

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)

CONNECTED TRANSACTIONS

ACQUISITION OF 8.662% EQUITY INTERESTS IN BEIJING TENGYUE ZHIHUI INTERNET TECHNOLOGY CO., LTD

THE BEIJING TENGYUE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 14 May 2019 (after trading hours), Tibet Zhuoye, a consolidated affiliated entity of the Company (as the Purchaser), entered into the Beijing Tengyue Equity Transfer Agreement with Huoerguosi Lexue (as the Seller), pursuant to which, the Seller shall sell and the Purchaser shall acquire 8.662% equity interest in Beijing Tengyue at the consideration of RMB23,049,582 (equivalent to approximately HK\$26,732,905.2) subject to the terms and conditions therein.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou, through their respective wholly-owned company, owned 37.46%, 31.13% and 31.41% equity interests in the Seller, respectively. Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou are connected persons of the Company by virtue of being Directors and persons acting in concert as the controlling shareholders of the Company who are collectively interested in approximately 53.77% of the issued share capital of the Company as at the date of this announcement. The Seller is an associate of Mr. Junying Tang, Mr. Junjing Tang and Mr. Gui Zhou and thus a connected person of the Company according to Rule 14A.12(1)(c) of the Listing Rules.

* *for identification purpose only*

As one or more of the applicable percentage ratios (as defined under the Listing Rules) (save for the profit ratio) in respect of the transactions under the Beijing Tengyue Equity Transfer Agreement are more than 0.1% but all are less than 5%, the entering into of the Beijing Tengyue Equity Transfer Agreement and the transaction contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements.

INTRODUCTION

The Board is pleased to announce that on 14 May 2019 (after trading hours), Tibet Zhuoye, a consolidated affiliated entity of the Company (as the Purchaser), entered into the Beijing Tengyue Equity Transfer Agreement with Huoerguosi Lexue (as the Seller), pursuant to which, the Seller shall sell and the Purchaser shall acquire 8.662% equity interest in Beijing Tengyue at the consideration of RMB23,049,582 (equivalent to approximately HK\$26,732,905.2) subject to the terms and conditions therein.

BEIJING TENGYUE EQUITY TRANSFER AGREEMENT

The principal terms of the Beijing Tengyue Equity Transfer Agreement are set out below:

- Date:** 14 May 2019
- Parties:**
- (1) Huoerguosi Lexue, as the Seller; and
 - (2) Tibet Zhuoye, as the Purchaser.
- Subject Matter:** The Seller shall transfer its 8.662% equity interest in Beijing Tengyue to the Purchaser.
- Consideration:** RMB23,049,582 (equivalent to approximately HK\$26,732,905.2), which shall be paid by the Purchaser to the Seller on 31 May 2019.
- The consideration payable by the Purchaser will be financed by the Group's internal resources.

The consideration was determined after arm's length negotiation between the Seller and the Purchaser after taking into account the business potential, prospects and the experienced management team of Beijing Tengyue. In determining the consideration, the Company also made reference to the same pricing basis of the recent equity financings completed by Beijing Tengyue in early 2019. The total investment in the equity financings amounted to RMB41,100,000 in aggregate, among which the lead investor, an independent third party RMB investment fund, invested RMB25,000,000 and the Purchaser invested RMB5,000,000. The remaining investors included an education company listed on the NYSE and a large-scale education company in Mainland China each being an independent third party.

Profit & Losses Sharing: The profit/loss in respect of Beijing Tengyue shall be shared by the Purchaser in proportion to its equity interests in Beijing Tengyue

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group believes that transactions contemplated in the Beijing Tengyue Equity Transfer Agreement is in line with the development strategy of the Company to maintain and strengthen its established leading position in China's K-12 after-school education market, by virtue of the synergy effects between the businesses of the Company and Beijing Tengyue. Beijing Tengyue operates a platform for the principals of the K-12 education services providers in Mainland China which has resources on principals of more than 230,000 K-12 education services providers, and such resources enable the Group to have more access to the industry players and to expand the Group's business network and reach to possible merger and acquisition opportunities. This is in line with the Group's strategy to expand its business through merger and acquisitions. The current shareholders of Beijing Tengyue include a large-scale education company listed on the NYSE, a large-scale education company, a large-scale K-12 education private company and other institutions or individuals in Mainland China. The Group believes that the transactions would continue to expand the business scale and market share of the Group in the after-school education market.

The Directors (including all independent non-executive Directors but excluding the Directors who have abstained from the relevant Board resolutions) are of the view that the Beijing Tengyue Equity Transfer Agreement are entered into in the ordinary and usual course of the business of the Group, and the terms thereof and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE COMPANY, THE PURCHASER AND THE SELLER

The Company is principally engaged in the provision of preparing kindergarten students for their transition into primary school to Grade 12 after-school education services in Mainland China.

The Purchaser is a limited liability company established in the PRC and a consolidated affiliated entity of the Company. It is principally engaged in the business of investment and shareholding. The Group has obtained control of the Purchaser and obtained economic benefits from it pursuant to the structured contract entered into by the Group under the variable interest entity structure. Please refer to the section headed “Structured Contracts” of the prospectus dated 12 December 2018 issued by the Company for further details of the structured contracts.

The Seller is a limited liability company established in the PRC. It is an investment holding company.

INFORMATION ON THE TARGET COMPANY

Beijing Tengyue is a limited liability company established in the PRC with a registered capital of RMB1,545,968.73. It is principally engaged in the business of operating an online platform providing online training sessions to principals of the K-12 education services providers.

Prior to the acquisition contemplated under the Beijing Tengyue Equity Transfer Agreement, Beijing Tengyue was owned as to 8.662% by the Seller, 1.879% by the Purchaser and 89.459% by independent third parties in aggregate, respectively. Upon completion of the acquisition, Beijing Tengyue will be owned as to 10.541% by the Purchaser with the remaining 89.459% owned by independent third parties in aggregate.

The original acquisition cost of the 8.662% equity interests in Beijing Tengyue was RMB14,937,500, representing the total investment amount contributed by the Seller to Beijing Tengyue when subscribing for such 8.662% equity interests.

Based on the audited financial statements for the year ended 31 December 2017 and the unaudited financial statements for the year ended 31 December 2018 of Beijing Tengyue prepared in accordance with the PRC GAAP, the financial information of Beijing Tengyue is set out below:

	For the year ended 31 December 2017	For the year ended 31 December 2018
	<i>RMB</i>	<i>RMB</i>
	<i>(Audited)</i>	<i>(Unaudited)</i>
Net profit/(loss) before tax	(17,159,210.61)	(33,600,594.02)
Net profit/(loss) after tax	(17,159,210.61)	(33,600,594.02)

As at 31 December 2018, Beijing Tengyue has an unaudited net liability of approximately RMB15,789,542.78.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou, through their respective wholly-owned company, owned 37.46%, 31.13% and 31.41% equity interests in the Seller, respectively. Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou are connected persons of the Company by virtue of being Directors and persons acting in concert as the controlling shareholders of the Company who are collectively interested in approximately 53.77% of the issued share capital of the Company as at the date of this announcement. The Seller is an associate of Mr. Junying Tang, Mr. Junjing Tang and Mr. Gui Zhou and thus a connected person of the Company according to Rule 14A.12(1)(c) of the Listing Rules. Therefore, the transaction contemplated under the Beijing Tengyue Equity Transfer Agreement constitutes a connected transaction.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) (save for the profit ratio) in respect of the transactions under the Beijing Tengyue Equity Transfer Agreement are more than 0.1% but all are less than 5%, the entering into of the Beijing Tengyue Equity Transfer Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements.

Save for Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou who have abstained from voting on the resolutions in respect of the Beijing Tengyue Equity Transfer Agreement in the relevant Board meeting since they are the ultimate beneficial owners of the Seller, none of other Directors is materially interested in the Beijing Tengyue Equity Transfer Agreement and is required to abstain from voting on the resolutions in respect of the Beijing Tengyue Equity Transfer Agreement in the relevant Board meeting.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Beijing Tengyue” or “Target Company”	北京騰躍智匯網絡科技有限公司 (Beijing Teng Yue Zhi Hui Internet Technology Co., Ltd*), a limited liability company established in the PRC;
“Beijing Tengyue Equity Transfer Agreement”	the equity transfer agreement dated 14 May 2019 between the Purchaser and the Seller in respect of the transfer of 8.662% equity interests in Beijing Tengyue;
“Board”	the board of Directors;
“Company”	China Beststudy Education Group 卓越教育集團*, an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 3978);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“NYSE”	the New York Stock Exchange;
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, does not include Hong Kong, Macau Special Administrative Region and Taiwan;

“Purchaser” or “Tibet Zhuoye”	西藏卓業創業投資管理有限公司 (Tibet Zhuoye Venture Capital Investment Management Co., Ltd.*), a limited liability company established in the PRC, the financial results of which have been consolidated and accounted for as a consolidated affiliated entity of the Group by virtue of the structured contracts entered into between the Purchaser and a wholly-owned subsidiary of the Group;
“RMB”	Renminbi, the lawful currency of the PRC;
“Seller” or “Huoerguosi Lexue”	霍爾果斯樂學創業投資有限公司 (Huoerguosi Lexue Venture Capital Investment Co., Ltd.*), a limited liability company established in the PRC;
“Share(s)”	the ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	percentage.

For the purposes of this announcement, the exchange rate of RMB1.00 = HK\$1.1598 has been used for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

By Order of the Board
China Beststudy Education Group
Junjing Tang
Chairman

Hong Kong, 14 May 2019

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

* *for identification purpose only*