China 21st Century Education Group Limited
中國21世紀教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1598)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS OF ANNUAL RESULTS:

	Year ended 31 December			
	2018 **(*RMB'000*)**	2017 (*RMB'000*)	**Changes** **(*RMB'000*)**	Percentage of changes
Revenue	**201,995**	169,741	**32,254**	19.0%
Gross Profit	**102,304**	76,379	**25,925**	33.9%
Profit for the Year	**69,420**	45,038	**24,382**	54.1%
Adjusted Net Profit (*Note 1*)	**80,651**	56,691	**23,960**	43.0%
Toal Comprehensive Income for the Year	**95,366**	45,064	**50,302**	111.6%
Basic Earnings per Share (*RMB cents*)	**6.48**	5.36	**1.12**	20.9%

	2018/2019 school year	2017/2018 school year	**Changes**	Percentage of changes
Total number of students (*Note 2*)	**30,567**	19,181	**11,386**	59%

Note 1: The Company defined its adjusted net profit as its profit for the year after adjusting for those items which were not indicative of the Company's operating performances. Please refer to the section headed "Financial Review" of this announcement for details.

Note 2: Please refer to the section headed "Student enrollment" of this announcement for details.

The Board is pleased to announce the consolidated results of the Company and its subsidiaries for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
REVENUE	*4*	**201,995**	169,741
Cost of sales		**(99,691)**	(93,362)
Gross profit		**102,304**	76,379
Other income and gains	*4*	**10,590**	10,097
Selling and distribution expenses		**(7,618)**	(8,005)
Administrative expenses		**(31,474)**	(28,767)
Other expenses		**(944)**	(438)
Finance costs	*6*	**(2,662)**	(3,843)
PROFIT BEFORE TAX	*5*	**70,196**	45,423
Income tax expense	*7*	**(776)**	(385)
PROFIT FOR THE YEAR		**69,420**	45,038
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**25,946**	26
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**25,946**	26
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**95,366**	45,064
Earnings per share attributable to ordinary equity holders of the Company:	*9*		
Basic and diluted			
– For profit for the year		**RMB6.48 cents**	RMB5.36 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**125,541**	122,256
Prepaid land lease payments		**58,583**	60,341
Goodwill		**17,121**	–
Other intangible assets		**2,584**	1,110
Total non-current assets		**203,829**	183,707
CURRENT ASSETS			
Trade receivables	*10*	**1,885**	1,179
Contract costs		**2,663**	–
Prepayments, other receivables and other assets		**17,662**	21,347
Amounts due from related parties		**2,815**	1,314
Term deposits		**162,638**	70,000
Pledged deposits		**105,000**	–
Cash and bank balances		**259,491**	39,864
Total current assets		**552,154**	133,704
CURRENT LIABILITIES			
Other payables and accruals	*11*	**83,272**	64,554
Contract liabilities		**71,637**	–
Deferred revenue		**–**	57,530
Interest-bearing bank and other borrowings		**13,000**	34,385
Tax payable		**2,285**	1,849
Total current liabilities		**170,194**	158,318
NET CURRENT ASSETS/(LIABILITIES)		**381,960**	(24,614)
TOTAL ASSETS LESS CURRENT LIABILITIES		**585,789**	159,093
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**–**	721
Deferred rental obligation		**717**	781
Deferred tax liabilities		**167**	–
Total non-current liabilities		**884**	1,502
Net assets		**584,905**	157,591
EQUITY			
Share capital		**10,323**	–
Treasury shares		**(37)**	–
Reserves		**574,619**	157,591
Total equity		**584,905**	157,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

China 21st Century Education Group Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 20 September 2016. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Shares of the Company were listed on the Stock Exchange on 29 May 2018.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in providing educational services and related management services in the People's Republic of China (the "**PRC**").

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Sainange Holdings Company Limited, which is incorporated in the British Virgin Islands ("**BVI**").

2 BASIS OF PRESENTATION

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 and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. 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 ended 31 December 2018. 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 Company 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.

Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 4, IAS 40 and Annual Improvements to *IFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) 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 Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the consolidated statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	IAS 39 Measurement				**IFRS 9 Measurement**	
	Category	**Amount**	**Reclassification**	**ECL**	**Category**	**Amount**
		RMB'000	*RMB'000*	*RMB'000*		*RMB'000*
Financial assets						
Trade receivables	L&R[1]	1,179	–	–	AC[2]	1,179
Amount due from related parties		1,314				1,314
Financial assets included in prepayments, other receivables and other assets	L&R	8,372	–	–	AC	8,372
Term deposits	L&R	70,000	–	–	AC	70,000
Cash and bank balances	L&R	39,864	–	–	AC	39,864
		120,729	–	–		120,729

	IAS 39 Measurement				IFRS 9 Measurement	
	Category	Amount	Reclassification	ECL	Category	Amount
		RMB'000	*RMB'000*	*RMB'000*		*RMB'000*
Financial liabilities						
Financial liabilities included in other payables and accruals	AC	29,265	–	–	AC	29,265
Interest-bearing bank and other borrowings	AC	35,106	–	–	AC	35,106
		64,371	–	–		64,371

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Impairment

IFRS 9 requires an impairment on financial assets to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis.

The assessment of the Group's impairment losses for financial assets was made as of the date of initial application, 1 January 2018. The adoption of IFRS 9 has no significant impact on the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking ECL approach.

Impact on reserves and retained profits

The adoption of IFRS 9 has had no impact on the Group's reserves and retained profits.

(c) IFRS 15 and its amendments replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 4 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Increase/ (decrease) *RMB'000*
Assets	
Contract costs	1,077
Liabilities	
Deferred revenue	(57,530)
Contract liabilities	57,530
Equity	
Retained profits	1,077

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

	Amounts prepared under		**Increase/**
	IFRS15	**Previous IFRS**	**(decrease)**
	RMB'000	*RMB'000*	*RMB'000*
Selling and distribution expenses	7,618	8,205	(587)
Profit before tax	70,196	69,609	587
Profit for the year	69,420	68,833	587
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted	RMB6.48 cents	RMB6.43 cents	RMB0.05 cent

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		Increase/
		IFRS15	**Previous IFRS**	**(decrease)**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Contract costs	(i)	2,663	–	2,663
Total Assets		2,663	–	2,663
Deferred revenue	(ii)	–	71,637	(71,637)
Contract liabilities	(ii)	71,637	–	71,637
Total liabilities		71,637	71,637	–

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Commissions paid for referral of students

The Group would pay commission fees for successful referral of students. Before the adoption of IFRS 15, such commission fees were charged to profit or loss when incurred. Under IFRS 15, those commission fees meet the recognition criteria of contract costs and are capitalised for amortisation in a systemic basis with the transfer of services of education programs over the academic year or the applicable program. At 1 January 2018, certain commission fee of RMB1,077,000 was capitalised which resulted in an increase in retained profits of RMB1,077,000. As at 31 December 2018, there were contract costs of RMB2,663,000 included in the current assets, which would have been recognised in profit or loss for the year without application of IFRS 15.

(ii) Consideration received from students in advance

Before the adoption of IFRS 15, the Group recognised consideration received from students in advances as deferred revenue. Under IFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB57,530,000 from deferred revenue to contract liabilities as at 1 January 2018 in relation to the consideration received from students in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB71,637,000 was reclassified from deferred revenue to contract liabilities in relation to the consideration received from students in advance for the provision of education related services.

Issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the modified retrospective approach and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end with 12 months as of the date of initial application. During 2018, the Group has performed a preliminary assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of approximately RMB38 million and lease liabilities of approximately RMB36 million will be recognised at 1 January 2019.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019.

As disclosed in note 7 to the financial statements, no separate policies, regulations or rules have been introduced by the authorities for tax treatment, there will be uncertainty whether the schools could follow previous PRC Corporate Income Tax ("Corporate income tax") exemption treatment for the tuition related income when facts and circumstances change or new information become available.

The directors of the Company would reassess any judgements and estimates if the facts and circumstances change or new information becomes available.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services and the related management services in the PRC.

For management purposes, the Group is organised into business units based on their services and had three segments including tertiary education service provided by Shijiazhuang Institute of Technology, tutorial center education service provided by Saintach Tutorial Centers and preschool education service provided by Saintach Kindergartens.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit which is measured consistently with the Group's profit before tax except that finance costs, interest income and other unallocated income and expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, term deposits, pledged deposits, amounts due from related parties and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, amounts due to related parties, tax payable and other unallocated head office and corporate liabilities as these assets are managed on a group basis.

Year ended 31 December 2018

	Tertiary education *RMB'000*	Tutorial center education *RMB'000*	Preschool education *RMB'000*	Total *RMB'000*
Revenue				
Sales to external customers	**119,048**	**49,937**	**33,010**	**201,995**
Other segment revenue	**7,184**	**47**	**118**	**7,349**
Total	**126,232**	**49,984**	**33,128**	**209,344**
Segment results	**68,799**	**13,011**	**5,229**	**87,039**
Reconciliation				
Finance costs				**(2,662)**
Interest income				**3,241**
Unallocated expenses				**(17,422)**
Profit before tax				**70,196**
Segment assets	**207,595**	**10,327**	**4,185**	**222,107**
Reconciliation				
Amounts due from related parties				**2,815**
Term deposits				**162,638**
Pledged deposits				**105,000**
Cash and bank balances				**259,491**
Unallocated head office and corporate assets				**3,932**
Total assets				**755,983**
Segment liabilities	**(105,113)**	**(22,899)**	**(14,477)**	**(142,489)**
Reconciliation:				
Interest-bearing bank and other borrowings				**(13,000)**
Tax payable				**(2,285)**
Unallocated head office and corporate liabilities				**(13,304)**
Total liabilities				**(171,078)**
Other segment information:				
Depreciation and amortisation	**11,275**	**271**	**1,172**	**12,718**
Capital expenditure	**13,266**	**505**	**1,172**	**14,943**
Loss on disposal of items of property, plant, and equipment	**369**	**–**	**2**	**371**

Year ended 31 December 2017

	Tertiary education *RMB'000*	Tutorial center education *RMB'000*	Preschool education *RMB'000*	Total *RMB'000*
Revenue				
Sales to external customers	94,846	45,971	28,924	169,741
Other segment revenue	7,967	66	1,416	9,449
Total	102,813	46,037	30,340	179,190
Segment results	50,331	7,517	4,801	62,649
Reconciliation				
Finance costs				(3,843)
Interest income				648
Unallocated expenses				(14,031)
Profit before tax				45,423
Segment assets	192,095	4,099	5,421	201,615
Reconciliation				
Amounts due from related parties				1,314
Term deposits				70,000
Cash and bank balances				39,864
Unallocated head office and corporate assets				4,618
Total assets				317,411
Segment liabilities	(81,407)	(25,717)	(14,551)	(121,675)
Reconciliation				
Interest-bearing bank and other borrowings				(35,106)
Tax payable				(1,849)
Unallocated head office and corporate liabilities				(1,190)
Total liabilities				(159,820)
Other segment information:				
Depreciation and amortisation	11,445	219	1,118	12,782
Capital expenditure^	3,572	257	1,008	4,837
Loss on disposal of items of property, plant, and equipment	233	12	4	249

^: capital expenditure consists of additions of property, plant and equipment, prepaid land lease payments and intangible assets.

Geographical information

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

Information about major customers

During the year, no revenue from transaction with a single external customer amounted to 10% or more of the Group's total revenue.

During the year 2017, revenue of approximately RMB18,059,000 was derived from the provision of college operation services to 河北廿一世紀教育投資有限公司 Hebei Lionful Education Investment Co., Ltd. ("**Lionful Education**"), a related party of the Group.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Notes	**2018** **RMB'000**	2017 *RMB'000*
Revenue from contracts with customers			
Tertiary education			
Tuition fees		**73,564**	58,795
Boarding fees		**7,928**	5,739
College operation service income	*(a)*	**20,415**	19,836
Others	*(b)*	**17,141**	10,476
		119,048	94,846
Tutorial center education			
Tutoring fees		**49,937**	45,971
Preschool education			
Tuition fees		**29,322**	28,924
Consultation fee		**3,688**	–
		33,010	28,924
		201,995	169,741

Notes:

(a) The college operation service income comprises the service income derived from the provision of college operation services and the provision of accommodation services to the students; and

(b) Others represent service fees received from certain independent universities in respect of the provision of student recruitment services, income received from the provision of vocational training and examination preparation courses and income derived from granting the right of canteen management.

Revenue from contracts with customers

(i) Disaggregated revenue information

	2018
	RMB'000
Timing of revenue recognition	
Education related services recognised over time	**189,194**
Other service recognised at point of time	**12,801**
	201,995

The Group's contracts with students for college education programmes are normally with duration of 1 year renewed up to total duration of 3 – 5 years depending on the education programmes, while those for boarding fees are normally with duration of 1 year. Tuition fees of preschool education are with duration of 1 month and for the tutorial center, tuition is charged based on the number of tutoring hours to be taken by students and the type of class. Tuition and boarding fees are determined and paid by the students before the start of the school year.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Tuition fees	**47,239**
Boarding fees	**3,807**
Others	**6,484**
	57,530

No revenue recognised during the year relates to performance obligation that was satisfied in prior years.

(ii) Performance obligations

Education related services

The performance obligations for the provision of education related services are satisfied over time as services are rendered and tuition fees and boarding fees are normally required before rendering the services.

Other service

The performance obligation related to other service is satisfied at point of time upon completion of the related service.

The contracts for education related services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

An analysis of other income and gains is as follows:

	Note	2018 *RMB'000*	2017 *RMB'000*
Other income and gains			
Interest income		**3,241**	648
Site use fees	*(a)*	**3,443**	4,636
Sale of education materials and living goods		**2,812**	2,864
Others		**1,094**	1,949
		10,590	10,097

Note:

(a) Amounts represent usage fees received from certain colleges and enterprises in connection with their uses of the school premises and facilities of the Group to organise teaching and training activities.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2018 *RMB'000*	2017 *RMB'000*
Depreciation	**10,730**	10,813
Recognition of prepaid land lease payments	**1,758**	1,758
Amortisation of intangible assets*	**230**	211
Minimum lease payments under operating leases		
– Buildings	**8,462**	8,761
– Others	**674**	551
	9,136	9,312
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**69,340**	65,716
Equity-settled share option expense	**266**	–
Pension scheme contributions (defined contribution scheme)	**8,391**	9,170
	77,997	74,886
Auditor's remuneration	**1,400**	471
Loss on disposal of items of property, plant and equipment	**371**	249

* The amortisation of intangible assets for each of the reporting periods is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**1,801**	3,061
Financing consultancy service charges^	**861**	782
	2,662	3,843

^ Financing consultancy service charges represented service charges paid by the Group in respect of certain bank and other borrowings obtained.

7. 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.

The Company's directly held subsidiary was incorporated in the BVI as an exempted company with limited liability under the BVI Companies Act. 2004 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 had no assessable profits derived from or earned in Hong Kong during the year.

PRC Corporate Income Tax

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, except for the preferential tax rate of 15% available to Xin Tian Di Xian, all of the Group's non-school subsidiaries established in the PRC are subject to the Corporate income tax of 25% during the year.

Pursuant to the Regulations for the Implementation Rules for the Law for Promoting Private Education (the "**Implementation Rules**"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. Private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. It is stated in the Implementation Rules that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the year and up to the date of this announcement of annual results, no separate results announcement policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities, the Group's schools which require reasonable returns did not pay Corporate income tax and had enjoyed the preferential Corporate income tax exemption treatments in 2018. Except for the tutorial centers and certain kindergartens, there was no Corporate income tax imposed on Shijiazhuang Institute of Technology and the remaining kindergartens in respect of the education services provided in 2018.

As a result, no income tax expense was recognised for the income from the provision of formal education services for the year ended 31 December 2018 (2017: Nil).

Tutorial centers of the Group which provide non-academic educational services are subject to Corporate income tax at a rate of 25%.

The major components of the Corporate income tax expense for the Group are as follows:

	2018	2017
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**670**	385
Underprovision in prior years	**106**	–
	776	385

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**70,196**	45,423
Tax at the statutory tax rate	**17,549**	11,356
Profit arising from schools not subject to tax	**(20,083)**	(15,305)
Effect of different tax rates for certain group entities	**102**	–
Expenses not deductible for tax	**324**	484
Adjustments in respect of current tax of previous periods	**106**	–
Tax losses utilised from previous periods	**(1,313)**	(512)
Tax losses not recognised	**4,091**	4,362
	776	385

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2017: Nil). In the opinion of the directors, the Group's unremitted earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB88,303,000 at 31 December 2018 (2017: RMB39,451,000).

As at 31 December 2018, the Group had tax losses arising in Mainland China of RMB12,773,000, (2017: RMB7,540,000) which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

8. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year (2017: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basis earnings per share is based on the profit attributable to ordinary equity holders of the Company and the weighted average number of the ordinary shares of 1,070,547,156 (2017: 840,000,000) in issue during the year.

The weighted average numbers of shares in issue during the years ended 31 December 2018 and 2017 are based on the assumption that 840,000,000 shares were in issue as if the 839,990,000 shares issued by capitalisation of share premium account for allotment and issue to Sainange Holdings Company Limited and Sainray Limited, the then two shareholders of the Company, were outstanding throughout the entire period presented.

No adjustment has been made to the basis earnings per share amount presented for the years ended 31 December 2018 and 2017. There was no dilution effect on the basis earnings per share amount presented in respect of the share option outstanding as at 31 December 2018. And the Group had no potential dilutive ordinary share in issue during 2017.

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

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**69,420**	45,038

	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	**1,070,547,156**	840,000,000

10. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Tuition receivables	**1,885**	1,179

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of provisions, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within one year	**1,885**	1,179

Trade receivables represented amounts due from certain of the Group's college and kindergarten students.

Impairment under IFRS 9 for the year ended 31 December 2018

The Group applies the simplified approach to provide for the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considered that the trade receivables overdue over one year from students who are not dropped out from schools are not default as the tuition fees and boarding fees would be fully received upon the graduation of the students by reference to past experience.

Impairment under IAS 39 for the year ended 31 December 2017

The individually impaired trade receivables as at 31 December 2017 related to students that were in financial difficulties or were in default in payments and no receivable was expected to be recovered.

None of the above trade receivables was either past due or impaired. The receivables had no recent history of default.

11. OTHER PAYABLES AND ACCRUALS

	2018	2017
	RMB'000	*RMB'000*
Salary and welfare payables	**24,158**	31,196
Miscellaneous advances from students*	**21,647**	14,870
Other tax payables	**3,775**	3,804
Payables for purchases of property, plant and equipment	**926**	1,076
Deposits	**3,046**	3,001
Interest payables	**27**	169
Accrued listing expenses	**4,621**	637
Scholarships	**1,946**	241
Other payables	**15,702**	9,271
Remaining consideration payable for acquisition of a subsidiary	**7,360**	–
Current portion of deferred rental obligations	**64**	289
	83,272	64,554

* The balances mainly represented miscellaneous advances received from students for purchasing uniforms and textbooks on their behalf.

The above balances are unsecured and non-interest bearing. The carrying amount of other payables and accruals as at the end of each reporting period approximated to their fair values due to their short term maturities.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

1.1 Overview

As a leading private education provider in Beijing – Tianjin – Hebei Integrated Area focusing on the operation and content incubation of the education industry, and adhering to the corporate mission of "promoting the development of the education industry with contents and technologies", the Company has addressed itself to improving the efficiency and customer experience of education operation by virtue of technologies. Currently, the Company has diversified sources of revenue covering tertiary education and continuing education, K12 tutorial programs, preschool education and online education.

Considering improving students' abilities as our priority, we are committed to unremittingly providing clients with customized services and solutions based on individual demands. Leveraging on our self-innovated education system and standardized management, we dedicate to offering more friendly and convenient education services for students.

1.2 Cooperation and Acquisition during the Reporting Period

On 30 October 2018, the Group entered into a strategic cooperation agreement (the "**Strategic Cooperation Agreement**") with China CITIC Bank Co., Ltd., Shijiazhuang Branch ("**CITIC**") in order to build a long-term and stable comprehensive strategic cooperation relationship between CITIC and the Group. CITIC will provide financial services to the Company to the extent permitted by applicable laws and regulations, and agreed to, subject to the relevant rules of People's Bank of China and China Banking and Insurance Regulatory Commission and CITIC's internal risk management system and credit-granting approval, grant the intentional financing credit line of no less than RMB5 billion to the Company, including project loans, current working capital loans, trade financing business, bill business, letter of guarantee and letter of credit. CITIC also agreed to provide other individualized financial services to the Company upon its request.

On 29 December 2018, the Group completed the acquisition of the 100% equity interest in Beijing Xin Tian Di Xian Information and Technology Co., Ltd. ("**Xin Tian Di Xian**"), to expand our customer base and service portfolio. With service coverage similar to ours, Xin Tian Di Xian has over 1 million active customers from the kindergarten stage to the K12 stage, owns sophisticated technology development teams and management team, and has various education curriculum systems for the parents and the reading systems for the children, respectively. Xin Tian Di Xian's current customer base, network platforms, technology and education systems will drive the further development of the Group's existing education service business.

1.3 Our Schools

1.3.1 Overview

As of 31 December 2018, the Group owned 15 schools, including 1 private college (Shijiazhuang Institute of Technology), 6 Saintach Tutorial Schools (consisting of 11 Saintach Tutorial Centers) and 8 Saintach Kindergartens, among which 1 Saintach Tutorial Center began operation in January 2018.

Schools of the Company	**31 December 2018**	31 December 2017
College	**1**	1
Tutorial school	**6**	6
Among which: tutorial center	**11**	10
Kindergarten	**8**	8
Total	**15**	15

1.3.2 Student enrollment

As of 31 December 2018, we had 30,567 students enrolled in our schools, including 15,681 full-time students and 14,886 part-time students. The specific details are as follows:

Breakdown of Student Enrollment	2018-2019 school year	2017-2018 school year	Changes	Percentage of changes
Full-time Students				
Shijiazhuang Institute of Technology				
Including: Junior college	**11,604**	9,198	2,406	26.2%
Secondary college	**2,351**	1,898	453	23.9%
Subtotal (full-time college students)	**13,955**	11,096	2,859	25.8%
Saintach Kindergartens①	**1,726**	1,825	(99)	(5.4%)
Subtotal (full-time students)	**15,681**	12,921	2,760	21.4%
Part-time students				
Shijiazhuang Institute of Technology				
Continuing education programs②	**14,886**	6,260	8,626	138%
Subtotal (part-time students)	**14,886**	6,260	8,626	138%
Total	**30,567**	19,181	11,386	59%

Notes:

① We optimized the classes of Saintach Kindergartens from 2018, and increased the number of high-end classes to improve teaching quality and income per student. The student capacity of a high-end class is 18-20, and the student capacity of the original international class was 25-30.

② The increase in the number of students in the continuing education programs for the year ended 31 December 2018 compared to the year ended 31 December 2017 was mainly due to the enrollment of students in 2018 by the new partner universities in 2017 on the one hand, and the increase in the number of students after Shijiazhuang Institute of Technology was approved as a teaching station for adult examinations on the other hand, and because of the long interval between recruitment and enrollment in respect of adult examinations, the number of students in this regard is based on the number of students recruited.

For the year ended 31 December 2018, our tutorial centers delivered approximately 363,080 tutoring hours to 4,984 students, with the student renewal rate after the first curriculum of 61.4%. Details are as follows:

	For the year ended 31 December			
	2018	2017	Changes	Percentage of changes
Saintach Tutorial Centers				
Number of tutoring hours delivered①	**363,080**	367,752	(4,672)	(1.3%)
Number of students tutored	**4,984**	4,928	56	1.1%
Renewal rate	**61.4%**	55.4%	6.0%	10.8%

Note:

① The decrease in the number of tutoring hours delivered as of 31 December 2018 was mainly due to the decreased number of tutoring hours for small-class courses.

For the year ended 31 December 2018, we provided college operation services and accommodation service for 2,981 students in west campus of Sifang College.

1.3.3 Charge and average tuition revenue

As disclosed in the Prospectus, we charge our students fees comprising tuition (including tutoring fees) and, at our Shijiazhuang Institute of Technology, boarding fees. Our fee range approximates to that for the year ended 31 December 2017.

Average Revenue[①]	For the year ended 31 December 2018 RMB	2017 RMB	Changes RMB	Percentage of changes
Shijiazhuang Institute of Technology	**5,873**	5,595	278	5.0%
Including: Junior college	**6,210**	5,918	292	4.9%
Secondary college	**4,224**	3,779	445	11.8%
Saintach Kindergartens	**16,530**	16,150	380	2.4%

Note:

① The average revenue earned from each full-time student is calculated based on the revenue generated from tuition for a whole fiscal year and the average number of students enrolled as of the beginning and end of the same year.

1.3.4 Employment rate

Shijiazhuang Institute of Technology builds a modern vocational education system, which adopts the "TOP" talent training model (TOP means "Technique-Occupation-Personality"), to continuously cultivate and deliver application-oriented talents for the society. For the year ended 31 December 2018, the employment rate of graduates for the year was approximately 94.5%:

Employment Rate[①]	**31 December 2018**	31 December 2017	Changes	Percentage of changes
Shijiazhuang Institute of Technology	**94.5%**	91.6%	2.9%	3.2%

Note:

① The employment rate refers to the proportion of employed students to the total number of college graduates for the year.

1.3.5 Our teachers

Teachers	**31 December 2018**	31 December 2017	Changes	Percentage of changes
Full-time Teachers				
Shijiazhuang Institute of Technology	**324**	302	22	7.3%
Saintach Tutorial Centers	**163**	153	10	6.5%
Saintach Kindergartens	**163**	166	(3)	(1.8%)
Subtotal (full-time teachers)	**650**	621	29	4.7%
Part-time Teachers				
Shijiazhuang Institute of Technology①	**254**	118	136	115.3%
Saintach Tutorial Centers②	**298**	583	(285)	(48.9%)
Saintach Kindergartens	**–**	–	–	–
Subtotal (part-time teachers)	**452**	701	(249)	(35.5%)
Total	**1,202**	1,322	(120)	(9.1%)

Note:

① Including the corporate teachers meeting the requirements set out by the Implementation Guidelines for the Two-way Cooperation Projects Between Universities and Enterprises.

② The decrease in the number of part-time teachers was due to the Group's efforts to gradually improve the number of full-time teachers and standardize and consolidate the composition of part-time teachers to increase the number of classes given by outstanding part-time teachers.

The quality of education we provide is strongly tied to the quality of our teachers. We are committed to recruiting outstanding teachers and strive to maintain the stability of our teachers. The percentage of our teachers that have worked with us for more than two years increased from 64.1% as at 31 December 2017 to 72.5% as at 31 December 2018; and the percentage of our teachers with a bachelor's degree or above increased from 77.9% as at 31 December 2017 to 81.1% as at 31 December 2018.

1.3.6 Our research support

In order to build a smart campus for colleges and universities, eliminate information disconnection and straighten out the business processes of higher educational institutions, the "Tianjiyun(天際雲)-High Education Edition" ("**Gaojiaoyun**" (高教雲)) independently developed by the Group obtained the Registration Certificate for Computer Software Copyright issued by the National Copyright Administration on 22 November 2018. As an integrated cloud-based SaaS (software-as-a-service) product for teachers and students at higher educational institutions based on the complete business processes of higher educational institutions, Gaojiaoyun enables the student-life-cycle management on the students by the administrators of higher educational institutions from enrollment to employment, and provides value-added services closely related to learning, living and consumption at school. This technology greatly improves the overall informationization level of the schools, brings unprecedented convenience to teachers and students, and will turn into a core platform for the construction of smart campuses based on artificial intelligence technology in the future. Gaojiaoyun is available on both personal computer and mobile terminals, and is currently updated to Version 2.0, which has integrated the main functions of enrollment, registration, finance and school roll management, and will gradually incorporate multiple modules such as teaching, educational administration, internship, employment, student service and online payment and realize commercial application.

As an important player in the early childhood education sector, Hebei Saintach signed the project cooperation agreement of "Development of an Assessment Tool for Risk Screening and Competency of Child Education Practitioners" with the Institute of Psychology, Chinese Academy of Sciences on 23 July 2018, commissioning the Institute of Psychology, Chinese Academy of Sciences to provide special technical services for the development of the project, and officially released the "Evaluation System for Child Education Practitioners" at the Fifth Summit for High-end Preschool Education Participants in Beijing, Tianjin and Hebei on 25 November 2018, with a view to conducting risk screening and competency assessment on child education practitioners, systematically monitoring and realizing pre-warning for any teacher-related risk hidden in child education, guiding the personal growth of child education practitioners, and improving the remuneration level and overall quality of the child education practitioners, thus facilitating better development throughout the industry. We have completed the internal test and reporting presentation design for the system.

1.4 Our Licenses and Honors

As of 31 December 2018, the Company had obtained all licenses, permits, approvals and certificates necessary to conduct our operations from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates have been examined and verified in the 2017 annual verification as scheduled and remained in full effect. The 2018 annual inspection of the relevant government authorities in the PRC is intended to be completed in succession in mid-2019. Shijiazhuang Institute of Technology, Shijiazhuang High-tech Industrial Development Zone Tianshan Saintach Kindergarten* (石家莊高新技術產業開發區新天際天山幼兒園) and Shijiazhuang City Chang'an District Saintach Tutorial School* (石家莊長安區新天際培訓學校) were awarded 2017 Annual Inspection Excellent School (Kindergarten) by Education Department of Hebei Province* (河北省教育廳), Examination and Approval Bureau of Shijiazhuang Hi-tech Industrial Developmental Zone* (石家莊高新區行政審批局) and Shijiazhuang Chang'an District Education Bureau* (石家莊長安區教育局), respectively.

On 12 December 2018, by virtue of the steadily growing performance in recent years, continuously improved comprehensive strength and strong development potential in future, the Group won the honor as the "New Listed Company with Greatest Growth Potential in 2018" at the selection campaign for the "Golden Lion Award" hosted by Sina Finance for the companies listed in Hong Kong.

2. MARKET REVIEW

2.1 Great Development Opportunity in front of Vocational Education and Quality-oriented Education

With the implementation of the various policies of the Ministry of Education of the PRC on changing the way of education, striving to return to education pattern and expansion of education diversity, vocational education, quality-oriented education and overseas school-running cooperation will usher in the development in greater depth.

According to the Frost & Sullivan Report as referred to in "Industry Overview" in the Prospectus, total revenue of the private higher education industry in the PRC is expected to increase to RMB139.0 billion by 2021, representing a compound annual growth rate of 7.6% from 2017; the total number of students enrolled in private higher education in the PRC is expected to increase to 8.0 million, representing a compound annual growth rate of 3.9% from 2016. In addition, there is a rapidly growing market demand for workforce with practical and readily-applicable technical skills in a number of industries.

As indicated in the 2018 Survey Report on Burden Alleviation for Senior and Junior High School Students, over 40% of the students basically carry heavy study burden from the third grade in primary school in the PRC, which are basically the groups of students who can practically receive quality-oriented education. Meanwhile, up to 56% of the parents advocate the way of burden alleviation by stimulating children's interests through entertainment-based education, forming the bases for the design of quality-oriented education products integrated with the function of subject improvement.

2.2 New Regulations

On 20 April 2018, the Implementation Rules for the Law for Promoting Private Schools of the PRC (Revised Draft) (Draft for Comments) (《中華人民共和國民辦教育促進法實施條例(修訂草案)》(徵求意見稿)) has been published by the Ministry of Education, and as such, on 10 August 2018, the Implementation Rules for the Law for Promoting Private Schools of the PRC (Revised Draft) (Draft for Review) (《中華人民共和國民辦教育促進法實施條例(修訂草案)》(送審稿)) (the "**Revised Draft**") has been published by the Ministry of Justice for soliciting public comments. To date, these revised regulations have not been promulgated or implemented. Due to the facts that (i) none of our schools has practised compulsory education; and (ii) pursuant to "Implementation Opinions on Encouraging Social Support to Promote the Healthy Development of Private Education by the People's Government of Hebei Province" (《河北省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》) issued by the People's Government of Hebei Province in January 2018, our schools are in the transition period, and have not yet chosen to be registered as for-profit or non-profit schools, we believe if the Revised Draft is promulgated and implemented under the current provisions, the normal business operation and estimated results of the Company will not be affected. In addition, it was clearly stated in the Revised Draft "to establish private training and education institutions with education and teaching activities conducive to quality improvement and personal development, such as language ability, art, sport, technology and inquiry-based learning", indicating the PRC's support for accomplishing the fundamental task of enhancing morality education and vigorously developing quality-oriented education.

Xinhua News Agency was authorized to issue "Certain Opinions of the Central Committee of CPC and the State Council on In-Depth Reform and Regulated Development of Preschool Education (中共中央、國務院關於學前教育深化改革規範發展的若干意見)" ("**Opinions**") on 15 November 2018, which provided guidelines for further improvement of the preschool education public service system in the PRC. The Group has also been internally focusing on its corporate mission of "Driving the Development of Education through Content and Technology" and gradually optimized the development strategy of its preschool education business, and it is in the process of realizing the upgrading and transition of early childhood education ecosystem from chain kindergartens operation to "Technology + Content + Service (科技+內容+服務)". The Group's preschool education business consists of quality services and products including curriculum system, "Tianjiyun (天際雲)" operation informatization system, teachers training system and the competency assessment system for early education teachers of which we have commissioned the Institute of Psychology, Chinese Academy of Sciences (中國科學院心理研究所) to develop. In addition, it will gradually improve the teaching and research system and the quality assessment system of preschool education, with an aim of promoting the quality of preschool education in the PRC. The Company will continue to keep eyes on the promulgation and implementation of the Opinions and relevant laws and regulations of central and local government authorities, and will make adjustments and changes to the existing preschool education business and the use of proceeds and make disclosures by way of announcement when appropriate.

On 24 January 2019, the State Council issued the "Notice on Printing and Distributing the National Implementation Plan for Vocational Education Reform" ("**Notice**"), which attached greater importance to vocational education in the education reform and economic and social development, and after 5 to 10 years, vocational education will basically complete the transformation from the pattern where vocational education is mainly organized by government authorities to one where vocational education management is coordinated by government authorities and organized by various parties, and a number of vocational schools, production – education integrated enterprises and practical training bases with characteristic specialties will be established. According to the Report on the Work of the Government for 2019, the government also plans to speed up the development of modern vocational education, reform and optimize the measures for the student examination and recruitment of higher vocational schools, and expand the recruitment scale by 1 million, which provides a natural competitive advantage for the mutual recognition of vocational academic education and vocational qualification. As a higher vocational school, Shijiazhuang Institute of Technology always adheres to the practice of laying equal focus on the academic education of and skill trainings for application-oriented talents. The Company will continue to keep eyes on the promulgation and implementation of the Notice and relevant laws and regulations, and will seize the opportunities in the new era to contribute to the development and reformation of vocational education in the PRC.

On 23 February 2019, the Central Committee of CPC and the State Council issued China's Education Modernization 2035, which indicates that the overall objective of promoting educational modernization is: to comprehensively accomplish the development objectives set forth in the "Thirteenth Five-Year Plan" by 2020, and on that basis, with great efforts exerted for another 15 years, to establish a modern education system of lifelong learning, popularize quality preschool education, achieve quality and balanced compulsory education, comprehensively popularize senior high school education, remarkably enhance vocational education service capability, remarkably improve the competitiveness of tertiary education and provide appropriate education for disabled children and teenagers, thus creating a new education governance landscape where the whole society can take part by 2035. On the same day, the General Office of the Central Committee of CPC and the General Office of the State Council issued the Implementation Plan for Accelerating the Promotion of Education Modernization (2018-2022) (《加快推進教育現代化實施方案(2018－2022年)》), which put forward ten specific objectives: (i) to implement a new morality education program in the new era; (ii) to promote the consolidation and improvement of primary education; (iii) to deepen the production-teaching integration of vocational education; (iv) to further the content development of tertiary education; (v) to comprehensively strengthen the construction of teaching force in the new era; (vi) to vigorously promote education informatization; (vii) to implement the education revitalization plan for the mid-west region; (viii) to promote regional innovation experiment for education modernization; (ix) to promote the education program for jointly contributing to the "Belt and Road Initiative"; and (x) to deepen the comprehensive education reform in key areas. Such medium to long-term education objectives reflect the resolution of the government to improve education quality and the quality of teaching force, enrich education contents, deepen industry-finance cooperation and promote universal life-long learning, and also bring great development opportunities to the enterprises with quality education contents and services.

3. FUTURE PROSPECTS

Centering on the overall national objective for education modernization, we, as a large private education service provider, exert great efforts on the development of vocational education and quality-oriented education, and continue to maintain a diversified industrial layout.

We will attach greater importance to content development, specialty construction and the improvement of teaching quality and operational efficiency, continue to provide customers with quality education services and good customer experience, and take advantage of various technologies to empower customers to learn more efficiently and effectively. Meanwhile, we will apply our SaaS (Software-as-a-Service) products to more schools, kindergartens and institutions, gradually achieve commercial output and accumulate larger bases of customers and students.

We will actively build and promote quality-oriented education business for the children and young customer groups of 0-18 years old, help them cultivate a wider range of interests and abilities such as learning ability, logical thinking ability, manipulative ability and creative ability, and create a more convenient and efficient learning environment for students under the support of our high-quality faculty and courses and through internet-based tools and technologies. For this segment, we will continue to maintain a light-asset operation mode, and achieve output management by adhering to content construction and technology-driven development, and suspend the physical expansion of kindergartens.

We will develop vocational education business for adolescent and adult customers over the age of 15, and cultivate students' professional skills and professional capabilities through excellent specialty construction and standardized and normalized teaching management, so as to maintain high employment rate. We will also improve the production-education integration and school-enterprise cooperation levels for vocational education, with a view to stepping up the cultivation of technological and technical talents urgently needed for the development of the PRC.

Meanwhile, we will also exert more vigorous efforts in keeping abreast of and launching, when appropriate, overseas education business.

4. FINANCIAL REVIEW

4.1 Revenue

We derive revenue primarily from tuition (including tutoring fees) of schools from our students, boarding fees and income from college operation services for provision of service to the west campus of Sifang College.

The revenue increased by approximately 19.0% from approximately RMB169.7 million for the year ended 31 December 2017 to approximately RMB202.0 million for the year ended 31 December 2018, mainly due to the increased number of student recruitment and average tuition.

4.2 Cost of Sales

Cost of sales primarily consisted of staff costs, rental fees, depreciation and amortization and utilities.

The cost of sales increased by approximately 6.7% from approximately RMB93.4 million for the year ended 31 December 2017 to approximately RMB99.7 million for the year ended 31 December 2018, mainly due to (1) the increase in the rental expenses of the Shijiazhuang Institute of Technology by approximately RMB2.8 million; and (2) the increase in the staff costs by approximately RMB2.8 million.

4.3 Gross Profit and Gross Profit Margin

The amount of gross profit increased by approximately 33.9% from RMB76.4 million for the year ended 31 December 2017 to RMB102.3 million for the year ended 31 December 2018, and the gross profit margin increased from approximately 45.0% for the year ended 31 December 2017 to approximately 50.6% for the year ended 31 December 2018, which was mainly due to the increase in the number of student recruitment.

4.4 Other Income and Gains

Other income and gains consisted of (1) interest income from banks; and (2) site use fees charged to certain secondary vocational schools and companies in connection with usage of the premises and facilities of the Shijiazhuang Institute of Technology to organize teaching activities and training sessions for external use.

Other income and gains increased by approximately 4.9% from approximately RMB10.1 million for the year ended 31 December 2017 to approximately RMB10.6 million for the year ended 31 December 2018, mainly due to (1) the increase in bank interest income from term deposits by approximately RMB1.7 million; and (2) the decrease in site use fees by RMB1.2 million.

4.5 Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of salaries and other benefits for recruitment and advertising staff, advertising expenses and student recruitment expenses.

Selling and distribution expenses decreased by approximately 5.0% from RMB8.0 million for the year ended 31 December 2017 to RMB7.6 million for the year ended 31 December 2018, mainly due to the decrease in advertising and promotion expenses.

4.6 Administrative Expenses

Administrative expenses consisted of salaries and other benefits for general administrative staff, office-related expenses and listing expenses.

Administrative expenses increased by approximately 9.4% from approximately RMB28.8 million for the year ended 31 December 2017 to approximately RMB31.5 million for the year ended 31 December 2018, mainly due to the increase of RMB1.97 million in the lease expenses of the headquarters.

4.7 Other Expenses

Other expenses mainly consisted of (1) the cost of early childhood education management output; and (2) expenses relating to loss on disposal of various fixed assets.

Other expenses increased from approximately RMB0.4 million for the year ended 31 December 2017 to approximately RMB0.9 million for the year ended 31 December 2018, mainly due to an increase in management output expenses attributable to early childhood education.

4.8 Finance Costs

Finance costs mainly represented interest on loans borrowed from financial institutions and guarantee fees paid to third parties for the loans borrowed.

Finance costs decreased by approximately 28.9% from approximately RMB3.8 million for the year ended 31 December 2017 to approximately RMB2.7 million for the year ended 31 December 2018, mainly due to the decrease in the amount of loans.

4.9 Taxation

Our 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.

Our Company's directly held subsidiary was incorporated in the BVI as an exempted company with limited liability under the BVI Companies Act 2004 and accordingly is not subject to income tax.

Pursuant to the Law of the People's Republic of China on Enterprise Income Tax and the respective regulations, tutorial centers which provide non-academic educational services established in the PRC are subject to the PRC Corporate Income Tax at the rate of 25%. Income tax expenses remained stable due to the relatively stable operation of non-school subsidiaries established in the PRC.

4.10 Profit for the Year

Due to the above factors, profit for the year of the Company increased from approximately RMB45.0 million for the year ended 31 December 2017 to approximately RMB69.4 million for the year ended 31 December 2018.

4.11 Adjusted Net Profit

The Company defined its adjusted net profit as its profit for the period after adjusting for those items which were not indicative of the Company's operating performances (as presented in the table below). This was not an IFRS measure. The Company had presented this item because the Company considered it as an important supplemental measure of the Company's operational performance used by the Company's management or investors. The following table shows profit and adjusted net profit of the Company for the periods presented below:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**69,420**	45,038
Plus:		
Listing expenses	**11,231**	11,653
Adjusted net profit	**80,651**	56,691

Adjusted net profit for the year ended 31 December 2018 increased by approximately RMB24.0 million compared with that for the year ended 31 December 2018, representing an increase of 42.3%. Adjusted net profit margin increased from approximately 33.4% for the year ended 31 December 2017 to approximately 39.9% for year ended 31 December 2018.

4.12 Net Liquidity and Capital and Funds and Borrowing Sources

As of 31 December 2018, net current assets of the Company were approximately RMB382.0 million, which mainly consisted of prepayments, other receivables and other assets, term deposits, pledged deposits and cash and bank balances.

As of 31 December 2018, current assets increased from approximately RMB133.7 million as of 31 December 2017 to approximately RMB552.2 million. The increase in the current assets primarily reflected that cash and bank balances increased from approximately RMB109.9 million as of 31 December 2017 to approximately RMB527.1 million as of 31 December 2018, which was mainly due to proceeds from the issue of Shares in the initial public offering and the exercise of the over-allotment option.

As of 31 December 2018, current liabilities increased from approximately RMB158.3 million as of 31 December 2017 to approximately RMB170.2 million. The increase in current liabilities mainly reflects (1) the increase in tuition and boarding fee received in advance from students from approximately RMB57.5 million (recorded in deferred revenue before adoption of IFRS 15) as of 31 December 2017 to approximately RMB71.6 million (recorded in contract liabilities as a result of adoption of IFRS 15) as of 31 December 2018, mainly due to the increase in the number of students; (2) the increase in other payables and accruals from approximately RMB64.6 million as of 31 December 2017 to approximately RMB83.3 million as of 31 December 2018, mainly due to the unsettled payment for education materials and other reasons; and (3) the decrease in interest-bearing bank and other borrowings from approximately RMB34.4 million as of 31 December 2017 to approximately RMB13.0 million as of 31 December 2018, which was mainly attributable to the repayment of loans from financial institutions.

As at 31 December 2018, current ratio of the Company (current assets divided by current liabilities) was 324.4%, which was 84.5% as at 31 December 2017. The increase in current ratio was mainly due to the increase in current assets as a result of the increase in cash and cash equivalents.

In order to manage the liquidity risk, the Company monitored and maintained a sufficient level of cash and cash equivalents deemed adequate by the management, as the working capital of the Company, and to eliminate the impact of cash flow fluctuations. The Company expects that it can meet the cash flow requirement in the future with internal cash flow generated by operations and bank borrowings. The Company did not use other financial instruments during the year ended 31 December 2018.

All bank borrowings of the Company are denominated in Renminbi, and bear interests at fixed rates. The Company has not adopted financial instruments for hedging purposes.

4.13 Gearing Ratio

As at 31 December 2018, the gearing ratio (calculated by total bank interest-bearing loans divided by total equity) was approximately 2.2%, representing a decrease of 20.1 percentage points from approximately 22.3% as at 31 December 2017, mainly due to the repayment of the borrowings of RMB22.1 million by the Company to financial institutions in 2018.

4.14 Major Investment

Except as disclosed in the Prospectus and this annual results announcement, the Company has no other plans for major investment and capital assets.

4.15 Major Acquisitions and Disposals

For the year ended 31 December 2018 and up to the date of this annual results announcement, the Company has not conducted any major acquisition or disposal of any subsidiary or associated company.

4.16 Contingent Liabilities

As at 31 December 2018, the Company did not have any material contingent liabilities (31 December 2017: Nil).

4.17 Foreign Exchange Risk

Most gains and expenses of the Company were denominated in Renminbi. As at 31 December 2018, certain bank balances were denominated in Hong Kong dollars or US dollars. The Company currently does not have any foreign exchange hedging policy. The management will continue to monitor the foreign currency exchange risk of the Company and consider taking due diligence measures in due course.

4.18 Pledge of Asset

For the year ended 31 December 2018, the Group pledged bank deposits of RMB105,000,000 for obtaining a bank facility which had not been used by 31 December 2018. (2017: Nil).

4.19 Events after the Reporting Period

As was disclosed in the announcement of the Company dated 28 February 2019, the Group agreed to invest RMB2,000,000 into Beijing Ying Yu New Media Interaction Technology Co., Ltd.* (北京英育新媒互動科技有限公司) ("**Beijing Ying Yu**"), of which RMB61,300 shall be injected into the registered capital of Beijing Ying Yu. Upon completion of such capital contribution, Beijing Ying Yu will be held as to 2% by the Group. Beijing Ying Yu is a company mainly engaged in the development and consultancy of the technology and corporate management services.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 29 May 2018, the Company issued 360,000,000 Shares at a price of HK$1.13 per Share pursuant to the initial public offering of Shares, and the total proceeds of which amounted to approximately HK$408.9 million, and the Shares were listed on the Main Board of the Stock Exchange. On 17 June 2018, the Company issued 36,000,000 Shares at a price of HK$1.13 per Share pursuant to a partial exercise of over-allotment options relating to listing, and the total proceeds of which amounted to approximately HK$40.7 million. The net proceeds from the listing (net of underwriting fees and relevant expenses) amounted to approximately HK$433 million. The amount will be applied in the following manners as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus:

	Intended use of net proceeds *(HK$ million)*	**Actual use of net proceeds up to 31 December 2018** *(HK$ million)*	**Remaining balance up to 31 December 2018** *(HK$ million)*	**Expected time of full utilisation of remaining balance**
Acquire and rebrand third-party kindergartens in order to expand our Saintach Kindergarten network in the Integrated Area by end of 2020[1]	173.2	–	173.2	31 December 2020
Expand our Saintach Tutorial Center network in the Integrated Area through acquisition of third party tutorial schools primarily engaged in providing small-group tutoring services by the end of 2020	86.6	–	86.6	31 December 2020
Maintain, renovate and upgrade the facilities, equipment and infrastructure of our schools and tutorial centers and improve student accommodation, campus environment and teaching conditions at Shijiazhuang Institute of Technology	86.6	13.2	73.4	31 December 2019
Establish our presence overseas and obtain experience in operating schools abroad	43.3	–	43.3	30 June 2020
Fund our working capital and general corporate purposes	43.3	8.8	34.5	30 June 2020
Total	433.0	22.0	411.0	

Note:

(1) The Company will continue to keep eyes on the promulgation and implementation of the laws and regulations by central and local government authorities relating to preschool education, and will make adjustments and changes to the existing uses of the proceeds raised regarding preschool education of the Company and make disclosures by way of announcement when appropriate.

PROFIT DISTRIBUTION

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of Shareholders to attend and vote at the annual general meeting ("**AGM**") to be held on Wednesday, 26 June 2019, the register of members of the Company will be closed from Friday, 21 June 2019 to Wednesday, 26 June 2019, both days inclusive, during which no transfer of shares will be registered. The record date for determining the eligibility to attend and vote at the AGM is Wednesday, 26 June 2019. In order to be eligible to attend and vote at the AGM, all transfer of shares with stamp duty duly paid accompanied by the relevant share certificates must be lodged by the Shareholders with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 20 June 2019.

SUFFICIENT PUBLIC FLOAT

According to the public information available to the Company and to the knowledge of the Directors, for the period from the Listing Date to 31 December 2018 and up to the date of this announcement, at least 25% of the total issued share capital of the Company has been held by the public.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the period from the Listing Date to 31 December 2018, the Company has complied with all the applicable code provisions under the CG Code, and has adopted most of the recommended best practices set forth therein. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiries to all Directors of the Company, the Directors have confirmed that they had complied with the code provisions set out in the Model Code throughout the period from the Listing Date to 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

For the year ended 31 December 2018, the Company purchased a total of 15,459,000 Shares at a total purchase price (net of expenses) of HK$14,907,207.30 on the Stock Exchange. The details of purchase of these Shares are set out as follows:

Month of purchase	Number of shares purchased	Maximum price paid per share *(HKD)*	Minimum price paid per share *(HKD)*	Total purchase price *(HKD)*
October 2018	**3,270,000**	0.9900	0.8872	3,060,521.70
November 2018	**9,228,000**	1.0800	0.8900	9,136,251.60
December 2018	**2,961,000**	0.9500	0.8800	2,710,434.00
Total	**15,459,000**			14,907,207.30

AUDIT COMMITTEE

For the year ended 31 December 2018, the audit committee of the Company (the "**Audit Committee**") comprised three independent non-executive Directors, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Ma Guoqing.

On 6 March 2019, Mr. Ma Guoqing resigned as, among other things, an independent non-executive Director and a member of the Audit Committee and Mr. Wan Joseph Jason was appointed as the same. Consequently, as at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Wan Joseph Jason.

The Audit Committee has adopted the terms of reference which are in line with the CG Code. The primary duties of the Audit Committee include reviewing and monitoring the financial control, risk management and internal control systems and procedures of the Group, reviewing the financial information of the Group and the relationship with the external auditor of the Company. The annual results and the consolidated financial report of the Group for the year 2018 have been reviewed by the Audit Committee.

SCOPE OF WORK OF THE GROUP'S AUDITOR

The figures as set out in the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on 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 EY on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2018 ANNUAL REPORT ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.21centuryedu.com, respectively. The 2018 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"Board"	the board of Directors of the Company
"Company"	China 21st Century Education Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 20 September 2016, of which 88.96% and 11.04% owned by Sainange Holdings Company Limited and Sainray Limited, respectively. Since their respective incorporation date and as of 31 December 2018, Sainange Holdings Company Limited was wholly-owned by Mr. Li Yunong and Sainray Limited was wholly-owned by Ms. Luo Xinlan
"Director(s)"	the director(s) of the Company
"Group" or "we"	the Company, its subsidiaries and the PRC Operating Entities from time to time
"Hebei Saintach"	Hebei Saintach Education and Technology Co., Ltd.* (河北新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 17 September 2002, one of the Company's PRC Operating Entities
"Institute of Psychology, Chinese Academy of Sciences"	A professional institute under Chinese Academy of Sciences. As an international research institution, which is influential to the psychological science development in the PRC, the institute serves for psychological science think tank for national science innovation and urban development, in order to explore human wisdom and analyze mentality and behavior
"Integrated Area"	also known as the Beijing, Tianjin and Hebei Province Integrated Area. The concept of this area was created pursuant to a national strategic initiative to promote the region's economic development

"Listing Date"	29 May 2018, being the date of listing of Shares on the Main Board of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"PRC"	the People's Republic of China
"PRC Operating Entities"	Shijiazhuang Saintach, Hebei Saintach, Shijiazhuang Institute of Technology, Saintach Tutotorial Schools and Saintach Kindergartens
"private school(s)"	schools organised by social organisations or individuals outside the national institutions using non-state financial funds
"Prospectus"	the prospectus issued by the Company on the initial public offering and listing dated 15 May 2018
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"Saintach Kindergartens"	Blue Crystal Kindergarten, Fukang Kindergarten, Jianhua Kindergarten, Lidu Kindergarten, Tianshan Kindergarten, Qinghui Kindergarten, Zhengding Kindergarten and Fumenli Kindergarten
"Saintach Tutorial Centers"	Tutorial centers in multiple operating locations which are organized into different Saintach Tutorial Schools
"Saintach Tutorial Schools"	Qiaoxi Tutorial School, Chang'an Tutorial School, Donggang Tutorial School, Zhicheng Tutorial School, High-tech Zone Tutorial School and Huixuan Tutorial School
"school sponsor(s)"	the individual(s) or entity(ies) that funds or holds interests in an educational institution
"school year"	the school year for all of our schools, which generally starts on 1 September of each calendar year and ends on 30 June of the next calendar year
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)

"Shijiazhuang Institute of Technology"	Shijiazhuang Institute of Technology* (石家莊理工職業學院), a junior college established under the laws of the PRC on 1 July 2003 of which school sponsors' interest is wholly-owned by Zerui Education as at the date of this annual results announcement and one of the PRC Operating Entities
"Shijiazhuang Saintach"	Shijiazhuang Saintach Education and Technology Co., Ltd.* (石家莊新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 13 July 2011, wholly-owned by Zerui Education as at the date of this annual results announcement and one of the PRC Operating Entities
"Sifang College"	Shijiazhuang Tiedao University Sifang College (石家莊鐵道大學四方學院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in the Listing Rules. For avoidance of doubt, the subsidiaries of the Company include PRC Operating Entities and the infirmary of Shijiazhuang Institute of Technology
"tutoring hour(s)"	the unit for measuring tutoring time delivered to students, typically represents 60 minutes in lengths for secondary school students and 40 minutes in lengths for primary school students
"Zerui Education"	Hebei Zerui Education Technology Co., Ltd.* (河北澤瑞教育科技有限責任公司), a limited liability company established under the laws of the PRC on 12 July 2017, owned as to 80.625% by Mr. Li Yunong and 19.375% by Ms. Luo Xinlan as at the date of this annual results announcement, and one of the PRC Operating Entities
"%"	per cent.

By order of the Board
China 21st Century Education Group Limited
Li Yunong
Chairman

Hong Kong, 22 March 2019

As at the date of this announcement, the executive Directors are Mr. Li Yunong, Mr. Liu Zhanjie, Ms. Liu Hongwei, Mr. Ren Caiyin and Ms. Yang Li; and the independent non-executive Directors are Mr. Guo Litian, Mr. Yao Zhijun and Mr. Wan Joseph Jason.

* *For identification purposes only*