

## RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No: 199400712N)

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### PROPOSED ACQUISITION OF COMMERCIAL UNITS IN SUZHOU, CHINA

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#### 1. INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of Raffles Education Corporation Limited (the “**Company**”) together with its subsidiaries, the “**Group**”) wishes to announce that Hefei Lanjing Science & Trade Co., Ltd (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company, has on 12 June 2018 entered into sale and purchase agreements (the “**SPAs**” and each a “**SPA**”) with the owners of each of the Properties (as defined below) (the “**Vendors**” and each a “**Vendor**”) in relation to the proposed acquisition of Units 303 to 308, Block 5 No. 203 Tayuan Road, Suzhou (the “**Properties**” and each a “**Property**”) by the Purchaser from the Vendors (the “**Proposed Acquisition**”).

#### 2. INFORMATION ON THE VENDORS

- 2.1 The Vendors are all citizens of the People’s Republic of China. The identities of the Vendors are as follows:

Property	Vendors
Unit 303, Block 5 No. 203 Tayuan Road, Suzhou	Li Wei, Li Zhong Jian, Zhao Ling, Meng Xiang Hu, Huang Yu Juan
Unit 304, Block 5 No. 203 Tayuan Road, Suzhou	Zhang Lan Hua, Zhang Pin Guan
Unit 305, Block 5 No. 203 Tayuan Road, Suzhou	Yang Zong Yu, Cui Mei Xia
Unit 306, Block 5 No. 203 Tayuan Road, Suzhou	Zhang Li Xia
Unit 307, Block 5 No. 203 Tayuan Road, Suzhou	Cai Wei Jin, Zhang Zhi Hua, Fan Guo Gang, Zhang Qun Xia
Unit 308, Block 5 No. 203 Tayuan Road, Suzhou	Wu Guo Zhen, Wu Wen Bin

- 2.2 To the best of the Company’s knowledge, the Vendors are independent third parties who are not interested persons as defined under Chapter 9 of the Listing Manual of the Singapore Exchange Trading Securities Limited (the “**SGX-ST**”) (the “**Listing Manual**”).

#### 3. INFORMATION ON THE PROPERTIES

- 3.1 The Properties are units in a commercial property situated on leasehold land and have a combined gross floor area (“**GFA**”) of approximately 553.91 square meters. The leasehold tenure of the Properties expires on 31 December 2066. The breakdown of the GFA of the Properties is as follows:

<b>Property</b>	<b>GFA (square meters)</b>
Unit 303, Block 5 No. 203 Tayuan Road, Suzhou	155.45
Unit 304, Block 5 No. 203 Tayuan Road, Suzhou	73.38
Unit 305, Block 5 No. 203 Tayuan Road, Suzhou	73.38
Unit 306, Block 5 No. 203 Tayuan Road, Suzhou	65.53
Unit 307, Block 5 No. 203 Tayuan Road, Suzhou	113.74
Unit 308, Block 5 No. 203 Tayuan Road, Suzhou	72.43
<b>Total</b>	<b>553.91</b>

#### 4. THE PROPOSED ACQUISITION

##### 4.1 Consideration

The aggregate consideration payable by the Purchaser to the Vendors for the Properties will be RMB6,619,964 (or S\$1,379,159 based on an exchange rate of S\$1:RMB4.80) (the “**Aggregate Consideration**”), which was arrived at on a willing-buyer willing-seller basis taking into consideration, among others, relevant enquiries and references by the Group in relation to the current market prices of leasehold properties in similar locations as the Properties. The breakdown of the Aggregate Consideration is as follows:

<b>Property</b>	<b>Consideration (RMB)</b>
Unit 303, Block 5 No. 203 Tayuan Road, Suzhou	1,857,835
Unit 304, Block 5 No. 203 Tayuan Road, Suzhou	876,989
Unit 305, Block 5 No. 203 Tayuan Road, Suzhou	876,989
Unit 306, Block 5 No. 203 Tayuan Road, Suzhou	783,171
Unit 307, Block 5 No. 203 Tayuan Road, Suzhou	1,359,345
Unit 308, Block 5 No. 203 Tayuan Road, Suzhou	865,635
<b>Total</b>	<b>6,619,964</b>

Within 2 working days from the date of the SPAs, the Purchaser will pay an aggregate deposit of RMB600,000 (the “**Deposit**”) to the Vendors upon the execution of the SPA by the parties thereto, such Deposit to be paid as follows:

<b>Property</b>	<b>Vendors</b>	<b>Deposit (RMB)</b>
Unit 303, Block 5 No. 203 Tayuan Road, Suzhou	Li Wei, Li Zhong Jian, Zhao Ling, Meng Xiang Hu, Huang Yu Juan	170,000
Unit 304, Block 5 No. 203 Tayuan Road, Suzhou	Zhang Lan Hua, Zhang Pin Guan	80,000
Unit 305, Block 5 No. 203 Tayuan Road, Suzhou	Yang Zong Yu, Cui Mei Xia	80,000
Unit 306, Block 5 No. 203 Tayuan Road, Suzhou	Zhang Li Xia	70,000
Unit 307, Block 5 No. 203 Tayuan Road, Suzhou	Cai Wei Jin, Zhang Zhi Hua, Fan Guo Gang, Zhang Qun Xia	120,000
Unit 308, Block 5 No. 203 Tayuan Road, Suzhou	Wu Guo Zhen, Wu Wen Bin	80,000
<b>Total</b>		<b>600,000</b>

The SPAs are not inter-conditional upon one another. The remainder of the respective portions of the Aggregate Consideration will be paid to the respective Vendors within 3 working days after the transfer of title to the respective Properties to the Purchaser, and the delivery by the respective Vendors and the acceptance by the Purchaser of the respective Properties, are completed.

The Aggregate Consideration payable in respect of the Proposed Acquisition will be satisfied in cash from internal resources and no new shares will be issued by the Company to satisfy such consideration.

#### 4.2 **Rationale for the Proposed Acquisition**

The Group is primarily involved in the business of providing private education (the “**Business**”). The Group operates, among others, Gelin Nursery School of Suzhou National New & Hi-tech Industrial Development Zone (“**SZGL**”) in Suzhou, China.

As the Properties are located in the same building as SZGL, the board of directors of the Company (the “**Board**”) is of the opinion that the Proposed Acquisition represents an opportunity for the Company to expand the Business, as well as to supplement its revenue stream with additional income, as the Proposed Acquisition will allow the Group to expand SZGL’s classroom size, upgrade SZGL’s facilities and increase SZGL’s student population.

#### 4.3 **Valuation of the Properties**

There was no valuation undertaken on the Properties.

#### 4.4 **Profit attributable to the Properties**

There was no net profit or loss attributable to the Properties for the nine months ended 31 March 2018 as the Properties were occupied by the respective Vendors during that period.

## 5. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN CHAPTER 10 OF THE LISTING MANUAL

5.1 The relative figures for the Proposed Acquisition (on an aggregated basis) computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Size of Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable <sup>(1)</sup>
(b)	Net profit/loss attributable to the assets acquired or disposed of, compared with the Group's net profit/loss before tax	Not meaningful <sup>(2)</sup>
(c)	The aggregate value of the Aggregate Consideration, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares	0.57% <sup>(3)</sup>
(d)	The 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 <sup>(4)</sup>
(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 <sup>(5)</sup>

### Notes:

- (1) Not applicable as the Proposed Acquisition is not a disposal of assets.
- (2) There was no net profit or loss attributable to the Properties for the nine months ended 31 March 2018 as the Properties were occupied by the respective Vendors during that period. The Group recorded a net loss before tax for the nine months ended 31 March 2018 of S\$9,262,000.
- (3) Based on the Aggregate Consideration of S\$1,379,159 (based on an exchange rate of S\$1:RMB4.80) and the issued share capital of the Company of 1,378,656,672 ordinary shares in the capital of the Company ("Shares") and the volume weighted average price of S\$0.1768 as at 1 June 2018 (being the market day preceding the date of this Application).
- (4) Not applicable as no equity securities will be issued by the Company as consideration for the Proposed Acquisition.
- (5) Not applicable as the Proposed Acquisition is not a disposal of mineral, oil or gas assets.

5.2 As none of the relative figures under Rule 1006 of the Listing Manual exceed 5%, the Proposed Acquisition constitutes a "non-discloseable transaction" as defined in Chapter 10 of the Listing Manual.

## 6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

### 6.1 Assumptions

The pro forma financial effects of the Proposed Acquisition on the Group have been prepared based on the unaudited consolidated financial statements of the Company for the financial year ended 30 June 2017 (“FY2017”), and are purely for illustration purposes only and do not reflect the actual future results and financial position of the Group following the completion of the Proposed Acquisition.

### 6.2 Net Tangible Assets

For illustrative purposes and assuming the Proposed Acquisition had been completed on 30 June 2017, the pro forma financial effects on the consolidated net tangible assets (“NTA”) for FY2017 are as follows:

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
NTA (S\$'000)	408,113	408,113
Number of shares	965,505,133	965,505,133
NTA per share (S\$)	42.27	42.27

### 6.3 Earnings/Loss

For illustrative purposes and assuming the Proposed Acquisition had been completed on 1 July 2016, the pro forma financial effects on the loss per share of the Group for FY2017 are as follows:

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
Net loss attributable to shareholders after tax (S\$'000)	1,853	1,508
Weighted average number of shares	965,505,133	965,505,133
Loss per share (S\$)	0.19	0.16

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SPAs will be 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.

**8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

Save as disclosed herein, none of the directors and substantial shareholders of the Company has any interests, direct or indirect, in the Proposed Acquisition, other than through each of their respective shareholding interests, direct and/or indirect, in the Company.

No director is proposed to be appointed to the Company in connection with the Proposed Acquisition.

By Order of the Board

**RAFFLES EDUCATION CORPORATION LIMITED**

Chew Hua Seng  
Chairman

12 June 2018