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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 FOUR OF CAMPUS CONSTRUCTION PLAN

CONSTRUCTION CONTRACT

The Board hereby announces that, on 30 December 2022, Jian Qiao University (a consolidated affiliated entity of the Company) entered into the Construction Contract with Changhui Construction, an Independent Third Party construction contractor, pursuant to which Changhui 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 four of campus construction plan of Jian Qiao University, at an estimated Consideration of approximately RMB345.6 million (equivalent to approximately HKD387.1 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 30 December 2022, Jian Qiao University (a consolidated affiliated entity of the Company) entered into the Construction Contract with Changhui Construction, an Independent Third Party construction contractor, pursuant to which Changhui 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 four of campus construction plan of Jian Qiao University, at an estimated Consideration of approximately RMB345.6 million (equivalent to approximately HKD387.1 million), subject to adjustment (which is not expected to be material) based on settlement audit.

PRINCIPAL TERMS OF THE CONSTRUCTION CONTRACT

- Date:** 30 December 2022
- Parties:** (1) Jian Qiao University, a consolidated affiliated entity of the Company
(2) Changhui Construction, as the construction contractor
- Subject matter:** Changhui 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 four 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 86,400 square meters.
- Construction period:** Expected commencement date: 30 December 2022
Expected delivery date: 31 August 2024
- Consideration and payment terms:** The total estimated Consideration payable by Jian Qiao University under the Construction Contract shall be approximately RMB345.6 million (equivalent to approximately HKD387.1 million), subject to adjustment (which is not expected to be material) based on settlement audit.
- The Consideration comprises of labour costs, construction material costs, safe and civilized construction measure fees (安全文明施工費) 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 labour costs and construction material costs 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 Changhui Construction based on scope of work, project cost budget, the experience and capability of the Changhui Construction, and the prevailing market price for carrying out a construction of similar scale and complexity.

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, internal resources 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 Changhui 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 97% 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 3% of the Consideration (as adjusted by final settlement audit) shall be retained as the quality guarantee fees, 1% of which shall be payable after two years from the date of passing the construction completion inspection and completing the final settlement audit, 1% 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 satisfy the accommodation needs of on-campus engineers, experts in the industry, and teachers and staff, improve the quality of campus life, optimize the teaching and training facilities, and meet the needs of the Group's expansion in the years to come, Jian Qiao University decided to commence phase four of its campus construction plan. In order to cater for the needs of progressing the construction and development of phase four of the campus construction plan of Jian Qiao University, Jian Qiao University appointed Changhui 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 four of the campus construction plan. Such Campus Facilities mainly comprise (i) a teaching and training building (which will be conducive to connect university-enterprise resources and deepen the integration of industry and education), (ii) three talent apartments (which will increase the attraction of outstanding talents for the University and help the University to introduce various experts in the integration of industry and education), (iii) a multi-functional research and development centre (which will be attributable to the research on the integration of industry and education and the joint talent training with the on-campus enterprises). It is expected that construction works shall commence on 30 December 2022 and the Campus Facilities to be constructed under the Construction Contract are targeted to be put into use in 2024/2025 school year.

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.

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 CHANGHUI 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.

Changhui 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) Changhui Construction is directly owned by Mr. Chen Tianming (陳天明) as to approximately 98.0008% and Mr. Zhao Zhuang (趙壯) as to approximately 1.9992%, respectively, and (ii) each of Changhui 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 apartment, teaching and training building and other facilities with a gross floor area of approximately 86,400 square meters to be constructed under the Construction Contract
“Changhui Construction”	Nanjing Changhui Construction Engineering Co., Ltd.* (南京長輝建築工程有限公司), a company established in the PRC with limited liability and an Independent Third Party
“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 RMB345.6 million (equivalent to approximately HKD387.1 million), subject to adjustment (which is not expected to be material) based on settlement audit

“Construction Contract”	a construction contract dated 30 December 2022 entered into between Jian Qiao University and Changhui 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” or “University”	Shanghai Jian Qiao University Co., Ltd.* (上海建橋學院有限責任公司), a limited liability company established in the PRC which has operated a private institution of formal higher education since 10 August 2021 with the short name of “Shanghai Jian Qiao University” in the private school operating permit. It is 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
“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, 30 December 2022

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.