

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.



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

THE DECEMBER 2019 CRV AGREEMENTS

The Group is continuously identifying suitable premises for its business expansion. The Board is pleased to announce that, further to the October 2019 CRV Agreements, the Group has again 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 December 2019 CRV Agreements for the rental of two premises in Luohu District, Shenzhen and Longgang District, Shenzhen, respectively, with a view to developing and operating new learning centres. The Board considers that such premises would be conducive to the Group in strengthening its market leading presence in Shenzhen and, in turn, Guangdong Province, and the entering into of the December 2019 CRV Agreements signifies the development of the Group's strategic cooperation with CREG (a substantial shareholder of the Company) and CR Vanguard.

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 (which is the lessor under the December 2019 CRV Agreements) is a subsidiary of China Resources (Holdings) Company Limited, CR Vanguard is a connected person of the Company under Rule 14A.13(1) of the Listing Rules and the rental transactions contemplated under the December 2019 CRV Agreements constitute connected transactions of the Company.

In accordance with IFRS 16 applicable to the Company, the rental transactions contemplated under the December 2019 CRV 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 October 2019 CRV Agreements and the December 2019 CRV Agreements are aggregated for the purpose of the applicable size tests. The aggregate value of the right-of-use assets to be recognised under the October 2019 CRV Agreements and the December 2019 CRV Agreements is approximately RMB21,708,000. As the highest of the applicable percentage ratios exceeds 0.1% but is less than 5%, the rental transactions contemplated under the December 2019 CRV Agreements 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.

THE DECEMBER 2019 CRV AGREEMENTS

The principal terms of the December 2019 CRV Agreements are set out as follows:

1. The Luohu Tenancy Agreement

Date	:	12 December 2019
Parties	:	(1) CR Vanguard, as lessor; and (2) Shenzhen Scholar Centre, as tenant
Premises	:	Floor 1–4, Changfengyuan Commercial Complex, No. 2035 Chunfeng Road, Luohu District, Shenzhen, Guangdong Province, the PRC (中國廣東省深圳市羅湖區春風路2035號長豐苑商業群樓1–4層)
Rental area	:	Approximately 466.98 sq.m.
Term	:	From 26 November 2019 to 30 November 2027
Monthly rent	:	RMB65,377.20 (exclusive of air-conditioning fees, water and electricity charges and insurance, which are borne by Shenzhen Scholar Centre)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 3% upon 26 November 2020 and then by 5% each year upon 26 November 2021.

2. The Longgang Tenancy Agreement

Date	:	12 December 2019
Parties	:	(1) CR Vanguard, as lessor; and (2) Shenzhen Scholar Centre, as tenant
Premises	:	Floor 1–3, No. 860 Pengda Moercheng, Longgang Avenue, Longgang District, Shenzhen, Guangdong Province, the PRC (中國廣東省深圳市龍崗區龍崗大道鵬達摩爾城860號1–3層)
Rental area:		Approximately 715 sq.m.
Term	:	From 1 November 2019 to 23 September 2026
Monthly rent	:	RMB107,250 (exclusive of air-conditioning fees, water and electricity charges and insurance, which are borne by Shenzhen Scholar Centre)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 3% upon 1 November 2020 and then by 5% each year upon 1 November 2021.

The rental terms of the December 2019 CRV Agreements were determined after taking into account (i) the rental terms of nearby comparable premises; (ii) various conditions of the premises, including 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 December 2019 CRV Agreements, the aggregate value of right-of-use assets to be recognised under the December 2019 CRV Agreements shall be approximately RMB12,492,000, being the present value of the rental charges payable by Shenzhen Scholar Centre to CR Vanguard under the December 2019 CRV Agreements, calculated using the incremental borrowing rate of the Group for discounting purpose. The Group expects that the fees payable under the December 2019 CRV Agreements will be financed primarily by the internal resources of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2019 DECEMBER CRV AGREEMENTS

The Board considers that the premises of the 2019 December CRV Agreements would be conducive to the Group in strengthening its market leading presence in Shenzhen and, in turn, Guangdong Province, and the entering into of the December 2019 CRV Agreements signifies the development of the Group's strategic cooperation with CREG (a substantial shareholder of the Company) and CR Vanguard.

The Directors (including the independent non-executive Directors) are of the view that each of the tenancy agreements constituting the December 2019 CRV Agreements is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms of the December 2019 CRV Agreements are fair and reasonable and in the interests of the Company and the 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 programme 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.

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.

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 December 2019 CRV 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 CR Vanguard (which is the lessor under the December 2019 CRV Agreements), he abstained from voting on the relevant board resolutions for the approval of the December 2019 CRV Agreements and the rental transactions contemplated thereunder.

Save as disclosed above, none of the Directors had a material interest in the December 2019 CRV Agreements and none of them were 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 (which is the lessor under the December 2019 CRV Agreements) is a subsidiary of China Resources (Holdings) Company Limited, CR Vanguard is a connected person of the Company under Rule 14A.13(1) of the Listing Rules and the rental transactions contemplated under the December 2019 CRV Agreements constitute connected transactions of the Company.

In accordance with IFRS 16 applicable to the Company, the rental transactions contemplated under the December 2019 CRV 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 October 2019 CRV Agreements and the December 2019 CRV Agreements are aggregated for the purpose of the applicable size tests. The aggregate value of the right-of-use assets to be recognised under the October 2019 CRV Agreements and the December 2019 CRV Agreements is approximately RMB21,708,000. As the highest of the applicable percentage ratios exceeds 0.1% but is less than 5%, the rental transactions contemplated under the December 2019 CRV Agreements 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.

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 in the Cayman Islands with limited liability on 7 February 2018
“CREG”	CRE Glory Company Limited (華創煜耀有限公司), a company incorporated in the Cayman Islands with limited liability on 3 November 2017
“CR Vanguard”	China Resources Vanguard Co., Ltd. (華潤萬家有限公司), a company established in the PRC on 18 June 1991
“December 2019 CRV Agreements”	the Luohu Tenancy Agreement and the Longgang Tenancy Agreement
“Director(s)”	the directors of the Company
“Group”	the Company with its subsidiaries and consolidated affiliated entities
“IFRS”	International Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Longgang Tenancy Agreement”	the tenancy agreement dated 12 December 2019 entered into between CR Vanguard (as lessor) and Shenzhen Scholar Centre (as tenant) for the lease of Floor 1–3, No. 860 Pengda Moercheng, Longgang Avenue, Longgang District, Shenzhen, Guangdong Province, the PRC (中國廣東省深圳市龍崗區龍崗大道鵬達摩爾城860號1–3層)

“Luohu Tenancy Agreement”	the tenancy agreement dated 12 December 2019 entered into between CR Vanguard (as lessor) and Shenzhen Scholar Centre (as tenant) for the lease of Floor 1–4, Changfengyuan Commercial Complex, No. 2035 Chunfeng Road, Luohu District, Shenzhen, Guangdong Province, the PRC (中國廣東省深圳市羅湖區春風路2035號長豐苑商業群樓1–4層)
“October 2019 CRV Agreements”	a tenancy agreement for the rental of a premises in Shenzhen by the Group from CR Vanguard and a tenancy agreement for the rental of a premises in Jiangmen by the Group from a subsidiary of CR Vanguard, details of each of which were disclosed in the announcement of the Company dated 10 October 2019
“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 in the PRC on 30 July 2014 and a consolidated affiliated entity of the Company

In this announcement,

- (a) *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 require; and*
- (b) *the English transliteration of PRC addresses and entities is included for information only, and should not be regarded as the official English addresses and names.*

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

Hong Kong, 12 December 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*)