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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

THE NOVEMBER 2020 CRV AGREEMENTS

The Group is continuously identifying suitable premises for its business expansion. The Board is pleased to announce that, further to the December 2019 CRV Agreements, the April 2020 CRV Agreement and the May 2020 CRV Agreement, 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 November 2020 CRV Agreements for the rental of four premises in (i) Huadu District, Guangzhou, (ii) Xiangzhou District, Zhuhai, (iii) Torch Hi-Tech Industrial Development Zone, Zhongshan and (iv) Shunde District, Foshan, 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 Guangdong-Hong Kong-Macau Greater Bay Area, and the entering into of the November 2020 CRV Agreements signify 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 the lessors of the November 2020 CRV Agreements are subsidiaries of China Resources (Holdings) Company Limited, each lessor is a connected person of the Company under Rule 14A.13(1) of the Listing Rules and the rental transactions contemplated under the November 2020 CRV Agreements constitute connected transactions of the Company.

In accordance with IFRS 16 applicable to the Company, the rental transactions contemplated under the November 2020 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 December 2019 CRV Agreements, the April 2020 CRV Agreement, the May 2020 CRV Agreement and the November 2020 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 December 2019 CRV Agreements, the April 2020 CRV Agreement, the May 2020 CRV Agreement and the November 2020 CRV Agreements is approximately RMB34,691,000. As the highest of the applicable percentage ratios exceeds 0.1% but is less than 5%, the rental transactions contemplated under the November 2020 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 NOVEMBER 2020 CRV AGREEMENTS

The principal terms of the November 2020 CRV Agreements are set out as follows:

1. The Huadu Tenancy Agreement

Date	:	2 November 2020
Parties	:	(1) Vanguard Department Store (Guangzhou) Co., Ltd.* (華潤萬家生活超市(廣州)有限公司), a subsidiary of CR Vanguard, as lessor; and (2) Guangzhou Scholar Education Consultancy Co., Ltd.* (廣州市思考樂教育諮詢有限公司), a consolidated affiliated entity of the Company, as tenant
Premises	:	Room 01, 3rd Floor, No. 31 Yunshan Avenue, Huadu District, Guangzhou, Guangdong Province, the PRC* (中國廣東省廣州市花都區雲山大道31號三層01號)
Rental area	:	Approximately 702 sq.m.
Term	:	From 25 October 2020 to 24 October 2028
Monthly rent	:	RMB28,080 (exclusive of management fees and water, electricity and gas charges, which are borne by the tenant)
Monthly rent adjustment	:	The monthly rent will be adjusted upward by 3% upon 25 October 2021, and then by 5% each year upon 25 October 2022.

2. The Xiangzhou Tenancy Agreement

- Date** : 2 November 2020
- Parties** : (1) Vanguard Department Store (Zhuhai) Co., Ltd.* (華潤萬家生活超市(珠海)有限公司), a subsidiary of CR Vanguard, as lessor; and
- : (2) Zhuhai Scholar Education Consultancy Co., Ltd.* (珠海市思考樂教育諮詢有限公司), a consolidated affiliated entity of the Company, as tenant
- Premises** : Shop 3001, No. 808 Renmin West Road, Xiangzhou District, Zhuhai, Guangdong Province, the PRC* (中國廣東省珠海市香洲區人民西路808號3001舖)
- Rental area** : Approximately 571 sq.m.
- Term** : From 26 October 2020 to 25 October 2028
- Monthly rent** : RMB51,390 (exclusive of management fees and water, electricity and gas charges, which are borne by the tenant)
- Monthly rent adjustment** : The monthly rent will be adjusted upward by 3% upon 26 October 2021, and then by 5% each year upon 26 October 2022.

3. The Torch Development Zone Tenancy Agreement

- Date** : 2 November 2020
- Parties** : (1) Shenzhen Vanguard Department Store Co., Ltd.* (深圳華潤萬佳超級市場有限公司), a subsidiary of CR Vanguard, as lessor; and
- : (2) Zhongshan Scholar Education Consultancy Co., Ltd.* (中山市思考樂教育諮詢有限公司), a consolidated affiliated entity of the Company, as tenant
- Premises** : 2nd Floor, No. 17 Yiling Road, Torch Hi-Tech Industrial Development Zone, Zhongshan, Guangdong Province, the PRC* (中國廣東省中山市火炬高技術產業開發區頤嶺路17號二層)
- Rental area** : Approximately 741.7 sq.m.

Term	: From 1 November 2020 to 15 June 2026
Monthly rent	: RMB18,542.50 (exclusive of management fees and water, electricity and gas charges, which are borne by the tenant)
Monthly rent adjustment	: The monthly rent will be adjusted upward by 3% upon 1 November 2021, then by 5% upon 1 November 2022, and then by further 5% upon 1 November 2024.

4. The Shunde Tenancy Agreement

Date	: 2 November 2020
Parties	: (1) Shenzhen Vanguard Department Store Co., Ltd.* (深圳華潤萬佳超級市場有限公司), a subsidiary of CR Vanguard, as lessor; and : (2) Foshan Scholar Culture Center Co., Ltd.* (佛山市思考樂文化有限公司), a consolidated affiliated entity of the Company, as tenant
Premises	: Shops 33001–33028, Beijiao Commercial Plaza, No. 10 Renchang Road, Beijiao Community Residents Committee, Beijiao Town, Shunde District, Foshan, Guangdong Province, the PRC* (中國廣東省佛山市順德區北滘鎮北滘社區居民委員會人昌路10號北滘商業廣場33001號–33028號商舖)
Rental area	: Approximately 760 sq.m.
Term	: From 1 November 2020 to 31 October 2028
Monthly rent	: RMB41,800 (inclusive of management fees, but exclusive of water, electricity and gas charges, which are borne by the tenant)
Monthly rent adjustment	: The monthly rent will be adjusted upward by 3% upon 1 November 2021, and then by 5% each year upon 1 November 2022.

The rental terms of the November 2020 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 November 2020 CRV Tenancy Agreements, the aggregate value of right-of-use asset to be recognised under the November 2020 CRV Tenancy Agreements shall be approximately RMB11,329,000, being the present value of the rental charges payable by the tenants to the lessors under the respective November 2020 CRV Tenancy Agreements, calculated using the incremental borrowing rate of the Group for discounting purpose. The Group expects that the rental charges payable under the November 2020 CRV Tenancy Agreements will be financed primarily by internal resources of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NOVEMBER 2020 CRV AGREEMENTS

The Group is seeking to expand its network of learning centres in the Guangdong-Hong Kong-Macau Greater Bay Area. The Board considers that these additional learning centres are strategically important to the Group's expansion plan across the region. The entering into of the November 2020 CRV Agreements also signify 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 November 2020 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 November 2020 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. The tenants of the November 2020 CRV Agreements are consolidated affiliated entities of the Group and are principally engaged in investment holding.

The lessors of the November 2020 CRV Agreement are principally engaged in the operation of department stores and retail stores in the Guangdong Province and are subsidiaries 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 November 2020 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 the lessors of the November 2020 CRV Agreements, he abstained from voting on the relevant board resolutions for the approval of the November 2020 CRV Agreements and the rental transactions contemplated thereunder.

Save as disclosed above, none of the Directors had a material interest in the November 2020 CRV Agreements and none of them were required to abstain from voting in respect of the relevant board resolutions.

LISTING RULES IMPLICATIONS

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In accordance with IFRS 16 applicable to the Company, the rental transactions contemplated under the November 2020 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 December 2019 CRV Agreements, the April 2020 CRV Agreement, the May 2020 CRV Agreement and the November 2020 CRV Agreements 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 December 2019 CRV Agreements, the April 2020 CRV Agreement, the May 2020 CRV Agreement and the November 2020 CRV Agreements is approximately RMB34,691,000. As the highest of the applicable percentage ratios exceeds 0.1% but is less than 5%, the rental transactions contemplated under the November 2020 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:

“April 2020 CRV Agreement”	a tenancy agreement for the rental of a premises in Liwan District, Guangzhou by the Group from a subsidiary of CR Vanguard, details which were disclosed in the announcement of the Company dated 29 April 2020
“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”	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
“Huadu Tenancy Agreement”	the tenancy agreement dated 2 November 2020 entered into between Vanguard Department Store (Guangzhou) Co., Ltd.* (華潤萬家生活超市(廣州)有限公司) (as lessor) and Guangzhou Scholar Education Consultancy Co., Ltd.* (廣州市思考樂教育諮詢有限公司) (as tenant) for the lease of Room 01, 3rd Floor, No. 31 Yunshan Avenue, Huadu District, Guangzhou, Guangdong Province, the PRC* (中國廣東省廣州市花都區雲山大道31號三層01號)
“IFRS”	International Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“May 2020 CRV Agreement”	a tenancy agreement for the rental of a premises in Xinhui District, Jiangmen by the Group from a subsidiary of CR Vanguard, details which were disclosed in the announcement of the Company dated 29 May 2020
“November 2020 CRV Agreements”	the Huadu Tenancy Agreement, the Xiangzhou Tenancy Agreement, the Torch Development Zone Tenancy Agreement and the Shunde Tenancy Agreement
“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
“Shunde Tenancy Agreement”	the tenancy agreement dated 2 November 2020 entered into between Shenzhen Vanguard Department Store Co., Ltd.* (深圳華潤萬佳超級市場有限公司) (as lessor) and Foshan Scholar Culture Center Co., Ltd.* (佛山市思考樂文化有限公司) (as tenant) for the lease of Shops 33001–33028, Beijiao Commercial Plaza, No. 10 Renchang Road, Beijiao Community Residents Committee, Beijiao Town, Shunde District, Foshan, Guangdong Province, the PRC* (中國廣東省佛山市順德區北滘鎮北滘社區居民委員會人昌路10號北滘商業廣場33001號–33028號商舖)
“Torch Development Zone Tenancy Agreement”	the tenancy agreement dated 2 November 2020 entered into between Shenzhen Vanguard Department Store Co., Ltd.* (深圳華潤萬佳超級市場有限公司) (as lessor) and Zhongshan Scholar Education Consultancy Co., Ltd.* (中山市思考樂教育諮詢有限公司) (as tenant) for the lease of 2nd Floor, No. 17 Yiling Road, Torch Hi-Tech Industrial Development Zone, Zhongshan, Guangdong Province, the PRC* (中國廣東省中山市火炬高技術產業開發區頤嶺路17號二層)
“Xiangzhou Tenancy Agreement”	the tenancy agreement dated 2 November 2020 entered into between Vanguard Department Store (Zhuhai) Co., Ltd.* (華潤萬家生活超市(珠海)有限公司) (as lessor) and Zhuhai Scholar Education Consultancy Co., Ltd.* (珠海市思考樂教育諮詢有限公司) (as tenant) for the lease of Shop 3001, No. 808 Renmin West Road, Xiangzhou District, Zhuhai, Guangdong Province, the PRC* (中國廣東省珠海市香洲區人民西路808號3001舖)

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*
- (*) 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, 2 November 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*)