RAFFLES EDUCATION CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 199400712N)

THE PROPOSED ACQUISITION OF 35.9% SHAREHOLDING INTEREST IN LANGFANG HEZHONG REAL ESTATE DEVELOPMENT CO., LTD. AS A MAJOR TRANSACTION

---

1 INTRODUCTION

The board of directors (the "**Board**") of Raffles Education Corporation Limited (the "**Company**", together with its subsidiaries, the "**Group**") wishes to announce that on 16 July 2020 Langfang Tonghui Education Consulting Co., Ltd. (the "**Purchaser**"), a subsidiary of the Company, had entered into a sale and purchase agreement (the "**SPA**") with Langfang Heying Real Estate Development Co., Ltd. (the "**Vendor**") for the sale and purchase of 35.9% equity interest (the "**Sale Shares**") in Langfang Hezhong Real Estate Development Co., Ltd. (the "**Target Company**") for an aggregate consideration of RMB 254,000,000 equivalent to approximately S$49,207,000 based on an exchange rate of S$0.19373: RMB1 (the "**Consideration"**). The aforesaid transaction is hereinafter referred to as the "**Proposed Acquisition**".

1.1 Background to the Proposed Acquisition

As background to the Proposed Acquisition and as announced by the Company on 11 September 2013, 9 December 2013 and 18 June 2019, the Vendor and the Purchaser had on 10 September 2013 entered into a land-use rights framework agreement in relation to the proposed sale of certain land-use rights and properties located in the People's Republic of China (the "**PRC**") to the Vendor, which was subject to further definitive agreements being entered into between the parties (the "**Framework Agreement**"). In connection with and to give effect to the Framework Agreement, the Vendor and the Purchaser had on 6 December 2013 entered into a shareholders' agreement in respect of the incorporation and operation of the Target Company as a joint venture company (the "**Shareholders' Agreement**"), and an option agreement in respect of the equity interests in the Target Company (the "**Option Agreement**") pursuant to which the Vendor had granted the Purchaser an irrevocable put option (the "**Put Option**") which gave the Purchaser the right to require the Vendor to purchase its 70% equity interest in the Target Company (the "**Option Equity**") in accordance with the terms and conditions of the said agreement. Thereafter, the Vendor and the Purchaser had on 11 March 2014 entered into a supplemental agreement to amend and supplement the terms of the Shareholders' Agreement (the "**First Supplemental to the Shareholders' Agreement**") and a supplemental agreement to amend and supplement the terms of the Option Agreement (the "**Supplemental to the Option Agreement**"). Pursuant to the aforementioned agreements, the Vendor and the Purchaser incorporated the Target Company on 11 March 2014, and the Purchaser contributed registered capital of RMB 223,163,300 to the Target Company in the form of land and buildings while the Vendor contributed registered capital of RMB 95,641,400 to the Target Company in the form of cash, for a respective equity interest of 70% and 30% in the Target Company.

As announced by the Company on 18 June 2019, the Vendor and the Purchaser had on 18 June 2019 entered into a settlement agreement in respect of the Option Agreement (the "**Option Settlement Agreement**") to record and note that, as at the date of the Option Settlement Agreement, the Vendor had only paid part of and not the full amount of the Put Option exercise price to the Purchaser, and that none of the Option Equity had been registered

in the name of the Vendor following its partial payment of the Put Option exercise price. Pursuant to the Option Settlement Agreement, in view of the incomplete implementation and exercise of the Put Option in accordance with the terms and conditions of the Option Agreement as amended by the Supplemental to the Option Agreement, the Vendor and the Purchaser agreed that the Vendor shall obtain a portion of the Option Equity held by the Purchaser corresponding to the partial amount of the Put Option exercise price that was paid by the Vendor, being 35.9% of the existing equity interest in the Target Company, following which the resultant respective equity interest of the Vendor and the Purchaser in the Target Company upon the implementation of the Option Settlement Agreement would be 65.9% and 34.1% respectively. Pursuant to the Option Settlement Agreement, following the adjustment to the equity interest of the Vendor and the Purchaser in the Target Company in accordance with the terms and conditions thereto, the Option Agreement and the Supplemental to the Option Agreement would be considered fully and completely discharged and terminated and the Vendor would not be required to pay the balance unpaid Put Option exercise price.

As announced by the Company on 18 June 2019, in connection with the Option Settlement Agreement, the Vendor and the Purchaser had on 18 June 2019 further entered into a second supplemental agreement (the "**Second Supplemental to the Shareholders' Agreement**") to amend and supplement the terms of the Shareholders' Agreement and the First Supplemental to the Shareholders' Agreement, in order that the relevant terms in the said agreements would be aligned with the Option Settlement Agreement.

2 INFORMATION ON THE TARGET, THE SALE SHARES, THE VENDOR, AND THE PURCHASER

2.1 Information on the Target Company

The Target Company is a limited liability company that was incorporated in the PRC on 11 March 2014. The Target is principally engaged in the business of property development and property leasing and has a registered capital of RMB 318,804,700**.**

As at the date of this announcement, the share capital of the Target Company is RMB 318,804,700, of which the respective equity interest of the Vendor and the Purchaser in the Target Company is 65.9% and 34.1%, and the Vendor and the Purchaser are the legal and beneficial owners of their respective equity interests in the Target Company.

The Target Company's assets comprise mainly of parcels of education lands with a total land area of 499 mu (equivalent to 332,833 square metres) (the "**Vacant Land**").

2.2 Value of the Sale Shares

Based on the latest management accounts of the Target Company, as at 31 December 2019 the net tangible asset value of the Sale Shares is RMB 290,235,497 (equivalent to about S$56,227,333 based on an exchange rate of S$0.19373: RMB1).

No independent valuation on the Sale Shares has been carried out for the purpose of the Proposed Acquisition. The Company intends to commission an independent valuation on the Sale Shares prior to the extraordinary general meeting to be convened to obtain Shareholders' Approval (as defined below).

2.3 Information on the Vendor

The Vendor is a limited liability company incorporated in the PRC on 28 October 2013 and is primarily engaged in the business of property development and leasing.

The Vendor does not have any shareholding interest, direct or indirect in the Company, nor is the Vendor related to any of the directors, the chief executive officer, or controlling shareholders of the Company, or their respective associates.

2.4 Information on the Purchaser

The Purchaser is a limited liability company incorporated in the PRC on 14 November 2007 and is primarily engaged in the business of providing education consulting and development services and is a subsidiary of the Company. The Company owns 99% effective equity interest in the Purchaser.

3 MATERIAL TERMS OF THE PROPOSED ACQUISITION

A summary of the material terms and conditions of the Proposed Acquisition as set out in the SPA is as follows:

3.1 Consideration and Deposit

3.1.1 The aggregate Consideration for the Sale Shares is RMB 254,000,000 (equivalent to approximately S$49,207,000 based on an exchange rate of S$0.19373: RMB1).

3.1.2 An amount of RMB 25,400,000 (equivalent to approximately S$4,921,000 based on an exchange rate of S$0.19373: RMB1), being 10% of the Consideration amount, shall be paid by the Purchaser to the Vendor as a deposit within 14 days from the date on which the SPA is signed (the "**Deposit**"). Upon Completion (as defined below), the Deposit shall be automatically applied toward satisfaction of the Consideration. In the event that the Conditions Precedents (as defined below) are not fulfilled by the Longstop Date (as defined below), the Deposit shall be refunded by Vendor to the Purchaser in the manner set out in paragraph 3.3 of this announcement below.

3.1.3 Subject to the satisfaction of the Conditions Precedents (as defined below), the aggregate Consideration of RMB 254,000,000 (equivalent to approximately S$49,207,000 based on an exchange rate of S$0.19373: RMB1) less the amount of the Deposit shall be paid in cash by the Purchaser to the bank account designated by the Vendor in the following tranches:

(a) an amount of RMB 54,600,000 (equivalent to approximately S$10,577,000 based on an exchange rate of S$0.19373: RMB1) to be paid within 2 weeks from the date on which the Shareholders' Approval (as defined below) is obtained (the "**Tranche 1 Payment**"); and

(b) subject to the Tranche 1 Payment being made, the balance consideration amount of RMB 174,000,000 (equivalent to approximately S$33,709,000 based on an exchange rate of S$0.19373: RMB1) to be paid on 31 December 2020 or such other date as may be mutually agreed and confirmed in writing by both the Vendor and the Purchaser (the "**Tranche 2 Payment**").

3.1.4 The Consideration for the Target Shares was arrived at on a willing-buyer and willing-seller basis after arm's length negotiations, taking into consideration the net assets position of the Target Company, the control premium and the market outlook of the education facilities development and the rationale for and benefits of the Proposed Acquisition.

3.1.5 The Consideration will be financed through the internal funds of the Group.

3.2 Conditions Precedent

3.2.1. Completion of the Proposed Acquisition (the "**Completion**") shall be conditional upon the following conditions precedent (the "**Conditions Precedent**") being satisfied before the Longstop Date (as defined below):

(a) all necessary consents and approvals required under applicable laws in respect of the Proposed Acquisition and resolutions of the board of directors and/or the shareholders of each of the Vendor and the Purchaser to approve the Proposed Acquisition being obtained;

(b) approval of the Board and of the shareholders of the Company (the "**Shareholders' Approval**") in respect of the Proposed Acquisition being obtained; and

(c) none of the following occurring during the period commencing on the date on which the SPA is signed and ending on the Completion Date (as defined below):

(i) any new laws, regulations or policies and any changes in existing laws, regulations or policies in the PRC or any other country or region coming into force and any orders, instructions, decisions or written instructions by the Trade and Industry Bureau of the PRC or other equivalent or similar regulatory bodies being issued that prevents or prohibits the Completion; and

(ii) the business license of the Target Company being cancelled.

3.2.2. Each of the Vendor and the Purchaser undertakes to each other that it will take reasonable steps to procure the fulfilment of the Conditions Precedent and to present to each other proof of the fulfilment of each Condition Precedent to the reasonable satisfaction of the other party.

3.3 Longstop Date

3.3.1. If the Conditions Precedent are not fulfilled on or before 15 October 2020, or such other date as may be mutually agreed by the Parties in writing (the "**Longstop Date**") the SPA will terminate and neither the Vendor nor the Purchase will have any claim against each other thereafter, save that:

(i) all rights and obligations which accrued before termination of the SPA will remain valid and unaffected by termination of the SPA; and

(ii) the Vendor will, as soon as possible but in any event within 5 calendar days from the termination of the SPA, refund the full amount of the Deposit to the Purchaser.

3.3.2. In the event that the Vendor fails to return the Deposit within the time period set out in paragraph 3.3.1(ii) of this announcement above, without prejudice to the right of the Purchaser to claim against the Vendor for damages resulting from said breach, the Vendor agrees to pay to the Purchaser, as liquidated damages, an amount of 0.05% on the amount of the total Deposit for each day that the Deposit remains unpaid, until full repayment has been made of the Deposit.

3.4 Completion

Subject to all of the Conditions Precedents being fulfilled, Completion shall take place on the date as notified by the Purchaser to the Vendor in writing, such date being no later than the fifth calendar date upon which all of the Conditions Precedents have been fulfilled (the "**Completion Date**").

4 RATIONALE FOR THE PROPOSED ACQUISITION

The Vacant Land had previously been injected into the Target Company with the original intention of developing the Vacant Land into a commercial and residential development that would increase the vibrancy of the Oriental University City, a university campus located in Langfang city, Hebei province, the PRC (the "**Oriental University City**"), which is owned by the Group. However, the Vendor's efforts to convert the Vacant Land to commercial and residential land titles over the last year six years had been stalled by numerous protracted challenges and completion of the intended mixed development is not in sight. As the Proposed Acquisition would enable the Company, through the Purchaser, to obtain majority control over the Target Company, it would allow the Company to rationalise the land use rights of the Vacant Land into education facilities instead of proposed mixed commercial and residential development.

Further, in terms of compliance requirements at the planning stage, the time frame for development of the Vacant Land into education facilities is expected to be shorter than the time required to develop the land for mixed residential and commercial usage.

The development of the Vacant Land into education facilities would also create revenue streams complementary to the Group's businesses. The main investment properties owned by the Company in Oriental University City, presently has an occupancy rate exceeding 80% as at 31 March 2020, thus limiting further potential revenue growth. Langfang City, being strategically located between the cities of Beijing and Tianjin, is well poised to cater to the demands for educational facilities of higher education institutions.

Accordingly, the Board is of the view that the Proposed Acquisition is in the best interests of the Group.

5 FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The *pro forma* financial effects of the Proposed Acquisition on the Group as set out below are purely for illustrative purposes only and should not be taken as an indication of the actual financial performance or position of the Group following the Completion.

Based on the Group's latest audited consolidated financial statements for the financial year ended 30 June 2019 ("**FY2019**"), the *pro forma* financial effects of the Proposed Acquisition are as follows:

5.1 Effect on Group's net tangible assets ("NTA") per share

For illustrative purposes only, had the Proposed Acquisition been completed on 30 June 2019 and based on the latest audited consolidated financial statements of the Group for FY2019, the Proposed Acquisition would have had the following impact on the Company's NTA per share:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
NTA[(1)] (S$'000)	528,233	542,025
Number of issued shares (excluding treasury shares)	1,378,656.672	1,378,656.672
NTA per share (cents)	38.32	39.32

Note:

(1) NTA is based on the net asset value of the Group less intangible assets.

5.2 Effect on earnings per share ("EPS")

For illustrative purposes only, had the Proposed Acquisition been completed on 1 July 2018 and based on the latest audited consolidated financial statements of the Company for FY2019, the Proposed Acquisition would have had the following impact on the Company's EPS:

	Before the Proposed Acquisition	**After the Proposed Acquisition**
Net profit[(1)] attributable to equity holders of the Company (S$'000)	40,213	38,977
Weighted average number of shares	1,378,656,672	1,378,656,672
EPS (cents)	2.92	2.83

Note:

(1) Net profits means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

6 RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

Based on the latest announced consolidated accounts of the Group, being the unaudited financial statements for the second quarter ended 31 December 2019, the relative figures in relation to the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") are as follows:

Rule	Bases of computation	Relative figures
Rule 1006(a)	Net asset value ("**NAV**")[(1)] of the assets to be disposed of, compared with the Group's NAV.	Not applicable[(3)]
Rule 1006(b)	Net losses[(2)] of RMB 297,000 (equivalent to approximately S$57,000 based on an exchange rate of S$0.19337: RMB1) attributable to the Sale Shares, compared with the Group's net profit of S$3,116,000.	-1.84%
Rule 1006(c)	Aggregate value of the Consideration given of RMB 254,000,000 (equivalent to approximately S$49,207,000 based on an exchange rate of S$0.19373: RMB1) compared with the Company's market capitalisation[(3)] of approximately S$158,546,000.	31.04%
Rule 1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable[(5)]
Rule 1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil and gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable[(6)]

Notes:

(1) Under Rule 1002(3)(a) of the Listing Manual, "net assets" means total assets less total liabilities.

(2) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

(3) This basis is not applicable as the transaction is not a disposal.

(4) Under Rule 1002(5) of the Listing Manual, "market capitalisation" of the Company is determined by multiplying the 1,378,656,672 shares in issue by the weighted average price of S$0.115 of such shares transacted on 15 July 2020, being the market day immediately preceding the date of signing of the SPA.

(5) This basis is not applicable as the Consideration shall be fully paid in cash.

(6) This basis is not applicable as it only applies to a disposal of mineral, oil and gas assets by a mineral, oil and gas company.

As the relative figures under Rule 1006 (c) of the Listing Manual exceeds 20%, the Proposed Acquisition constitutes a "major transaction" for the purposes of Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisition is subject to the approval of the shareholders of the Company being obtained in a general meeting to be convened.

7 INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this announcement, none of the Directors or the controlling shareholders of the Company has any direct or indirect interest in the Proposed Acquisition, other than through their respective shareholding interests in the Company (if any).

8 DIRECTORS' SERVICE CONTRACTS

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.

9 DOCUMENT FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the Company's registered office at 51 Merchant Road, Raffles Education Square, Singapore 058283 for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Chew Hua Seng
Chairman and Chief Executive Officer
16 July 2020