall have the right to waive the condition (d) at any time before the Long Stop Date by notice in writing to the Vendor. Save as aforesaid, none of the other conditions precedent above is capable of being waived.

If any of the above conditions precedent have not been fulfilled or waived on or before 5:00 p.m. (Hong Kong time) on the Long Stop Date, the Sale and Purchase Agreement shall be null and void and of no further effect and no party shall have any further liability to any other party under or in connection with the Sale and Purchase Agreement without prejudice to the rights of any such party in respect of any antecedent breaches. All the consideration paid by the Purchaser to the Vendor shall be refunded, without interest, by the Vendor to the Purchaser within three Business Days of the termination of the Sale and Purchase Agreement.

COMPLETION

Upon fulfilment, or waiver (if any), of all the conditions precedent set out in the Sale and Purchase Agreement, the Completion shall take place at 5:00 p.m. on the Completion Date.

Immediately after the Completion, the Purchaser will hold appropriately 45.75% of the issued share capital of the Target Company and each member of the Target Group will become an associate of the Company.

INDEMNITY

The Vendor shall procure the Target Company to provide the Completion Accounts to the Purchaser within one month after the Completion Date. If the consolidated net asset value disclosed in the Completion Accounts is 20% or less lower than the consolidated net asset value disclosed in the consolidated management accounts of the Target Group as at 31 May 2022, the Vendor shall compensate the Purchaser for 45.75% of the difference, and the payment shall be made to the designated bank account of the Purchaser within three Business Days after the Target Company provides the Completion Accounts. If the consolidated net asset value disclosed in the Completion Accounts is more than 20% lower than the consolidated net asset value disclosed in the consolidated management accounts of the Target Group as at 31 May 2022, the Purchaser is entitled to require (i) the Vendor to compensate 45.75% of the difference or (ii) the Vendor to repurchase the Sale Shares and the Shareholder's Loan under the Sale and Purchase Agreement at the same amount as the Consideration.

INFORMATION ON THE PARTIES

The Vendor is a company incorporated in British Virgin Islands with limited liability. It is principally engaging in investment holding. As at the date of this announcement, the ultimate beneficial owner of the Vendor is Mr. Xiaowei Chen. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and the ultimate beneficial owner of the Vendor are Independent Third Parties.

The Target Company is an investment holding company incorporated in the United Kingdom on 9 October 2017 with limited liability. The issued share capital of the Target Company is GBP60,266,889.89 comprising 60,200,001 ordinary shares of GBP1.00 each and 6,688,889 B shares of GBP0.01 each. Each ordinary share has full rights in the Target Company with respect to voting, dividends and distribution and each B share has full rights in the Target Company with respect to voting and dividends only. The B shares are distinguished from the ordinary shares that the holders of B shares will not participate in distribution in the event of insolvency or administration of the Target Company. As at the date of this announcement, the Target Company is owned as to approximately 45.75% by the Vendor and the remaining approximately 54.25% are held by four Independent Third Parties. As at the date of this announcement, the Target Group comprises the Target Company and eight subsidiaries of the Target Company and the Target Company direct and indirectly owns 100% of the issued share capital of seven subsidiaries and indirectly owns 51% of the issued share capital of a subsidiary, which are incorporated in the United Kingdom with limited liability. The Target Group is principally engaged in providing management and support services for private school businesses in the United Kingdom. The Target Company has a long-term strategy to acquire a selected number of private schools in the United Kingdom and develop and implement innovative education concepts in the school. As at the date of this announcement, there are two private schools, namely Kingsley School and Heathfield Knoll School, managed by the Target Group in the United Kingdom.

Set out below are the audited consolidated financial information of the Target Group for the two financial years ended 31 August 2020 and 2021 which were prepared in accordance with the Generally Accepted Accounting Practice published by the Financial Reporting Council in the United Kingdom:

	For the year ended 31 August 2020 GBP	For the year ended 31 August 2021 GBP
Turnover	4,141,738	7,218,981
Loss before taxation	25,328,093	2,239,511
Loss after taxation	25,336,720	2,273,944

The audited consolidated net asset value of the Target Group as at 31 August 2021 and the unaudited consolidated net asset value of the Target Group as at 31 May 2022 were approximately GBP8,068,889 and GBP8,374,951, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) the provision of primary and secondary after-school academic education services in the PRC, which was ceased completely in March 2022; and (ii) the provision of extracurricular programmes for personal attainment in the PRC, the provision of vocational education in the PRC and provision of overseas education consultation services in the PRC.

Following the promulgation of the Opinion, the reform of the education policy in the PRC continues to be a challenge to the Group's existing business in the provision of primary and secondary after-school academic education services.

As disclosed in the announcements of the Company dated 25 July 2021 and 10 September 2021 and the Annual Report 2021 and the interim result announcement dated 29 August 2022, following the promulgation of the Opinion, the Group has since actively planned to diversify the business portfolio of the Group to (i) extracurricular programmes for personal attainment in arts, sports and dancing programming targeting children and teenagers; (ii) vocational education targeting high school graduates and adults; and (iii) overseas education consultation services and to actively explore further business opportunities.

The Target Company has a long term strategy to acquire a selected number of private schools in the United Kingdom and to develop and implement innovative education concepts in the schools it acquires. It intends to market these concepts to other appropriate educational establishments in the United Kingdom and overseas.

The Target Company invests in each school it acquires to improve all aspects of the educational experience and provision. From its base in Oxford, the United Kingdom, the Target Company is also developing central managerial, professional and administrative resources that will allow each school in the Target Group portfolio to benefit from economies of scale and from access to a wider range of managerial and teaching resources than they would normally have on their own. These improvements are expected to benefit each school's competitiveness in its local catchment area and to improve its attractiveness to a wider range of students.

There are two private schools in the Target Group, namely Kingsley School in Bideford and Heathfield Knoll School in Wolverley, the United Kingdom. Kingsley School and Heathfield Knoll School are co-educational schools and offer private education for children aged 3 months to 16 years, with approximately 200 staff and 500 students in aggregate.

The Directors noted that although the Target Group incurred losses after taxation for the two financial years ended 31 August 2020 and 2021, there was improvement in the Target Group's turnover for the year ended 31 August 2021 when compared with that of the previous year. The consolidated net asset value of the Target Group as at 31 May 2022 had also improved when compared with the consolidated net asset value as at 31 August 2021.

The Directors believe that the Acquisition reflects the Group's ongoing strategy in expanding its oversea school network and is consistent with the Group's business plan of acquisition or overseas education consultation to capture market opportunities. Having considered the strategic location, education quality, education reputation, scale and development potential of the Target Group, the Directors considered that with the Acquisition, the Group will be able to step into the market position in the United Kingdom, thereby generating synergy effect among the schools under the Group and the Target Group by sharing their respective experience in the provision of education services between the Group and the Target Group. The Directors also believe that the terms of the Acquisition contemplated under the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and Shareholder’s Loan by the Purchaser from the Vendor pursuant to the terms of the Sale and Purchase Agreement;
“Annual Report 2021”	the annual report of the Company for the year ended 31 December 2021;
“Board”	the board of Directors;
“Business Day(s)”	the days on which banks in Hong Kong are generally open for normal banking transactions (except Saturdays, Sundays, public holidays and days when tropical cyclone warning signal No. 8 or above or black rainstorm warning signal is hoisted in Hong Kong from 9:00 a.m. to 5:00 p.m.);
“Company”	Dashan Education Holdings Limited (Stock Code: 9986), a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the sale and purchase of the Sale Shares and the assignment of the Shareholder’s Loan in accordance with the terms and conditions of the Sale and Purchase Agreement;
“Completion Accounts”	the unaudited consolidated management accounts of Target Group as at the Completion Date;
“Completion Date”	the third Business Day after the date of fulfillment (or waiver) of all the conditions precedent set out in the Sale and Purchase Agreement, or such other date as agreed in writing between the Vendor and the Purchaser;
“Connected Person(s)”	has the meaning ascribed thereto in the Listing Rules;
“Consideration”	the consideration for the Acquisition, being GBP5,800,000 in aggregate;

“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“GBP”	British Pound, the lawful currency of the United Kingdom;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party(ies) independent of the Company and its Connected Persons;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	14 March 2023, being the date falling six months after the date of the Sale and Purchase Agreement or such later date as the Vendor and the Purchaser may agree in writing;
“Opinion”	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》) issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council in July 2021;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC, and Taiwan;
“Purchaser”	Dashan International Investments Holdings Limited, a company incorporated in British Virgin Islands with limited liability and a direct wholly owned subsidiary of the Company;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 15 September 2022 entered into between the Vendor and the Purchaser in relation to the Acquisition;

“Sale Shares”	30,600,000 ordinary shares of par value of GBP1.00 each of the Target Company, representing approximately 45.75% of the issued share capital of the Target Company as at the date of the Sale and Purchase Agreement;
“Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Shareholder’s Loan”	the shareholder’s loan in the aggregate sum of GBP300,000 due and owing by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	KSI Education Limited, a company incorporated in the United Kingdom with limited liability and an Independent Third Party;
“Target Group”	collectively, the Target Company and the subsidiaries of the Target Company;
“United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“Vendor”	Bonus First Holdings Limited, a company established in the British Virgin Islands with limited liability and an Independent Third Party; and
“%”	per cent.

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

Zhengzhou, 15 September 2022

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