

CENTURION CORPORATION LIMITED
(Company Registration No. 198401088W)
(Incorporated in Singapore)

ANNOUNCEMENT RELATING TO:

- (I) **INCORPORATION OF WHOLLY-OWNED SUBSIDIARIES; AND**
 - (II) **PROPOSED ACQUISITION OF A PORTFOLIO OF STUDENT ACCOMMODATION ASSETS LOCATED IN THE UNITED KINGDOM**
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1. INTRODUCTION

The board of directors ("**Directors**") of Centurion Corporation Limited ("**Company**") and together with its subsidiaries and associated companies, the "**Group**") wishes to announce that:

- (a) the Company's wholly-owned subsidiary, Centurion Overseas Investments Pte. Ltd. ("**COIPL**") has incorporated four new wholly-owned subsidiaries ("**New Subsidiaries**"), three of which are located in Jersey, Channel Islands and one of which is located in the United Kingdom; and
- (b) the Jersey Subsidiaries (as defined below) ("**Purchasers**") have separately entered into four acquisition agreements ("**Acquisition Agreements**") in relation to the proposed acquisition of a portfolio of operational student accommodation assets located in the United Kingdom ("**Portfolio Assets**") in accordance with the terms and subject to the conditions of the Acquisition Agreements ("**Proposed Acquisition**").

2. INCORPORATION OF WHOLLY-OWNED SUBSIDIARIES

In connection with the Proposed Acquisition, COIPL has incorporated the New Subsidiaries, namely:

- (a) Centurion Investments (JS) Ltd ("**CI(JS)L**"), a company incorporated in Jersey, Channel Islands, with an initial issued and paid-up share capital of £1.00 comprising 1 share;
- (b) Centurion Investments (JS I) Ltd ("**CI(JSI)L**"), a company incorporated in Jersey, Channel Islands, with an initial issued and paid-up share capital of £1.00 comprising 1 share;
- (c) Centurion Investments (JS II) Ltd ("**CI(JSII)L**"), a company incorporated in Jersey, Channel Islands, with an initial issued and paid-up share capital of £1.00 comprising 1 share; and
- (d) Centurion Student Services (UK) Ltd ("**MgtCo**"), a company incorporated in the United Kingdom, with an initial issued and paid-up share capital of £1.00 comprising 1 share,

(collectively, the "**Incorporation**").

CI(JS)L, CI(JSI)L and CI(JSII)L (together, the “**Jersey Subsidiaries**”) are investment holding companies which are wholly-owned by COIPL. The Jersey Subsidiaries have been incorporated for the purposes of owning real estate properties in the United Kingdom.

MgtCo is wholly-owned by COIPL and has been incorporated for the purposes of operating and managing student accommodation assets in the United Kingdom.

As at the date of the Incorporation, the book value of the shares of each of the New Subsidiaries was £1.00 and the net tangible asset value of the shares of each of the New Subsidiaries was £1.00.

The Incorporation was funded by internal resources of the Company and is not expected to have any material impact on the consolidated net tangible assets and earnings per share of the Company (“**Share**”) for the current financial year.

3. THE PROPOSED ACQUISITION

3.1 Portfolio Assets

The Portfolio Assets comprise the four properties described below, all of which are existing purpose built student accommodation developments with a total capacity of 1,906 student bedrooms.

(a) Manchester Student Village (“**MSV**”)

MSV is a freehold property located at Lower Chatham Street, Manchester, M1 5SX, United Kingdom. MSV has a current capacity of 1,022 student bedrooms arranged predominately as 3 and 4 cluster bedrooms with shared kitchen and bathroom facilities. MSV enjoys high historical occupancy rates due to its close proximity to (i) both the University of Manchester and Manchester Metropolitan University campuses and (ii) Manchester City Centre. MSV is currently entirely owned by Willowfox Ltd (“**WFOX**”), a company incorporated in the United Kingdom.

(b) Manchester Student Village South (“**MSVS**”)

MSVS is a freehold property located at 357A Great Western Street, Manchester, M14 4AH, United Kingdom. MSVS has a current capacity of 355 student bedrooms arranged predominately as 4 en-suite bedrooms with a shared kitchen and lounge. MSVS is situated at an excellent location, off Wilmslow Road to the south of Wilmslow Park and within 10 minutes walk from the city campuses to the north and Fallowfield to the south. MSVS has enjoyed high occupancy rates since 2002. MSVS is currently entirely owned by Southvalley Estates Ltd (“**SEL**”), a company incorporated in the United Kingdom.

(c) The Grafton (“**Grafton**”)

Grafton is a freehold property located at 60 Grafton Street, Manchester, M13 9NU, United Kingdom. Grafton has a current capacity of 145 student bedrooms arranged as 2 and 3 cluster bedrooms with shared kitchen and bathroom facilities. Grafton is

located just off the main Oxford road, a short walk away to the University of Manchester's main campus and has enjoyed high historical occupancy rates since 2010 when it started operations. Grafton is currently entirely owned by Costdesign2 Ltd ("**CD2**"), a company incorporated in the United Kingdom.

(d) Cathedral Campus ("**CC**")

CC is a long leasehold interest property, with 243 years remaining, located at 1 Dean Patey Court, Cathedral Gate, Off Upper Duke Street, Liverpool, L1 7BT, United Kingdom. CC has a current capacity of 384 student bedrooms arranged as 4 or 5 bedroom town houses with shared kitchen and bathroom facilities. CC is located in close proximity to Liverpool John Moores University, Liverpool Institute of Performing Arts and Liverpool City Centre and has experienced historically strong occupancy rates. CC is currently entirely owned by BC3.01 Ltd ("**BC3**" and together with WFOX, SEL and CD2, the "**Vendors**"), a company incorporated in the United Kingdom.

The Portfolio Assets are currently managed by MCR Property Group ("**MCR**"), a privately owned property company which invests in and develops commercial and residential property throughout the United Kingdom. It is anticipated that the Portfolio Assets will continue to be operated by existing staff who will be transferred to MgtCo after Completion (as defined below). MgtCo will be managed by the Group. The Group also intends to engage a reputable student accommodation operator in the United Kingdom to assist with the operations of the Portfolio Assets after Completion.

3.2 Acquisition Agreements

The Acquisition Agreements are as follows:

- (a) a sale and purchase agreement dated 15 July 2014 entered into between CI(JS)L and WFOX in relation to the sale and purchase of MSV;
- (b) a sale and purchase agreement dated 15 July 2014 entered into between CI(JS)L and SEL in relation to the sale and purchase of MSVS;
- (c) a sale and purchase agreement dated 15 July 2014 entered into between CI(JSI)L and CD2 in relation to the sale and purchase of Grafton; and
- (d) a sale and purchase agreement dated 15 July 2014 ("**CC SPA**") entered into between CS(JSII)L and BC3 in relation to the sale and purchase of CC.

3.3 Key Terms of the Proposed Acquisition

The key terms of the Proposed Acquisition are as follows:

- (a) Consideration

The aggregate consideration to be paid by the Purchasers for the Proposed Acquisition is a cash amount of £77,000,000 (or S\$164,525,900¹) ("**Aggregate**

¹ Based on an exchange rate of exchange rate of £1.00 : S\$2.1367

Consideration”), of which 5% will be paid upon signing of the Acquisition Agreements and the remaining 95% will be paid upon Completion.

The Aggregate Consideration was agreed upon following arms’ length negotiations between the Purchasers and the Vendors on a willing-buyer, willing-seller basis taking into account the valuation of the Portfolio Assets.

The Aggregate Consideration will be satisfied through a combination of (i) external financing arrangements and (ii) internal resources of the Company which includes proceeds from the issue of S\$100,000,000 5.25 per cent. notes due 2016 on 10 October 2013 under the Company’s S\$300,000,000 Multicurrency Medium Term Note Programme established on 6 September 2013.

(b) Conditions Precedent

The sale and purchase of CC pursuant to the terms and conditions of the CC SPA is subject to consent being obtained from the current landlord, Cathedral Church for:

- (i) the assignment of the long term lease from BC3 to CI(JSII)L; and
- (ii) allowing CI(JSII)L to enter into a master sublease with MgtCo.

Save for the CC SPA, the other Acquisition Agreements do not contain any conditions precedent.

(c) Completion

The completion of the Proposed Acquisition pursuant to the terms of the Acquisition Agreements (“**Completion**”) is expected to take place on 1 September 2014.

4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The pro forma financial effects of the Proposed Acquisition on the net tangible assets (“**NTA**”) per Share, the earnings per Share and the share capital of the Company as set out below are presented for illustrative purposes only and do not reflect the future financial position of the Group following Completion. The pro forma financial effects have been prepared based on (i) the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 (“**FY2013**”), being the most recently completed financial year and (ii) the latest announced unaudited consolidated financial statements of the Group for the first quarter ended 31 March 2014 (“**1Q2014**”).

4.1 NTA – FY2013

Purely for illustrative purposes only and assuming that the Proposed Acquisition had been completed on 31 December 2013, being the end of FY2013, the effect on the NTA per Share as at 31 December 2013 is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	276,248	276,248
NTA per Share (Singapore cents)	36.54	36.54

Note: Based on a total of 756,060,841 Shares as at 31 December 2013.

4.2 **NTA – 1Q2014**

Purely for illustrative purposes only and assuming that the Proposed Acquisition had been completed on 31 March 2014, being the end of 1Q2014, the effect on the NTA per Share as at 31 March 2014 is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	302,097	302,097
NTA per Share (Singapore cents)	39.96	39.96

Note: Based on a total of 756,061,426 Shares as at 31 March 2014.

4.3 **Earnings – FY2013**

Purely for illustrative purposes only and assuming that the Proposed Acquisition had been completed on 1 January 2013, being the beginning of FY2013, the pro forma financial effects on the earnings per Share for FY2013 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to shareholders (S\$'000)	92,158	102,194
Weighted average number of Shares ('000)	756,061	756,061
Earnings per Share (Singapore cents)	12.19	13.52

4.4 **Earnings – 1Q2014**

Purely for illustrative purposes only and assuming that the Proposed Acquisition had been completed on 1 January 2014, being the beginning of 1Q2014, the pro forma financial effects on the earnings per Share for 1Q2014 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to shareholders (S\$'000)	22,625	25,134
Weighted average number of Shares ('000)	756,061	756,061
Earnings per Share (Singapore cents)	2.99	3.32

4.5 **Share Capital**

As no Shares will be issued in connection with the Proposed Acquisition, the Proposed Acquisition will not have any impact on the issued share capital of the Company.

5. **RATIONALE FOR THE PROPOSED ACQUISITION**

The Proposed Acquisition is in line with the Group's ordinary business and consistent with its strategy to expand its student accommodation business and to embark on opportunities in new markets. The United Kingdom is one of the key and growing educational hubs in the world. The Proposed Acquisition will enable the Group to expand its presence into a key education and growing student market in Europe.

6. **VALUATION OF THE PORTFOLIO ASSETS**

The market valuation of the Portfolio Assets is £77,174,000 based on a valuation dated 8 July 2014 commissioned by the Company and conducted by GVA Grimley Limited ("**Valuer**"). The valuation was based on the income capitalisation approach taking into consideration both the passing and future rental streams of the Portfolio Assets.

7. **RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL**

The applicable relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") are as follows:

Rule 1006	Bases	Relative Figures (%)
(b)	Net profits ⁽¹⁾ of the Portfolio Assets ⁽²⁾ compared with the Group's net profits ⁽³⁾	13
(c)	The Aggregate Consideration ⁽⁴⁾ compared with the market capitalisation ⁽⁵⁾ of the Company	31

Notes:

(1) Net profits is defined as profit before income tax, minority interest and extraordinary items.

- (2) The net profits of the Portfolio Assets for the three-month period ended 31 March 2014 is approximately £1,525,000 (converted to S\$3,258,000 based on an exchange rate of £1.00 : S\$2.1367).
- (3) Based on the latest announced unaudited consolidated financial statements of the Group for 1Q2014, the Group's net profits is approximately S\$24,332,000.
- (4) The Aggregate Consideration is £77,000,000 (converted to S\$164,525,900 based on an exchange rate of £1.00 : S\$2.1367).
- (5) The market capitalisation of the Company is based upon a total number of 756,871,613 Shares in issue (excluding treasury shares) as at 14 July 2014, at the volume-weighted average price of S\$0.6967 per Share transacted on 14 July 2014, being the market day preceding the date of the Acquisition Agreements.

8. SHAREHOLDERS' APPROVAL

8.1 Major Transaction

As the relative figure for the Proposed Acquisition computed on the bases set out in Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Acquisition constitutes a "major transaction" as defined in Chapter 10 of the Listing Manual and must be made conditional upon the approval of the shareholders ("**Shareholders**") of the Company in general meeting.

8.2 Waiver of Rule 1014(2)

It was not possible to seek the prior approval of Shareholders for the Proposed Acquisition for reasons which include, *inter alia*, the presence of competing offers being made for the Portfolio Assets. If the Proposed Acquisition has been made subject to the prior approval of the Shareholders, this would have made the Group's offer less attractive and less competitive vis-à-vis other potential acquirors who did not need to seek shareholder approval. Accordingly, an application was made on behalf of the Company to the SGX-ST to seek, *inter alia*, a waiver from the requirement to obtain prior Shareholders' approval for the Proposed Acquisition and that the Company may instead seek Shareholders' ratification of the Proposed Acquisition ("**Waiver**"). In this regard, the SGX-ST had on 11 July 2014 granted the Waiver, subject to the following:

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver and the conditions as required under Rule 107 of the Listing Manual; and
- (b) submission of a written confirmation ("**Company Confirmation**") from the Company that the Waiver does not contravene any laws and regulations governing the Company and the articles of association of the Company.

Pursuant to the above, the Company wishes to announce that:

- (i) the Company has submitted the Company Confirmation to the SGX-ST; and
- (ii) the Company intends to convene an extraordinary general meeting to seek Shareholders' ratification of the Proposed Acquisition.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their interests in the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

10. SERVICE CONTRACTS OF DIRECTORS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Proposed Acquisition.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Acquisition Agreements and the valuation report prepared by the Valuer are available for inspection at 45 Ubi Road 1, #05-01, Singapore 408696 during normal business hours for a period of three months commencing from the date of this Announcement.

BY ORDER OF THE BOARD OF
CENTURION CORPORATION LIMITED

Kong Chee Min
Executive Director and Chief Executive Officer

16 July 2014