Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

China Beststudy Education Group
卓越教育集團*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3978)

SUPPLEMENTAL ANNOUNCEMENT (I) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE EQUITY INTEREST IN THE TARGET ENTITIES AND (II) BREACH OF THE LISTING RULES AND REMEDIAL ACTIONS

References are made to the announcement and its supplemental announcement of China Beststudy Education Group (the "**Company**", together with its subsidiaries, the "**Group**") dated 30 March 2022 and 4 April 2022, respectively, in relation to (I) the discloseable transaction and connected transaction in relation to the Disposal of the equity interest in the Target Entities and (II) breach of the Listing Rules and remedial actions (the "**Announcements**"). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

The Company would like to provide potential investors and Shareholders with further information in relation to the Disposal.

REASONS FOR THE DISPOSAL

The PRC government has been reforming its education system and promulgated the Opinions on Further Reducing the Burden of Homework and Off-campus Training for Compulsory Education Students* (《關於進一步減輕義務教育階段學生作業和校外培訓負擔的意見》) (the "**Double Reduction Policy**"), for the purpose of alleviating the homework and off-campus training workload of students on July 2021. The Double Reduction Policy continues to be a challenge to the Target Entities' business. After careful study and assessment, the Group must divest the Target Entities as soon as possible to comply with regulatory requirements.

The Group has considered three options for divesting the Target Entities: (i) to cease operations of the Target Entities immediately; (ii) to transfer the Target Entities to an independent third party; or (iii) to transfer the Target Entities to a person or a company which is not an independent third party. The Group finally transferred the Target Entities to a company controlled by the executive Directors as a result of unavailability of any independent third party buyer within the limited period of time and the Group planned to gradually cease operations of the Target Entities after the Disposal considering the following reasons: (i) the urgency of meeting regulatory requirements; (ii) the choice of our clients to continue to go on with classes instead of the refund of tuition fee, which had not been rejected by the regulatory authorities; (iii) the crippling costs upon cessation of operations immediately, primarily consist of costs arising from employee layoffs and liquidated damages in connection with early termination of our lease agreements.; and (iv) the unclear prospect of the businesses of the Target Entities.

BASIS FOR DETERMINATION OF THE CONSIDERATION

The Consideration was arrived at arm's length negotiation between the Company and the Purchaser on normal commercial terms with reference to, among other things: (i) a reasonable assessment of the fair value of the net assets of the Target Entities at RMB nil as at 31 December 2021; (ii) the loss of the Target Entities resulted from policy restrictions and COVID-19 pandemic; (iii) future prospects of the business of the Target Entities; and (iv) expected costs and expenses after the Disposal in connection with terminating relevant businesses of the Target Entities.

(i) a reasonable assessment of the fair value of the net assets of the Target Entities at RMB nil as at 31 December 2021

It was expected to give rise to a decrease in the net assets of the Target Entities by over RMB13 million as at 31 December 2021 taking into account the expected costs and expenses as explained below.

(ii) the loss of the Target Entities resulted from policy restrictions and COVID-19 pandemic

According to the unaudited financial accounts of the Target Entities, the unaudited net loss of the Target Entities (after taxation) for the years ended 31 December 2020 and 2021 were approximately RMB13.4 million and RMB74.0 million, respectively, primarily attributable to the restrictions on the businesses of the Target Entities imposed by the implementation of the Double Reduction Policy and the outbreak and continuance of COVID-19 pandemic.

(iii) future prospects of the businesses of the Target Entities

The Double Reduction Policy continues to be a challenge to the Group's existing businesses. The Group had taken the opportunity to re-evaluate its businesses and resources taking into account the inevitable shift in industry and market trends in adapting to the new regulatory environment and had decided to strategically close some of our sites.

(iv) expected costs and expenses after the Disposal in connection with terminating relevant businesses of the Target Entities

We estimated that the expected costs and expenses to be incurred after the Disposal in connection with terminating relevant businesses of the Target Entities are approximately RMB19.7 million. To be specific, (i) the losses on disposal of fixed assets primarily consisting of computers and other teaching facilities was expected to exceed approximately RMB8.4 million considering the depreciation and impairment; (ii) the losses on disposal of low-value consumables primarily consisting of furniture, desks and chairs and other low-value teaching equipments was expected to exceed approximately RMB2.3 million; and (iii) the losses on long-term deferred expenses primarily representing the renovation costs of leased properties was expected to exceed approximately RMB9.0 million. In addition, with 31 December 2021 as the termination date, the Group would incur considerable costs in connection with employee layoffs of approximately $85.0 million and liquidated damages in connection with early termination of our lease agreements in relation to the closure of our education centers of approximately RMB2.4 million.

VALUATION OF THE NET ASSETS OF THE TARGET ENTITIES

According to a valuation report entitled Valuation Report Considering the Fair Value of 100 Percentage Equity Interest in 22 Divested Subsidiaries of China Beststudy Education Group dated 30 March 2022 issued by an independent valuer (the "**Valuer**"), the fair value of 100 percent equity interest in the Target Entities on a combined basis is reasonably stated as RMB nil as at the valuation date of 31 December 2021. The fair value of fixed assets and long-term deferred expenses have been adjusted according to the management of the Company (the "**Management**") considering the expected costs and expenses after the Disposal and expected losses. According to the Management, as at 31 December 2021, some education centers of the Target Entities were expected to be closed and related fixed assets low-value consumables to be disposed at a lot. Under the best estimation of the Management, their recoverable value was assumed to be insignificant.

(i) Valuation methodology:

the Valuer used cost approach to conduct the valuation and was of the opinion that they adopted appropriate valuation methodology.

(ii) Key assumptions:

the Valuer made the following key assumptions:

- the Valuer assumed that projected business can be achieved with the effort of the management of the Target Entities and the Company;

- the Valuer has assumed that there would be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Entities;

- the Valuer has assumed that the operational and contractual terms stipulated in the relevant contracts and agreements would be honoured;

- the Valuer has been provided with copies of the operating licenses and company incorporation documents. The Valuer has assumed such information to be reliable and legitimate. The Valuer has relied to a considerable extent on such information provided in arriving at their opinion of value;

- the Valuer has assumed the accuracy of the financial and operational information provided to them by the Target Entities and the Company and relied to a considerable extent on such information in arriving at their opinion of value;

- the Valuer has assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, the Valuer assumes no responsibility for changes in market conditions after the valuation date of 31 December 2021.

BREACH OF THE LISTING RULES

As disclosed in the Announcements, the Company explained that the Non-Compliance was inadvertent and unintentional. Specially, the issuance of the Double Reduction Policy and the constant urging from the regulatory authorities created a lot of pressure on the Company and the Directors regarding the timing of the Disposal. Against such backdrop, the Company made an urgent decision to transfer the Target Entity at a consideration of RMB1.00, resulting in the omission of the standard procedures of the Listing Rules. In addition, the failure of the Directors and officers to conduct compliance training in 2021 and their weak compliance awareness unintentionally contributed to this violation.

To prevent the recurrence of similar non-compliance incidents in the future and to comply with the requirements under the Listing Rules on an on-going basis, the Company is implementing remedial measures in accordance with the following table:

Remedial Actions	**Timetable**
The Company has conducted a comprehensive and thorough review and self-examination of its compliance with the Listing Rules on its previous transactions.	Completed
With the assistance of the legal advisers, the Company further studies the definitions and rules of notifiable transactions and connected transactions and will also adopt and circulate Chapter 13, Chapter 14 and Chapter 14A of the Listing Rules to the relevant personnel of the Company.	April 2022
A training session on the compliance requirements and practical application of the Listing Rules (in particular, Chapter 13, Chapter 14 and Chapter 14A) will be provided by the Company as soon as reasonably practicable to the responsible staff, senior management and Directors for the purpose of better compliance with relevant laws, regulations and rules.	May 2022
The Company will work more closely with its internal and external legal advisers on all compliance issues on a timely basis.	Ongoing
The Company shall, as and when appropriate and necessary, consult legal and other professional advisers before entering into any transactions with any potential risk of violating the Listing Rules.	Ongoing

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and other securities of the Company.

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

Hong Kong, 14 April 2022

As at the date of this announcement, the executive Directors are Mr. Junjing Tang, Mr. Junying Tang, Mr. Gui Zhou and Ms. Weiying Guan, the non-executive Director is Mr. Wenhui Xu, and the independent non-executive Directors are Ms. Yu Long, Mr. Peng Xue and Mr. Caihe Lin.

* *For identification purposes only*