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## Issuer & Securities

### Issuer/ Manager

RAFFLES EDUCATION CORPORATION LIMITED

### Securities

RAFFLES EDUCATION CORP LTD - SG2C97968151 - NR7

### Stapled Security

No

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## Announcement Details

**ASSET ACQUISITIONS AND DISPOSALS::COMPULSORY LAND ACQUISITION OF GROUP'S PROPERTIES IN HEFEI CITY, THE PEOPLE'S REPUBLIC OF CHINA**

### Date & Time of Broadcast

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Compulsory Land Acquisition of Group's Properties in Hefei City, The People's Republic of China

### Announcement Reference

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### Submitted By (Co./ Ind. Name)

Chew Hua Seng

### Designation

Chairman & CEO

### Description (Please provide a detailed description of the event in the box below)

Please see attached.

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## Attachments

[REC Announcement - Compulsory Land Acquisition - 12 June 2020.pdf](#)

Total size =404K MB

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# RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199400712N)

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## COMPULSORY LAND ACQUISITION OF THE GROUP'S PROPERTIES IN HEFEI CITY, ANHUI PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

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### 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 12 June 2020 its wholly owned subsidiaries, Wanbo Institute of Science & Technology Ltd ("**WIST**") and Hefei Lanjing Science and Trade Co., Ltd. ("**HLST**") have entered into a compulsory acquisition agreement ("**Compulsory Acquisition Agreement**") with Hefei City Land Reserve Center of the Peoples Republic of China ("**Hefei City Authority**") in relation to Hefei City Authority's compulsory acquisition of WIST's and HLST's properties, as described in paragraph 2 below ("**Compulsory Acquisition**").

### 2. INFORMATION ON WIST & HLST, AND THE PROPERTIES COMPULSORILY ACQUIRED

WIST and HLST are the Company's wholly-owned subsidiaries in the PRC. WIST owns and operates Wanbo Institute of Science & Technology (the "**Institute**") and also owns the land use rights over the plot of land, measuring 158.49 mu, which the Institute buildings are erected on. HLST is a holding company, which owns, inter alia, the land use rights over a plot of residential land, measuring 8.05 mu.

The Compulsory Acquisition by the Hefei City Authority involves the following parcels of land:

(a) Land owned by WIST, as recorded in real estate property certificate, **Wan (2020) Hefei City Real Estate Property No. 1100882**, located at the south of Fanwa West Road and west of Shegang Road in Shushan District, with an area of 158.49 mu (105662.63 square meters); and

(b) Land owned by HLST, as recorded in land certificate **He Guo Yong (2009) No. 523**, adjoining the land owned by WIST, located at the south of Chuangye Avenue and west of Xiwang Road in Shushan District, with an area of 8.05 mu (5366.7 square meters),

(collectively, the "**Acquired Land**"), which has an aggregate area of 166.54 mu (approximately 111,029.33 square meters), together with the buildings erected on the Acquired Land ("**Buildings**"), the aggregate floor area of which is approximately 10,499 square metres, and the related land use rights. The Buildings are currently used by WIST and HLST for their operations, administration and leasing.

### 3. COMPENSATION FOR THE COMPULSORY ACQUISITION

Pursuant to the terms of the Compulsory Acquisition Agreement, the compensation due to WIST and HLST by the Hefei City Authority for the Compulsory Acquisition is an aggregate amount of FOUR HUNDRED THIRTY-TWO MILLION SIX HUNDRED THIRTY-THREE THOUSAND SEVEN HUNDRED AND TWENTY-FOUR YUAN (¥432,633,724.00) equivalent to approximately **S\$83,814,000.00** (the “**Compensation Amount**”), payable in cash in four separate instalments, in the following manner:

- (a) A sum of ONE HUNDRED TWENTY-NINE MILLION SEVEN HUNDRED NINETY THOUSAND YUAN (¥ 129,790,000.00) equivalent to about **S\$25,144,000.00** shall be paid on signing the Compulsory Acquisition Agreement and delivery of the original real estate certificates in respect of the Acquired Land to Hefei City Authority.
- (b) A sum of EIGHTY-SIX MILLION FIVE HUNDRED AND TWENTY THOUSAND YUAN (¥86,520,000.00) equivalent to about **S\$16,762,000.00** shall be paid after WIST and HLST completes the demolition of all structures on the part of the Acquired Land owned by HLST (except for the gatehouse), the No. 1 dormitory building, warehouse, and stadium of WIST and complete the cancellation of all real estate certificates (or land certificates, property certificates) of the part of the acquired land owned by HLST and the demolition passes the site acceptance by Hefei City Authority.
- (c) A sum of ONE HUNDRED TWENTY-NINE MILLION SEVEN HUNDRED NINETY THOUSAND YUAN (¥129,790,000.00) equivalent to about **S\$25,144,000.00** shall be paid after WIST and HLST complete the demolition of all structures on the Acquired Land.
- (d) A sum of EIGHTY-SIX MILLION FIVE HUNDRED THIRTY-THREE THOUSAND SEVEN HUNDRED TWENTY-FOUR YUAN (¥86,533,724) equivalent to about **S\$ 16,764,000.00** shall be paid after WIST and HLST complete the transfer of the Acquired Land and Buildings to Hefei City Authority.

The Compensation Amount was arrived at after negotiations between WIST and HLST on the one part and the Hefei City Authority on the other part, taking into account the prevailing value of the Acquired Land and Buildings. The Compensation Amount was ultimately decided by the Hefei City Authority.

The aggregated net asset value of the Acquired Land and Buildings is approximately CNY 118,637,000.00 equivalent to about S\$22,983,000.00 as at 31 December 2019. The excess of the Compensation Amount over the net book value of the Acquired Land and Buildings is approximately CNY 313,996,000.00. The Group will record a total gain of approximately CNY 313,996,000.00 equivalent to about S\$60,831,000.00.

#### 4. BASIS OF THE COMPULSORY ACQUISITION

In accordance with the changes to the planning requirements made by the Hefei City Authority and the relevant laws and regulations of the Peoples Republic of China, the Acquired Land and Buildings were identified as properties for compulsory acquisition.

#### 5. EXPECTED FINANCIAL EFFECTS OF THE COMPULSORY ACQUISITION

##### 5.1 NTA per share of the Company ("Share")

Based on the audited consolidated financial statements of the Group for FY 2019, assuming that the Compulsory Acquisition had been effected at the end of that financial year, the financial effects on the NTA for FY 2019 are as follows:

As at 30 June 2019	Before the Compulsory Acquisition	After the Compulsory Acquisition
NTA (S\$'000)	528,233	589,674
NTA per Share (S\$)*	38.32	42.77

**Notes:**

\* Based on 1,378,656,672 issued Shares as at 30 June 2019.

##### 5.2 Earnings per Share ("EPS")

Based on the audited consolidated financial statements of the Group for FY2019, assuming that the Compulsory Acquisition had been effected at the beginning of that financial year, the financial effects on the EPS for FY 2019 are as follows:

	Before the Compulsory Acquisition	After the Compulsory Acquisition
Net profit attributable to shareholders of the Company (S\$'000)	40,213	103,940
EPS (in cents)*	2.92	7.54

**Note:**

\*Based on 1,378,656,672 issued Shares as at 30 June 2019

## 6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest in the Compulsory Acquisition.

## 7. SERVICE CONTRACTS

No service contracts are proposed to be entered into by the Company in connection with the Compulsory Acquisition.

## 8. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

For information of shareholders of the Company, the Company has computed the relative figures for the Compulsory Acquisition on the bases set out in Rule 1006 of the Listing Manual, based on the unaudited consolidated financial results of the Group for the second quarter ended 31 December 2019 (being the latest announced consolidated accounts of the Company), as set out below:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the Land, Buildings compared with the Group's net asset value	3.33% <sup>(1)</sup>
(b)	Net profits (loss) attributable to the Land and Buildings assets compared with the Group's net profits	-0.92%
(c)	The Compensation Amount, compared with the Company's market capitalisation based on the total number of issued shares of the Company excluding treasury shares	76.95%
(d)	Number of equity securities issued by the Company as consideration for the Compulsory Acquisition, compared with the number of equity securities previously in issue	Not applicable <sup>(3)</sup>
(e)	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	Not applicable <sup>(4)</sup>

### Notes:

- (1) Based on the net asset value of the Acquired Land and Buildings as at 31 December 2019 of approximately S\$ 22,983,000.00 divided by the Group's net asset value as at 31 December 2019 of approximately S\$ 689,961,000.

- (2) Based on the Compensation Amount of approximately S\$83,814,000.00 divided by the market capitalisation of the Company of approximately S\$108,914,000.00 (based on 1,378,656,672 Shares in the capital of the Company multiplied by the weighted average price of the Shares of S\$0.079 transacted on 11 June 2020, being the market day immediately preceding the date of the Compensation Agreement on which Shares were traded on the Singapore Exchange Securities Trading Limited).
- (3) Rule 1006(d) does not apply as the Company will not be issuing Shares in connection with the Compulsory Acquisition.
- (4) Rule 1006(e) does not apply because the Company is not a mineral, oil and gas company.

The Company wishes to highlight that the Compulsory Acquisition is not a disposal by the Company but is a compulsory acquisition by the Hefei City Authority which is exercising its legal authority to require the compulsory acquisition of the Acquired Land and Buildings. Accordingly, Chapter 10 of the Listing Manual is not applicable. However, the Company has been guided by the provisions of Chapter 10 in making this announcement, for shareholders' information.

## **9. ESTIMATED TIME FRAME**

Pursuant to the terms of the Compulsory Acquisition Agreement, the transfer of the Acquired Land and Buildings is expected to be fully completed by end of 2021. The Group is using the proceeds from the Compensation Amount to build a new campus for the Institute to ensure minimal or no disruption to the operations of WIST. As for HLST, it is a holding company which, inter alia, owns the land use rights over the residential plot which forms part of the Acquired Land and Buildings.

The Company will make further announcements as and when appropriate and/or if there are any material updates or developments in relation to the foregoing.

## **10. DOCUMENT AVAILABLE FOR INSPECTION**

Copy of the Compulsory Acquisition Agreement is available for inspection at the registered address of the Company at 51 Merchant Road, Singapore 058283 during normal office hours from Mondays to Fridays (excluding public holidays) for a period of three (3) months commencing from the date of this announcement.

### **BY ORDER OF THE BOARD**

**Chew Hua Seng**

Chairman and CEO

12 June 2020