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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)

PROFIT WARNING

This announcement is made by Dashan Education Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders (the “**Shareholders**”) and potential investors of the Company that, based on the preliminary review by the Board of the latest unaudited consolidated management accounts of the Group, the Group is expected to record (i) a decrease in revenue of approximately 14%; (ii) a decrease in net profit of not less than 90%; and (iii) a decrease in adjusted net profit (excluding other gains and losses and non-recurring listing expenses) of approximately 65% for the year ended 31 December 2020 (“**FY2020**”) as compared to the year ended 31 December 2019 (“**FY2019**”).

The Board considers that the expected decrease in revenue, net profit and adjusted net profit of the Group for FY2020 as compared to that for FY2019 are mainly attributable to the following factors:

- (i) as disclosed in the prospectus of the Company dated 30 June 2020, due to the outbreak of the COVID-19, (a) there was a significant drop in unaudited revenue of the Group for the four months ended 30 April 2020 of approximately 43.2% as compared to that for the corresponding period in 2019; and (b) the Group recorded an unaudited net loss of approximately RMB14.2 million (including the listing expenses) for the four months ended 30 April 2020 as compared to the unaudited net profit of approximately RMB12.3 million (including the listing expenses) recorded for the corresponding period in 2019;

- (ii) Since the resumption of physical classes in May 2020, the Group recorded an increase in unaudited revenue for the four months ended 31 August 2020 as compared to that for the corresponding period in 2019, which resulted in a turnaround from unaudited net loss for the four months ended 30 April 2020 to unaudited net profit for the eight months ended 31 August 2020. However, in order to counter the various promotions (including tuition fees reduction) launched by the other after-school education institutions, the Group has adopted various promotion programs (the “**Promotion Programs**”) including tuition fees reduction since September 2020 (i.e. the commencement of autumn courses). It is expected that the Promotion Programs will lead to (i) an increase in tutoring hours of approximately 7% which will result in an increase in staff costs; and (ii) a significant decrease in revenue due to the decrease in average tuition fees per tutoring hour, which will result in the significant decrease in unaudited net profit for the four months ended 31 December 2020 as compared to that for the corresponding period in 2019. Subsequent to the adoption of the Promotion Programs and as at the date of this announcement, the Group had recorded an increase in the number of the student enrolments for winter courses to commence in January 2021 as compared to that as at the corresponding date in 2019. The Group expects that its operations and financial performance will gradually improve in 2021;
- (iii) Since 1 January 2020 and up to the date of this announcement, the Group had entered into lease agreements in prime locations for 20 new self-operated teaching centres (the “**New Teaching Centres**”) in order to capture the business potentials of neighbouring area. The number of the New Teaching Centres exceeded that of the New Teaching Centres established in FY2019. Therefore, the cost of sale of the Group for FY2020 is expected to increase as compared to that for FY2019 as a result of the increase in depreciation expenses (including right-of-use assets and related renovation), staff costs and other related expenses incurred from the establishment of the New Teaching Centres; and
- (iv) Due to the weakening of the value of Hong Kong dollars against that of Renminbi since the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “**Listing**”), there has been a decrease in the Renminbi value of the net proceeds from the Listing as at the date of this announcement as compared to that as at the date of the Listing. Accordingly, the Group has recorded an increase in foreign exchange loss, which also contributes to the expected decrease in profitability.

The information contained in this announcement is only based on a preliminary assessment by the Board with reference to the latest unaudited consolidated management accounts of the Group and the information currently available to the Board. Such information has not been audited or reviewed by the Company's auditors or the audit committee of the Company.

The financial results and other related details of the Group for FY2020 will be announced in the 2020 annual results announcement of the Company which is expected to be published in March 2021.

Shareholders and potential investors of the Group are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Dashan Education Holdings Limited
Zhang Hongjun
Chairman

Zhengzhou, the PRC
22 December 2020

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.