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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)

SUPPLEMENTAL ANNOUNCEMENT ON DISCLOSEABLE TRANSACTION ACQUISITION OF THE TARGET COMPANY

Reference is made to the announcement of the Company dated 15 September 2022 in relation to the Acquisition (the “**Announcement**”). Unless otherwise stated, all the capitalised terms used herein shall have the same meaning as those defined in the Announcement.

The Board wishes to provide the following supplemental information in relation to the Acquisition.

(1) BACKGROUND INFORMATION AND BUSINESS ACTIVITIES OF THE TARGET COMPANY

The Target Company is an education investment and operation company, which is dedicated to the dissemination, integration and innovation of high-quality education resources, with the aim of promoting international educational concepts through exchanges and practical applications. The Target Company mainly focuses on the innovation of curriculum and education, implanting the concept of sustainable environmental development with the educational artificial intelligence technology by introducing technology into education services including online courses.

It is the Target Company's business strategies to collaborate with top-tier universities in the United Kingdom, such as University of Oxford and University of Cambridge, etc., as one of their important business sectors. Besides, the Target Company is cooperating with Harris Manchester College in the University of Oxford in the setting up of the Wellbeing Research Center with them aim to:

- (a) becoming the world's preeminent hub for research and teaching on the interdisciplinary subject of wellbeing;
- (b) bringing together the expertise on wellbeing from the University of Oxford and help develop it further; and
- (c) becoming a platform for knowledge exchange that will help leaders around the world by putting wellbeing at the heart of their communities.

The Target Company has participated in Harris Manchester College's investment projects, fully coordinate global advantageous resources, and actively enhance the Wellbeing Research Center's influence through educational innovation and cooperation to promote strategic layout.

Acquiring private schools is Target Company's second important business strategy. In addition to the two schools acquired by the Target Company, the Target Company has plan to acquire or enter into management arrangements with more private schools in the United Kingdom to form a private school alliance in the United Kingdom. The Target Company had completed the acquisition of Kingsley School and Healthfield Knoll School (the "**Schools**") in August 2019 and January 2020.

Kingsley School is located in Devon, the United Kingdom, covering an area of about 50 acres. It is a private boarding school that provides education services for students from 2 years old to 18 years old. The school currently has a total number of 331 students, including 73 boarding students. Among the boarding students, 50% are from British native families, and the rest are from Europe and Asia. This fits into the Target Company's business objective that a mix of international students will enhance the promotion of international educational concept.

Healthfield Knoll School is located in the city of Kidderminster in central England, covering an area of about 30 acres. It is a private school that provides education services for students from 3 months old to 16 years old. The school currently has a total number of 194 students enrolled, all from British native family.

At present, the operating income of the Target Company is mainly generated from the tuition income of the Schools.

Furthermore, the Target Company is also actively engaged in education technology investment, and is participating in investment projects including an online course platform with one of the top public schools in the United Kingdom; and at the same time, the Target Company has also invested in a number of startup companies related to education.

The management team of the Target Group comprises six full-time staff. They are responsible for managing the Target Group at a high-level perspective. Their roles, among other things, include operational management, strategic planning, financial reporting, human resources and financial budgeting of the Schools.

The management team of the Target Company is led by Mr. Ren Xuhui who joined the Target Company in 2018 and now serves as the general manager of the Target Company. He has extensive experience in the investment, management and operation of educational project. He also had over ten years of experience in field of international finance.

Since the management team is relatively small, they can manage the Schools in an efficient manner and all team members contribute to the abovementioned roles. They hold regular monthly meetings to discuss business operation and resolve issues in relation to the Schools. Principals of the Schools were shortlisted and appointed by the management team so that they can delegate the daily operations of the Schools to the principals and focus more on managing the investments of the Target Company.

The Target Company is an investment holding company focusing on education sector. It does not require any specific license to carry out its business. Due to its business nature in the education sector, education related regulatory bodies in the United Kingdom require the Target Company to be assessed regularly, such assessment includes various areas including going concern, financial position of the Schools, etc.

Amid that the Target Company does not require any education license, the Target Company will also be indirectly regulated by the relevant compliance requirements because the Schools do require specific licenses in order to carry on education business in the United Kingdom. Kingsley School and Heathfield Knoll School are regularly inspected by 1) the Independent Schools Inspectorate; 2) the Office for Standards in Education in the United Kingdom (OFSTED) in relation to their nursery sections; 3) the UK Visas and Immigration; 4) the Council for the Registration of Schools Teaching Dyslexic Pupils; and 5) qualified examination centre for various A-Level examination boards.

(2) FINANCIAL INFORMATION OF THE TARGET COMPANY

According to the unaudited consolidated management accounts of the Target Company for the ten months ended 30 June 2022, the total revenue of the Target Company was approximately GBP7.7 million (approximately RMB62.0 million), the gross profit was approximately GBP3.3 million (approximately RMB26.4 million) and the net loss was approximately GBP1.6 million (approximately RMB13.2 million). As at 30 June 2022, the total assets of the Target Group were approximately GBP13.2 million (approximately RMB105.7 million) and the net assets of the Target Group were approximately GBP8.2 million (approximately RMB66.0 million).

Upon completion of the Acquisition, the Purchaser will hold approximately 45.75% of the issued share capital of the Target Company and the Target Company will become an associate of the Company and will not be consolidated to the Group's consolidated financial statements.

(3) ADDITIONAL INFORMATION OF THE VENDOR

As at the date of the Sale and Purchase Agreement, the shareholders of the Target Company are as follows:

Shareholders	Approximately shareholding in %
The Vendor	45.75
China First Capital Group Limited	43.95
Golden Tree International Holding Limited (“ Golden Tree ”)	10.00
Mr. Shawn SEA	0.30
Ms. Zhen YAO	0.00
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Total	<u><u>100.00</u></u>

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of the Sale and Purchase Agreement, the Vendor and the other shareholders of the Target Company are Independent Third Parties.

China First Capital Group Limited is a company listed on the Main Board of the Stock Exchange (Stock code 1269). The ultimate beneficial owners of the Vendor and Golden Tree are Mr. Xiaowei CHEN and Mr. Ling DING, respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of the Sale and Purchase Agreement, the ultimate beneficial owners of the Vendor and Golden Tree are Independent Third Parties.

(4) REASONS FOR AND BENEFITS OF THE ACQUISITION

In additional to the announcement on 15 September 2022, the Board would like to supplement further background information with regard to the Acquisition.

The Company believes that the Acquisition will provide an excellent opportunity to the Group to extend its school network in the United Kingdom and it is the first milestone for the Group to expand outside the PRC. It will bring the Group with long-term benefits as a whole for the following reasons:

Firstly, the Acquisition is consistent with the Group's future plan for operating private schools in countries outside the PRC. The Company understands from its business operation in providing overseas education consultation services that there is consistent demand from the PRC students to study abroad and the United Kingdom is one of the popular destinations. The Company also considered to expand the geographical and business scope to the provision of primary and secondary private education such as operating private schools in countries outside the PRC aiming at completing the spectrum of education services provided by the Company. The Acquisition can provide the Group direct access to school networks in the United Kingdom that will allow Group's overseas education consultation services programme to introduce potential students to the Schools resulting in mutual benefits to the Company and the Target Company.

Secondly, 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 there are currently two private schools in operation in the Target Group, which are co-educational schools offering private education for children in United Kingdom. Furthermore, the Target Company collaborates with top-tier universities in the United Kingdom, such as University of Oxford and University of Cambridge, etc., and

cooperated with Harris Manchester College in the setting up of the Wellbeing Research Centre to provide the innovation of high-quality education resources for students. The Group considered that expanding the coverage of schools abroad by taking equity interests in schools abroad will be a strategic development direction of the Group so that it can have direct access to quality schools outside the PRC and gain better presence and networks as well as the reputation for the Group as a whole.

Thus, having considered the geographical location, education quality, education reputation, scale and development potential of the Target Company, the Company considers the Acquisition provides the Group a good opportunity to extend its school networks in the United Kingdom education market and support the education development plan outside the PRC.

Business model

Since December 2021, the Group has been providing overseas education consultation service in Zhengzhou, the PRC to students intending to apply for further education abroad and started to generate revenue through receiving consultation fees since May 2022. Its business model is a one-to-one client facing consultation model. At present, the Group has one self-operated service centre in operation with ten overseas-study consultants. There were more than 100 students signed up for the study abroad programs with the Group as at 30 September 2022 and there were 30 students enrolled with the Group that generated revenue for the nine months ended 30 September 2022. The Group expects that there will be significant growth prospect in this business segment. At the same time, the Group plans to open a language training section to assist students seeking education abroad to prepare language skill to prepare them for going abroad.

The Acquisition can provide the Group direct access to school networks in the United Kingdom that the study abroad program can introduce students to the schools managed by the Target Group. Furthermore, the Group is able to generate higher gross profit by removing the role of intermediaries in the referral process to the schools managed by the Target Group.

The Group is of the view that expanding the coverage of schools abroad by taking equity interests in schools abroad will be a strategic development direction of the Group so that it can have direct access to quality schools abroad, and it will gain better connections and generate higher gross profits.

On the other hand, as a result of the Acquisition, the Target Group will have access to students in China seeking education abroad, as such the connection between the Target Group and the Group will provide growth opportunity for the schools managed by the Target Group. It is known to the schools abroad that students from China are generally hardworking and targeting to achieve good academic results thereby gaining admissions to top universities. As such, this creates mutual benefits to both the Group and the Target Group.

Furthermore, both the Group and the Target Group are engaged in the business of provision of education services. Although there are differences in geographic locations, the experiences gained in different geographic locations, culture, language and regulatory framework etc. can be shared between the Group and the Target Group with a view to providing diverse and adapting services to students with different nationalities, culture and background.

Management expertise

The management team heading the overseas education consultation services comprises three senior management, namely Mr. Wu Pengwei (“**Mr. Wu**”), Ms. Wu Chanjuan (“**Ms. Wu**”) and Mr. Wang Lingfeng (“**Mr. Wang**”).

Mr. Wu, aged 34, serves as the general manager of the overseas education consultation services. Mr. Wu has extensive experience as a drug researcher in a Fortune 500 pharmaceutical company. In 2015, Mr. Wu devoted himself to the study abroad industry and has been deeply involved in the study abroad industry for eight years focusing on giving advices and plans on overseas education to potential overseas students. Mr. Wu has completed over 2,000 successful cases on advising on overseas study and is recognized as one of the standard setters for admission to reputable schools abroad. He was also a project manager and project trainer for advising on schools in Britain in a top tier overseas education consultancy firm. At the end of 2021, Mr. Wu cooperated with the Group to establish Zhengzhou Dashan Study Abroad Service Company Limited* (鄭州廣效教育科技有限公司). Mr. Wu is specializing in advising on school admission in Britain.

Ms. Wu, aged 36, has ten years of experience in the education and study abroad industry. She was a project director in an overseas education consultancy firm (Shanghai branch), senior project leader and lecturer, responsible for the training, planning and management of the Shanghai team in East China. She has completed a large number of successful cases, and is experienced in providing students with career development advice. Her expertise is advising students on applying schools in the United States of America.

Mr. Wang, aged 34, having lived in Australia for more than eight years, he is familiar with Australian customs and has unique insights in studying abroad. After returning to China, he devoted himself to the education industry of studying abroad. Taking into account with his many years of experience abroad, he is committed to solving problems for many families with members studying abroad, providing the most authentic study abroad information and professional consulting services, and has been invited to participate in online and offline activities of foreign schools as a special guest speaker.

Geographical location

Although the Group's overseas education consultation service has commenced in December 2021, it has the network resources of 3,000 colleges and universities in more than 20 countries and regions through the Group's connections and intermediaries locally and abroad. This provides the Group with vast coverage of schools abroad to meet the requirements and expectation of students and their families seeking education abroad.

(5) STATUS OF THE ACQUISITION

The Purchaser has paid the first instalment of the Consideration of GBP2,900,000 to the Vendor in accordance with the terms of the Sale and Purchase Agreement. As at the date of this announcement, all the conditions precedent set out in the Sale and Purchase Agreement have been met and the registration of the change of shareholders of the Target Company is in progress. The remaining portion of the Consideration of GBP2,900,000 shall be paid by the Purchaser to the Vendor within three Business Days upon the Completion, which is expected to take place on or before 31 December 2022.

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

Zhengzhou, 7 December 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.

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

* *For identification purposes only*