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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 TRANSACTION TENANCY AGREEMENT**

#### **THE APRIL 2020 CRV AGREEMENT**

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 and the December 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 April 2020 CRV Agreement for the rental of a premises in Liwan District, Guangzhou, with a view to developing and operating a new learning centre. The Board considers that the premises under the April 2020 CRV Agreement is strategically important to the Group's expansion plan in the Guangdong-Hong Kong-Macau Greater Bay Area. In particular, this premise will develop into the Group's first learning centre in Guangzhou, which is also positioned to become the Group's flagship centre and regional headquarters in Guangzhou.

#### **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 the lessor of the April 2020 CRV Agreement is a subsidiary of China Resources (Holdings) Company Limited, the lessor is a connected person of the Company under Rule 14A.13(1) of the Listing Rules and the rental transaction contemplated under the April 2020 CRV Agreement constitutes a connected transaction of the Company.

In accordance with IFRS 16 applicable to the Company, the rental transaction contemplated under the April 2020 CRV Agreement will be recognised as an acquisition of right-of-use assets that will constitute a one-off connected transaction 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, the December 2019 CRV Agreements and the April 2020 CRV Agreement 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, the December 2019 CRV Agreements and the April 2020 CRV Agreement is approximately RMB30,458,000. As the highest of the applicable percentage ratios exceeds 0.1% but is less than 5%, the rental transaction contemplated under the April 2020 CRV Agreement is only subject to reporting and announcement requirements but is exempt from the independent Shareholders approval requirements pursuant to Chapter 14A of the Listing Rules.

## THE APRIL 2020 CRV AGREEMENT

The principal terms of the April 2020 CRV Agreement is set out as follows:

- Date** : 29 April 2020
- Parties** : (1) 華潤萬家生活超市(廣州)有限公司, a subsidiary of CR Vanguard, as lessor; and  
(2) 廣州思考樂教育諮詢有限公司, a consolidated affiliated entity of the Company, as tenant
- Premises** : No. 12 Zhongshan 8th Road, Liwan District, Guangzhou, Guangdong Province, the PRC\* (中國廣東省廣州市荔灣區中山八路12號)
- Rental area** : Approximately 825 sq.m.
- Term** : From 1 April 2020 to 15 April 2027
- Monthly rent** : RMB115,500 (inclusive of management fees, but exclusive of water, electricity and gas charges and insurance, which are borne by the tenant)
- Monthly rent adjustment** : The monthly rent will be adjusted upward by 3% upon 1 April 2021 and then by 5% each year upon 1 April 2022

The rental terms of the April 2020 CRV Agreement 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 April 2020 CRV Agreement, the value of right-of-use asset to be recognised under the April 2020 CRV Agreement shall be approximately RMB8,935,000, being the present value of the rental charges payable by the tenant to the lessor under the April 2020 CRV Agreement, calculated using the incremental borrowing rate of the Group for discounting purpose. The Group expects that the fees payable under the April 2020 CRV Agreement will be financed primarily by the 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 the Guangdong-Hong Kong-Macau Greater Bay Area with additional centres in Guangzhou. The Board considers that such a learning centre is strategically important to the Group's expansion plan. This premise will develop into the Group's first learning centre in Guangzhou, which is also positioned to become the Group's flagship centre and regional headquarter in Guangzhou. The entering into of the April 2020 CRV Agreement 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 the April 2020 CRV Agreement 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 April 2020 CRV Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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. The tenant of the April 2020 CRV Agreement is a consolidated affiliated entity of the Group and is principally engaged in the operation of after-school learning centres in Guangzhou.

The lessor of the April 2020 CRV Agreement is principally engaged in property holding and property management and is a wholly-owned subsidiary of CR Vanguard.

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 April 2020 CRV Agreement was 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 lessor of the April 2020 CRV Agreement, he abstained from voting on the relevant board resolutions for the approval of the April 2020 CRV Agreement and the rental transaction contemplated thereunder.

Save as disclosed above, none of the Directors had a material interest in the April 2020 CRV Agreement 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 the lessor of the April 2020 CRV is a subsidiary of China Resources (Holdings) Company Limited, the lessor is a connected person of the Company under Rule 14A.13(1) of the Listing Rules and the rental transaction contemplated under the April 2020 CRV Agreement constitutes a connected transaction of the Company.

In accordance with IFRS 16 applicable to the Company, the rental transaction contemplated under the April 2020 CRV Agreement will be recognised as an acquisition of a right-of-use asset that will constitute a one-off connected transaction 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, the December 2019 CRV Agreements and the April 2020 CRV Agreement are aggregated for the purpose of the applicable size tests. The aggregate value of the right-of-use assets recognised or to be recognised under the October 2019 CRV Agreements, the December 2019 CRV Agreements and the April 2020 CRV Agreement is approximately RMB30,458,000. As the highest of the applicable percentage ratios exceeds 0.1% but is less than 5%, the rental transaction contemplated under the April 2020 CRV Agreement is 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:

|                                |                                                                                                                                                                                                                                                                                                                               |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “April 2020 CRV Agreement”     | the tenancy agreement dated 29 April 2020 entered into the 廣州思考樂教育諮詢有限公司 (as tenant) and 華潤萬家生活超市(廣州)有限公司 (as lessor) for the lease of No. 12 Zhongshan 8th Road, Liwan District, Guangzhou, Guangdong Province, the PRC (中國廣東省廣州市荔灣區中山八路12號)                                                                                 |
| “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 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” | two tenancy agreements for the rental of premises in Luohu District and Longgang District, Shenzhen, respectively, by the Group from CR Vanguard, details of each of which were disclosed in the announcement of the Company dated 12 December 2019                                                                           |
| “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                                                                                                                                                                                                                                      |
| “October 2019 CRV Agreements”  | a tenancy agreement for the rental of a premises in Nanshan District, 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

*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, 29 April 2020

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*)