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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)

DISCLOSEABLE TRANSACTION INVESTMENT MANAGEMENT AGREEMENT

INVESTMENT MANAGEMENT AGREEMENT

The Board is pleased to announce that on 23 April 2019 (after trading hours), the Company entered into the Investment Management Agreement to engage the Manager for the provision of the Investment Management Services to the Company with an initial investment amount of HKD200 million for an initial term of two years commencing from the Commencement Date, subject to extension by the Manager as provided under the Investment Management Agreement.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) in respect the transactions contemplated under the Investment Management Agreement are more than 5% but all are less than 25%, the entering into of the Investment Management Agreement constitutes a disclosable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

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* For identification purposes only

A summary of the major terms of the Investment Management Agreement is set out below:

Date	23 April 2019
Parties	(a) the Company; and (b) the Manager
Term	<p>From the date of deposit of the Invested Capital (the “Commencement Date”) until the second anniversary of the Commencement Date, unless otherwise agreed by the Manager and the Company.</p> <p>The Manager shall have the sole discretion to further extend the term of the Investment Management Agreement upon the second anniversary of the Commencement Date for an additional one year, provided that the Company shall have the right to early terminate the extended term by three months’ written notice in advance to the Manager.</p>
Services	<p>The Manager shall provide the following services, amongst others, to the Company (the “Investment Management Services”):</p> <ul style="list-style-type: none">(a) investment management services, including to research, identify, evaluate investment opportunities for the Company and provide financial analysis thereof;(b) acting as the discretionary investment manager to negotiate, acquire, dispose or otherwise deal in the assets in accordance with the Company’s investment objectives and strategies and investment policy and restrictions; and(c) such other services as the Company and the Manager may agree from time to time.
Investment Amount	<p>HKD200 million (the “Invested Capital”) to be deposited and maintained by the Company in its investment accounts during the term of the Investment Management Agreement.</p> <p>The Company could in its sole discretion deposit any additional capital (the “Additional Invested Capital”) from time to time for investment. In the event that the Company decides to invest Additional Invested Capital, the Company will make further announcement(s) and comply with the applicable Listing Rules as and when appropriate.</p>

Lock-up Period	<p>The Invested Capital shall not be withdrawn by the Company during the term of the Investment Management Agreement.</p> <p>The Additional Invested Capital may be freely withdrawn by the Company during the term of the Investment Management Agreement.</p>
Investment Policy and Restrictions	<p>Low-risk portfolio management with principal purpose to achieve capital preservation and secondary purpose to obtain capital appreciation. The investment shall comprise principally fixed-income investments and some equity investments.</p> <p>The Manager shall not invest in any sectors, areas or otherwise forbidden by regulatory policies of investment regions or specifically prohibited by the Company.</p>
Management Fee	<p>The Manager shall be paid, annually in rear, a management fee (the “Management Fee”) of (a) 1% per annum on the Invested Capital, and (b) 0.3% per annum on the Additional Invested Capital (if any), each calculated and accrued on a daily basis.</p> <p>Commencing from the Commencement Date to 31 December 2019, and for each twelve-month period thereafter during the term of the Investment Management Agreement (each a “Management Fee Period”, however the last Management Fee Period shall end on the date of the termination of the Investment Management Agreement), the payment date for the Management Fee shall be the first Business Day following the expiration of each Management Fee Period.</p>
Performance Fee	<p>If the Net Profits in respect of the Invested Capital at the last date of each Management Fee Period meets a return representing an annual single rate of 5% on the Invested Capital (the “Target Return”), the Manager shall be paid a performance fee (the “Performance Fee”) in one lump sum on the first Business Day after such Management Fee Period, which shall be calculated pursuant to the following manner:</p> <p style="text-align: center;"><i>Performance Fee = (Invested Capital + Net Profits in respect of the Invested Capital – Target Return) × 10%</i></p>

“Net Profits in respect of the Invested Capital” in relation to a Management Fee Period, shall mean the sum of (a) the net of any profits and losses realised on all investments sold or closed out during such Management Fee Period, *plus* (b) the net of any unrealised profits and losses on all investments as at the end of such Management Fee Period, *less* (i) the net of any unrealised profits or losses on all investments as at the end of the preceding Management Fee Period, *less* (ii) all expenses attributable to the management of the Invested Capital, and *less* (iii) cumulative losses attributable to the investments, if any, carried forward from all preceding Management Fee Periods since the last Management Fee Period for which a Performance Fee was payable.

The rates of management fee and performance fee were determined after arm’s length negotiations between the Company and the Manager with reference to, among other things, the amount of the Invested Capital and the fee rates charged by other investment managers in the market.

Early Termination

The Investment Management Agreement may be earlier terminated, amongst others, by mutual agreement in writing.

INFORMATION ON THE COMPANY

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.

INFORMATION ON THE MANAGER

The Manager is principally engaged in the provision of investment and asset management services. The Manager is licensed by the Securities and Futures Commission to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities pursuant to the SFO. To the best knowledge, information and belief of the Directors, the Manager and its ultimate beneficial owners are parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE TRANSACTION

In order to manage and use the Group’s cash funds more efficiently, the Company utilized part of its bank cash deposit for the investment made under the Investment Management Agreement. The Board considers engaging in wealth management with low risk exposure is conducive to enhancing the return on cash funds. The Board believes that such investment could achieve principal purpose of capital preservation and, secondarily, to obtain capital appreciation.

The Group has a healthy cash flow and sufficient cash to carry out the business activities of the Group in accordance with its development strategies, market conditions and intended use of listing proceeds as set forth in the prospectus of the Company dated 12 December 2018.

For the reasons set out above, the Directors consider that the terms of the Investment Management Agreement are on normal commercial terms and are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect the transactions contemplated under the Investment Management Agreement are more than 5% but all are less than 25%, the entering into of the Investment Management Agreement constitutes a disclosable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Additional Invested Capital”	has the meaning ascribed to it under the paragraph headed “Investment Management Agreement – Investment Amount” in this announcement;
“Board”	the board of directors of the Company;
“Business Day”	a day other than (a) a Saturday or a Sunday; (b) a general holiday (as defined in the General Holidays Ordinance (Chapter 149 of the Laws of Hong Kong); or (c) a day which is a public holiday in Hong Kong;
“Commencement Date”	has the meaning ascribed to it under the paragraph headed “Investment Management Agreement – Term” in this announcement;
“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;
“Director(s)”	the director(s) of the Company;
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Invested Capital”	has the meaning ascribed to it under the paragraph headed “Investment Management Agreement – Investment Amount” in this announcement;
“Investment Management Agreement”	the investment management agreement dated 23 April 2019 between the Company and the Manager in relation to the provision of the Investment Management Services;
“Investment Management Services”	has the meaning ascribed to it under the paragraph headed “Investment Management Agreement – Services” in this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Management Fee”	has the meaning ascribed to it under the paragraph headed “Investment Management Agreement – Management Fee” in this announcement;
“Management Fee Period”	has the meaning ascribed to it under the paragraph headed “Investment Management Agreement – Management Fee” in this announcement;
“Manager”	China Re Asset Management (Hong Kong) Company Limited, a company incorporated in Hong Kong and licensed by the Securities and Futures Commission to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities pursuant to the SFO;
“Performance Fee”	has the meaning ascribed to it under the paragraph headed “Investment Management Agreement – Performance Fee” in this announcement;
“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;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Target Return” has the meaning ascribed to it under the paragraph headed “Investment Management Agreement – Performance Fee” in this announcement; and

“%” percentage.

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

Hong Kong, 23 April 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*