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SCHOLAR EDUCATION GROUP

思考樂教育集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1769)

CONNECTED TRANSACTIONS TENANCY AGREEMENTS

TENANCY AGREEMENTS

The Group is continuously identifying suitable premises for its business expansion. Leveraging its strategic relationship with CREG (a substantial shareholder of the Company), the Group cooperated with CR Vanguard (a state-owned enterprise with nearly 220,000 employees, and a leading retailer and operator of commercial properties with a mature, extensive business network of over 3,100 retail stores under its ownership in more than 240 cities across the PRC), and entered into the Tenancy Agreements for the rental of two premises in Shenzhen and Jiangmen, respectively, with a view to developing and operating new learning centres.

The premises under the Tenancy Agreements are strategically important to the Group's expansion plan. In particular, the premises in Jiangmen will develop into the Group's first learning centre in Jiangmen, which is also positioned to become the Group's flagship centre and regional headquarters in Jiangmen. In addition, the entering into of the Tenancy Agreements signifies the development of the Group's strategic cooperation with CREG and CR Vanguard. The Group is currently exploring the possibility to source from CR Vanguard's network other suitable premises to operate new learning centres in various cities in Guangdong Province, including Zhongshan, Zhuhai, Dongguan and Guangzhou with a view to further strengthening its presence in the Guangdong-Hong Kong-Macau Greater Bay Area.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CREG is a substantial shareholder of the Company holding approximately 11.63% of the issued share capital of the Company. CREG is wholly owned by CRE Alliance Fund I L.P., which is in turn managed by a subsidiary of China Resources (Holdings) Company Limited as its general partner. As CR Vanguard is a subsidiary of China Resources (Holdings) Company Limited, both of the lessors of the Tenancy Agreements, being CR Vanguard and a wholly-owned subsidiary of CR Vanguard, respectively, are connected persons of the Company under Rule 14A.13(1) of the Listing Rules and the rental transactions contemplated under the Tenancy Agreements constitute connected transactions of the Company.

In accordance with IFRS 16 applicable to the Company, the rental transactions contemplated under the Tenancy Agreements will be recognised as acquisitions of right-of-use assets that will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the rental transactions contemplated under the Tenancy Agreements are aggregated for the purpose of the applicable size tests.

As the highest of the applicable percentage ratios in relation to the rental transactions contemplated under the Tenancy Agreements exceeds 0.1% but is less than 5%, the transactions are only subject to reporting and announcement requirements but are exempt from the independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

TENANCY AGREEMENTS

The principal terms of the Tenancy Agreements are set out as follows:

1. Xili Tenancy Agreement

Date	:	10 October 2019
Parties	:	(1) CR Vanguard, as lessor; and (2) Shenzhen Scholar Centre, as tenant
Premises	:	No. 239, Zhuguang Road, Nanshan District, Shenzhen, Guangdong Province, the PRC* (中國廣東省深圳市南山區珠光路239號)
Saleable area	:	Approximately 877 sq.m.
Term	:	From 24 September 2019 to 28 March 2023; renewable for a further term of four years upon expiry
Monthly rent	:	RMB149,090 (exclusive of electricity and gas charges and insurance, which are borne by Shenzhen Scholar Centre)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 5% each year upon 1 September 2022

2. Xinzhicheng Tenancy Agreement

Date	:	10 October 2019
Parties	:	(1) New Jiangcheng Department Store (Jiangmen) Co., Ltd.* (江門華潤萬家生活超市有限公司), a wholly-owned subsidiary of CR Vanguard, as lessor; and (2) Jiangmen Scholar, as tenant
Premises	:	No. 196, Jianshe Road, Jiangmen, Guangdong Province, the PRC* (中國廣東省江門市建設路196號)
Saleable area	:	Approximately 1,055 sq.m.
Term	:	From 24 September 2019 to 23 September 2027
Monthly rent	:	RMB52,750 (exclusive of electricity and gas charges and insurance, which are borne by Jiangmen Scholar)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 5% each year upon 24 September 2022

The rental terms the Tenancy Agreements were determined after taking into account (i) the rental terms of nearby comparable premises; (ii) various conditions of the premises, including but not limited to the location of the premises as well as the facilities and management services associated with the premises; and (iii) the expected inflation rate in the PRC.

The Group estimates that, based on the terms of the Tenancy Agreements, the aggregate value of right-of-use asset to be recognised under the Tenancy Agreements shall be approximately RMB9,216,000, being the present value of the rental charges payable by the tenants to the lessors under the respective Tenancy Agreements, calculated using the incremental borrowing rate of the Group for discounting purpose. The Group expects that the rental charges payable under the Tenancy Agreements will be financed primarily by internal resources of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENTS

The Group is seeking to expand its network of learning centres in Guangdong Province, including an additional centre in each of Shenzhen and Jiangmen. The Board considers that such learning centres are strategically important to the Group's expansion plan and the premises under the Tenancy Agreements are suitable to operate such learning centres. In particular, the premises in Jiangmen will develop into the Group's first learning centre in Jiangmen, which is also positioned to become the Group's flagship

centre and regional headquarters in Jiangmen. The entering into of the Tenancy Agreements signifies the development of the Group's strategic cooperation with CREG (a substantial shareholder of the Company) and CR Vanguard.

The Group intends to deepen its relationship with CREG and its affiliates, which the Board believes is conducive to the development of the Group in the long term, particularly in view of the extensive business presence and connection of CREG and its affiliates in the PRC. The Group is currently exploring the possibility to source from CR Vanguard's network other suitable premises to operate new learning centres in various cities in Guangdong Province, including Zhongshan, Zhuhai, Dongguan and Guangzhou with a view to further strengthening its presence in the Guangdong-Hong Kong-Macau Greater Bay Area.

The Directors (including the independent non-executive Directors) are of the view that each of the Tenancy Agreements is on normal commercial terms or better and in the ordinary and usual course of business of the Group and the terms of the Tenancy Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL

The Company is an investment holding company. The principal business activities of the Group are the provision of after-school education services through academic preparation programme and early primary education program in the PRC. Shenzhen Scholar Centre is a consolidated affiliated entity of the Group and is principally engaged in the provision of K-12 after-school tutoring services in the PRC. Jiangmen Scholar is a subsidiary of the Group and is principally engaged in investment holding.

CR Vanguard is a leading retailer and operator of commercial properties with mature, extensive business network in the PRC. CR Vanguard is a state-owned enterprise, which owns and operates over 3,100 retail stores in more than 240 cities in 30 provinces, autonomous regions, municipalities directly under the Central Government and special administrative regions across the PRC and has nearly 220,000 employees. New Jiangcheng Department Store (Jiangmen) Co., Ltd. (a wholly-owned subsidiary of CR Vanguard) is principally engaged in the operation of department stores and retail stores in Jiangmen, Guangdong Province.

China Resources (Holdings) Company Limited, the ultimate beneficial owner of CR Vanguard, is a state-owned enterprise which, through its subsidiaries, engages in consumer products (including beer, food and beverages), power, property, cement, gas, pharmaceuticals and finance businesses.

BOARD'S APPROVAL

The Tenancy Agreements were approved by the Board. Since Mr. Shen Jing Wu, the vice chairman of the Board and the non-executive Director, is the chief executive officer of CRE Alliance (Hong Kong) Company Limited, an associate of the lessors of the Tenancy Agreements, he abstained from voting on the relevant board resolutions for the approval of the Tenancy Agreements and the rental transactions contemplated thereunder.

Save as disclosed above, none of the Directors had a material interest in the Tenancy Agreements and none of them was required to abstain from voting in respect of the relevant board resolutions.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CREG is a substantial shareholder of the Company holding approximately 11.63% of the issued share capital of the Company. CREG is wholly owned by CRE Alliance Fund I L.P., which is in turn managed by a subsidiary of China Resources (Holdings) Company Limited as its general partner. As CR Vanguard is a subsidiary of China Resources (Holdings) Company Limited, both of the lessors of the Tenancy Agreements, being CR Vanguard and a wholly-owned subsidiary of CR Vanguard, respectively, are connected persons of the Company under Rule 14A.13(1) of the Listing Rules and the rental transactions contemplated under the Tenancy Agreements constitute connected transactions of the Company.

In accordance with IFRS 16 applicable to the Company, the rental transactions contemplated under the Tenancy Agreements will be recognised as acquisitions of right-of-use assets which will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules.

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DEFINITIONS

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

“Board”	the board of Directors
“Company”	Scholar Education Group, a company incorporated under the laws of the Cayman Islands on 7 February 2018
“CREG”	CRE Glory Company Limited (華創煜耀有限公司), a company incorporated under the laws of the Cayman Islands on 3 November 2017
“CR Vanguard”	China Resources Vanguard Co., Ltd.* (華潤萬家有限公司), a company established under the laws of the PRC on 18 June 1991
“Director(s)”	the directors of the Company
“Group”	the Company with its subsidiaries and consolidated affiliated entities

“IFRS”	International Financial Reporting Standards
“Jiangmen Scholar”	Jiangmen Scholar Education Consultancy Co., Ltd.* (江門市思考樂教育諮詢有限公司), a company established under the laws of the PRC on 14 August 2019 and a subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China excluding for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“Shenzhen Scholar Centre”	Shenzhen Scholar Education Training and Centre* (深圳市思考樂教育培訓中心), a private non-enterprise entity established under the laws of the PRC on 30 July 2014 and a consolidated affiliated entity of the Company
“Tenancy Agreements”	the Xili Tenancy Agreement and the Xinzhicheng Tenancy Agreement
“Xili Tenancy Agreement”	the tenancy agreement dated 10 October 2019 entered into between Shenzhen Scholar Centre (as tenant) and CR Vanguard (as lessor)
“Xinzhicheng Tenancy Agreement”	the tenancy agreement dated 10 October 2019 entered into between Jiangmen Scholar (as tenant) and New Jiangcheng Department Store (Jiangmen) Co., Ltd.* (江門華潤萬家生活超市有限公司) (as lessor)

In this announcement, the terms “associate”, “connected person”, “connected transaction”, “subsidiary”, and “substantial shareholder” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

By order of the Board
SCHOLAR EDUCATION GROUP
CHEN QIYUAN
Chairman and Executive Director

Hong Kong, 10 October 2019

As at the date of this announcement, the Board comprises:

Executive Directors

Mr. Chen Qiyuan (*chairman*)
Mr. Chen Hongyu
Mr. Qi Mingzhi (*chief executive officer*)
Mr. Xu Chaoqiang

Independent non-executive Directors

Mr. Huang Victor
Dr. Liu Jianhua
Mr. Yang Xuezhi

Non-executive Director

Mr. Shen Jing Wu (*vice chairman*)

* *The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*