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## Issuer & Securities

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### Issuer/ Manager

RAFFLES EDUCATION CORPORATION LIMITED

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### Securities

RAFFLES EDUCATION CORP LTD - SG2C97968151 - NR7

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### Stapled Security

No

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## Announcement Details

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### Announcement Title

Asset Acquisitions and Disposals

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### Date & Time of Broadcast

29-Aug-2018 22:23:15

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**ASSET ACQUISITIONS AND DISPOSALS::ASSET SALE AND PURCHASE AGREEMENT**

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### Announcement Sub Title

Asset Sale and Purchase Agreement

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### Announcement Reference

SG180829OTHR8Y84

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### Submitted By (Co./ Ind. Name)

Chew Hua Seng

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### Designation

Chairman

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### Effective Date and Time of the event

29/08/2018 17:00:00

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### Description (Please provide a detailed description of the event in the box below)

Asset Sale and Purchase Agreement.

Please see the attachment.

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## Attachments

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[REC - Chapter 10 Announcement for Sale of Tonghui Land.pdf](#)

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[E OUCHK - Major and Connected Transaction for Acquisition of Properties.pdf](#)

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Total size =227K MB

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**RAFFLES EDUCATION CORPORATION LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration No.: 199400712N)

**ASSET SALE AND PURCHASE AGREEMENT FOR THE PROPOSED DISPOSAL OF  
PROPERTIES IN THE PEOPLE'S REPUBLIC OF CHINA**

**1. INTRODUCTION**

- 1.1 The Board of Directors (the "**Board**") of Raffles Education Corporation Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the announcements of the Company dated 8 October 2014, 3 December 2014, 26 December 2014, 31 December 2014, 8 January 2015, 15 January 2015 and 16 January 2015 in relation to the spin-off and listing (the "**Spin-off Listing**") of its subsidiary, Oriental University City Holdings (H.K.) Limited ("**OUCHK**", and together with its subsidiaries, the "**OUCHK Group**") on the Growth Enterprise Market ("**GEM**") of the Stock Exchange of Hong Kong Limited ("**HKSE**").
- 1.2 In connection with the Spin-off Listing, the Company and OUCHK had entered into a Deed of Non-Competition and Call Option on 22 December 2014 (the "**Deed**"), where the Company had granted and undertaken to procure that a subsidiary that is 99% owned by the Company, Langfang Tonghui Education Consultancy Co., Ltd ("**Tonghui**"), granted to OUCHK a call option (the "**Call Option**") to purchase the whole or any part of the land with land title classified as educational and zoned for educational use pursuant to the land use planning scheme promulgated by the Bureau of Urban and Rural Planning of Tonghui City in 2011, with a total site area of approximately 418 mu owned by Tonghui (the "**Zhuyun Education Land**"). The Deed provided that the purchase price would be fair and reasonable and negotiated in good faith and agreed between OUCHK and the Company or Tonghui as soon as practicable following the giving of the relevant option notice by OUCHK to the Company or Tonghui to exercise the Call Option.
- 1.3 The Board wishes to announce that OUCHK exercised the Call Option on 29 August 2018 to purchase certain properties owned by Tonghui which are part of the Zhuyun Education Land (the "**Properties**"), and that following negotiations between OUCHK and the Company on the purchase price of the Properties, on 29 August 2018, the Company, OUCHK, Tonghui and Langfang Kaifaqu Oriental University City Education Consultancy Co., Ltd ("**Kaifaqu**"), a wholly-owned subsidiary of OUCHK that is incorporated in the People's Republic of China ("**PRC**") (collectively, the "**Parties**") entered into an asset sale and purchase agreement ("**ASPA**"), pursuant to which OUCHK agreed to purchase, and the Company agreed to procure Tonghui to sell, the Properties for a total consideration of RMB252,370,000 (approximately S\$50,413,000) (the "**Proposed Disposal**").
- 1.4 Under the terms of the Deed, the Call Option will continue to apply in respect of the rest of the Zhuyun Education Land other than the Properties, and will remain outstanding and effective until the earliest of: (a) the date on which the Group, directly or indirectly, ceases to hold or otherwise be interested in, beneficially in aggregate 30% or more of the issued share capital of OUCHK; (b) the date on which the OUCHK shares cease to be listed on the HKSE (provided that such delisting is voluntary and at the instigation of OUCHK); and (c) the date on which the Group (including Tonghui) ceases to hold any part of the Zhuyun Education Land.

Please also refer to OUCHK's announcement also released today, a copy of which is attached

together with this announcement.

## 2. PARTICULARS OF OUCHK

The Company presently holds 75% of the total issued share capital of OUCHK and OUCHK is therefore a subsidiary of the Company. OUCHK is principally engaged in the leasing of education facilities to education institutions and commercial leasing of supporting facilities in the PRC.

For the avoidance of doubt, the Proposed Disposal does not constitute an interested person transaction for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Rule 915(3) of the Listing Manual provides that where a transaction between an entity at risk and an investee company, where the interested person's interest in the investee company, other than that held through the issuer, is less than 5%, that transaction is not required to comply with Listing Rules 905, 906 and 907. As no director, chief executive officer or controlling shareholder of the Company or any of their respective associates holds any interest in OUCHK other than through the Company, the exemption in Rule 915(3) will apply to the Proposed Disposal.

## 3. PARTICULARS OF THE PROPERTIES

As stated in paragraph 1.3 above, the Properties are part of the Zhuyun Education Land, situated at Oriental University City, Langfang Economic and Technology Development Zone, Langfang City, Hebei Province, the PRC, Tonghui City, Hebei Province, PRC. The Properties comprise three (3) parcels of land for education use with a total site area of approximately 57,501.40 square meters, and two (2) buildings with a total gross floor area of approximately 58,385.86 square meters.

The key details of the land use rights of the three (3) parcels of land are as follows:

No.	Certificate No.	Date of issue	Land use	Approximate site area (sq.m.)
1	(2012) 023	15 June 2012	Education	40,861.40
2	(2016) 00080	10 November 2016	Education	6,937.20
3	(2017)0007965	1 July 2016	Education	9,702.80
			<b>Total:</b>	<b>57,501.40</b>

The key details of the building ownership rights of the two (2) buildings are as follows:

No.	Certificate No.	Date of issue	No. of stories	Approximate gross floor area (sq.m.)
1	H6427	29 June 2016	13	51,576.55
2	H6423	29 June 2016	3	6,809.31
			<b>Total:</b>	<b>58,385.86</b>

A total of approximately 6,921.27 square meters of the gross floor area of the two (2) buildings

is currently being leased out to 22 tenants (all of which are third parties that are not related to the Group) for terms ranging from September 2015 to August 2022. Pursuant to the relevant tenancy agreements, the aggregate monthly rent for these areas is approximately RMB1,728,354 (exclusive of government rates and service charges).

The aggregate historical investment costs paid by the Company as at 19 March 2008 for the three (3) parcels of land and two (2) buildings was approximately RMB21,338,051 and RMB167,269,798 respectively.

#### **4. DETAILS OF THE PROPOSED DISPOSAL**

##### **4.1 Consideration**

The consideration for the Proposed Disposal is RMB252,370,000.00 (the "**Consideration**"). The Consideration was arrived at on a "willing seller, willing buyer" basis after taking into account arm's length negotiations between the Company and OUCHK under normal commercial terms and with reference to, among others, the preliminary valuation of the Properties at RMB252,370,000 as on 29 August 2018 (the "**Valuation**"). The Valuation was commissioned by OUCHK and the Company jointly and carried out by an independent professional valuer. In valuing the properties, the valuer adopted approaches on the basis of capitalisation of the rental derived from the existing tenancies with due allowance for reversionary rental potential of the Properties, and by making reference to comparable sales evidence as available in the relevant property market.

The Consideration shall be satisfied in the following manner:

- (a) upon the signing of the ASPA, RMB25,237,000, representing 10% of the Consideration (the "**Deposit**") payable by Kaifaqu to Tonghui, shall be settled in cash;
- (b) on the date of the completion of the Proposed Disposal under the ASPA (the "**Completion**"), at the election of OUCHK, OUCHK shall either:
  - (i) make a cash payment of RMB50,474,000 representing 20% of the Consideration and issue a convertible note in the value of RMB176,659,000 (equivalent to approximately HK\$203,700,202 based on the exchange rate as quoted by People's Bank of China on the date of the ASPA) representing 70% of the Consideration, entitling the Company (or its nominee) to convert at the price of HK\$2.30 (the "**Conversion Price**") per new share to be allotted and issued by OUCHK pursuant to the exercise of conversion rights attached to the said convertible note (each a "**conversion share**"), into a maximum of 88,565,306 conversion shares; or
  - (ii) issue a convertible note in the value of RMB227,133,000 (equivalent to approximately HK\$261,900,259 based on the exchange rate as quoted by People's Bank of China on the date of the ASPA) representing 90% of the Consideration, entitling the Company (or its nominee) to convert at the Conversion Price per conversion share, into a maximum of 113,869,678 conversion shares.

##### **4.2 Principal Terms and Conditions of the ASPA**

The following are some of the salient terms and conditions of the ASPA:

(a) Conditions Precedent

Completion is conditional upon the fulfilment or waiver of the following conditions (the "**Conditions**"):

- (i) the warranties provided by the Company and OUCHK under the ASPA remaining true, and accurate in all respects and not misleading in any respect on the date of the Completion;
- (ii) the passing of an ordinary resolution by the shareholders of OUCHK (other than the Company) at a general meeting to approve the acquisition of the Properties and to approve the grant of a specific mandate to the board of directors of OUCHK to allot and issue the conversion shares;
- (iii) the passing of a resolution by the shareholders of the Company to approve the Proposed Disposal under the ASPA and in accordance with the applicable Singapore listing rules;
- (iv) the Listing Committee of the HKSE granting approval for the listing of, and the permission to deal in, the conversion shares and such approval not having been revoked;
- (v) OUCHK having obtained a legal opinion on, among others, the title certificate of the Properties, issued by a PRC legal adviser, in form and substance satisfactory to OUCHK in its absolute discretion;
- (vi) no material adverse change having occurred between the date of the ASPA and Completion; and
- (vii) approval by the majority of the independent directors of OUCHK;
- (viii) grant of waivers of taxation by the relevant PRC tax authorities in relation to the Proposed Disposal (if required as advised by the PRC legal adviser to OUCHK); and
- (ix) approval by the State Administration of Foreign Exchange of the PRC or its competent local counterpart for the settlement of 70% or 90% (as the case may be) of the Consideration by the issuance of the convertible note to the Company (if required as advised by the PRC legal adviser to OUCHK).

If any of the above conditions are not fulfilled by 31 December 2018 or any such later date as the Parties may mutually agree, or if, before Completion, an event of material adverse effect has occurred or a material breach of the warranties of the Company has occurred, which in each case has not be satisfactorily cured in OUCHK's opinion, within the relevant period specified in the ASPA, the ASPA may be terminated in accordance with the terms of the ASPA. In the former case, Tonghui shall repay the Deposit (interest-free) to Kaifaqu within five (5) business days from the date of termination of the ASPA.

(b) Company's Undertakings

The Company undertakes to inform OUCHK if an internal restructuring relating to Tonghui is necessary in order to optimise any PRC tax obligations relating to the Proposed Disposal. In the event that a new entity (which will be wholly-owned by the Company and/or Tonghui) is set up to hold the Properties prior to the transfer to

OUCCHK under the ASPA, the Company will procure that such new entity complies with the terms and conditions of the transfer of the Properties to OUCCHK as set out in the ASPA.

(c) Principal Terms of the Convertible Note

The principal terms of the convertible note are as follows:

- (i) The aggregate principal amount of the convertible note will be HK\$203,700,202 or HK\$261,900,259 (at the option of OUCCHK as set out in paragraph 4.1(b) above) (the "**Outstanding Principal Amount**"), with the maturity date as 29 August 2028, being 10 years from the date of the ASPA (the "**Maturity Date**");
- (ii) The convertible note will bear interest on the Outstanding Principal Amount from and including the date of Completion ("**Completion Date**") up to (and including) the earlier of (A) the Maturity Date; or (B) the date at which OUCCHK has pre-paid the Outstanding Principal Amount in accordance with the terms of the convertible note, at a rate of 2.48% per annum, payable semi-annually in arrears every six (6) calendar months after the Completion Date;

Between the date of issue and the Maturity Date, the holder of the convertible note will be able to convert the Outstanding Principal Amount in whole or in part into a specified number of conversion shares based on the Conversion Price, and in accordance with the terms of the convertible note. The conversion shares will rank *pari passu* in all respects with all other existing ordinary shares in the share capital of OUCCHK and shall include rights to participate in all dividends and other distributions, the record date of which falls on or after the date of conversion;

- (iii) The noteholder undertakes not to exercise its conversion right if this will result in the percentage of public float of OUCCHK's ordinary shares listed on the HKSE falling below the minimum prescribed percentage as required by the GEM listing rules of the HKSE; and
- (iv) Any part of the convertible note that has not been converted in accordance with the terms of the convertible note as at the Maturity Date shall mature and shall be automatically converted into conversion shares at the Conversion Price on the Maturity Date.

Upon the occurrence of an event of default under the convertible note or at any time while the same is still continuing, REC or its affiliate will have the right (which can be exercised in its sole discretion) to demand OUCCHK to forthwith redeem the convertible note in full in cash.

(d) Completion

Completion will take place on the 10<sup>th</sup> Business Day after the fulfilment (or waiver) of the Conditions, or such other date as the Parties may mutually agree in writing (the "**Completion Date**").

Upon satisfaction of the delivery conditions for the Properties under the ASPA, the Company or Tonghui shall notify OUCCHK in writing to commence the procedures for

delivery of the Properties. Where both parties have carried out the inspection and acceptance procedures for the Properties, the Company or Tonghui shall produce the acceptance certificate, including all material documentation pursuant to which the Properties are owned, used or occupied by Tonghui and sign the delivery document. In the event that the Company or Tonghui does not produce the aforesaid certificate and material documents, OUCHK has the right to refuse the delivery and the liability of delayed delivery resulting therefrom shall be assumed by the Company.

The ASPA also contains other customary terms and conditions.

## **5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

5.1 Based on the unaudited consolidated financial statements of the Group for the financial year ended 30 June 2018 ("**FY2018**"):

- (a) the book value and net tangible asset value of the Properties as at 30 June 2018 was approximately S\$47,093,000 and S\$47,093,000 respectively;
- (b) As this is a transaction within the Group, there will be no gain/loss from this transaction for the Group except for the effect on tax and non-controlling interest. The Group intends to use the sale proceeds from the Proposed Disposal for its working capital.

5.2 Based on the latest unaudited consolidated financial statements of the Group for FY2018, the financial effects of the Proposed Disposal would be as follows:

- (a) the net tangible assets per share of the Company as at 30 June 2018 would increase from 36.46 Singapore cents to 36.84 Singapore cents, assuming that the Proposed Disposal had been completed on 30 June 2018; and
- (b) the earnings per share of the Company for FY2018 would increase from 0.9 Singapore cents to 1.3 Singapore cents, assuming that the Proposed Disposal had been completed on 1 July 2017.

## **6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL**

Based on the unaudited consolidated financial statements of the Group for FY2018, the relative figures computed in respect of the Proposed Disposal on the bases set out in Rule 1006 of Listing Manual are as follows:

- (a) Rule 1006(a) – the net asset value of the Properties of approximately S\$47,093,000 as at 30 June 2018 represents approximately 6.5% of the Group's net asset value of S\$722,730,000 as at 30 June 2018;
- (b) Rule 1006(b) – the aggregate net losses of approximately S\$251,000 attributable to the Properties to be disposed of for FY2018 represents approximately negative 0.6% of the Group's net profits for FY2018;
- (c) Rule 1006(c) – the Consideration represents approximately 23.9% of the Company's market capitalisation of approximately S\$210,934,000<sup>1</sup> as at 28 August 2018, being

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<sup>1</sup> Calculated based on the last transaction price of S\$0.153 per share and 1,378,656,672 shares excluding treasury shares.

the market day immediately preceding the date of the ASPA;

- (d) Rule 1006(d) – not applicable as no shares will be issued by the Company pursuant to Proposed Disposal; and
- (e) Rule 1006(e) – not applicable as the Proposed Disposal is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

Based on the relative figures above, the Proposed Disposal constitutes a major transaction for the purposes of Chapter 10 of the Listing Manual and requires the approval of the Company's shareholders. Accordingly, a circular in relation to the Proposed Disposal, together with a notice of extraordinary general meeting to be convened, will be despatched to the shareholders of the Company in due course.

## **7. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

As at the date of this Announcement, none of the Directors or controlling shareholders of the Disposal has any interest, direct or indirect, in the Proposed Disposal, other than through their respective directorships and shareholdings in the Company. No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal or any other transaction contemplated in relation to the Proposed Disposal.

## **8. DOCUMENTS FOR INSPECTION**

The following documents are available for inspection at the registered office of the Company at 51 Merchant Road, Raffles Education Square, Singapore 058283 during the Company's usual business hours (from [9.00 a.m. to 5.00 p.m.]) for a period of three (3) months from the date of the ASPA:

- (a) the ASPA; and
- (b) the Valuation report.

By Order of the Board  
**RAFFLES EDUCATION CORPORATION LIMITED**

Chew Hua Seng  
Chairman  
29 August 2018



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**ORIENTAL UNIVERSITY CITY HOLDINGS (H.K.) LIMITED**  
**東方大學城控股（香港）有限公司**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 8067)**

**MAJOR AND CONNECTED TRANSACTION —  
ACQUISITION OF PROPERTIES**

**THE ACQUISITION**

The Board is pleased to announce that on 29 August 2018 (after trading hours), the Company, as the purchaser, OUCEC, LFTH and the Seller entered into the Sale and Purchase Agreement, pursuant to which, the Seller has conditionally agreed to sell and the Company has conditionally agreed to acquire the Properties at a consideration of RMB252,370,000.

**LISTING RULE IMPLICATIONS OF THE ACQUISITION**

As the relevant percentage ratio(s) calculated in accordance with Rule 19.07 of the GEM Listing Rules in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

As of the date of this announcement, the Seller holds 75% of the entire issued share capital of the Company and is a Controlling Shareholder of the Company and thus a connected person of the Company. As such, the Acquisition will also constitute a connected transaction of the Company and is subject to the reporting, announcement and the approval of the Independent Shareholders at the GM under Chapter 20 of the GEM Listing Rules. In addition, since the Seller as the controlling shareholder of the Company will be deemed as having a material interest in the Acquisition, the Seller and its respective associates will abstain from voting on resolutions regarding the Acquisition at the GM.

## **GENERAL**

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to advise them on the terms of the Sale and Purchase Agreement. The Independent Board Committee, comprising all the independent non-executive Directors, will be established by the Company to advise the Independent Shareholders as to whether (i) the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, and (ii) whether the transactions are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

A circular containing, among other things, (i) further details of the Acquisition, (ii) the financial information of the Group, (iii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisition; (iv) a letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (v) the valuation report of the Properties; and (vi) a notice convening the GM is expected to be despatched to the Shareholders on or before 18 September 2018.

**Completion of the Acquisition is subject to fulfilment of certain conditions set out in the Sale and Purchase Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **BACKGROUND**

The Seller and the Company entered into the Deed on 22 December 2014, whereas the Seller granted and undertook to procure LFTH to grant the Company a call option to purchase the whole or any part of the Zhuyun Education Land. As at the date of this announcement, LFTH is owned as to 99% by the Seller and the Properties are legally and beneficially owned by LFTH.

## **THE ACQUISITION**

On 29 August 2018, the Company exercised the Call Option by giving a written notice to the Seller to purchase the Properties pursuant to the Deed. On the same date, the Company, OUCEC, LFTH and the Seller entered into the Sale and Purchase Agreement, pursuant to which, the Seller has conditionally agreed to sell or procure LFTH to sell, and the Company or its elected subsidiary, OUCEC, has conditionally agreed to acquire the Properties at a Consideration of RMB252,370,000.

## **THE SALE AND PURCHASE AGREEMENT**

The terms of the Sale and Purchase Agreement are as follows:

### **Date**

29 August 2018

### **Parties**

- (1) the Company (as the purchaser);
- (2) OUCEC;
- (3) LFTH; and
- (4) the Seller.

OUCEC is a wholly-owned PRC subsidiary of the Company.

The Seller is a Controlling Shareholder of the Company and thus a connected person of the Company. LFTH is owned as to 99% of the Seller and an associate of the Seller and is a connected person of the Company.

### **Assets to be Acquired**

Pursuant to the Sale and Purchase Agreement, the Seller has conditionally agreed to sell or procure LFTH to sell, and the Company or its elected subsidiary, OUCEC, has conditionally agreed to acquire, the Properties. The Properties are part of the Zhuyun Education Land. They comprise three parcels of land for education use with a total site area of approximately 57,501.40 square meters, and two buildings with a total gross floor area of approximately 58,385.86 square meters.

It is currently intended that upon the completion of the Acquisition, the Properties will be leased out by the Group.

### **Consideration**

The Consideration shall be RMB252,370,000.

The Consideration shall be payable by the Company to the Seller in the following manner:

- (a) RMB25,237,000, representing 10% of the Consideration, as the Deposit, to be settled by way of cash upon the signing of the Sale and Purchase Agreement;

(b) on the Completion Date, at the election of the Company, the Company shall either:

- (i) make a cash payment of RMB50,474,000 representing 20% of the Consideration and issue a convertible note in the value of RMB176,659,000 (equivalent to approximately HK\$203,700,202 based on the exchange rate as quoted by People's Bank of China on the date of this Announcement) representing 70% of the Consideration, entitled the Seller (or its nominee) to convert at the Conversion Price of HK\$2.30 per Conversion Share into a maximum of 88,565,306 Conversion Shares; or
- (ii) issue a convertible note in the value of RMB227,133,000 (equivalent to approximately HK\$261,900,259 based on the exchange rate as quoted by People's Bank of China on the date of this Announcement) representing 90% of the Consideration, entitled the Seller (or its nominee) to convert at the Conversion Price of HK\$2.30 per Conversion Share into a maximum of 113,869,678 Conversion Shares.

The Company will finance the cash part of the Consideration by its existing cash reserves.

### **Basis of the Consideration**

The Consideration was determined after arm's length negotiation between the Seller and the Company under normal commercial terms and with reference to, among others, the preliminary valuation of the Properties at RMB252,370,000 as on 29 August 2018, as carried out by an independent professional valuer jointly appointed by the Seller and the Company. In valuing the properties, the valuer adopted approaches on the basis of capitalization of the rental derived from the existing tenancies with due allowance for reversionary rental potential of the Properties, and by making reference to comparable sales evidence as available in the relevant property market.

In the Board meeting (which Mr. Chew had abstained from voting), the Directors (other than members of the Independent Board Committee, who will give their opinion after having considered the recommendation from the Independent Financial Adviser) consider that the consideration for the Acquisition arrived at after arm's length negotiation is fair and reasonable as the Consideration has taken into account, (i) the valuation of the Properties; (ii) the rent income receivable from the Properties; and (iii) the future prospects of the property market in Langfang, Hebei Province, PRC.

The Directors (other than members of the Independent Board Committee, who will give their opinion after having considered the recommendation from the Independent

Financial Adviser) consider that although the Acquisition is in the ordinary course of business of the Company, the terms of the Sale and Purchase Agreement are fair and reasonable and in normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The final valuation report of the Properties will be included in the circular to be dispatched to the Shareholders.

### **Conditions Precedent of the Sale and Purchase Agreement**

Completion of the Sale and Purchase Agreement is conditional upon the fulfillment (or waiver) of the following conditions:

- (a) all the warranties provided by the Company remaining true, complete and accurate in all respects and not misleading in any respect on the Completion Date;
- (b) all the warranties provided by the Seller remaining true, complete and accurate in all respects and not misleading in any respect on the Completion Date;
- (c) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the transaction contemplated under the Sale and Purchase Agreement and to approve the grant of a specific mandate to the board of directors of the Company to allot and issue the Conversion Shares;
- (d) Listing Committee of the Stock Exchange granting approval for the listing of, and the permission to deal in, the Conversion Shares and such approval not having been revoked;
- (e) the Company having obtained a legal opinion on, among others, the title certificate of the Properties, issued by a PRC legal adviser, in form and substance satisfactory to the Company in its absolute discretion;
- (f) from the date of this Agreement to the Completion, there being no material adverse change;
- (g) the approval by the majority of the independent directors of the Company;
- (h) the tax waivers issued by the relevant PRC tax authority for the transfer of the Properties from the Seller (or LFTH) to the Company (or OUCEC) (if required as advised by PRC legal adviser to the Company); and

- (i) the approval granted by the State Administration of Foreign Exchange of the PRC for the settlement of 70% of the Consideration (or 90% of the Consideration if so elected by the Company according to the terms of the Sale and Purchase Agreement) by issuance of the Convertible Note to the Seller (if required as advised by PRC legal adviser to the Company).

The above conditions precedents are required to be fulfilled or waived on or before the Long Stop Date unless being extended by both parties. The above conditions precedents (c), (d), (e), (g), (h) and (i) cannot be waived. The Company is entitled to exercise its discretion to waive the fulfillment of other conditions precedents, and as at the date of this announcement, the Company has no intention to waive any of such conditions.

In the event that such conditions could not be fully satisfied, the waiver of any of such conditions (save for conditions precedent (c), (d), (e), (g), (h) and (i)) is to be determined by the Board after consideration of the interests of the Company and the Shareholders as a whole.

If the all conditions precedent in the Sale and Purchase Agreement are not satisfied or waived as at the Long Stop Date, LFTH shall repay the Deposit to OUCEC without any interest incurred within 5 Business Days from the Long Stop Date.

## **COMPLETION**

Completion of the Sale and Purchase Agreement shall take place on or before the 10th Business Day from the day on which all conditions precedent in the Sale and Purchase Agreement are satisfied or waived, or at such other time and date as mutually agreed between the parties in writing.

## **PRINCIPAL TERMS OF THE CONVERTIBLE NOTE**

The principal terms of the Convertible Note to be issued by the Company to the Seller (or its nominees) are summarized as follows:

### **Aggregate principal amount of the Convertible Note**

HK\$203,700,202 (or HK\$261,900,925 if so elected by the Company according to the terms of the Sale and Purchase Agreement)

### **Maturity date**

29 August 2028, being ten (10) years from the date of the Sale and Purchase Agreement.

**Conversion period**

The holders of the Convertible Note will be able to convert the outstanding principal amount of the Convertible Note in whole or in part into Shares at any time following the relevant date of issue until the Maturity Date.

**Conversion price**

HK\$2.30 per Conversion Share, representing the average closing price of the shares of the Company for the five (5) Business Days immediately preceding the date of the Sale and Purchase Agreement.

The Conversion Price was determined after arm's length negotiation between the Company and the Seller with reference to the prevailing market price of the Shares. The Directors (excluding Mr. Chew who had abstained from voting, and the independent non-executive Directors whose views will be given after considering the advice from the Independent Financial Adviser) consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

**Interest rate**

2.48% per annum based on HIBOR.

**Transferability**

The Convertible Note may only be assigned or transferred to an affiliate of the Seller with prior written notification made to the Company.

**Voting**

The holder of the Convertible Note will not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of them being a holder of the Convertible Note.

**Listing**

No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange.

Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Note.

Subject to the granting of the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange, the Conversion Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Conversion Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter.

All activities under CCASS are subject to the general rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **Ranking**

The Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Note will rank pari passu in all respects with all other Shares outstanding on the date the name of the holder of the Convertible Note is entered in the register of members of the Company as a holder of the Conversion Shares.

### **Conversion restriction**

The conversion rights attaching to a Convertible Note cannot be exercised (and accordingly the Company will not issue Conversion Shares) if the Company believes that it would no longer fulfill the public float requirement under Rule 11.23 of the GEM Listing Rules immediately after the issue of the Conversion Shares.

### **Redemption**

In the event that the Company gives notice of redemption and receives a notice of conversion under the Convertible Note on the same date (regardless of the time), the notice of redemption shall take priority against the notice of conversion.

### **CONVERSION**

The maximum of 88,565,306 Conversion Shares (or 113,869,678 Conversion Shares if so elected by the Company under the terms of the Sale and Purchase Agreement) to be issued upon full conversion of the Convertible Note represent approximately 49.20% (or 63.26% as the case may be) of the existing issued share capital of the Company and approximately 32.98% (or 38.75% as the case may be) of the Company's then issued share capital as enlarged by the issue of the Conversion Shares.



## INFORMATION ABOUT THE COMPANY, THE GROUP AND THE SELLER

The Company is principally engaged in the leasing of education facilities to education institutions and commercial leasing of supporting facilities in the PRC.

The Seller is headquartered in Singapore and is listed on the Mainboard of the SGX-ST. It is a private education provider in Asia-Pacific. It operates 25 colleges and universities in 23 cities across 13 countries in Asia-Pacific and Europe, have more than 20,500 students enrolled and employs more than 2,000 academic and administrative staff in FY2017.

## INFORMATION ABOUT THE PROPERTIES

The Properties are part of the Zhuyun Education Land, situated at Oriental University City, Langfang Economic and Technology Development Zone, Langfang City, Hebei Province, the PRC. They comprise three parcels of land for education use with a total site area of approximately 57,501.40 square meters and two buildings with a total gross floor area of approximately 58,385.86 square meters.

The salient details of the land use rights of the three parcels of land are as follows:

No.	Certificate No.	Date of issue	Land use	Site area (sq.m.)
1	(2012) 023	15 June 2012	Education	40,861.40
2	(2016) 00080	10 November 2016	Education	6,937.20
3	(2017) 0007965	1 July 2016	Education	<u>9,702.80</u>
			<b>Total:</b>	<b><u>57,501.40</u></b>

The salient details of the building ownership rights of the two buildings are as follows:

No.	Certificate No.	Date of issue	No. of stories	Gross floor area (sq.m.)
1	H6427	29 June 2016	13	51,576.55
2	H6423	29 June 2016	3	<u>6,809.31</u>
			<b>Total:</b>	<b><u>58,385.86</u></b>

A total of approximately 6,921.27 square meters of the gross floor areas of the two buildings are currently being leased out to 22 tenants, all being Independent Third Parties, for lease terms ranging from September 2015 to August 2022. Pursuant to the relevant tenancy agreements, the aggregate monthly rent for these areas is RMB1,728,354 (exclusive of government rates and service charges).

The total historical investment costs made by the Seller for the three parcels of land were approximately RMB21,338,051 and for the two buildings were approximately RMB167,269,798 as at 19 March 2008.

According to the Sale and Purchase Agreement, Completion of the Acquisition shall take place on the 10th Business Day following the fulfilment or waiver (as the case may be) of all conditions precedents or such other date as the Seller and the Company may agree in unity. Upon satisfaction of the delivery conditions for the Properties under the Sale and Purchase Agreement, the Seller or LFTH shall notify the Company in writing to commence the procedures for delivery of the Properties. Where both parties have carried out the inspection and acceptance procedures for the Properties, the Seller or LFTH shall produce the acceptance certificate, including all material documentation pursuant to which the Properties are owned, used or occupied by LFTH and sign the delivery document. In the event that the Seller or LFTH does not produce the aforesaid certificate and material documents, the Company has the right to refuse the delivery and the liability of delayed delivery resulting therefrom shall be assumed by the Seller.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the leasing of education facilities to education institutions and commercial leasing of supporting facilities in the PRC. As at 30 June 2018, all of the Company's investment properties has reached over 80% occupancy rate. The development process for additional investment properties is time-consuming and subject to various PRC government policies as may be issued from time to time. Therefore, as part of its growth plan, the Board continues to explore and evaluate new investment opportunities which could be of good potential and/or long-term benefit to the Group in providing additional and upgraded education facilities. The Directors consider that the Acquisition would enlarge its investment property portfolio and strengthen the Group's portfolio in high-quality growth assets with enhanced earnings, cash flow, accelerated revenue growth and capital appreciation potential for the Group. Accordingly, the Board considers that the Acquisition will bring a positive and synergy effect to the future development of the Group.

Upon Completion, the Company will lease out the Properties so as to generate additional stable income for the Group prior to realization of any of its investment in the Properties. In view of the recent developments in the PRC property market, the Directors (other than members of the Independent Board Committee, who will give their opinion after having considered the recommendation from the Independent Financial Adviser) believe that the future prospect of the property market in the PRC is promising. The Acquisition will provide a good opportunity for the Group to expand its investment in the property market in the PRC.

The Directors (other than members of the Independent Board Committee, who will give their opinion after having considered the recommendation from the Independent Financial Adviser) is also of the view that the rental income deriving from the Properties would strengthen the income and cash flow of the Group. The Directors (other than members of the Independent Board Committee, who will give their opinion after having considered the recommendation from the Independent Financial Adviser) consider that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

#### **LISTING RULE IMPLICATIONS OF PROPOSED ACQUISITIONS**

As the relevant percentage ratio(s) calculated in accordance with Rule 19.07 of the GEM Listing Rules in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

As of the date of this announcement, the Seller holds 75% of the entire issued share capital of the Company and is a controlling shareholder of the Company and thus a connected person of the Company. As such, the Acquisition will also constitute a connected transaction of the Company and is subject to the reporting, announcement and the approval of the Independent Shareholders at the GM under Chapter 20 of the GEM Listing Rules. In addition, since the Seller as the controlling shareholder of the Company will be deemed as having a material interest in the Acquisition, the Seller and its respective associates will abstain from voting on resolutions regarding the Acquisition at the GM.

#### **GENERAL**

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Sale and Purchase Agreement. The Independent Board Committee, comprising all the independent non-executive Directors, will be established by the Company to advise

the Independent Shareholders as to whether (i) the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, and (ii) whether the transactions are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

A circular containing, among other things, (i) further details of the Acquisition, (ii) the financial information of the Group, (iii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisition; (iv) a letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (v) the valuation report of the Properties; and (vi) a notice convening the GM is expected to be dispatched to the Shareholders on or before 18 September 2018.

**Completion of the Acquisition is subject to fulfilment of certain conditions set out in the Sale and Purchase Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

“Acquisition”	the proposed acquisition of Properties by the Company from the Seller (or LFTH) pursuant to the terms and conditions of the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which banks in Hong Kong and the PRC are generally open for normal business (excluding Saturdays, Sundays, public holidays in Hong Kong and the PRC and days on which Typhoon No. 8 Signals or Black Rainstorm Signals are hoisted)
“Call Option”	the call option granted by REC to the Company for it to purchase the whole or any part of the Zhuyun Education Land under the Deed

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Certificate”	means a certificate to be issued by the Company evidencing the title of the Seller to the Convertible Note and as may be amended or modified in accordance with the Instrument
“Company”	Oriental University City Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the GEM (stock code: 8076)
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date on which the Sale and Purchase Agreement is expected to complete
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of RMB252,370,000 for the Acquisition
“Controlling Shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Conversion Price”	the conversion price of HK\$2.30 per Conversion Share, representing the average closing price of the shares of the Company for the five (5) Business Days immediately preceding the date of this Agreement
“Conversion Share(s)”	the shares of the Company to be allotted and issued by the Company pursuant to the exercise of the conversion rights attaching to the Convertible Note issued by the Company

“Convertible Note”	the convertible bonds in an aggregate principal amount of HK\$203,700,202 (or HK\$261,900,259 if so elected by the Company according to the terms of the Sale and Purchase Agreement) to be issued by the Company pursuant to the Sale and Purchase Agreement and to be created by the Instrument constituting such bonds, or any part of the principal amount
“Deed”	means the Deed of Non-Competition and Call Option entered into between REC and the Company dated 22 December 2014
“Deposit”	being RMB25,237,000, representing 10% of the Consideration
“Director(s)”	the Director(s) of the Company
“Encumbrance”	any mortgage, charge (whether fixed or floating), pledge, lien (other than lien created by operation of law), option, restriction, hypothecation, assignment, deed of trust, title retention, security interest or other encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any Person, including any right granted by a transaction which, in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under applicable laws; or any lease, sub-lease, occupancy agreement, easement or covenant granting a right of use or occupancy to any Person; or any proxy, power of attorney, voting trust agreement, interest, option, right of first offer, negotiation or refusal or transfer restriction in favour of any Person, or any adverse claim as to title, possession or use
“FY2017”	the financial year ended on 30 June 2017
“GEM”	the GEM of the Stock Exchange
“GM”	the general meeting of the Company to be convened and held for the Shareholders to consider and approve the Sale and Purchase Agreement, and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries

“HIBOR”	the Hong Kong Interbank Offered Rate, which is the rate of interest offered on Hong Kong dollar loans by banks in the interbank market for the past 12 months
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors, to be established by the Company to advise the Independent Shareholders on the Acquisition
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder
“Independent Shareholders”	the Shareholders other than those who are required under the Listing Rules to abstain from voting at the GM for the resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	persons or companies which, as far as our Directors are aware after having made all reasonable enquiries, are independent of and not connected with any of our Directors, chief executive or the Substantial Shareholder (within the meaning of the GEM Listing Rules) of our Company or its subsidiary or any of their respective associates
“Instrument”	means and includes this Instrument constituting the Convertible Note as originally executed and such modification, amendment, addition or supplement to be agreed by the Company and the Seller from time to time

“Last Trading Day”	29 August 2018, being the last trading day in respect of the Shares preceding the date of this announcement
“LFTH”	廊坊通慧教育諮詢有限公司 (Langfang Tonghui Education Consultancy Co., Ltd.*) (formerly known as 河北東方築韻房地產開發有限公司 (Hebei Oriental Zhuyun Property Development Co., Ltd.*)), a company established in the PRC with limited liability which is owned as to 99% by REC, and 1% by 上海盛馨商務諮詢有限公司 (Shanghai Shengxin Business Consultancy Co., Ltd.*), and our connected person. Shanghai Shengxin Business Consultancy Co., Ltd. is a company established in the PRC with limited liability which is wholly-owned by an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2018 or such other date as the parties to the Sale and Purchase Agreement may agree in writing
“Maturity Date”	29 August 2028, being ten (10) years from the date of the Sale and Purchase Agreement
“OUCEC”	廊坊開發區東方大學城教育諮詢有限公司 (Langfang Kaifaqu Oriental University City Education Consultancy Co., Ltd.*), a company established in the PRC with limited liability and is wholly-owned by the Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the properties being acquired under the Acquisition, further details of which are set forth in the paragraph headed “Information about the Properties” in this announcement
“REC”	Raffles Education Corporation Limited, a company incorporated in Singapore with limited liability, whose shares are listed on the SGX-ST and being our Controlling Shareholder and our connected person



“RMB”	Renminbi, the lawful currency of PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Sale and Purchase Agreement”	the asset sale and purchase agreement dated 29 August 2018 and entered into between the Company, LFTH and the Seller in respect of the Acquisition
“Seller”	REC
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Warranties”	any of the Company’s or the Seller’s warranties as set out in the Sale and Purchase Agreement
“Zhuyun Education Land”	land with land title classified as educational and zoned for educational use pursuant to the land use planning scheme promulgated by the Bureau of Urban and Rural Planning of Langfang city in 2011 governing land use zoning in Oriental University City with a total site area of approximately 418 mu (278,586 sq.m.) owned by LFTH which are designated for educational use
“%”	per cent

By order of the Board  
**Oriental University City Holdings (H.K.) Limited**  
**Chew Hua Seng**  
*Chairman and Executive Director*

Singapore, 29 August, 2018

*As at the date of this announcement, the executive Directors are Mr. Chew Hua Seng (Chairman) and Mr. Liu Ying Chun (Chief Executive Officer); the non-executive Director is Mr. He Jun; and the independent non-executive Directors are Mr. Lam Bing Lun, Philip, Mr. Tan Yeow Hiang, Kenneth and Mr. Wilson Teh Boon Piaw.*

*This announcement, for which the directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company at [www.oriental-university-city.com](http://www.oriental-university-city.com).*