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China Beststudy Education Group

卓越教育集團*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3978)

**(I) DISCLOSABLE 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 DISPOSAL

On 31 December 2021, the Seller, an operating entity controlled by (and the financial results of which were consolidated into the financial results of) the Company via the VIE Structure, entered into the Agreement with the Purchaser, an associate of Mr. Junjing Tang, being the controlling shareholder and the chairman of the Board of the Company, pursuant to which the Seller agreed to sell and the Purchaser agreed to purchase the entire equity interest in all of the Target Entities from the Seller at the Consideration of RMB1.00.

IMPLICATIONS UNDER THE LISTING RULES

As two of the applicable percentage ratios under the Listing Rules in respect of the Disposal exceed 5% but both are less than 25%, the Disposal constitutes a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of the Disposal, the Purchaser was indirectly owned as to 37.46%, 31.41% and 31.13% of its equity interest by Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou (all of whom are executive Directors), respectively, and thus the Purchaser is an associate of Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou (all of whom are executive Directors), respectively. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) all of the applicable percentage ratios are less than 25% (but some are more than 5%) and (ii) the Consideration is less than HK\$10 million, the Disposal is subject to the reporting and announcement requirements, but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE DISPOSAL

On 31 December 2021, the Seller, an operating entity controlled by (and the financial results of which were consolidated into the financial results of) the Company via the VIE Structure, entered into the Agreement with the Purchaser, an associate of Mr. Junjing Tang, being the controlling shareholder and the chairman of the Board of the Company, pursuant to which the Seller agreed to sell and the Purchaser agreed to purchase the entire equity interest in all of the Target Entities at the Consideration of RMB1.00.

The principal terms of the Agreement are set out as follows:

Date: 31 December 2021

Parties: (i) the Seller; and

(ii) the Purchaser.

Subject matter

Pursuant to the Agreement, the Purchaser had agreed to purchase all of the equity interest in the Target Entities from the Seller and the Seller had agreed to sell the entire equity interest in all of the Target Entities to the Purchaser or a subsidiary to be designated by the Purchaser. Upon completion, the Target Entities will be divested from the Seller and their financial results will not be consolidated into the Company's financial results going forward. For more information about the Target Entities as contained in the Agreement, please refer to the section headed "DEFINITIONS" below.

Consideration and Valuation

The aggregate value of the Consideration for the Disposal is RMB1.00, which had been remitted by the Purchaser to the Seller via bank transfer.

The Consideration of RMB1.00 was determined by both parties to the Agreement after considering, among other things, of the following factors: (i) a reasonable assessment of the fair value of the net assets of the Target Entities at RMB0 (nil) as at 31 December 2021 by the Seller and the Purchaser; (ii) the reasons for the Disposal as set out in the section headed “Reasons for the Disposal” below; and (iii) expected costs and expenses to be incurred by the Purchaser after the Disposal in connection with terminating relevant businesses of the Target Entities.

INFORMATION ON THE SELLER, THE COMPANY, THE GROUP AND THE PURCHASER

Information on the Seller

The Seller is a company incorporated in the PRC with limited liability, engaging in the industry of education and training. As at the date of the Disposal, the Seller was controlled by the Company via the VIE Structure. As at the date of the Disposal, the Seller was the sole shareholder of each of the Target Entities.

Information on the Company and the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange. The principal business activity of the Company is investment holding. The Group is principally engaged in the industry of education and training.

Information on the Purchaser

The Purchaser is a company incorporated in the PRC with limited liability, principally engaging in investment and investment holding. The Purchaser is 37.46% owned as to its equity interest by Tibet Zhuoben Equity Investment Co., Ltd* (西藏卓犇股權投資有限公司) which is 100.00% owned by Mr. Junjing Tang. As such, the Purchaser is an associate of Mr. Junjing Tang who is the controlling shareholder and the chairman of the Board of the Company. The remaining equity interest in the Purchaser is held by Mr. Junying Tang and Mr. Gui Zhou who are executive Directors of the Company.

INFORMATION ON THE TARGET ENTITIES

Information on the Target Entities

The Target Entities are companies incorporated in the PRC with limited liability and are principally engaged in certain education and training businesses. As at the date of the Disposal, the Seller was the sole shareholder of each of the Target Entities.

Financial information of the Target Entities

According to the unaudited accounts of the Target Entities, the unaudited revenue of the Target Entities for the financial year ended 31 December 2020 and 2021 were approximately RMB271,989,148 and RMB338,279,351, respectively. The unaudited net loss of the Target Entities (before taxation) for the financial year ended 31 December 2020 and 2021 were approximately RMB12,964,907 and RMB67,906,613, respectively. The unaudited net loss of the Target Entities (after taxation) for the financial year ended 31 December 2020 and 2021 were approximately RMB13,431,998 and RMB73,970,196, respectively. The unaudited net asset value and the total asset value of the Target Entities as at 31 December 2021 were approximately RMB13,337,307 and RMB420,823,286, respectively.

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 fair value of 100 percent equity interest in the Target Entities on a combined basis is reasonably stated as RMB0 (nil) as at the valuation date of 31 December 2021.

REASONS FOR THE DISPOSAL

As disclosed in the inside information announcement of the Company entitled “Inside Information Business Update” dated 17 December 2021, in compliance with 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負擔和校外培訓負擔的意見》) and the related implementation rules, regulations and measures promulgated by competent authorities, the Company planned to divest its interest in the Target Entities from the Seller by the Disposal.

The Disposal, which was necessitated by governmental policy reasons mentioned above, enabled the Company to divest the relevant businesses that had recorded consecutive losses in the last two financial years.

After considering the above factors, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are fair and reasonable and the Disposal is on normal commercial terms and in the interests of the Company and its Shareholders as a whole. As all of the three executive Directors Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou had a material interest in the Disposal, all of Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou had abstained from voting on the Board resolution ratifying the Agreement and the Disposal.

IMPLICATIONS UNDER THE LISTING RULES

As two of the applicable percentage ratios under the Listing Rules in respect of the Disposal exceed 5% but both are less than 25%, the Disposal constitutes a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of the Disposal, the Purchaser was indirectly owned as to 37.46%, 31.41% and 31.13% of its equity interest by Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou (all of whom are executive Directors), respectively, and thus the Purchaser is an associate of Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou (all of whom are executive Directors), respectively. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) all of the applicable percentage ratios are less than 25% (but some are more than 5%) and (ii) the Consideration is less than HK\$10 million, the Disposal is subject to the reporting and announcement requirements, but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BREACH OF THE LISTING RULES

The Company regrettably admitted that it failed to comply with the relevant rules of Chapters 14 and 14A of the Listing Rules timely in connection with the Disposal. The Directors explained that the Non-Compliance was inadvertent and unintentional. Should the Company has consulted the Stock Exchange on the Listing Rules implication regarding the Disposal and relevant requirements in advance, the aforesaid unintentional Non-Compliance could have been avoided.

REMEDIAL ACTIONS

The Company deeply regrets for the Non-Compliance and it would like to stress that the Non-Compliance was inadvertent and unintentional and the Company had no intention to withhold any information relating to the Disposal.

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 has implemented the following remedial actions with immediate effect:

1. The Company has conducted a comprehensive and thorough review and self-examination of its compliance with the Listing Rules on its previous transactions;
2. 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, impelling the

responsible staff, senior management and Directors to improve their abilities to identify the circumstances which may trigger the reporting, announcement and/or shareholders' approval requirements under the Listing Rules and discovering potential problems in advance to avoid the recurrence of similar non-compliance incidents;

3. 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;
4. The Company will work more closely with its internal and external legal advisers on all compliance issues on a timely basis; and
5. 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.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the following meanings in this announcement:

“Agreement”	the Shares and Organizers’ Rights Transfer Contract* (股權及舉辦者權益轉讓合同) dated 31 December 2021
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Beststudy Education Group, an exempted company incorporated in the Cayman Islands with limited liability, 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
“Consideration”	the consideration for the Disposal, being RMB1.00
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the equity interest in the Target Entities by the Seller pursuant to the Agreement
“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
“Non-Compliance”	the failure of the Company to report and announce in relation to the details of the Disposal
“percentage ratio(s)”	has the meaning ascribed to it under Chapter 14 of the Listing Rules
“PRC”	People’s Republic of China, which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Huoguos Lexue Venture Investment Co., Ltd.* (霍爾果斯樂學創業投資有限公司), a limited liability company established in PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Guangzhou Beststudy Educational Co., Ltd. (廣州市卓越里程教育科技有限公司), a company incorporated in PRC with limited liability
“Shares”	ordinary shares in the issued share capital of the Company
“Shareholders”	Holder(s) of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

“Target Entities”	certain companies and private non-enterprise units of the Seller that are the target entities of the Disposal in accordance with the Agreement; for more details, please refer to the “TARGET ENTITIES LIST” at the end of this announcement
“VIE Structure”	the structure established through the entering into a series of agreements and documents, which enables the Company to effectively hold and control the Seller
“%”	per cent

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, 30 March 2022

As at the date of this announcement, the executive Directors are Mr. Junjing Tang, Mr. Junying Tang and Mr. Gui Zhou, 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*

TARGET ENTITIES LIST:

Foshan Beststudy Culture Communication Co., Ltd.* (佛山市卓越里程文化傳播有限公司);
Shenzhen Wandie Culture Development Co., Ltd.* (深圳市萬蝶文化發展有限公司);
Dongguan Zhuoye Education Consulting Service Co., Ltd.* (東莞市卓業教育諮詢服務有限公司);
Zhongshan Beststudy Education and Training Center* (中山市卓越教育培訓中心有限公司) (known as Zhongshan Zhuoye Consulting Management Co., Ltd.* (中山市卓業諮詢管理顧問有限公司));
Zhuhai Beststudy Enterprise Co., Ltd.* (珠海市卓越里程企業有限公司);
Tibet Zhuoye Venture Capital Investment Management Co., Ltd.* (西藏卓業創業投資管理有限公司);
Shenzhen Beststudy Education and Training Center* (深圳市卓越教育培訓中心);
Zhuhai Beststudy Education and Training School* (珠海市卓越教育培訓學校) (known as Zhuhai Chuangsi Language Training School* (珠海創思語言培訓學校));
Zhuhai Xiangzhou District Siqi Cultural Training Center* (珠海市香洲區思奇文化培訓中心);
Foshan Nanhai Beststudy Frontline Education and Training Center* (佛山市南海區卓越前線教育培訓中心);
Foshan Chancheng Learning Frontline Education and Training Center* (佛山市禪城區學習前線教育培訓中心);
Foshan Nanhai Xinzhuoyue Education and Training Center* (佛山南海區新卓越教育培訓中心);
Dongguan Dongcheng Beststudy Training Center* (東莞市東城卓越培訓中心);
Guangzhou Beststudy Education and Training Center* (廣州卓越教育培訓中心);
Guangzhou Huadu Beststudy Education and Training Center* (廣州市花都區卓越教育培訓中心);
Guangzhou Huangpu Beststudy Education and Training Center* (廣州市黃埔區卓越教育培訓中心);
Guangzhou Baiyun Beststudy Education and Training Center* (廣州市白雲區卓越教育培訓中心) (known as Guangzhou Baiyun Beststudy Education and Training School* (廣州市白雲區卓越教育培訓學校));
Guangzhou Panyu Learning Frontline Education and Training Center* (廣州市番禺區學習前線教育培訓中心);
Guangzhou Zengcheng Beststudy Education and Training Center* (廣州市增城區卓越教育培訓中心);
Guangzhou Haizhu Beststudy Education and Training Center* (廣州市海珠區卓越教育培訓中心);
Guangzhou Conghua Beststudy Education and Training Center* (廣州市從化區卓越教育培訓中心); and
Guangzhou Liwan Beststudy Education and Training Center* (廣州市荔灣區卓越教育培訓中心).