

## RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 199400712N)

### ASSET SALE AND PURCHASE AGREEMENT FOR THE PROPOSED DISPOSAL OF PROPERTIES IN THE PEOPLE'S REPUBLIC OF CHINA

#### 1. INTRODUCTION

- 1.1 The Board of Directors (the "**Board**") of Raffles Education Corporation Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the announcements of the Company dated 8 October 2014, 3 December 2014, 26 December 2014, 31 December 2014, 8 January 2015, 15 January 2015 and 16 January 2015 in relation to the spin-off and listing (the "**Spin-off Listing**") of its subsidiary, Oriental University City Holdings (H.K.) Limited ("**OUCCHK**", and together with its subsidiaries, the "**OUCCHK Group**") on the Growth Enterprise Market ("**GEM**") of the Stock Exchange of Hong Kong Limited ("**HKSE**").
- 1.2 In connection with the Spin-off Listing, the Company and OUCCHK had entered into a Deed of Non-Competition and Call Option on 22 December 2014 (the "**Deed**"), where the Company had granted and undertaken to procure that a subsidiary that is 99% owned by the Company, Langfang Tonghui Education Consultancy Co., Ltd ("**Tonghui**"), granted to OUCCHK a call option (the "**Call Option**") to purchase the whole or any part of the land with land title classified as educational and zoned for educational use pursuant to the land use planning scheme promulgated by the Bureau of Urban and Rural Planning of Tonghui City in 2011, with a total site area of approximately 418 mu owned by Tonghui (the "**Zhuyun Education Land**"). The Deed provided that the purchase price would be fair and reasonable and negotiated in good faith and agreed between OUCCHK and the Company or Tonghui as soon as practicable following the giving of the relevant option notice by OUCCHK to the Company or Tonghui to exercise the Call Option.
- 1.3 The Board wishes to announce that OUCCHK exercised the Call Option on 29 August 2018 to purchase certain properties owned by Tonghui which are part of the Zhuyun Education Land (the "**Properties**"), and that following negotiations between OUCCHK and the Company on the purchase price of the Properties, on 29 August 2018, the Company, OUCCHK, Tonghui and Langfang Kaifaqu Oriental University City Education Consultancy Co., Ltd ("**Kaifaqu**"), a wholly-owned subsidiary of OUCCHK that is incorporated in the People's Republic of China ("**PRC**") (collectively, the "**Parties**") entered into an asset sale and purchase agreement ("**ASPA**"), pursuant to which OUCCHK agreed to purchase, and the Company agreed to procure Tonghui to sell, the Properties for a total consideration of RMB252,370,000 (approximately S\$50,413,000) (the "**Proposed Disposal**").
- 1.4 Under the terms of the Deed, the Call Option will continue to apply in respect of the rest of the Zhuyun Education Land other than the Properties, and will remain outstanding and effective until the earliest of: (a) the date on which the Group, directly or indirectly, ceases to hold or otherwise be interested in, beneficially in aggregate 30% or more of the issued share capital of OUCCHK; (b) the date on which the OUCCHK shares cease to be listed on the HKSE (provided that such delisting is voluntary and at the instigation of OUCCHK); and (c) the date on which the Group (including Tonghui) ceases to hold any part of the Zhuyun Education Land.

Please also refer to OUCCHK's announcement also released today, a copy of which is attached

together with this announcement.

## 2. PARTICULARS OF OUCHK

The Company presently holds 75% of the total issued share capital of OUCHK and OUCHK is therefore a subsidiary of the Company. OUCHK is principally engaged in the leasing of education facilities to education institutions and commercial leasing of supporting facilities in the PRC.

For the avoidance of doubt, the Proposed Disposal does not constitute an interested person transaction for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Rule 915(3) of the Listing Manual provides that where a transaction between an entity at risk and an investee company, where the interested person's interest in the investee company, other than that held through the issuer, is less than 5%, that transaction is not required to comply with Listing Rules 905, 906 and 907. As no director, chief executive officer or controlling shareholder of the Company or any of their respective associates holds any interest in OUCHK other than through the Company, the exemption in Rule 915(3) will apply to the Proposed Disposal.

## 3. PARTICULARS OF THE PROPERTIES

As stated in paragraph 1.3 above, the Properties are part of the Zhuyun Education Land, situated at Oriental University City, Langfang Economic and Technology Development Zone, Langfang City, Hebei Province, the PRC, Tonghui City, Hebei Province, PRC. The Properties comprise three (3) parcels of land for education use with a total site area of approximately 57,501.40 square meters, and two (2) buildings with a total gross floor area of approximately 58,385.86 square meters.

The key details of the land use rights of the three (3) parcels of land are as follows:

No.	Certificate No.	Date of issue	Land use	Approximate site area (sq.m.)
1	(2012) 023	15 June 2012	Education	40,861.40
2	(2016) 00080	10 November 2016	Education	6,937.20
3	(2017)0007965	1 July 2016	Education	9,702.80
			<b>Total:</b>	<b><u>57,501.40</u></b>

The key details of the building ownership rights of the two (2) buildings are as follows:

No.	Certificate No.	Date of issue	No. of stories	Approximate gross floor area (sq.m.)
1	H6427	29 June 2016	13	51,576.55
2	H6423	29 June 2016	3	6,809.31
			<b>Total:</b>	<b><u>58,385.86</u></b>

A total of approximately 6,921.27 square meters of the gross floor area of the two (2) buildings

is currently being leased out to 22 tenants (all of which are third parties that are not related to the Group) for terms ranging from September 2015 to August 2022. Pursuant to the relevant tenancy agreements, the aggregate monthly rent for these areas is approximately RMB1,728,354 (exclusive of government rates and service charges).

The aggregate historical investment costs paid by the Company as at 19 March 2008 for the three (3) parcels of land and two (2) buildings was approximately RMB21,338,051 and RMB167,269,798 respectively.

#### **4. DETAILS OF THE PROPOSED DISPOSAL**

##### **4.1 Consideration**

The consideration for the Proposed Disposal is RMB252,370,000.00 (the "**Consideration**"). The Consideration was arrived at on a "willing seller, willing buyer" basis after taking into account arm's length negotiations between the Company and OUCHK under normal commercial terms and with reference to, among others, the preliminary valuation of the Properties at RMB252,370,000 as on 29 August 2018 (the "**Valuation**"). The Valuation was commissioned by OUCHK and the Company jointly and carried out by an independent professional valuer. In valuing the properties, the valuer adopted approaches on the basis of capitalisation of the rental derived from the existing tenancies with due allowance for reversionary rental potential of the Properties, and by making reference to comparable sales evidence as available in the relevant property market.

The Consideration shall be satisfied in the following manner:

- (a) upon the signing of the ASPA, RMB25,237,000, representing 10% of the Consideration (the "**Deposit**") payable by Kaifaqu to Tonghui, shall be settled in cash;
- (b) on the date of the completion of the Proposed Disposal under the ASPA (the "**Completion**"), at the election of OUCHK, OUCHK shall either:
  - (i) make a cash payment of RMB50,474,000 representing 20% of the Consideration and issue a convertible note in the value of RMB176,659,000 (equivalent to approximately HK\$203,700,202 based on the exchange rate as quoted by People's Bank of China on the date of the ASPA) representing 70% of the Consideration, entitling the Company (or its nominee) to convert at the price of HK\$2.30 (the "**Conversion Price**") per new share to be allotted and issued by OUCHK pursuant to the exercise of conversion rights attached to the said convertible note (each a "**conversion share**"), into a maximum of 88,565,306 conversion shares; or
  - (ii) issue a convertible note in the value of RMB227,133,000 (equivalent to approximately HK\$261,900,259 based on the exchange rate as quoted by People's Bank of China on the date of the ASPA) representing 90% of the Consideration, entitling the Company (or its nominee) to convert at the Conversion Price per conversion share, into a maximum of 113,869,678 conversion shares.

##### **4.2 Principal Terms and Conditions of the ASPA**

The following are some of the salient terms and conditions of the ASPA:

(a) Conditions Precedent

Completion is conditional upon the fulfilment or waiver of the following conditions (the "**Conditions**"):

- (i) the warranties provided by the Company and OUCHK under the ASPA remaining true, and accurate in all respects and not misleading in any respect on the date of the Completion;
- (ii) the passing of an ordinary resolution by the shareholders of OUCHK (other than the Company) at a general meeting to approve the acquisition of the Properties and to approve the grant of a specific mandate to the board of directors of OUCHK to allot and issue the conversion shares;
- (iii) the passing of a resolution by the shareholders of the Company to approve the Proposed Disposal under the ASPA and in accordance with the applicable Singapore listing rules;
- (iv) the Listing Committee of the HKSE granting approval for the listing of, and the permission to deal in, the conversion shares and such approval not having been revoked;
- (v) OUCHK having obtained a legal opinion on, among others, the title certificate of the Properties, issued by a PRC legal adviser, in form and substance satisfactory to OUCHK in its absolute discretion;
- (vi) no material adverse change having occurred between the date of the ASPA and Completion; and
- (vii) approval by the majority of the independent directors of OUCHK;
- (viii) grant of waivers of taxation by the relevant PRC tax authorities in relation to the Proposed Disposal (if required as advised by the PRC legal adviser to OUCHK); and
- (ix) approval by the State Administration of Foreign Exchange of the PRC or its competent local counterpart for the settlement of 70% or 90% (as the case may be) of the Consideration by the issuance of the convertible note to the Company (if required as advised by the PRC legal adviser to OUCHK).

If any of the above conditions are not fulfilled by 31 December 2018 or any such later date as the Parties may mutually agree, or if, before Completion, an event of material adverse effect has occurred or a material breach of the warranties of the Company has occurred, which in each case has not be satisfactorily cured in OUCHK's opinion, within the relevant period specified in the ASPA, the ASPA may be terminated in accordance with the terms of the ASPA. In the former case, Tonghui shall repay the Deposit (interest-free) to Kaifaqu within five (5) business days from the date of termination of the ASPA.

(b) Company's Undertakings

The Company undertakes to inform OUCHK if an internal restructuring relating to Tonghui is necessary in order to optimise any PRC tax obligations relating to the Proposed Disposal. In the event that a new entity (which will be wholly-owned by the Company and/or Tonghui) is set up to hold the Properties prior to the transfer to

OUCCHK under the ASPA, the Company will procure that such new entity complies with the terms and conditions of the transfer of the Properties to OUCCHK as set out in the ASPA.

(c) Principal Terms of the Convertible Note

The principal terms of the convertible note are as follows:

- (i) The aggregate principal amount of the convertible note will be HK\$203,700,202 or HK\$261,900,259 (at the option of OUCCHK as set out in paragraph 4.1(b) above) (the "**Outstanding Principal Amount**"), with the maturity date as 29 August 2028, being 10 years from the date of the ASPA (the "**Maturity Date**");
- (ii) The convertible note will bear interest on the Outstanding Principal Amount from and including the date of Completion ("**Completion Date**") up to (and including) the earlier of (A) the Maturity Date; or (B) the date at which OUCCHK has pre-paid the Outstanding Principal Amount in accordance with the terms of the convertible note, at a rate of 2.48% per annum, payable semi-annually in arrears every six (6) calendar months after the Completion Date;

Between the date of issue and the Maturity Date, the holder of the convertible note will be able to convert the Outstanding Principal Amount in whole or in part into a specified number of conversion shares based on the Conversion Price, and in accordance with the terms of the convertible note. The conversion shares will rank *pari passu* in all respects with all other existing ordinary shares in the share capital of OUCCHK and shall include rights to participate in all dividends and other distributions, the record date of which falls on or after the date of conversion;

- (iii) The noteholder undertakes not to exercise its conversion right if this will result in the percentage of public float of OUCCHK's ordinary shares listed on the HKSE falling below the minimum prescribed percentage as required by the GEM listing rules of the HKSE; and
- (iv) Any part of the convertible note that has not been converted in accordance with the terms of the convertible note as at the Maturity Date shall mature and shall be automatically converted into conversion shares at the Conversion Price on the Maturity Date.

Upon the occurrence of an event of default under the convertible note or at any time while the same is still continuing, REC or its affiliate will have the right (which can be exercised in its sole discretion) to demand OUCCHK to forthwith redeem the convertible note in full in cash.

(d) Completion

Completion will take place on the 10<sup>th</sup> Business Day after the fulfilment (or waiver) of the Conditions, or such other date as the Parties may mutually agree in writing (the "**Completion Date**").

Upon satisfaction of the delivery conditions for the Properties under the ASPA, the Company or Tonghui shall notify OUCCHK in writing to commence the procedures for

delivery of the Properties. Where both parties have carried out the inspection and acceptance procedures for the Properties, the Company or Tonghui shall produce the acceptance certificate, including all material documentation pursuant to which the Properties are owned, used or occupied by Tonghui and sign the delivery document. In the event that the Company or Tonghui does not produce the aforesaid certificate and material documents, OUCHK has the right to refuse the delivery and the liability of delayed delivery resulting therefrom shall be assumed by the Company.

The ASPA also contains other customary terms and conditions.

## **5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

5.1 Based on the unaudited consolidated financial statements of the Group for the financial year ended 30 June 2018 ("**FY2018**"):

- (a) the book value and net tangible asset value of the Properties as at 30 June 2018 was approximately S\$47,093,000 and S\$47,093,000 respectively;
- (b) As this is a transaction within the Group, there will be no gain/loss from this transaction for the Group except for the effect on tax and non-controlling interest. The Group intends to use the sale proceeds from the Proposed Disposal for its working capital.

5.2 Based on the latest unaudited consolidated financial statements of the Group for FY2018, the financial effects of the Proposed Disposal would be as follows:

- (a) the net tangible assets per share of the Company as at 30 June 2018 would increase from 36.46 Singapore cents to 36.84 Singapore cents, assuming that the Proposed Disposal had been completed on 30 June 2018; and
- (b) the earnings per share of the Company for FY2018 would increase from 0.9 Singapore cents to 1.3 Singapore cents, assuming that the Proposed Disposal had been completed on 1 July 2017.

## **6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL**

Based on the unaudited consolidated financial statements of the Group for FY2018, the relative figures computed in respect of the Proposed Disposal on the bases set out in Rule 1006 of Listing Manual are as follows:

- (a) Rule 1006(a) – the net asset value of the Properties of approximately S\$47,093,000 as at 30 June 2018 represents approximately 6.5% of the Group's net asset value of S\$722,730,000 as at 30 June 2018;
- (b) Rule 1006(b) – the aggregate net losses of approximately S\$251,000 attributable to the Properties to be disposed of for FY2018 represents approximately negative 0.6% of the Group's net profits for FY2018;
- (c) Rule 1006(c) – the Consideration represents approximately 23.9% of the Company's market capitalisation of approximately S\$210,934,000<sup>1</sup> as at 28 August 2018, being

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<sup>1</sup> Calculated based on the last transaction price of S\$0.153 per share and 1,378,656,672 shares excluding treasury shares.

the market day immediately preceding the date of the ASPA;

- (d) Rule 1006(d) – not applicable as no shares will be issued by the Company pursuant to Proposed Disposal; and
- (e) Rule 1006(e) – not applicable as the Proposed Disposal is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

Based on the relative figures above, the Proposed Disposal constitutes a major transaction for the purposes of Chapter 10 of the Listing Manual and requires the approval of the Company's shareholders. Accordingly, a circular in relation to the Proposed Disposal, together with a notice of extraordinary general meeting to be convened, will be despatched to the shareholders of the Company in due course.

## **7. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

As at the date of this Announcement, none of the Directors or controlling shareholders of the Disposal has any interest, direct or indirect, in the Proposed Disposal, other than through their respective directorships and shareholdings in the Company. No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal or any other transaction contemplated in relation to the Proposed Disposal.

## **8. DOCUMENTS FOR INSPECTION**

The following documents are available for inspection at the registered office of the Company at 51 Merchant Road, Raffles Education Square, Singapore 058283 during the Company's usual business hours (from [9.00 a.m. to 5.00 p.m.]) for a period of three (3) months from the date of the ASPA:

- (a) the ASPA; and
- (b) the Valuation report.

By Order of the Board  
**RAFFLES EDUCATION CORPORATION LIMITED**

Chew Hua Seng  
Chairman  
29 August 2018