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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF A MIXED-USED PROPERTY IN THE PRC

For the purpose of attracting, nurturing and retaining talented staff, the Group intends to establish a comprehensive training centre that will provide robust and professional training programmes to senior management personnel, teachers, and other staff members of the Group. The Board believes that such training centre will be strategically important in supporting the Group's rapid development going forward. The Board is pleased to announce that it has identified suitable premises for such training centre. On 24 September 2019 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the SPA with the Vendor, an Independent Third Party, to acquire the Property, which comprises the entire floor of a mixed-use property in Luohu District, Shenzhen, Guangdong Province at the Consideration of RMB58,000,000 in cash.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (within the meaning of the Listing Rules) in respect of the transactions contemplated under the SPA is above 5% but less than 25%, the transactions contemplated under the SPA constitute a discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board wishes to announce that on 24 September 2019 (after trading hours), the Purchaser entered into the SPA with the Vendor to acquire the Property at the Consideration of RMB58,000,000. The principle terms of the SPA are set out below:

THE SPA

Date:

24 September 2019

Parties

- (a) The Purchaser: Fengye (Shenzhen) Technology Co., Ltd.* (楓燁(深圳)科技有限公司), an indirect wholly-owned subsidiary of the Company
- (b) The Vendor: Well Profit Investment Limited, an Independent Third Party

Property to be acquired

The Property comprises the entire fourth floor of the Podium of Jingfeng Building, Yunfeng Garden, Intersection of Youyi Road and Jiangbei Road, Luohu District, Shenzhen, Guangdong Province, the PRC* (中國深圳市羅湖區友誼路與江背路交匯處雲峰花園景峰閣裙樓4層). The Property is a mixed-use property with a total gross floor area of approximately 3,536.07 sq.m.. The Property is currently vacant.

Within (i) 90 days after the signing of the SPA; and (ii) two business days after the release of all the encumbrances in respect of the Property (including the Mortgage), the Purchaser and the Vendor shall register the transfer of the ownership of the Property at the relevant property registration office in the PRC.

Consideration and payment terms

The Consideration for the acquisition of the Property is RMB58,000,000, which is inclusive of the tax payable by the Purchaser and the Vendor arising from the acquisition of the Property.

The Consideration is payable by the Purchaser to the Vendor in the following manner:

- (i) an initial deposit in the sum of RMB2,000,000 in cash shall be paid to a designated bank account of the Vendor within two business days upon signing of the SPA; and
- (ii) the balance in the sum of RMB56,000,000 shall be paid to an escrow agent, an Independent Third Party, in escrow within two business days upon the entering into of the escrow agreement among the Purchaser, the Vendor and the escrow agent in respect of the balance.

The sum of RMB56,000,000 of the Consideration to be held in escrow by the escrow agent shall be applied in the following manner:

- (i) within two business days after receiving the notice from the relevant property registration office and the relevant tax authority in the PRC of the tax obligations payable by the Purchaser and the Vendor arising from the acquisition of the Property, such amount shall be paid to a bank account of a third party jointly determined by the Purchaser and the Vendor to settle such tax obligations; and

(ii) within one business day after receiving the notice from the relevant property registration office for the collection of the property ownership certificate for the Property:

(A) RMB11,000,000 shall be released to a designated bank account of the Vendor; and

(B) the remaining balance of the Consideration shall be released to a bank account controlled by a creditor of the Vendor. This payment will be made in order to settle a loan provided by the creditor to the Vendor for the Vendor to secure the discharge of the Mortgage prior to the transfer of ownership of the Property.

The Consideration was agreed between the Purchaser and the Vendor after arm's length negotiations with reference to, among other things, the current market value of comparable properties in the proximity of the Property. The Consideration will be financed primarily by the Group's internal resources and bank borrowing.

INFORMATION OF THE VENDOR

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor is principally engaged in property investment, and Shenzhen Qiyuan Financial Holdings Group Co., Ltd.* (深圳啟元金融控股集團有限公司), the ultimate beneficial owner of the Vendor, is principally engaged in investment holding, financial advisory, asset management and financial services outsourcing in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

INFORMATION OF THE PURCHASER, THE COMPANY AND THE GROUP

The Purchaser is established under the laws of the PRC and is an indirect wholly-owned subsidiary of the Company. 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 programmes and early primary education programmes in the PRC.

REASONS FOR AND BENEFITS OF THE ACQUISITION

For the purpose of attracting, nurturing and retaining talented staff, the Group intends to establish a comprehensive training centre that will provide robust and professional training programmes to senior management personnel, teachers, and other staff members of the Group. The Board believes that such training centre will be strategically important in supporting the Group's rapid development going forward. The Board considers that the Property is suitable for the establishment of such training centre.

The Directors are of the view that the terms of the SPA are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (within the meaning of the Listing Rules) in respect of the transactions contemplated under the SPA is above 5% but less than 25%, the transactions contemplated under the SPA constitute a discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 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, an exempted company incorporated in the Cayman Islands with limited liability on 7 February 2018
“Consideration”	the total consideration for the acquisition of the Property under the SPA, being RMB58,000,000
“Director(s)”	the directors of the Company
“Group”	the Company with its subsidiaries and consolidated affiliated entities
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party whose ultimate beneficial owner(s) is(are) third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mortgage”	the existing mortgage over the Property that was created to secure certain debt obligations of the Vendor
“PRC”	the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	a property comprising the entire fourth floor of the Podium of Jingfeng Building, Yunfeng Garden, Intersection of Youyi Road and Jiangbei Road, Luohu District, Shenzhen, Guangdong Province, the PRC* (中國深圳市羅湖區友誼路與江背路交匯處雲峰花園景峰閣裙樓4層) with a total gross floor area of approximately 3,536.07 sq.m.

“Purchaser”	Fengye (Shenzhen) Technology Co., Ltd.* (楓燁(深圳)科技有限公司), a company established under the laws of the PRC on 2 April 2018 and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“SPA”	the property sale and purchase agreement dated 24 September 2019 entered into between the Purchaser and the Vendor in relation to the acquisition of the Property
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Well Profit Investment Limited, a company incorporated under the laws of Hong Kong on 25 November 2002

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

Hong Kong, 24 September 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.*