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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)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO DISPOSAL OF PROPERTY IN LANGFANG

THE DISPOSAL

On 15 March 2024 (after trading hours of the Stock Exchange), the Vendor, a subsidiary of the Company, as vendor and the Purchaser as purchaser entered into the Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendor has conditionally agreed to dispose of the Property located in Langfang Development Zone, Hebei, the PRC, at the consideration of RMB110 million (equivalent to approximately HK\$121.19 million).

Listing Rules Implications

As the highest applicable percentage ratio in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company pursuant to Rule 19.06(4) of the GEM Listing Rules and is, therefore, subject to reporting, announcement, circular and the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

General

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, the Agreement and the transaction contemplated thereunder. To the best of the Directors' knowledge, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the EGM.

A circular containing, among other things, further information relating to the Disposal, the notice of the EGM and other information is expected to be despatched to the Shareholders on or before 10 April 2024.

Completion of the Disposal is conditional upon the satisfaction of the Conditions Precedent. Accordingly, the Disposal 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.

THE DISPOSAL

On 15 March 2024 (after trading hours of the Stock Exchange), the Vendor, a subsidiary of the Company, as vendor and the Purchaser as purchaser entered into the Agreement, pursuant to which the Purchaser has agreed to purchase, and the Vendor has conditionally agreed to dispose of, the Property located in Langfang Development Zone, Hebei, the PRC, at a total consideration of RMB110 million (equivalent to approximately HK\$121.19 million).

The Agreement

Set out below are the principal terms of the Agreement

Date : 15 March 2024

Parties : (1) Vendor : Langfang Development Zone Oriental University City Education Consulting Co., Ltd.*(廊坊開發區東方大學城教育諮詢有限公司)

(2) Purchaser : Hebei Oriental College*(河北東方學院)

Property

The Property consists of the land use right in relation to 4 plots of land located in Oriental University City, Langfang Development Zone, Hebei, the PRC with an estimated aggregate land area of approximate 67,574 sq. m. and an aggregate construction area of approximately 52,618 sq. m. as well as the buildings and ancillary facilities erected thereon.

The rental income and net profits (before and after taxation) attributable to the Property for each of the two financial years ended 30 June 2022 and 30 June 2023 are set out below:

	For the year ended 30 June	
	2022	2023
	RMB'000	RMB'000
Rental Income	11,825	6,828
Net Profits before taxation	16,447	10,290
Net Profits after taxation	13,110	7,544

Consideration and Payment Terms

The consideration of RMB110 million (equivalent to approximately HK\$121.19 million) shall be paid by the Purchaser to the Vendor in the following manner:

- (a) RMB20 million (equivalent to approximately HK\$22.03 million) as advance payment (the “**Advance Payment**”) shall be paid within 3 working days after entering into the Agreement; and
- (b) RMB90 million (equivalent to approximately HK\$99.15 million) (the “**Balance**”) shall be paid by the Purchaser upon the Completion.

Payment by the Purchaser to the Vendor under the Agreement shall be made by bank transfer to the Vendor’s designated account.

All taxes, costs and expenses arising from the Disposal shall be borne by the relevant parties in accordance with applicable laws and regulations.

The consideration was determined after arm’s length negotiations between the Vendor and the Purchaser by reference to the valuation of the Property of RMB132.60 million (equivalent to approximately HK\$146.09 million) as at 29 February 2024 conducted by Cushman & Wakefield Limited, an independent valuer, using income capitalization approach.

Conditions Precedent

Completion is conditional upon the following conditions being satisfied or waived (if applicable):

1. Shareholders having approved the Agreement and the transaction contemplated thereunder at the EGM;
2. The Vendor has terminated all the tenancies in the Property and vacated the Property; and
3. The Vendor has completed the registration of release of mortgage upon the Property.

In the event that the Shareholders have approved the Agreement and the transaction contemplated thereunder at the EGM, the Purchaser may waive all or any part of the conditions precedent.

Should the Company fail to obtain the approval of the Shareholders, the Vendor shall return the Advance Payment without any interest to the bank account as designated by the Purchaser within 3 working days after the EGM.

Default in Payment

In the event of default by any party to the Agreement in payment of any sum due under the Agreement pursuant to the provisions thereof, the defaulting party shall pay a daily liquidated damage to the non-defaulting party at the daily rate of 0.05% based on the outstanding amount due and payable. If the delay is more than 30 days, the non-defaulting party is further entitled to terminate the Agreement.

Completion

Subject to the fulfillment of the Conditions Precedent, the Parties shall apply to Langfang Natural Resources and Planning Bureau, Hebei, the PRC for registration of the transfer of the Property so that the Property will be registered in the name of the Purchaser. Upon the Completion, the Purchaser shall pay the Balance to the Vendor.

Information of the Purchaser

The Purchaser is the same purchaser of the sale and purchase agreement dated 21 March 2023 entered into with the Vendor in respect of a very substantial disposal of the Company (reference are made to the announcement and circular of the Company dated 21 March 2023 and 12 May 2023 respectively). The Purchaser is wholly owned by Mr. LIU Xin Wei *(劉欣為) and Ms. YU Xiao Feng* (于曉峰) through Langfang Development Zone Oriental University City Zhongxin Education Investment Co., Ltd.* (廊坊開發區東方大學城中新教育投資有限公司). The Purchaser is a private regular undergraduate college established and existing under the laws of the PRC, whose scope of business includes, among others, provision of undergraduate education.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, (i) each of the Purchaser and its ultimate beneficial owners is a third party independent of the Company and its connected persons; and (ii) there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Purchaser, any of its directors and legal representatives and/or any ultimate beneficial owner(s) of the Purchaser who can exert influence on the transaction; and (b) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the Disposal).

Information of the Group and the Vendor

The Company is an investment holding company and its subsidiaries are principally engaged in the leasing of education facilities, comprising primarily teaching buildings and dormitories to education institutions in the PRC, Malaysia and the Republic of Indonesia. In addition, the Group also leases commercial properties in the OUC Campus to commercial tenants operating a range of supporting facilities, including a shopping centre, supermarket, cafe and cafeterias, bank, telecommunication companies, dental and polyclinic, amongst others, to serve the needs of students in the campus and the residents of adjacent housing estates.

The Vendor is a subsidiary of the Company, owned as to 99% by the Company, whose scope of business includes, among others, provision of education facilities rental services in the PRC.

Reasons for and Benefits of the Disposal

The Property has experienced a persistent drop in rental income since FY20/21. Similarly, the operating profit before impairment and fair value changes (the “**Operating Profit**”) and the net profit after tax (the “**Net Profit**”) attributable to the Property have experienced corresponding downward trends since FY20/21.

The table below illustrate the metrics attributable to the Property for FY20/21, FY21/22, FY22/23 and H1FY23/24.

	FY20/21 (RMB'000)	FY21/22 (RMB'000)	FY22/23 (RMB'000)	H1FY23/24 (RMB'000)
Rental Income	13,384	11,825	6,828	2,353
Operating Profit	10,625	9,142	4,298	1,229
Net Profit	16,340	13,110	7,555	379
Fair Value Gain	9,191	7,305	5,992	–

The rental income for FY22/23 had dropped 49% from FY20/21 as the vacant units of the Property, given its old worn-out conditions, were no longer be able to maintain sufficient lease interests. The Property would need a large capital re-investment to refurbish into a more appealing tenantable condition in order to bring in more rental income. As at 30 June 2023, the Group had a capital commitment of RMB43.6 million related to a 29,023 sq.m. portion of the Property. The Disposal not only enables the Group to reduce its capital commitment, but also strengthens its liquidity.

Besides, the Board considers the Operating Profit to be a more relevant measure of yield performance and liquidity, instead of Net Profit, which is elevated by the fair value gains recorded in those respective periods. The sale consideration of RMB110 million represents a multiple of 25.6 times of the Operating Profit of the Property for FY22/23. In this context, it would take approximately 26 years to achieve a similar return of investment.

Taking into account the high vacancy rate of the Property and the large capital re-investment required to refurbish the Property, in order to generate better yield, the Board, thus, considers that the Disposal provides an optimum opportunity for the Company to realise its investment in the Property. The disposal of the Property would enable the Group to rationalise the usage of its assets and improve the overall return of its investment properties. In addition, the Disposal would save the Group on recurring operational and capital expenditures and Property-related taxes and enable the Group to reduce its borrowings.

Notwithstanding that the Property was valued at RMB132.60 million, there was limited marketability, given the restricted use of the Property (i.e. for education usage only), thus, there was only a limited pool of potential buyers, namely education institutions. Several education institutions had indicated their interests to purchase some portion or the whole Property, but subsequently had not made any firm offers, after due consideration of other factors, such as lack of potential expansion space. The Purchaser is the only one who offered an offer price worthy of consideration of RMB110 million, albeit at 17% lower than the valuation.

The Directors consider that the terms of the Agreement are fair and reasonable, and the Disposal is in the interest of the Company and the Shareholders as a whole.

Utilisation of Proceeds

The net proceeds from the Disposal, after deducting the relevant transaction-related expenses and taxes, are estimated to be approximately RMB91.40 million (equivalent to approximately HK\$100.70 million). Having considered the financial performance of the Group and the liquidity of the Group, the Company intends to apply the net proceeds from the Disposal as follows:

Proposed Use	Approximate amount <i>(RMB million)</i>
Repayment of outstanding borrowings due on	
– 30 September 2024	31.00
– 4 January 2025	31.00
General working capital	29.40

It is expected that the net proceeds of approximately RMB91.40 million (equivalent to approximately HK\$100.70 million) would be fully utilized by June 2025. In the event the actual amounts of relevant transaction related expenses and taxes are lower or higher than estimates, the net proceeds shall increase or decrease accordingly. The consequential excess or shortfall in net proceeds shall be adjusted to/from the use as general working capital.

Financial Effects of the Disposal

Following the Completion, the Group is expected to record an unaudited loss of approximately RMB65.44 million (equivalent to approximately HK\$72.11million) from the Disposal, which is the difference between the net proceeds in the amount of approximately RMB91.40 million (equivalent to approximately HK\$100.70 million) to be received by the Vendor, less the carrying amount (net book value) of the Property in the sum of approximately RMB184.73 million (equivalent to approximately HK\$203.51 million) as at 30 June 2023 and the gain arising from the de-recognition of deferred tax liabilities attributable to the Property of approximately RMB27.89 million (equivalent to approximately HK\$30.73 million) as at 30 June 2023. Shareholders should note that the actual loss of the Disposal will be calculated based on the relevant figures as at the date of Completion and subject to audit and therefore, might be different from the aforementioned amount.

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General

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, the Agreement and the transaction contemplated thereunder. To the best of the Directors' knowledge, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the EGM.

A circular containing, among other things, further information relating to the Disposal, the notice of the EGM and other information is expected to be despatched to the Shareholders on or before 10 April 2024.

Completion of the Disposal is conditional upon the satisfaction of the Conditions Precedent. Accordingly, the Disposal 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

In this announcement, unless the context requires otherwise, the following expressions have the following respective meanings:

“Advance Payment”	the meaning as defined in the section headed “The Agreement – Consideration and Payment Terms” above
“Agreement”	the sale and purchase agreement dated 15 March 2024 entered into between the Vendor and the Purchaser relating to the sale and purchase of the Property
“Balance”	the meaning as defined in the section headed “The Agreement – Consideration and Payment Terms” above
“Board”	the board of Directors
“Company”	Oriental University City Holdings (H.K.) Limited, a company incorporated in Hong Kong with limited liability and whose issued Shares are listed and traded on the GEM of the Stock Exchange (stock code: 8067)
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning as ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the meaning as ascribed to it under the GEM Listing Rules
“Conditions Precedent”	the conditions precedent to the Completion set out in the section headed “The Agreement” above
“Director(s)”	director(s) of the Company
“Disposal”	the sale and purchase of the Property under the Agreement
“EGM”	an extraordinary general meeting of the Company to be convened and held, at which resolutions will be proposed to consider, and, if thought fit, to approve the Agreement and the transaction contemplated thereunder
“FY20/21”	the financial year ended 30 June 2021
“FY21/22”	the financial year ended 30 June 2022

“FY22/23”	the financial year ended 30 June 2023
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“H1FY23/24”	the six months ended 31 December 2023
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“percentage ratio(s)”	has the meaning as ascribed to it under Rule 19.07 of the GEM Listing Rules
“PRC”	the People’s Republic of China
“Property”	the property to be transferred by the Vendor to the Purchaser pursuant to the Agreement including land use rights, buildings and ancillary facilities
“Purchaser”	Hebei Oriental College* (河北東方學院), a private regular undergraduate college established and existing under the laws of the PRC
“Shares”	the ordinary shares of the Company
“Shareholder(s)”	the holder(s) of the Shares in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed to it under the Listing Rules
“Vendor”	Langfang Development Zone Oriental University City Education Consulting Co., Ltd.* (廊坊開發區東方大學城教育諮詢有限公司), a subsidiary of the Company
“working day(s)”	any day on which banks in the PRC are generally open for business (other than a Saturday, Sunday or public holiday in the PRC)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“sq. m.” square meter(s)

“%” per cent.

Unless otherwise specified in this announcement, translations of RMB into HK\$ are made in this announcement, for illustration only, at the rate of RMB1.00 to HK\$1.1017. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rates or at all.

* *For ease of reference, the names of the PRC established companies or entities have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*

For and on behalf of
Oriental University City Holdings (H.K.) Limited
Liu Ying Chun
Chief Executive Officer and Executive Director

Hong Kong, 15 March 2024

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 INEDs are Mr. Tan Yeow Hiang, Kenneth and Mr. Wilson Teh Boon Piaw and Mr. Liu Guilin.

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 website of the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its publication. This announcement will also be published and will remain on the website of the Company at www.oriental-university-city.com.