

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

**PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF SHARES:
APPROVAL IN-PRINCIPLE FROM SGX-ST, IRREVOCABLE UNDERTAKING FROM
SUBSTANTIAL SHAREHOLDERS AND AMENDMENT TO THE PROPOSED USE OF NET
PROCEEDS**

The Board of Directors of the Company (the "**Board**") refers to the Company's announcement on 27 August 2012 in relation to the proposed renounceable non-underwritten rights issue of shares in the Company (the "**August Announcement**"). Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as in the August Announcement.

APPROVAL-IN-PRINCIPLE

The Board is pleased to announce that the Company has on Friday, 14 September 2012, obtained approval in-principle ("**AIP**") from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Rights Shares on the Official List of the SGX-ST.

The AIP from the SGX-ST is subject to the following:

- (a) compliance with the SGX-ST's listing requirements;
- (b) the Rights Shares being issued prior to the expiry of the general share issue mandate approved by shareholders on 21 October 2011;
- (c) immediate announcement of the change in the intended use of proceeds from the Rights Issue and the Company has procured an irrevocable undertaking from its controlling shareholder, Mr. Chew Hua Seng, to subscribe for his rights entitlements and excess shares;
- (d) a written undertaking from the Company that it will comply with Listing Rules 704(30) and 815 in relation to the use of the proceeds from the Rights Issue;
- (e) a written undertaking from the Company that it will comply with the confirmation given under Listing Rule 877(10) with regards to the allotment of any excess Rights Shares; and
- (f) a written confirmation from financial institution(s) as required under Listing Rule 877(9) that the shareholder who has given the irrevocable undertaking has sufficient financial resources to fulfill his obligations under his undertaking.

The AIP from the SGX-ST is not to be taken as an indication of the merits of the Rights Issue or the Rights Shares, the Company and/or its subsidiaries.

IRREVOCABLE UNDERTAKING

As at the date of this announcement, Mr Chew Hua Seng and his associate (collectively, the "**Undertaking Shareholders**") hold an aggregate of 296,560,753 Shares, representing approximately 34.71% of the total issued share capital of the Company.

To demonstrate their confidence in, and commitment to, the Company, the Undertaking Shareholders had each irrevocably undertaken to the Company (the “**Undertakings**”), *inter alia*:

- (a) not to, directly or indirectly, transfer, sell or dispose of or otherwise reduce any of their respective interests in the Shares during the period between the date of this announcement and the Books Closure Date; and
- (b) to subscribe and pay for and/or procure subscriptions and payment in full for such number of Rights Shares under the Rights Issue in respect of their respective interests (direct and indirect) in the Shares as at the Books Closure Date in accordance with the terms and conditions of the Rights Issue.

The Undertakings are nevertheless subject to any scale down of subscription and/or excess applications by the Company such as to avoid placing the relevant Undertaking Shareholders and parties acting in concert with them (as defined in The Singapore Code on Takeovers and Mergers (the “**Code**”)) in the position of incurring a mandatory general offer obligation under the Code as a result of other Shareholders not taking up their Rights Shares entitlement fully.

AMENDMENT TO THE PROPOSED USE OF NET PROCEEDS

As at the date of this announcement, the Company wishes to amend the proposed use of Net Proceeds as follows:

Use of Net Proceeds	Percentage of Net Proceeds
Investment in Education Institutions	50%
General Working Capital Purposes [#]	50%
Total	100%

[#] *General Working Capital Purposes includes the repayment of loans by the Company, payment of working capital of the Company’s ventures in India (Raffles Millennium International) and Iskandar, Malaysia (Raffles University Iskandar), which consist of rental of premises, personnel cost, utilities, teaching materials and marketing expenses.*

The reason for the revision of the proposed use of Net Proceeds is because the Company is not under any pressure from its lenders to repay its borrowings. Nevertheless, the Company wishes to maintain the flexibility of use of net proceeds to repay part of the loans if the Company deems it timely to do so.

Pending the deployment of the Net Proceeds from the Rights Issue, the Net Proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may, in their absolute discretion, deem fit.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when they are materially disbursed.

BY ORDER OF THE BOARD

RAFFLES EDUCATION CORPORATION LIMITED

Chew Hua Seng

Chairman

16 September 2012