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SHANGHAI GENCH EDUCATION GROUP LIMITED

上海建橋教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1525)

DISCLOSEABLE TRANSACTION CONSTRUCTION CONTRACT IN RELATION TO PHASE THREE OF CAMPUS CONSTRUCTION PLAN

CONSTRUCTION CONTRACT

The Board hereby announces that, on 26 August 2020, Jian Qiao University (a consolidated affiliated entity of the Company) entered into the Construction Contract with Luyao Construction, an Independent Third Party construction contractor, pursuant to which Luyao Construction was appointed as a construction contractor to carry out the construction works, installation works and related ancillary works of the Campus Facilities, which are part of the phase three of campus construction plan of Jian Qiao University, at an estimated Consideration of approximately RMB250 million (equivalent to approximately HKD277.5 million), subject to adjustment (which is not expected to be material) based on settlement audit.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Construction Contract exceeds 5% but is less than 25%, the transaction contemplated under the Construction Contract constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that, on 26 August 2020, Jian Qiao University (a consolidated affiliated entity of the Company) entered into the Construction Contract with Luyao Construction, an Independent Third Party construction contractor, pursuant to which Luyao Construction was appointed as a construction contractor to carry out the construction works, installation works and related ancillary works of the Campus Facilities, which are part of the phrase three of campus construction plan of Jian Qiao University, at an estimated Consideration of approximately RMB250 million (equivalent to approximately HKD277.5 million), subject to adjustment (which is not expected to be material) based on settlement audit.

PRINCIPAL TERMS OF THE CONSTRUCTION CONTRACT

Date: 26 August 2020

Parties: (1) Jian Qiao University, a consolidated affiliated entity of the Company
(2) Luyao Construction, as the construction contractor

Subject matter: Luyao Construction was appointed as a construction contractor to carry out the construction works, installation works and related ancillary works of the Campus Facilities, which are part of the phrase three of campus construction plan of Jian Qiao University. The Campus Facilities are located at the current campus of Jian Qiao University at No. 1111, Huchenghuan Road, Pudong New Area, Shanghai, PRC, with a total gross floor area of approximately 60,950 square meters. Such Campus Facilities mainly comprise (i) a multi-function teaching building with a total gross floor area of approximately 9,413 square meters, (ii) two dormitory buildings with a total gross floor area of approximately 21,742 square meters and 21,715 square meters, respectively, and with an aggregate of 3,984 beds which will increase our school capacity, as well as (iii) an ancillary dormitory building for boarding-related services (such as an office of dormitory management personnel and laundry rooms).

Construction period: Expected commencement date: 5 September 2020
Expected delivery date: 31 May 2022

Consideration and payment terms: The total estimated Consideration payable by Jian Qiao University under the Construction Contract shall be approximately RMB250 million (equivalent to approximately HKD277.5 million), subject to adjustment (which is not expected to be material) based on settlement audit.

The Consideration comprises of labour and construction material costs, administrative fees charged by governmental authorities and departments (including but not limited to social insurance premiums), service fee for management and subcontracting as well as other expenses for the construction of the Campus Facilities under the Construction Contract.

During the construction period, in the event that the original unit price fluctuates, the Consideration shall be adjusted in accordance with the terms and conditions of the Construction Contract based on the settlement audit.

The Consideration was determined after arm's length negotiations between Jian Qiao University and Luyao Construction based on scope of work and project cost budget.

The Consideration will be financed by partial proceeds from the initial public offering of the Company, which was allocated for financing construction projects on the campus of Jian Qiao University and purchase of furniture and equipment, and bank borrowings.

The Consideration shall be payable in the following manner:

- (i) up to 65% of the Consideration in relation to the works completed shall be payable by Jian Qiao University in accordance with the progress of the works under the Construction Contract, subject to reporting by Luyao Construction as well as review and confirmation by Jian Qiao University, construction supervision party and investment supervision party;
- (ii) up to 80% of the Consideration (as adjusted by initial settlement audit), less the 65% already paid pursuant to (i) above, shall be payable by Jian Qiao University after passing the construction completion inspection and completing the initial settlement audit by investment supervision party;
- (iii) up to 90% of the Consideration (as adjusted by final settlement audit), less the 80% already payable pursuant to (i) and (ii) above, shall be paid by Jian Qiao University after completing the final settlement audit;

- (iv) up to 95% of the Consideration (as adjusted by final settlement audit), less the 90% already paid pursuant to (i) to (iii) above, shall be payable by Jian Qiao University after one year from the date of passing the construction completion inspection and completing the final settlement audit; and
- (v) the remaining 5% of the Consideration (as adjusted by final settlement audit) shall be retained as the quality guarantee fees, 2% of which shall be payable after two years from the date of passing the construction completion inspection and completing the final settlement audit, 2% of which shall be payable after four years from the date of passing the construction completion inspection and completing the final settlement audit and 1% of which shall be payable after five years from the date of passing the construction completion inspection and completing the final settlement audit.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT

Jian Qiao University is a boarding school with on-campus dormitories. In order to increase the school capacity in relation to student dormitories and teaching facilities that can meet the needs of the Group's expansion in the years to come, Jian Qiao University decided to commence phase three of its campus construction plan. In order to cater for the needs of progressing the construction and development of phase three of the campus construction plan of Jian Qiao University, Jian Qiao University appointed Luyao Construction as the construction contractor to carry out the construction works, installation works and related ancillary works of the Campus Facilities as part of phase three of the campus construction plan. It is expected that construction works shall commence in September 2020 and the Campus Facilities to be constructed under the Construction Contract are targeted to be put into use in 2022/2023 school year.

Luyao Construction has comprehensive construction experience and was engaged as the construction contractor of phase one and phase two of the campus construction plan of Jian Qiao University. As such, the Company believes that the appointment of Luyao Construction as the construction contractor is appropriate to meet the needs of construction of the Campus Facilities.

The Directors consider that the terms of the Construction Contract and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

With regards to other construction works, installation works and related ancillary works to be conducted under phase three of the campus construction plan, it is currently estimated that the related costs and expenses shall be approximately RMB90 million (equivalent to approximately HKD99.9 million). The total capital expenses on phase three of the campus construction plan is currently estimated to be approximately RMB340 million (equivalent to approximately HKD377.4 million), which shall be incurred by the end of 2022. The Company will make further announcement(s) as and when appropriate as required by the Listing Rules.

LISTING RULE IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Construction Contract exceeds 5% but is less than 25%, the transaction contemplated under the Construction Contract constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION OF THE GROUP AND LUYAO CONSTRUCTION

The Group principally engages in private higher education in the PRC. Jian Qiao University (a consolidated affiliated entity of the Company) is a leading private university in Shanghai.

Luyao Construction principally engages in construction works and related businesses. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Luyao Construction is ultimately and beneficially owned by Mr. Lu Ping as to 99.6% and Ms. Qiao Junmei as to 0.4%, and (ii) each of Luyao Construction and its ultimate beneficial owners is an Independent Third Party of the Company and its connected persons.

DEFINITIONS

“Board”	the board of Directors
“Campus Facilities”	the dormitory and teaching facilities to be constructed under the Construction Contract, including but not limited to, one teaching building, two dormitory buildings and one ancillary dormitory building
“Company”	Shanghai Gench Education Group Limited (上海建橋教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 May 2018, the shares of which are listed on the Stock Exchange

“Consideration”	consideration payable under the Construction Contract, which is currently estimated to be approximately RMB250 million (equivalent to approximately HKD277.5 million), subject to adjustment (which is not expected to be material) based on settlement audit
“Construction Contract”	a construction contract dated 26 August 2020 entered into between Jian Qiao University and Luyao Construction in relation to the construction works, installation works and related ancillary works of the Campus Facilities
“Director(s)”	director(s) of the Company
“Group”	our Company, its subsidiaries and consolidated affiliated entities (including Jian Qiao University) from time to time
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong for the time being
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“Jian Qiao University”	Shanghai Jian Qiao University* (上海建橋學院), a private institution of formal higher education established under the laws of the PRC on 28 June 2000, a consolidated affiliated entity of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Luyao Construction”	Shanghai Luyao Construction Engineering Co., Ltd.* (上海陸遙建築工程有限公司), a company established in the PRC with limited liability and an Independent Third Party
“PRC”	the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan

“RMB” Renminbi, the lawful currency of the PRC for the time being

“Stock Exchange” The Stock Exchange of Hong Kong Limited

By order of the Board
Shanghai Gench Education Group Limited
Zhou Xingzeng
Chairman

Shanghai, 26 August 2020

In this announcement, the English translation of company or entity names in Chinese which are marked with “” is for identification purpose only.*

As at the date of this announcement, our executive Directors are Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan and Mr. Shi Yinjie, our non-executive Directors are Mr. Zhao Donghui and Mr. Du Jusheng and our independent non-executive Directors are Mr. Chen Baizhu, Mr. Hu Rongen and Ms. Liu Tao.