Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.

China Beststudy Education Group
卓越教育集團*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3978)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL AND KEY OPERATING DATA HIGHLIGHTS

	For the year ended 31 December		
	2018	2017	% Change
	RMB'000	*RMB'000*	
Revenue	**1,473,748**	1,141,701	+29.1%
Gross Profit	**598,031**	482,750	+23.9%
Net Profit	**73,971**	65,809	+12.4%
Adjusted Net Profit *(Note 1)*	**121,265**	106,570	+13.8%
Net Profit from Core Business *(Note 2)*	**115,712**	91,038	+27.1%
Number of Enrollments	**593,252**	500,409	+18.6%
Number of Tutoring Hours	**13,562,869**	11,179,556	+21.3%
Number of Education Centres	**242**	180	
Number of Newly Established Education Centres	**60** *(Note 3)*	22 *(Note 4)*	

Notes:

1. Adjusted Net Profit eliminates the effect of non-recurring items and certain items that were not incurred in relation to the Group's principal business such as equity-settled share compensation costs, discontinued operations, listing expenses and other one-off expenses.
2. Net Profit from Core Business was used to evaluate the financial performance of the Company by eliminating the impact of items that the Company does not consider indicative of the performance of our core business, which represents the Adjusted Net Profit excluding the effect of share of profits or losses of associates and a joint venture and fair value changes on unlisted equity investments through profit or loss.
3. The 63 newly added education centres in 2018 include 60 newly established education centres and three education centres that were separated from existing education centres and were managed independently thereafter.
4. The 39 newly added education centres in 2017 include 22 newly established education centres and 17 education centres that were separated from the existing education centres and were managed independently thereafter.

* *For identification purposes only*

The board (the "**Board**") of directors (the "**Directors**") of China Beststudy Education Group (the "**Company**") is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Year**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CONTINUING OPERATIONS			
Revenue	4	**1,473,748**	1,141,701
Cost of sales		**(875,717)**	(658,951)
Gross profit		**598,031**	482,750
Other income and gains, net	4	**6,648**	18,858
Investment income		**164**	751
Selling expenses		**(130,443)**	(95,107)
Research and development expenses		**(170,739)**	(140,060)
Administrative expenses		**(185,801)**	(177,856)
Share of losses of associates		**(1,233)**	(3,895)
Share of profits of a joint venture		**164**	–
Fair value changes on investments at fair value through profit or loss		**34,514**	33,259
Other expenses		**(43,530)**	(5,918)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**107,775**	112,782
Income tax expense	6	**(34,718)**	(37,374)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**73,057**	75,408
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations		**914**	(9,599)
PROFIT FOR THE YEAR		**73,971**	65,809
Attributable to:			
Owners of the parent		**54,899**	48,982
Non-controlling interests		**19,072**	16,827
		73,971	65,809
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For profit for the year		**RMB8.7 cents**	RMB7.8 cents
– For profit from continuing operations		**RMB8.6 cents**	RMB9.4 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**73,971**	65,809
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**180**	(2,699)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**180**	(2,699)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**180**	(2,699)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**74,151**	63,110
Attributable to:		
Owners of the parent	**55,042**	46,730
Non-controlling interests	**19,109**	16,380
	74,151	63,110

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**160,768**	56,228
Intangible assets	**9,586**	10,644
Investments in associates	**14,997**	16,230
Investment in a joint venture	**5,512**	5,275
Equity investments at fair value through profit or loss	**71,299**	64,581
Prepayments for purchases of property, plant and equipment	**29,179**	13,608
Deferred tax assets	**10,817**	4,750
Total non-current assets	**302,158**	171,316
CURRENT ASSETS		
Short-term investments measured at amortised cost	**–**	10,008
Short-term investments measured at fair value through profit or loss	**–**	561,635
Short-term debt investments measured at fair value through profit or loss	**517,907**	–
Short-term equity investments measured at fair value through profit or loss	**412**	–
Prepayments, deposits and other receivables	**147,539**	77,233
Restricted cash	**2,347**	–
Cash and cash equivalents	**468,041**	162,150
Other current assets	**1,218**	782
	1,137,464	811,808
Assets of a disposal group classified as held for sale	**–**	55,869
Total current assets	**1,137,464**	867,677

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Other payables and accruals		**192,079**	127,825
Contract liabilities	9	**562,841**	517,171
Tax payable		**21,410**	15,193
		776,330	660,189
Liabilities directly associated with the assets classified as held for sale		**–**	26,011
Total current liabilities		**776,330**	686,200
NET CURRENT ASSETS		**361,134**	181,477
TOTAL ASSETS LESS CURRENT LIABILITIES		**663,292**	352,793
NON-CURRENT LIABILITIES			
Rental payables		**41,210**	15,026
Total non-current liabilities		**41,210**	15,026
Net assets		**622,082**	337,767
EQUITY			
Equity attributable to owners of the parent			
Share capital	10	**303**	164
Reserves		**622,821**	254,360
		623,124	254,524
Non-controlling interests		**(1,042)**	83,243
Total equity		**622,082**	337,767

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 27 August 2010 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the registered office of the Company is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands.

The Company is an investment holding company. During the Year, the Group was engaged in the provision of preparing kindergarten students for their transition into primary schools to Grade 12 ("**K-12**") after-school education services, including small group tutoring courses and tutoring courses for individuals, elite talent programs and full-time test preparation courses in Mainland China.

The ultimate controlling parties of the Group are Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou who have entered into acting in concert agreement.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and interpretations) issued by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments and short-term investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the Year. A subsidiary is an entity (including a structured entity), directly or indirectly controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except for IFRS 9 *Financial Instruments*, all IFRSs effective for the accounting period commencing from 1 January 2018, including IFRS 15 *Revenue from Contracts with Customers* and amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of these financial statements throughout the reporting period.

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The effect of adopting IFRS 9 is described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

The assessment of the Group's business model was made as of 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 have had no significant impact on the Group. The Group has continued measuring at fair value all financial assets previously held at fair value under IAS 39.

The following describes the classification of the Group's financial assets upon the adoption of IFRS 9 as of 1 January 2018:

- Financial assets included in prepayments, deposits and other receivables of RMB59,608,000 previously classified as loans and receivables under IAS 39 are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as financial assets at amortised cost.

- Under IAS 39, wealth management products of RMB10,008,000, of which the principal and interests are guaranteed, were previously classified as financial assets at amortised cost. Other wealth management products of RMB547,567,000 were classified as financial assets at fair value through profit or loss. Under IFRS 9, they are now all classified and measured as financial assets at fair value through profit or loss (debt instruments). The return on these wealth management products is contractually linked to a pool of investments with concentration of credit risks through subordination and/or guarantee. The Group has no access to the underlying pool of investments and thus classifies the wealth management products at fair value through profit or loss in accordance with IFRS 9.B4.1.26. For those wealth management products reclassified from financial assets at amortised cost to fair value through profit or loss, on the date of initial application of IFRS 9, the fair value of the wealth management products approximates its amortised costs.

- Equity investments in both listed and non-listed companies, amounting to RMB14,068,000 and RMB64,581,000, respectively, previously were designated as financial assets at fair value through profit or loss under IAS 39. Upon the adoption of IFRS 9, the Group did not elect to designate these equity investments as fair value through other comprehensive income, and these equity investments thus are classified and measured at fair value through profit or loss.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

(b) Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach.

IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, the Group assessed that the ECLs for financial assets included in prepayments, deposits and other receivables, short-term investments measured at amortised cost and cash and cash equivalents were immaterial.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Lifetime ECL – credit-impaired

Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

As at the end of each reporting period, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the end of the reporting period and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

For the purposes of impairment assessment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account the instrument type, remaining term to maturity and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The amount of the loss is recognised using an allowance account.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the impairment provision reverts from lifetime ECL to 12-month ECL.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of K-12 after-school education services in Mainland China.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Directors review the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the reporting period, the Group operated within one geographical segment because all of its revenue was generated in Mainland China and all of its long-term assets/capital expenditure were located/incurred in Mainland China. Accordingly, no further geographical segment information is presented.

Information about major customers

No service provided to a single customer amounted to 10% or more of total revenue of the Group during the Year.

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the value of services rendered, net of value-added tax and other sales tax, after allowances for refunds and discounts during the reporting period.

An analysis of revenue, other income and gains is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Premium learning programs		
– Small group tutoring	**750,241**	554,769
– Individualised tutoring	**551,685**	458,694
Full-time test preparation programs	**129,545**	99,981
Elite talent programs	**39,516**	26,695
Others	**2,761**	1,562
	1,473,748	1,141,701
Other income and gains, net		
Interest income	**1,230**	7,655
Other service income, net	**2,000**	2,918
Subsidy income from the PRC government	**2,375**	5,816
Site use income	**389**	276
Licensing and consulting income	**451**	449
Others	**203**	1,744
	6,648	18,858

The subsidy income from the PRC government mainly represents subsidies granted by the local government to Guangzhou Beststudy Enterprise Co., Ltd. 廣州市卓越里程教育科技有限公司 ("**Guangzhou Beststudy**"), Guangzhou Beststudy Education and Training Centre 廣州卓越教育培訓中心, Shanghai Yangpu Beststudy Education and Training Centre 上海楊浦區卓越教育培訓中心, Foshan Beststudy Culture Communication Co., Ltd. 佛山市卓越里程文化傳播有限公司 and Guangzhou Haizhu Beststudy Education and Training Centre 廣州市海珠區卓越教育培訓中心 as compensation for their operating expenses and as encouragement for their contribution to the local economy. There are no unfulfilled conditions or contingencies relating to such subsidies.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2018	2017
	RMB'000	*RMB'000*
Employee benefit expense (excluding Directors' remuneration)	**808,159**	646,686
Cost of services provided*	**875,717**	658,951
Depreciation	**41,651**	24,611
Amortisation of intangible assets	**2,181**	1,280
Minimum lease payments under operating leases	**200,724**	142,460
Fair value (gains)/losses:		
Unlisted equity investments at fair value through profit or loss	**(6,622)**	(19,427)
Listed equity investments	**1,783**	–
Wealth management products issued by banks	**(29,675)**	(13,832)
Listing expenses	**41,727**	–

* The staff costs of RMB593,906,000 (2017: RMB460,746,000) and the depreciation and amortisation of RMB32,684,000 (2017: RMB18,255,000) are included in "Cost of services provided" in the consolidated statement of profit or loss.

6. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Year.

PRC Corporate Income Tax ("CIT")

Guangzhou Zhuoye Information Technology Co., Ltd. 廣州卓業信息技術有限公司 ("**Guangzhou Zhuoye**") was accredited as a Software Enterprise in 2013 and was exempted from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing either from the first year of commercial operation or from the first year of profitable operation after offsetting tax losses generated from prior years. As a result, Guangzhou Zhuoye was subject to CIT at a statutory rate of 25% for the Year (2017: 12.5%).

Zhuhai Chuangsi Language Training School 珠海創思語言培訓學校 was certified as a small and micro-sized enterprise ("**SME**") in 2018 and was entitled to a preferential tax rate of 20% for the Year (2017: 25%).

Guangzhou Beststudy Wendao Travel Service Co., Ltd. 廣州卓越問道旅行社有限公司 ("**Guangzhou Wendao**") was established in 2018, and was certified as an SME. As a result, Guangzhou Wendao was entitled to a preferential tax rate of 20% for the Year.

Pursuant to the CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the Year (2017: 25%).

CIT of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the Year.

	2018	2017
	RMB'000	*RMB'000*
Current – the PRC		
Charge for the year	**40,736**	25,288
Deferred	**(6,018)**	12,086
Total tax charge for the year from continuing operations	**34,718**	37,374
Total tax charge/(credit) for the year from discontinued operations	**51**	(49)
	34,769	37,325

7. DIVIDENDS

No dividend had been declared by the Company during the Year.

During the Year, Guangzhou Beststudy, a subsidiary of the Company, declared and paid cash dividends of RMB100,000,000 (2017: RMB220,000,000) to its then shareholders.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 627,862,355 (2017: 625,788,383) in issue during the Year, as adjusted to reflect the rights issue during the Year.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2018 and 2017 have been retrospectively adjusted for the effect of issue of shares as described in note 10(a) and arrived at after eliminating the shares of the Company held under the restricted stock unit scheme ("**RSU Scheme**") as described in note 10(a)(b).

The diluted earnings per share amount is equal to the basic earnings per share amount for the year ended 31 December 2018 and 2017, as there were no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017. RSUs are not included in the computation of diluted earnings per share as RSUs have not been granted under the RSU Scheme as at the date of this announcement.

The calculations of basic and diluted earnings per share are based on:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**53,985**	58,581
From discontinued operations	**914**	(9,599)
Profit attributable to ordinary equity holders of the parent	**54,899**	48,982

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**627,862,355**	625,788,383

9. CONTRACT LIABILITIES

	2018	2017
	RMB'000	*RMB'000*
Contract liabilities		
– Tutoring fees	**562,841**	517,171

The contract liabilities primarily relate to the advance consideration received from the students for contracts, for which revenue is recognised when the services have been rendered.

Changes in contract liabilities during the Year are as follows:

	2018	2017
	RMB'000	*RMB'000*
At the beginning of the year	**517,171**	401,647
Revenue recognised that was included in the contract liabilities at the beginning of the year	**(517,171)**	(398,766)
Increases due to cash received, excluding amounts recognised as revenue during the year	**562,841**	514,290
At the end of the year	**562,841**	517,171

The Group has elected the practical expedient for not to disclose information about the remaining performance obligations as majority of the services have original expected duration of one year or less or the services are rendered in short period of time.

10. SHARE CAPITAL

Shares

	2018	2017
	RMB'000	*RMB'000*
Authorised:		
3,000,000,000 ordinary shares of US$0.00005 each as at 31 December 2018 (2017: 1,000,000,000 ordinary shares)	**1,070**	381
Issued and fully paid:		
848,040,000 ordinary shares as at 31 December 2018 (2017: 430,000,000 ordinary shares)	**303**	164

A summary of movements in the Company's share capital is as follows:

	Notes	**Number of shares in issue**	**Share capital** *RMB'000*
At 1 January 2017, 31 December 2017 and 1 January 2018		430,000,000	164
Issue of ordinary shares	*a*	223,100,000	72
Issue of shares held for RSU Scheme	*b*	43,540,000	15
Issue of ordinary shares upon listing	*c*	151,400,000	52
At 31 December 2018		848,040,000	303

(a) On 20 May 2018, the Company allotted and issued an aggregate of 223,100,000 new ordinary shares for cash at par value to the shareholders. In recognition of the contributions of the employees and to provide incentive, the 27,292,396 new shares issued to Soarise Bulex Limited were reserved for the vesting of RSUs granted under the RSU Scheme.

(b) On 27 December 2018, the Company allotted and issued 43,540,000 new shares at par value to Soarise Bulex Limited to provide for future RSU grants pursuant to the RSU Scheme.

(c) On 27 December 2018, the Company issued 151,400,000 new ordinary shares at a price of HK$2.40 per share in connection with the Company's initial listing.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

China's K-12 education system comprises three years in kindergarten, nine years of compulsory education in primary and middle schools, followed by three years in high school. Students may then proceed to matriculate into colleges or universities. In order to be admitted to colleges or universities in China, high school graduates are required to take the national college entrance examinations, or "Gaokao." The Gaokao is the most critical set of examinations in a student's education as the results determine whether a student will be able to attend a highly-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 colleges and universities. In 2017, the acceptance rates of four-year degree colleges and the top 50 universities in China were only 39.6% and 2.5%.

Due to the fierce competition for quality undergraduate education in China, students prepare themselves fervently for the high school and middle school entrance examinations, and to improve their academic performance in primary schools. Therefore, in order to increase their chances of eventually being admitted to top universities, many students start working diligently at a very young age in the hope of excelling in every stage of their education, for a spot in the schools of their choice.

Business Review

In 2018, various regulatory institution of mainland China promulgated a series of laws, regulations and rules for implementation for the after-school education industry and the after-school education institutions. The industry underwent unprecedented and serious challenges. The tightened regulatory policies changed the consumers' consumption pattern and after-school education services providers' operating strategy. The Group has maintained a consistent operating guideline to abide by the laws, comply with the regulations and provide educational services conforming to the standards, and to actively adjust our operations to adapt to the new requirements imposed by the new policies.

For example, on 22 August 2018, the General Office of the State Council has promulgated the No. 80 Opinion of the State Council (the "**Opinion No. 80**"), providing various guidelines for standardizing the market of after-school education services to primary to middle school students. In light of this, our Group has adjusted the tutoring time in our education centres since September, among which, all of our night classes now end before 8:30p.m. In addition, to comply with the aforementioned Opinion No. 80, all the prepayments we collect from the students and/or their parents does not exceed three months' fee.

In the year of 2018 where many new policies were promulgated, our Group has maintained our continued operations and development, achieved a satisfactory operating result.

- In 2018, our Group had a revenue of RMB1,473.7 million, achieving a notable increase of approximately 29.1% compared to 2017. In 2018, the one-on-three individualised course we introduced to the market was widely appreciated by the consumers, which the student enrollment number exceeded 10,000.

- In 2018, our student enrollment number was 593,252, and the total tutoring hours were approximately 13,562,869 hours, increasing by approximately 18.6% and approximately 21.3% respectively compared to 2017. In 2018, our student retention rate[1] was approximately 84.2% in our Premium Learning Program (for academic subjects), which had a moderate increase compared to 75.0% in 2017. Despite many new education centres were added this year, the department of Premium Learning Program (for academic subjects) has reached a 65.0% full class rate[2], maintaining a relatively good level of enrollment.

- Meanwhile, our Group has also achieved a notable increase in terms of area expansion and market share. As of 31 December 2018, the number of our education centres is 242. The newly added 60 education centres, 54 of which are located in major cities in the "Greater Bay Area" such as Guangzhou, Foshan, Shenzhen, Dongguan, Zhongshan and Zhuhai, demonstrating the Group's strategy of accelerating expansion in these areas.

- We plan to maintain our selling expenses at a relatively low level. In 2018, although we added 60 new education centres, the percentage of selling expenses in terms of revenue was approximately 8.9%, which is a relatively low level compared to other providers in the industry.

- We were committed and will continue to commit to improving our research and development capabilities by continually developing, updating and improving our curricula and teaching materials, so that we could maintain and improve our high standard of education quality. As of 31 December 2018, we had an in-house development team of 566 employees.

- We were committed to and will continue to commit to building a high-quality teaching team. As of 31 December 2018, our Group had 3,242 full-time teachers, which is critical to the consistency of the quality of our education services. We placed and will continue to place strong emphasis on providing comprehensive and systematic training for our teachers by establishing a training and career development department, which we named "Zhuoyue Academy," to develop and provide comprehensive training programs for our teachers.

- In 2018, more than half of the students and/or their parents enrolled in our courses online, which is advantageous for the improvement of our operating efficiency.

---

1 The "student retention rate" refers to the number of students who, after completing one semester tutoring course on a certain subject, continue to enroll in our tutoring course on the same subject for the consecutive semester or every other semester as a percentage of the total number of students who complete our K-12 after-school tutoring courses during a calendar year.

2 "Full class rate" of the Premium Learning Program is the ratio of the actual enrollment number to the maximum enrollment number of Premium Learning Program.

Prospects

Our goal is to maintain and strengthen our established leading position in China's K-12 after-school education market. We intend to pursue the following strategies to achieve our goal and further grow our business and expand our market share. In order to realise our goals, we will place emphasis of our future development on the following five aspects:

1. Increase existing market penetration and expand our geographic coverage

In response to the increasing demand for K-12 after-school education services, we plan to continue to penetrate our existing markets where we already have established presences and improve our existing education centres' performance. Leveraging our influential brand and reputation, we plan to significantly increase our market share in these markets by opening additional education centres. We also plan to enhance the quality of our education services by upgrading the teaching equipment and facilities in our existing education centres. In addition, we plan to extend our education service network into additional geographic markets in China. We will primarily focus on major cities in southern China. We will also seek to identify and selectively enter into new geographic markets outside Guangdong province that are economically developed and exhibit strong enrollment potential. We plan to conduct comprehensive market research, apply rigorous market and location selection processes and implement our unified teaching and operation approach in these new markets in order to maintain consistent quality of our services and achieve a sustainable growth.

2. Continue to optimise and diversify our service offerings

We believe the breadth and quality of our service offerings are critical to our continued success and future growth. We plan to optimise and diversify our service offerings by launching the following initiatives to broaden our student base and enhance our profitability.

(1) ***Enrich and optimize our present education program offerings.*** We focus on a strategy of "Chinese Dominance", making Chinese education a major target of our Group from the perspectives of branding, product managing and marketing. For example, we have cooperated with universities in mainland to endorse two Chinese products, namely Beststudy Chinese Subject and Beststudy Macro Chinese, participated Chinese Youth League to increase our publicity, designed marketing events revolving annual traditional Chinese cultural festivals, and held master's forums and a series of activities to market the two products.

(2) ***Expand one-on-three course offerings under our individualised tutoring program.*** As an important component of our multi-faceted product combination, our one-on-three courses will focus on quality and services as a guideline for development. We will continue developing our teaching substance, maintaining the teaching principle of training student's knowledge, quality and overall ability, to improve the one-on-three class mode. We also continuously upgrade our one-on-three education services, providing cost-efficient education services to our students.

(3) ***Develop the art major candidate market.*** In Guangzhou, given an increasingly growing student base of art major candidates, we started to provide Gaokao preparation courses to art major candidates from 2017, and we plan to further develop the market in Guangzhou.

3. Explore online education

We believe that the launch of the online course offerings, including the online small class and the online one-on-one tutoring courses, could provide students and parents with more convenient and flexible tutoring solutions. We established a dedicated product development team, focusing on the design, research, development and promotion of our online education products. In 2019, we will commit to exploring online education by increasing the budget allocated to online education, building our team and improving our online technologies, product reserve and marketing, in order to provide content-rich, need-based and sustainable online education products and services to our students.

4. Achieve informatization and digitization in teaching and operational management

We plan to continuously upgrade our information technology platforms to achieve informatization and digitization of our teaching and teaching management. We will employ information technology to a larger extent in our teaching process (such as artificial-intelligence based study tools), in order to gather and analyze the data of our students and create accurate profiles of the students. This will enable us to design a more effective and individualised learning plan and method for each student.

Moreover, information technology will be applied to our teaching management system, integrating and centrally-managing the daily operation to improve our operational efficiency.

5. Pursue selective strategic alliances and acquisitions

There is a consolidation trend in the highly fragmented K-12 after-school education service market in mainland China. We intend to seize the opportunity by pursuing selective strategic alliances and/or acquisitions to diversify our service offerings, complement our business strategies and enhance our growth potential as and when appropriate. When suitable opportunity arises, we may acquire or make strategic investments in certain regionally renowned K-12 after-school education service providers, namely those with competitiveness and ranked highly in the local market, to increase market coverage into some of our targeted local markets.

In the future, we believe that our Group could grasp the opportunity of expansion and integration of the fragmented K-12 after-school education industry by firmly executing strategic plans, in order to provide higher quality services products for the students, a vast platform of development for the employees and a larger return to the shareholders and investors.

Financial Review

Revenue

The following table sets forth a breakdown of our Group's revenue by type of educations services we provide in 2018 and 2017:

	For the year ended 31 December		
	2018	2017	% Increase
	RMB'000	*RMB'000*	
Small Group Tutoring	**750,241**	554,769	35.2%
Individualised Tutoring	**551,685**	458,694	20.3%
Full-time Test Preparation Program	**129,545**	99,981	29.6%
Elite Talent Program	**39,516**	26,695	48.0%
Others	**2,761**	1,562	76.8%
Total	**1,473,748**	1,141,701	29.1%

Our Group's revenue is principally generated from the tuition fees we collect from our students. During the year of 2018, our Group's revenue increased by 29.1% to approximately RMB1,473.7 million from RMB1,141.7 million in 2017. All main education services increased for more than 20% when compared to 2017, mainly attributable to the increased number of enrollments, tutoring hours and per-hour charges.

(i) Number of enrollments

	For the year ended 31 December		
	2018	2017	% increase
Small Group Tutoring	**458,205**	383,592	19.5%
Individualised Tutoring	**114,743**	98,802	16.1%
Full-time Test Preparation Program	**5,422**	4,846	11.9%
Elite Talent Program	**14,882**	13,169	13.0%

(ii) Tutoring hours

	For the year ended 31 December		
	2018	2017	% increase
Small Group Tutoring	**10,728,002**	8,725,190	23.0%
Individualised Tutoring	**2,285,133**	2,027,882	12.7%
Full-time Test Preparation Program	**N/A**	N/A	N/A
Elite Talent Program	**549,734**	426,484	28.9%

(iii) Per-hour charges

	For the year ended 31 December		
	2018	2017	% increase
	RMB	*RMB*	
Small Group Tutoring	**70**	64	9.4%
Individualised Tutoring	**241**	226	6.6%
Full-time Test Preparation Program	**N/A**	N/A	N/A
Elite Talent Program	**72**	63	14.3%

Cost of Sales

Cost of sales increased by approximately 32.9% to approximately RMB875.7 million in 2018 from approximately RMB659.0 million in 2017, primarily due to (i) the addition of 60 new education centres in 2018, compared to 22 new education centres in 2017, (ii) the increased power, utilities and properties management fee as a result of the increased number of enrollments in 2018, and (iii) the increased teaching material costs as a result of enriched contents, increased quality and the addition of video tutoring and other value-added services.

Gross Profit and Gross Profit Margin

As a result of the above principal factors, our Group's gross profit increased by approximately 23.9% from approximately RMB482.8 million in 2017 to approximately RMB598.0 million in 2018. The gross profit margin of our Group for 2017 was approximately 42.3%, whilst in 2018 it was approximately 40.6%. The decrease in gross profit margin was primarily due to the cost of expansion into new education centres by our Group in 2018 which are important investment for our future developments.

Fair Value Changes on Investments at Fair Value Through Profit or Loss

The fair value changes on investments at fair value through profit or loss, including the fair value changes through profit or loss of wealth-management products, unlisted equity investments and listed equity investments, increased from approximately RMB33.3 million in 2017 to approximately RMB34.5 million in 2018. This is mainly attributable to (i) the purchase of low-risk wealth-management products increased the fair value changes on wealth-management products through profit or loss by approximately RMB15.8 million; (ii) the fair value changes on unlisted equity investments through profit or loss changed from approximately RMB19.4 million in 2017 to approximately RMB6.6 million in 2018.

Selling Expenses

During the Year, our Group's total selling expenses increased by approximately 37.1% from approximately RMB95.1 million in 2017 to approximately RMB130.4 million in 2018. The increase was mainly due to the increase of the advertising expenses in the amount of approximately RMB24.3 million. The increase in marketing expenses of our business aligns with our business growth, which was demonstrated by an increase in our revenue in 2018. Despite the increase, our selling expenses as a percentage of revenue has maintained at a relatively stable level (8.3% in 2017 and 8.9% in 2018).

Administrative Expenses

Administrative expenses include the compensation for administrative staff, office rental costs and daily operational expenses. During the Year, our Group's total administrative expenses increased by approximately 4.4% from approximately RMB177.9 million in 2017 to approximately RMB185.8 million in 2018. This was mainly due to the adjustments of employees' compensations packages, the increase in rental expenses for new offices and the increased recruiting expenses, offset by the decrease in the equity-settled share compensation costs to employees.

Research and Development Expenses

During the Year, our Group's research and development expenses increased by approximately 21.8% from approximately RMB140.1 million in 2017 to approximately RMB170.7 million in 2018. This was mainly due to the increase of the compensations of the employees' in the research and development department of approximately RMB27.8 million. The increase in research and development expenses is the investment for the Group's continuous business development.

Other Expenses

Our Group's other expenses in 2018 were the listing expenses at approximately RMB41.7 million. In 2017, the Group's other expenses of the proposed A-Share listing were RMB5.2 million.

Profit for the Year

Our Group's profit for the year increased from approximately RMB65.8 million in 2017 to approximately RMB74.0 million in 2018, representing a growth of approximately 12.4%.

Adjusted Net Profit[1]

The Adjusted Net Profit eliminates the effect of non-recurring items and certain items that were not incurred in relation to the Group's principal business such as equity-settled share compensation costs, discontinued operations, listing expenses and other one-off expenses. The following table reconciles the Adjusted Net Profit for the year presented to profit for the year, the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	For the year ended 31 December		
	2018	2017	% increase
	RMB'000	*RMB'000*	
Profit for the year	**73,971**	65,809	12.4%
Add:			
Discontinued Operations	**(914)**	9,599	
Other one-off expenses	**–**	5,202	
Equity-settled share compensation costs	**6,481**	25,960	
Listing Expenses	**41,727**	–	
Adjusted Net Profit	**121,265**	106,570	13.8%

Net Profit from Core Business[1]

The Net Profit from Core Business represents the Adjusted Net Profit excluding the effect of share of profits or losses of associates and a joint venture and fair value changes on unlisted equity investments through profit or loss, which is increased from approximately RMB91.0 million in 2017 to approximately RMB115.7 million in 2018, representing an increase of approximately 27.1%. The following table reconciles the Profit from Core Business to Adjusted Net Profit:

	For the year ended 31 December		
	2018	2017	% increase
	RMB'000	*RMB'000*	
Adjusted Net Profit	**121,265**	106,570	13.8%
Add:			
Share of profits or losses of associates and a joint venture	**1,069**	3,895	
Fair value changes on unlisted equity investments through profit or loss	**(6,622)**	(19,427)	
Profit from Core Business	**115,712**	91,038	27.1%

[1] To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use Adjusted Net Profit and Profit from Core Business as additional financial measures. We believe these non-IFRSs measures provide additional information to investors and others in understanding and evaluating our results of operations.

Profit for The Year Attributable to the Owners of the Parent

Profit for the year attributable to the owners of the parent for the Year amounted to RMB54.9 million, representing an increase of 12.0% from RMB49.0 million in that of 2017.

Non-GAAP Measurements Related to the Profit for the Year Attributable to the Owners of the Company

The equity interests in the Company held by persons other than the Controlling Shareholders were deemed to be non-controlling interests until completion of the reorganisation as at 18 June 2018 when the equity interests held by persons other than the Controlling Shareholders were deemed to be acquired by the Company with nil consideration and the entire balance of non-controlling interests had been transferred to other reserve by applying the principles of merger accounting for the purpose of presenting the historical financial information of the Company in its initial public offering. The operating profit for the Year attributable to this respect was approximately RMB25.1 million.

If without the above accounting treatment, the consolidated profit of the Company for the Year would have been approximately RMB80.0 million.

Liquidity and Financial Resources

As at 31 December 2018, cash and cash equivalents of our Group were approximately RMB468.0 million, representing an increase of approximately 188.5% as compared with approximately RMB162.2 million as at 31 December 2017. This was mainly attributable to (i) the increase of prepayments and deposits from enrolled students, (ii) the redemption of investments, and (iii) the listing proceeds received.

Current and Gearing Ratio

As at 31 December 2018, the current ratio of our Group was approximately 1.47, representing an increase from approximately 1.26 as at 31 December 2017. The current ratio is equal to total current assets divided by the total current liabilities.

As at 31 December 2018, the gearing ratio of our Group was approximately 56.8%, representing a decrease from approximately 67.5% as at 31 December 2017. The gearing ratio is equal to total debts divided by the sum of total equity and total debts.

Human Resources Management

As at 31 December 2018, our Group had a total of 6,082 (2017: 5,161) employees. To ensure that our Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. The employees' share option scheme is employed by our Group. The total equity-settled share compensation costs to employees in 2018 was approximately RMB6.5 million and approximately RMB26.0 million in 2017. The decrease was mainly attributable to the variation of vesting period of the share options granted to employees. In addition, discretionary bonus is offered to eligible employees by reference to our Group's results and individual performance.

Foreign Exchange Exposure

Our Group's sales and purchase during the Year were mostly denominated in RMB. As at 31 December 2018, the proceeds received from the listing were denominated in HKD. Therefore, the foreign exchange risk assumed by us primarily arises from movements in the HKD/RMB exchange rates. During the Year, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. Our Group did not enter into any financial instrument for hedging purpose.

Capital Expenditure

During the Year, the total property, plant and equipment of our Group was approximately RMB160.8 million, representing an increase of approximately 186.1% from approximately RMB56.2 million in 2017. This was mainly attributable to the constructions of the new education centres and improvements and renovations of the old education centres in 2018. Accordingly, the prepayments for purchase of property, plant and equipment of our Group increased from approximately RMB13.6 million in 2017 to approximately RMB29.2 million in 2018 due to the increase in the constructions of new education centres.

Contingent Liabilities

As of 31 December 2018, our Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against our Group.

Dividends

The Board does not recommend the payment of a final dividend to the shareholders for the Year.

Dividend Policy

The Company has adopted a dividend policy (the "**Dividend Policy**") on 12 March 2019, details of which are disclosed as follows:

1. When deciding whether to distribute dividends and determine the amount of dividends, the Board of our Company will consider the following:

    a) The financial position of our Group;

    b) The actual and future operation and the liquidity of our Group;

    c) The operating liquidity, capital expenditure demand and the future development of our Group;

    d) The reserves of our Company and the subsidiaries of our Group and the distributable reserve;

    e) The overall economic condition, the business cycle of the business of our Group, and any other internal or external conditions that might impact this Group's business or financial performance;

    f) Any other factors deemed reasonable by the Board.

2. Our Company shall comply with the Companies Law of the Cayman Islands, the articles of association of our Company and any restrictions under any applicable laws, rules and regulations.

3. Our Company will continuously examine this policy, but we have no promise that we shall recommend or announce the distribution of dividends in any specific period.

Events After the Reporting Period

Our Directors have confirmed there were no material change or investments after the reporting period.

Use of Proceeds from the Listing

The net proceeds from the Listing (including from the partial exercise of the over-allotment option) amounted to HK$299.5 million, after deducting the underwriting fees and other listing expenses borne by the Company. None of the net proceeds raised from the Listing were applied as at 31 December 2018. The Directors are not aware of any material change to the planned use of the proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. In 2019, the Company will use the proceeds raised from the Listing in accordance with its development strategies, market conditions and intended use of such proceeds set forth in the Prospectus.

An analysis of the planned usage of net proceeds as stated in the Prospectus and the actual utilization of the net proceeds from 27 December 2018 (being the date of the Listing (the "**Listing Date**")) up to 31 December 2018 and the intended use of the proceeds and the expected timeline are set out as below:

Business objective as stated in the Prospectus	**Percentage of use of proceeds as stated in the Prospectus**	**Planned use of net proceeds from the Listing Date to 31 December 2018**[1]	**Actual use of net proceeds during the period from the Listing Date to 31 December 2018**	**Proceeds unused**[2]	**Intended use of the proceeds**	**Expected timeline**
		HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	
For expansion of the business network	50%	149.7	–	149.7	149.7	2019-2020
For seeking strategic alliances and acquisitions to support and expand the operations	30%	89.9	–	89.9	89.9	As of the date of this announcement, we had no finalised or definitive understandings, commitments or agreements for investment or acquisition and had not engaged in any related negotiations.
For investments to improve the teaching quality	20%	59.9	–	59.9	59.9	As of the date of this announcement, we had no finalised or definitive plan.

Notes:

1. The actual proceeds allocated for each business objectives stated in the table have been adjusted and recalculated with reference to (i) the actual net proceeds of HK$299.5 million received by the Company from the Listing (including from the partial exercise of the over-allotment option and after deducting the underwriting fees and other listing expenses borne by the Company); and (ii) the percentage of use of proceeds allocated to each business objective as disclosed in the Prospectus.

2. As at 31 December 2018, the unused net proceeds were deposited into current deposits.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Shares have been listed on the Stock Exchange since the Listing Date. During the period from the Listing Date to 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**"). The audit committee consists of Mr. Peng Xue, Ms. Yu Long and Mr. Wenhui Xu, with Mr. Peng Xue being the chairman of the committee.

The primary function of the audit committee is to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. On 12 March 2019, the audit committee of the Company has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the Year.

CORPORATE GOVERNANCE

The Shares have been listed on the Stock Exchange since the Listing Date. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. During the period from the Listing Date to 31 December 2018 and up to the date of this announcement, the Company has fully complied with the CG Code except for code provision A.2.1. Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisation structure of the Company, Mr. Junjing Tang is the chairman and chief executive officer of the Company. With extensive experience in the education industry, Mr. Junjing Tang is responsible for overall development, operation and management of the Company and is instrumental to the growth and business expansion since the establishment of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board currently comprises three executive Directors (including Mr. Junjing Tang), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transaction by directors of listed issuers as set out in appendix 10 of the Listing Rules (the "**Model Code**") as its code of conduct regarding dealings in the securities of the Company by the Directors and our Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to our Group or our Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the period from the Listing Date to 31 December 2018. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of our Group during the period from the Listing Date to 31 December 2018.

SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2018, consolidated statement of profit or loss and consolidated statement of comprehensive income for the year then ended and the related notes thereto as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2019 annual general meeting (the "**AGM**") will be held on 14 May 2019. Notice of the 2019 annual general meeting and all other relevant documents will be published and despatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 May 2019 to 14 May 2019, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2019 AGM. In order to be eligible to attend and vote at the 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 7 May 2019.

PUBLICATION OF ANNUAL REPORT

The 2018 annual report of the Company containing all the information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (http://www.beststudy.com) and despatched to shareholders of the Company in due course.

By order of the Board
China Beststudy Education Group
Junjing Tang
Chairman, Chief Executive Officer
and Executive Director

Hong Kong, 12 March 2019

As at the date of this announcement, the executive Directors are Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou, the non-executive Directors are Mr. Wenhui Xu and Ms. Wen Li, and the independent non-executive Directors are Mr. Yingmin Wu, Ms. Yu Long and Mr. Peng Xue.