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

THE PROPOSED DISPOSAL OF THE GROUP'S ENTIRE STAKE IN LANGFANG DEVELOPMENT ZONE ORIENTAL UNIVERSITY CITY SINO-SINGAPORE EDUCATION INVESTMENT CO., LTD.

---

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 26 April 2019, Langfang Tonghui Education Consultancy Co., Ltd. ("**Vendor**"), a subsidiary of the Company, had entered into a sale and purchase agreement (the "**SPA**") with Liu Yanwen (the "**Purchaser**") in relation to the proposed disposal by the Company of its entire equity interest (the "**Sale Equity Interest** ") in Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co., Ltd. ("**Langfang Development Zone Oriental University City Sino-Singapore Education Investment**") to the Purchaser or a related party designated by the Purchaser (the "**Proposed Disposal**").

2. INFORMATION ON THE VENDOR, LANGFANG DEVELOPMENT ZONE ORIENTAL UNIVERSITY CITY SINO-SINGAPORE EDUCATION INVESTMENT, AND THE PURCHASER

2.1. Information on the Vendor

The Vendor, is a private company incorporated in the PRC on 14 November 2007 that is primarily engaged in the business of providing education consulting and research services and is a subsidiary of the Company.

Prior to the SPA, the Vendor holds 100% of the beneficial interest in the entire equity interest in Langfang Development Zone Oriental University City Sino-Singapore Education Investment through the Purchaser. Upon settlement negotiations, taking into consideration the various agreements entered into between the parties and the contributions of the Purchaser made over the years, the Vendor now holds 51% of the beneficial interest in Langfang Development Zone Oriental University Sino-Singapore Education Investment, held through the Purchaser, which the Vendor is selling to the Purchaser for RMB 420,000,000.

2.2. Information on Langfang Development Zone Oriental University City Sino-Singapore Education Investment

2.1.1 Langfang Development Zone Oriental University City Sino-Singapore Education Investment is a private company incorporated in the PRC on 10 July 2008. As at the date of this announcement, Langfang Development Zone Oriental University City Sino-

Singapore Education Investment is primarily engaged in the business of providing educational services (the "**Business**").

2.1.2 Langfang Development Zone Oriental University City Sino-Singapore Education Investment had in 2009 set up a college on the foundation of Langfang Oriental Institute of Technology (now known as now known as Hebei Oriental University) (the "**College**") and has since been involved in running and operating the College. The Purchaser had, over the years, injected funds into Langfang Development Zone Oriental University City Sino-Singapore Education Investment to provide for operating expenses and other expenses to ensure that the college would be able to meet the requirements for its undergraduate college application, further to which the College achieved the status of being a recognised undergraduate college in 2016.

2.3. **Information on the Purchaser**

The Purchaser, Liu Yanwen, is a citizen of the PRC.

3. MATERIAL TERMS OF THE PROPOSED DISPOSAL

A summary of the material terms and conditions of the Proposed Disposal as set out in the SPA include, *inter alia*, the following:

3.1. **Consideration**

3.1.1 The consideration for the Sale Equity Interest shall be the sum of RMB420,000,000.00 (equivalent to approximately S$84,620,000 (the "**Consideration**"), being the net amount payable to the Vendor, which was arrived at on a willing-buyer willing-seller basis. LYW/Designated Party shall pay Tonghui RMB 420,000,000.00 as consideration for purchase of the Sale Equity Interest ("Consideration").

3.1.2 The Parties agree that the Consideration amount is final and shall make no objections to it.

3.1.3 The Consideration shall be fully satisfied in cash and, subject to paragraph 3.1.4, shall be paid to the Company in immediately available funds of the Purchaser in the following manner:

(a) **Deposit**: A deposit of RMB42,000,000 shall be paid by the Purchaser or his designated related party (as the case may be) to the Vendor within five (5) business days from the date of execution of the SPA ("**Deposit**"), and in the event that the Conditions Precedents (as defined below) are not fulfilled by 30 December 2019 such deposit shall be refunded by the Vendor to the Purchaser within five (5) working days;

(b) **First Tranche**: A first payment of RMB126,000,000 (less the sum of RMB42,000,000 being the amount of the deposit) shall be paid by the Purchaser

or his designated related party (as the case may be) to the Vendor on or before 30 September 2019 ("**First Tranche Payment**"), save that:

(i) in the event that the Conditions Precedents are fulfilled on a date which is less than 15 working days from 30 September 2019, the First Tranche Payment shall be made 15 days after the fulfilment of the Conditions Precedents; and

(ii) in the event that the Conditions Precedents are not fulfilled by 30 September 2019, the First Tranche Payment shall be made 15 days after the fulfilment of the Conditions Precedents ("**Deferred First Tranche Payment Date**"); and

(c) **Second Tranche**: A second payment of RMB294,000,000.00 shall be paid by the Purchaser or his designated related party (as the case may be) to the Vendor before 30 September 2020 ("**Second Tranche Payment**"), save that the payment date for the Second Tranche Payment may be extended to 30 September 2022 with the written consent of the Vendor (such consent not to be unreasonably withheld) subject to the fulfilment of the following conditions:

(i) in the event that the Purchaser is in breach of the terms of the SPA and the Vendor gives written notice to the Purchaser requiring him to rectify such breach(es), the Purchaser remedies the said breach(es) within 10 days from the date on which the Vendor gives notice to the Purchaser to remedy the breach;

(ii) the Purchaser or the designated relevant party (as the case may be) has on or before 30 September 2020 paid to the Vendor of such portion of the total Consideration being an amount not less than RMB126,000,000; and

(iii) the Purchaser shall arrange for payment of interest on the outstanding amount at an interest being the long-term interest rate as announcement of the People's Bank of China ("**Interest**") which shall accrue for the period commencing 30 September 2020 and ending on such date on which the Consideration is paid in full.

3.1.4 Payment of the First Tranche Payment and Second Tranche Payment shall be conditional upon the fulfilment of the Conditions Precedents (as defined below).

3.2. **Completion**

3.2.1. Completion of the Proposed Disposal ("**Completion**") shall take place on the date on which the Consideration and Interest thereon (if any) has been paid in full.

3.2.2. Upon Completion, prior agreements and arrangements between the Purchaser, Langfang Development Zone Oriental University City Sino-Singapore Education Investment Co. Ltd. and the Vendor would cease and terminate in its entirety and be superseded by the terms of the SPA.

3.3. **Personal Guarantee by Purchaser**

3.3.1. In the event that the Sale Equity Interest is sold to designated related party of the Purchaser pursuant to the SPA, the Purchaser shall personally guarantee the performance by the designated related party of its obligations and liabilities under the SPA, including but not limited to its obligations to pay Consideration on the terms of the SPA.

3.3.2. In the event that the First Tranche Payment and Second Tranche Payment is overdue for more than five (5) working days, the Vendor shall have the right to unilaterally sell, in whole or in part, its equity interest in Langfang Development Zone Oriental University City Sino-Singapore Education Investment or the assets of the College, provided that consideration received by the Vendor from such sale shall first be applied to set off the Purchaser's obligation to pay any outstanding Consideration and Interest thereon (if any) and Liquidated Damages (as defined below) to the Vendor.

3.4. **Conditions Precedent under the SPA**

3.4.1 Pursuant to the SPA, the Proposed Disposal is conditional upon, *inter alia*, the following conditions precedent ("**Conditions Precedent**"):

(a) the approval of this Agreement by the Board of the Company; and

(b) if necessary, approval being obtained from the shareholders of the Company by way of ordinary resolution a general meeting for the transactions contemplated in the SPA.

3.5. **Failure to Pay**

3.5.1. Pursuant to the SPA, in the event that the Purchaser fails to comply with the following:

(a) pay the Deposit in full in accordance with the terms of the SPA;

(b) pay the First Tranche Payment in full in accordance with the terms of the SPA; or

(c) pay the Consideration and Interest thereon (if any);

and the Vendor is otherwise unable to recover the Consideration and Interest thereon (if any) through the mechanisms provided in the SPA, the Vendor shall have the right to exercise the option to transfer the whole of the equity interest of Langfang Development Zone Oriental University City Sino-Singapore Education Investment to the Vendor or such party designated by the Vendor ("**Option to Transfer**").

3.5.2. In the event that the Vendor exercises the Option to Transfer, the Vendor shall not be required to make payment of any sums to the Purchaser save that the Vendor shall return to the Purchaser the portion of the Consideration paid by the Purchaser until the date of exercise of the Option to Transfer, less the following amounts:

(a) an asset usage fee of RMB40,000,000.00 yuan per annum payable by the Purchaser which shall be computed for the period commencing October 2012 to the date of completion of the Sale Shares pursuant to the Option to Transfer and calculated on a monthly basis;

(b) RMB50,000,000 being liquidated damages payable by the Purchaser; and

(c) all costs and expenses incurred in relation to the exercise of the Option to Transfer and recovering the Consideration and interest thereon (if any) through the mechanisms provided in the SPA.

4. RATIONALE FOR THE PROPOSED DISPOSAL

Langfang Development Zone Oriental University City Sino-Singapore Education Investment has not generated positive cash inflow since its inception. Barring any unforeseen circumstances, the Company believes that the financial position of Langfang Development Zone Oriental University City Sino-Singapore Education Investment is unlikely to improve in the near future. Therefore, taking into consideration the cash flow impact on the Group, the Company is proposing to undertake the Proposed Disposal to maximize the cash return to the Group.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The *pro forma* financial effects of the Proposed Disposal 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 2018 ("**FY2018**"), the *pro forma* financial effects of the Proposed Disposal are as follows:

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

For illustrative purposes only, had the Proposed Disposal been completed on 30 June 2018 and based on the latest audited consolidated financial statements of the Group for FY2018, the Proposed Disposal would have had the following impact on the Company's NTA per share:

	Before the Proposed Disposal	**After the Proposed Disposal**
NTA[(1)] (S$'000)	502,630	542,282
Number of issued shares (excluding treasury shares) ('000)	1,378,656,672	1,378,656,672
NTA per share (cents)	36.46	39.33

Note: NTA is based on net asset value of the Group less intangible assets and non-controlling interests.

5.2. **Effect on earnings per share ("EPS")**

For illustrative purposes only, had the Proposed Disposal been completed on 1 July 2017 and based on the latest audited consolidated financial statements of the Company for FY2018, the Proposed Disposal would have had the following impact on the Company's EPS:

	Before the Proposed Disposal	**After the Proposed Disposal**
Profit/(Loss) after tax attributable to equity holders of the Company (S$'000)	10,667	46,363
Weighted average number of shares ('000)	1,181,945,937	1,181,945,937
EPS (cents)	0.90	3.92

5.3. **Value of the Sale Equity Interest**

Based on the latest announced consolidated unaudited accounts of the Group for the second quarter financial period ended 31 December 2018:

(i) the book value and the NTA value of the Sale Equity Interest is approximately $43,056,000;

(ii) the net loss attributable to the Sale Equity Interest is approximately $218,000;

(iii) the excess of the proceeds over the book value of the Sale Equity Interest is approximately $41,564,000; and

(iv) the net gain on the Proposed Disposal (before any income tax effect on the transaction) is expected to be approximately $41,564,000.

5.4. **Use of proceeds**

The proceeds from the Proposed Disposal are intended to be used for working capital purposes, repayment of loans or opportunistic investments.

6. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANNUAL

Rule	Bases of computation	Relative figures
Rule 1006(a)	Net asset value ("**NAV**")[(1)] of the Sale Equity Interest of $83,776,000, compared with the Group's NAV of $685,383,000	12.22%
Rule 1006(b)	Net losses[(2)] of $218,000 attributable to the Sale Equity Interest, compared with the Group's net loss of $14,685,000	1.48%
Rule 1006(c)	Aggregate value of the Consideration received of $84,620,000 for the Proposed Disposal, compared with the Company's market capitalisation[(3)] of approximately $118,564,000	71.37%
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[(4)]
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[(5)]

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 before income tax, minority interests and extraordinary items.

(3) 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 closing price of such shares transacted on the market day immediately preceding the date of signing of the SPA.

(4) This basis is not applicable as it is not an acquisition.

(5) 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 figure for the Proposed Acquisition computed under Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Disposal is considered a major transaction under Chapter 10 of the Listing Manual, and is therefore subject to Shareholders' approval.

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 Disposal, 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 or any of its subsidiaries in connection with the Proposed Disposal. 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 CEO
28 April 2019