



Oriental
University City
東方大學城

THIRD QUARTERLY REPORT 2018

第三季度業績報告



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)
(於香港註冊成立之有限公司)
Stock code (股票代號) : 8067

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Given that the companies listed on the GEM are generally small and mid-sized companies, there is a risk that securities traded on the GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on the GEM.

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This report, for which the directors of Oriental University City Holdings (H.K.) Limited (the “Company” and the “Directors”, respectively) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (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 report 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 report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chew Hua Seng (*Chairman*)
Mr. Liu Ying Chun (*Chief Executive Officer*)

Non-executive Director

Mr. He Jun

Independent Non-executive Directors

Mr. Lam Bing Lun, Philip
Mr. Tan Yeow Hiang, Kenneth
Mr. Wilson Teh Boon Piaw

COMPANY SECRETARY

Mr. Kwok Siu Man, *FCS*

COMPLIANCE OFFICER

Mr. Liu Ying Chun

AUTHORISED REPRESENTATIVES

Mr. Chew Hua Seng
Mr. Liu Ying Chun

AUDIT COMMITTEE

Mr. Lam Bing Lun, Philip (*Chairman*)
Mr. Tan Yeow Hiang, Kenneth
Mr. Wilson Teh Boon Piaw

REMUNERATION COMMITTEE

Mr. Wilson Teh Boon Piaw (*Chairman*)
Mr. Chew Hua Seng
Mr. Tan Yeow Hiang, Kenneth

NOMINATION COMMITTEE

Mr. Tan Yeow Hiang, Kenneth (*Chairman*)
Mr. Chew Hua Seng
Mr. Lam Bing Lun, Philip
Mr. Wilson Teh Boon Piaw

RISK MANAGEMENT COMMITTEE

Mr. He Jun (*Chairman*)
Mr. Lam Bing Lun, Philip
Mr. Wilson Teh Boon Piaw

STOCK CODE/BOARD LOTS

8067/1,000

COMPANY'S WEBSITE

www.oriental-university-city.com

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants

REGISTERED OFFICE

31st Floor
148 Electric Road
North Point
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Levels 1 and 2, 100 Zhangheng Road
Oriental University City
Langfang Economic & Technical Development Zone
Hebei Province, 065001, the PRC

CORPORATE INFORMATION

SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road
North Point, Hong Kong

PRINCIPAL BANKERS

United Overseas Bank Limited (Hong Kong Branch)
Bank of Langfang (Development Zone Sub-branch)
Industrial and Commercial Bank of China
(Langfang Chaoyang Sub-branch)
Langfang City Suburban Rural Credit Cooperatives
(Tongbai Credit Union)
Woori Bank Hong Kong Branch

COMPLIANCE ADVISER

BNP Paribas Securities (Asia) Limited

LEGAL ADVISOR

As to PRC law
Hebei Ruoshi Law Firm

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately RMB50.2 million for the nine months ended March 31, 2018, representing an increase of 2.7% as compared with the corresponding period in 2017.
- Profit attributable to owners of the Company for the nine months ended March 31, 2018 amounted to approximately RMB35.1 million, representing an increase of 38.4% as compared with the corresponding period in 2017.
- Basic earnings per share for the nine months ended March 31, 2018 amounted to RMB0.19 (2017: RMB0.14).

The board of Directors (the “Board”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months and nine months ended March 31, 2018, together with the relevant unaudited comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 2018

	<i>Notes</i>	For the three months ended		For the nine months ended	
		March 31, 2018 <i>Unaudited</i> RMB'000	March 31, 2017 <i>Unaudited</i> RMB'000	March 31, 2018 <i>Unaudited</i> RMB'000	March 31, 2017 <i>Unaudited</i> RMB'000
Revenue	3	16,922	15,767	50,216	48,895
Employee costs		(499)	(434)	(1,877)	(1,271)
Depreciation of property, plant and equipment		(84)	(323)	(258)	(260)
Business taxes and surcharges		(81)	(118)	(241)	(324)
Property taxes and land use taxes		(3,054)	(2,945)	(9,077)	(8,730)
Property management fee		(1,572)	(1,573)	(4,771)	(4,746)
Repairs and maintenance		(220)	(80)	(915)	(2,092)
Legal and consulting fees		(811)	(582)	(3,461)	(2,581)
Other gains/(losses), net	4	(2,101)	306	(1,980)	(878)
Other expenses	5	(1,351)	(1,611)	(2,314)	(25,969)
Share of results of associates		14,773	260	14,488	4,568
Operating profit		21,922	8,667	39,810	6,612
Interest income	6	516	13	529	31
Finance expenses	7	(717)	(318)	(2,009)	(318)
Profit before income tax		21,721	8,362	38,330	6,325
Income tax/write-back of income tax	8	(1,243)	(555)	(2,978)	19,282
Profit for the period		20,478	7,807	35,352	25,607
Profit attributable to					
– Owners of the Company		20,385	7,730	35,091	25,350
– Non-controlling interests		93	77	261	257
		<u>20,478</u>	<u>7,807</u>	<u>35,352</u>	<u>25,607</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED MARCH 31, 2018

	<i>Note</i>	For the three months ended		For the nine months ended	
		March 31,	March 31,	March 31,	March 31,
		2018	2017	2018	2017
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total comprehensive income attributable to					
– Owners of the Company		20,385	7,730	35,111	25,350
– Non-controlling interests		93	77	261	257
		<u>20,478</u>	<u>7,807</u>	<u>35,372</u>	<u>25,607</u>
Earnings per share for profit attributable to the owners of the Company during the period	11				
– Basic (RMB per share)		<u>0.11</u>	<u>0.04</u>	<u>0.19</u>	<u>0.14</u>
– Diluted (RMB per share)		<u>0.11</u>	<u>0.04</u>	<u>0.19</u>	<u>0.14</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED MARCH 31, 2018

	Share capital	Other reserves	Available- for-sale financial assets reserve	Retained profits	Exchange reserve	Proposed interim dividend	Equity attributable to owners of the Company	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at July 1, 2016	411,936	(71,025)	911	613,423	1,390	6,166	962,801	7,616	970,417
Profit for the period	—	—	—	25,350	—	—	25,350	257	25,607
Other comprehensive income	—	—	—	—	—	—	—	—	—
Foreign currency realignment	—	—	—	66	—	—	66	—	66
Total comprehensive income	—	—	—	25,416	—	—	25,416	257	25,673
Share of other comprehensive income of an associate	—	—	—	—	1,637	—	1,637	—	1,637
Fair value losses on available- for-sale financial assets, net	—	—	(314)	—	—	—	(314)	—	(314)
Dividends	—	—	—	—	—	(6,166)	(6,166)	—	(6,166)
Proposed dividend	—	—	—	(12,679)	—	—	(12,679)	—	(12,679)
Balance at March 31, 2017	<u>411,936</u>	<u>(71,025)</u>	<u>597</u>	<u>626,160</u>	<u>3,027</u>	<u>—</u>	<u>970,695</u>	<u>7,873</u>	<u>978,568</u>
Balance at June 30, 2017 and July 1, 2017	411,936	(71,025)	2,128	642,825	3,374	6,278	995,516	8,024	1,003,540
Profit for the period	—	—	—	35,091	—	—	35,091	261	35,352
Other comprehensive income	—	—	—	—	—	—	—	—	—
Exchange differences from translation of foreign operations	—	—	—	—	20	—	20	—	20
Total comprehensive income	—	—	—	35,091	20	—	35,111	261	35,372
Share of other comprehensive income of an associate	—	—	(2,490)	—	—	—	(2,490)	—	(2,490)
Fair value losses on available-for- sale financial assets, net	—	—	(1,965)	—	—	—	(1,965)	—	(1,965)
Dividends	—	—	—	159	—	(6,278)	(6,119)	—	(6,119)
Proposed interim dividend	—	—	—	(7,249)	—	7,249	—	—	—
Proposed dividend	—	—	—	(7,249)	—	—	(7,249)	—	(7,249)
Balance at March 31, 2018	<u>411,936</u>	<u>(71,025)</u>	<u>(2,327)</u>	<u>663,577</u>	<u>3,394</u>	<u>7,249</u>	<u>1,012,804</u>	<u>8,285</u>	<u>1,021,089</u>

NOTES TO THE THIRD QUARTERLY CONDENSED CONSOLIDATED RESULTS

1 GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong on June 11, 2012. Its issued shares have been listed on the GEM since January 16, 2015. The address of the Company's registered office is 31st Floor, 148 Electric Road, North Point, Hong Kong. The Group, comprising the Company and its subsidiaries, is engaged in the provision of education facilities leasing services in the People's Republic of China (the "PRC") and Malaysia.

The Directors consider that the Company's ultimate parent is Raffles Education Corporation Limited ("REC"), a company incorporated in the Republic of Singapore ("Singapore"), whose issued shares are listed on Singapore Exchange Securities Trading Limited (the "SGX-ST"). These third quarterly results are presented in Renminbi ("RMB"), unless otherwise stated.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results for the nine months ended March 31, 2018 (the "Period") have been prepared in accordance with Chapter 18 of the GEM Listing Rules, and in accordance with the Hong Kong Financial Reporting Standards which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. Except as described below, the accounting policies and methods of computation used in preparing these quarterly results are the same as those followed in the preparation of the Group's audited financial statements for the year ended June 30, 2017 (the "Year 2017").

The third quarterly results are unaudited but have been reviewed by the audit committee of the Board (the "Audit Committee").

The financial information relating to the Year 2017 that is included in these unaudited condensed consolidated financial statements for the Period as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance, Chapter 622 of the laws of Hong Kong (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the Year 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's independent auditor has reported on those consolidated financial statements for the year ended June 30 2017. The independent auditor's report was unqualified, does not include a reference to any matters to which the independent auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

NOTES TO THE THIRD QUARTERLY CONDENSED CONSOLIDATED RESULTS

3 SEGMENT INFORMATION

The executive Directors who are the chief operating decision makers of the Group review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive Directors that are used to make strategy decisions.

As (a) the executive Directors consider that the Group's revenue and results are all derived from education facilities leasing and commercial leasing for supporting facilities in the PRC and Malaysia; and (b) the leasing revenue from Malaysia is included and the revenue is not significant compared to that from the PRC, geographical segment information is not considered necessary.

An analysis of revenue by category for the three months and nine months ended March 31, 2018 and 2017 is as follows:

	Three months ended March 31, 2018 <i>Unaudited</i> <i>RMB'000</i>	Three months ended March 31, 2017 <i>Unaudited</i> <i>RMB'000</i>	Nine months ended March 31, 2018 <i>Unaudited</i> <i>RMB'000</i>	Nine months ended March 31, 2017 <i>Unaudited</i> <i>RMB'000</i>
Revenue				
– Education facilities leasing	15,207	14,337	45,005	45,259
– Commercial leasing for supporting facilities	1,715	1,430	5,211	3,636
	<u>16,922</u>	<u>15,767</u>	<u>50,216</u>	<u>48,895</u>

4 OTHER GAINS/ (LOSSES) – NET

	Three months ended March 31, 2018 <i>Unaudited</i> <i>RMB'000</i>	Three months ended March 31, 2017 <i>Unaudited</i> <i>RMB'000</i>	Nine months ended March 31, 2018 <i>Unaudited</i> <i>RMB'000</i>	Nine months ended March 31, 2017 <i>Unaudited</i> <i>RMB'000</i>
Gains on disposal of property, plant and equipment	—	—	—	172
Exchange losses	(2,101)	(37)	(1,981)	(2,657)
Government grant provision written off	—	—	—	1,262
Other gains	—	343	1	345
	<u>(2,101)</u>	<u>306</u>	<u>(1,980)</u>	<u>(878)</u>

NOTES TO THE THIRD QUARTERLY CONDENSED CONSOLIDATED RESULTS

5 OTHER EXPENSES

	Three months ended March 31, 2018 <i>Unaudited</i> <i>RMB' 000</i>	Three months ended March 31, 2017 <i>Unaudited</i> <i>RMB' 000</i>	Nine months ended March 31, 2018 <i>Unaudited</i> <i>RMB' 000</i>	Nine months ended March 31, 2017 <i>Unaudited</i> <i>RMB' 000</i>
Utilities	20	—	318	186
Stamp duties	20	16	54	47
Insurance fee	115	84	133	84
Government grant provision written off	—	—	—	21,015
Others	1,196	1,511	1,809	4,637
	<u>1,351</u>	<u>1,611</u>	<u>2,314</u>	<u>25,969</u>

6 INTEREST INCOME

	Three months ended March 31, 2018 <i>Unaudited</i> <i>RMB' 000</i>	Three months ended March 31, 2017 <i>Unaudited</i> <i>RMB' 000</i>	Nine months ended March 31, 2018 <i>Unaudited</i> <i>RMB' 000</i>	Nine months ended March 31, 2017 <i>Unaudited</i> <i>RMB' 000</i>
Finance income				
– Interest income on bank deposits	516	13	529	31
	<u>516</u>	<u>13</u>	<u>529</u>	<u>31</u>

7 FINANCE EXPENSES

	Three months ended March 31, 2018 <i>Unaudited</i> <i>RMB' 000</i>	Three months ended March 31, 2017 <i>Unaudited</i> <i>RMB' 000</i>	Nine months ended March 31, 2018 <i>Unaudited</i> <i>RMB' 000</i>	Nine months ended March 31, 2017 <i>Unaudited</i> <i>RMB' 000</i>
Finance expenses				
– Interest on bank borrowing	717	318	2,009	318
	<u>717</u>	<u>318</u>	<u>2,009</u>	<u>318</u>

NOTES TO THE THIRD QUARTERLY CONDENSED CONSOLIDATED RESULTS

8 INCOME TAX EXPENSES

	Three months ended March 31, 2018 <i>Unaudited</i> <i>RMB' 000</i>	Three months ended March 31, 2017 <i>Unaudited</i> <i>RMB' 000</i>	Nine months ended March 31, 2018 <i>Unaudited</i> <i>RMB' 000</i>	Nine months ended March 31, 2017 <i>Unaudited</i> <i>RMB' 000</i>
Current income tax				
– PRC corporate income tax	1,243	555	2,978	2,879
– Tax provision written back		—		(22,161)
PRC corporate income tax	<u>1,243</u>	<u>555</u>	<u>2,978</u>	<u>(19,282)</u>

PRC corporate income tax

The corporate income tax rate applicable to the Group's entity located in the PRC (the "PRC Subsidiary") is 25% pursuant to the Corporate Income Tax Law of the PRC (the "PRC CIT Law").

PRC withholding income tax

According to the PRC CIT Law, starting from January 1, 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare a dividend out of profits earned after January 1, 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil the requirements under the tax treaty arrangements between the PRC and Hong Kong.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial information as the Company and the Group did not have any assessable profit in Hong Kong during the nine months ended March 31, 2018 and 2017.

9 CONTINGENCIES

The Group had no significant contingent liabilities as at March 31, 2018 (March 31, 2017: nil).

NOTES TO THE THIRD QUARTERLY CONDENSED CONSOLIDATED RESULTS

10 CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Leasing of properties

A general meeting of the Company was held on July 7, 2016 at which the resolutions regarding, among others, the lease of the properties from OUC Malaysia Sdn. Bhd. (“**OUC Malaysia**”), a wholly-owned subsidiary of the Company, as landlord to Raffles College of Higher Education Sdn. Bhd., a company owned as to 49% by REC which is the immediate holding company of the Company, as tenant (the “**Tenancy Agreements**”) were passed by the shareholders of the Company (the “**Shareholders**”). For further information, please refer to the Company’s announcements dated May 30, 2016, June 5, 2016 and July 7, 2016 and its circular dated June 20, 2016.

The Tenancy Agreements are considered to be continuing connected transactions under the GEM Listing Rules.

Subscription for shares

On June 30, 2017, the Company (as the subscriber) entered into a subscription agreement with 4 Vallees Pte. Ltd. (“**4 Vallees**”) (as the issuer) and REC (as the covenantor) (the “**Subscription Agreement**”), pursuant to which the Company shall conditionally subscribe for, and 4 Vallees shall conditionally allot and issue, a total of 4,508,151 new shares in the share capital of 4 Vallees representing approximately 13.58% of the issued share capital of 4 Vallees on an enlarged basis at the total subscription price of Singapore Dollars (“**SGD**”) 5,421,000 (equivalent to approximately HKD30,000,000) (the “**Subscription**”). The Company, REC and 4 Vallees executed the side letters on August 31, 2017, October 20, 2017 and November 21, 2017 to extend the Long Stop Date (as defined in the Subscription Agreement) to October 20, 2017, November 21, 2017 and December 21, 2017, respectively.

4 Vallees is owned as to approximately 87.23% by REC, and approximately 12.77% by the Company. As REC is the controlling shareholder (as defined in the GEM Listing Rules) of the Company and hence a connected person of the Company, and 4 Vallees is a subsidiary of REC, 4 Vallees is an associate of REC and therefore a connected person of the Company under the GEM Listing Rules. As such, the Subscription also constitutes a connected transaction of the Company. On December 15, 2017, a general meeting of the Company was held at which the resolution regarding the Subscription was passed by the Shareholders. For further information, please refer to the Company’s announcements dated June 30, 2017, July 31, 2017, August 15, 2017, August 31, 2017, September 15, 2017, October 20, 2017, November 21, 2017 and December 15, 2017, and its circular dated November 29, 2017.

NOTES TO THE THIRD QUARTERLY CONDENSED CONSOLIDATED RESULTS

11 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Period.

	Three months ended March 31, 2018 <i>Unaudited</i>	Three months ended March 31, 2017 <i>Unaudited</i>	Nine months ended March 31, 2018 <i>Unaudited</i>	Nine months ended March 31, 2017 <i>Unaudited</i>
Profit attributable to the owners of the Company	20,385,000	7,730,000	35,091,000	25,350,000
Weighted average number of ordinary shares in issue	<u>180,000,000</u>	<u>180,000,000</u>	<u>180,000,000</u>	<u>180,000,000</u>
Basic earnings per share for profit attributable to the owners during the period (expressed in RMB per share)	<u>0.11</u>	<u>0.04</u>	<u>0.19</u>	<u>0.14</u>

The Company did not have any potential dilutive ordinary shares outstanding during the Period. Diluted earnings per share are equal to basic earnings per share.

12 DIVIDEND

The Board does not declare the payment of any dividend for the Period (2017: nil)

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our leasing revenue increased by 2.7% to RMB50.2 million for the Period compared to RMB48.9 million for the same period in 2017.

Profit for the Period

Our profit for the Period increased by RMB9.75 million compared to RMB25.6 million for the same period in 2017, mainly due to the following factors:

1) *Share of results of associates*

Share of results of associates increased to RMB14.5 million for the Period from RMB4.6 million for the same period in 2017, mainly due to the fact that our associate company Axiom Properties Limited had a one-off gain on selling one of its assets, Churchill North, in Australia.

2) *Other expenses*

Other expenses decreased to RMB2.3 million for the Period from RMB26.0 million for the same period in 2017, mainly due to a write-off of RMB21.0 million of government grant granted in July 2014 for the period in 2017.

3) *Repairs and maintenance fees*

The decrease in repairs and maintenance fees by 56.3% to RMB0.92 million for the Period from RMB2.1 million for the same period in 2017 was mainly due to upgrading the facilities during the period in 2017.

The increase was offset by:

1) *Employee cost*

The increase in employee cost by 47.7% to RMB1.9 million for the Period compared to RMB1.3 million for the same period in 2017 was mainly due to an increase of the social security benefit and annual salary review in 2017.

2) *Legal and consulting fees*

The increase in legal and consulting fees by 34.1% to RMB3.5 million for the Period from RMB2.6 million for the same period in 2017 was due to an increase in legal fee and professional fees for the transfer listing application.

MANAGEMENT DISCUSSION AND ANALYSIS

3) *Other gains/ (losses) – net*

We recorded a net foreign exchange loss of RMB1.9 million for the Period, primarily due to exchanges different in the current accounts of OUC Malaysia and the Company.

4) *Income tax*

We incurred corporate income tax expenses of RMB3.0 million for the Period compared to tax provisions written back of RMB19.3 million for the corresponding period in 2017. This was mainly reversal of the tax provision of RMB22.2 million made in comparative period.

Net profit

Due to the foregoing factors, our net profit for the Period was RMB35.4 million compared to RMB25.6 million for the same period in 2017.

BUSINESS REVIEW AND OUTLOOK

We own and lease education facilities, comprising primarily teaching buildings and dormitories to education institutions in the PRC and Malaysia. All of our existing education facilities are located in Oriental University City, Langfang city, Hebei Province, the PRC and Kuala Lumpur, Malaysia, respectively.

In order to serve the daily needs of students and staff, our business, to a much lesser extent, includes commercial leasing. We lease buildings and premises to tenants operating a range of supporting facilities, including grocery stores, laundry shops, internet cafes and canteens.

In general, we expect the resident student population of our colleges, universities, schools, education training centres and corporate entities that lease education facilities from the Group and the revenue to be generated from them to remain relatively stable in the current financial year.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL COMMITMENT

As at March 31, 2018, the Group did not hold any significant investment, and had no material capital commitments and no future plans for material investments or purchase of capital assets.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On June 30, 2017, the Company (as the subscriber) entered into the Subscription Agreement with 4 Vallees (as the issuer) and REC (as the covenantor), pursuant to which the Company had agreed to conditionally subscribe for, and 4 Vallees had agreed to conditionally allot and issue, a total of 4,508,151 new shares in the share capital of 4 Vallees representing approximately 13.58% of the issued share capital of 4 Vallees on an enlarged basis at the total subscription price of SGD5,421,000 (equivalent to approximately HKD30,000,000). The Company, REC and 4 Vallees executed the side letters on August 31, 2017, October 20, 2017 and November 21, 2017 to extend the Long Stop Date (as defined in the Subscription Agreement) to October 20, 2017, November 21, 2017 and December 21, 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

4 Vallees is owned as to approximately 87.23% by REC, and approximately 12.77% by the Company. As REC is the controlling shareholder (as defined in the GEM Listing Rules) of the Company and hence a connected person of the Company, and 4 Vallees is a subsidiary of REC, 4 Vallees is an associate of REC and therefore a connected person of the Company under the GEM Listing Rules. As such, the Subscription also constitutes a connected transaction of the Company. On December 15, 2017, a general meeting of the Shareholders was held, at which the resolution regarding the Subscription was passed by the Shareholders. For further information, please refer to the Company's announcements dated June 30, 2017, July 31, 2017, August 15, 2017, August 31, 2017, September 15, 2017, October 20, 2017, November 21, 2017 and December 15, 2017, and its circular dated November 29, 2017.

FUTURE PROSPECTS

On January 5, 2018, the Company submitted a formal application to the Stock Exchange for the proposed transfer of the listing of all its issued shares from the GEM to the Main Board of the Stock Exchange pursuant to Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange and the relevant provisions of the GEM Listing Rules. For further information, please refer to the Company's announcement dated January 5, 2018.

On March 20, 2018, the Company released an announcement for (i) proposed capital reduction; (ii) change of book closure date and dividend payment date; and (iii) change of dividend policy. The proposed capital reduction has been approved by the Shareholders at the general meeting of the Company held on May 3, 2018. For more information, please refer to the Company's announcements dated March 20, 2018 and May 3, 2018 and its circular dated April 9, 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPETING INTERESTS

REC has confirmed that save for its shareholding in the Company, it is neither engaged nor interested in any business which, directly or indirectly, competes or may compete with the Group's business (save as disclosed under the heading "Excluded Businesses" in the section headed "History and Development -Post-Reorganization" of the Prospectus).

On December 22, 2014, REC entered into a deed of non-competition and call option in favour of the Company, pursuant to which it has undertaken not to compete with the business of the Company. For further details, please refer to the sub-section headed "Deed of Non-Compete" in the section headed "Relationship with the Controlling Shareholder" of the Prospectus.

As far as the Directors are aware of, during the Period, none of the Directors, controlling shareholder (as defined in the GEM Listing Rules) or substantial shareholders (as defined in the GEM Listing Rules) of the Company, directors of any of the Company's subsidiaries or any of their respective close associates (as defined in the GEM Listing Rules) had interest in any business (other than our Group) which, directly or indirectly, competed or might compete with the Group's business.

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholder value through solid corporate governance.

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its Shares listed on the GEM nor did the Company or any of its subsidiaries purchase or sell any such Shares during the Period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings regarding securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings") as its own code of conduct for dealings in the Company's securities by the Directors. The Company had made specific enquiries with all Directors and each of them has confirmed his compliance with the Required Standard of Dealings during the Period.

INTERESTS OF THE COMPLIANCE ADVISER

As at March 31, 2018, as notified by the Company's compliance adviser, BNP Paribas Securities (Asia) Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser, which took effect from November 1, 2017, neither the Compliance Adviser nor its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at March 31, 2018, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions

(a) Shares in the Company

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of issued Shares held</u>	<u>Percentage of shareholding</u> <i>(Note 2)</i>
Mr. Chew	Interest of a controlled corporation <i>(Note 1)</i>	135,000,000	75%

Notes:

- (1) Details of the interest in the Company held by Mr. Chew, the Chairman and an executive Director through REC are set out in the section headed "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" below.
- (2) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at March 31, 2018 (i.e. 180,000,000 Shares).

(b) Shares in associated corporation of the Company

<u>Name of Director</u>	<u>Name of Associated Corporation</u>	<u>Nature of interests</u>	<u>Number of issued shares held</u>	<u>Appropriate percentage of shareholding</u> <i>(Note 2)</i>
Mr. Chew	REC <i>(Note 1)</i>	Beneficial owner and interest of spouse	356,082,899	33.58%

Notes:

- (1) REC, a company incorporated in Singapore and listed on the SGX-ST, is the immediate holding company of the Company.
- (2) It includes (a) the 2.47% interest of Ms. Doris Chung Gim Lian ("Ms. Chung"), the wife of Mr. Chew; and (b) the 9.94% joint interest of Mr. Chew and Ms. Chung.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at March 31, 2018, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at March 31, 2018, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which/who had 5% or more interests in the Shares and the underlying Shares as recorded in the register kept under section 336 of the SFO were as follows:

Long position in the Shares

Name of Shareholders	Capacity/ Nature of interest	Number of issued Shares held	Percentage of shareholding <i>(Note 2)</i>
REC	Beneficial owner <i>(Note 1)</i>	135,000,000	75%
Ms. Chung	Interest of spouse <i>(Note 1)</i>	135,000,000	75%

Notes:

- (1) REC is owned as to (a) 21.17% by Mr. Chew, the Chairman and an executive Director; (b) 9.94% jointly by Mr. Chew and Ms. Chung, the wife of Mr. Chew; and (c) 2.47% by Ms. Chung. Under the SFO, Mr. Chew is deemed to be interested in the Shares in which REC is interested, and Ms. Chung is deemed to be interested in the Shares in which Mr. Chew is interested and is deemed to be interested.
- (2) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at March 31, 2018 (i.e. 180,000,000 Shares).

Save as disclosed above, as at March 31, 2018, so far as it was known by or otherwise notified to the Directors or the chief executive of the Company, no other corporations or persons (other than a Director or the chief executive of the Company) had any interest or short position in the Shares and the underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed, no Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party during the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Lam Bing Lun, Philip, Mr. Tan Yeow Hiang, Kenneth and Mr. Wilson Teh Boon Piaw with Mr. Lam Bing Lun, Philip serving as the chairman.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated third quarterly results of the Group for the Period and was of the opinion that such results had been prepared in compliance with the applicable accounting standards and the GEM Listing Rules and that adequate disclosures had been made.

By order of the Board

Oriental University City Holdings (H.K.) Limited
Chew Hua Seng
Chairman and Executive Director

Hong Kong, May 3, 2018

THIRD QUARTERLY REPORT

2018



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