

CIRCULAR DATED 16 AUGUST 2012

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the contents herein or as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Raffles Education Corporation Limited, please forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this Circular.

RafflesEducationCorp
RAFFLES EDUCATION CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199400712N)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED DISPOSAL OF LAND AND PROPERTIES THEREON LOCATED IN LANGFANG DEVELOPMENT ZONE, HEBEI PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA THROUGH THE TRANSFER OF 100% OF THE EQUITY INTEREST IN LANGFANG TAITU REAL ESTATE DEVELOPMENT CO., LTD (廊坊泰土房地产开发有限公司)

IMPORTANT DATES AND TIMES

Last date and time for lodgment of Proxy Form	:	29 August 2012 at 3.00 p.m.
Date and time of EGM	:	31 August 2012 at 3.00 p.m.
Place of EGM	:	Raffles Education Campus 99 Beach Road Singapore 189701

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

- “10 Mu Land”** : The land with a total area of 10 mu located in the Langfang Development Zone
- “3Q2012”** : The three-month financial period ended 31 March 2012
- “635 Mu Land”** : The four (4) land parcels with a total area of approximately 635 mu located in the Langfang Development Zone
- “Cash Balance”** : RMB344,379,263.28 payable in cash by the Purchaser to the Vendor as part payment of the Consideration
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular dated 16 August 2012 to Shareholders
- “Companies Act”** : The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
- “Company”** : Raffles Education Corporation Limited
- “Conditions”** : The conditions of the Equity Transfer as summarised in paragraph 2.6 of this Circular
- “Consideration”** : The consideration of RMB1,047,005,000 (approximately S\$209.2 million based on the Exchange Rate)
- “Debts”** : The debts amounting to RMB702,625,736.72 owed by the Vendor to OUCDC as of 29 March 2012
- “Debt Transfer Agreement”** : The debt transfer agreement dated 29 March 2012 entered into between the Vendor and the Purchaser with OUCDC for the novation of the Debts as part payment of the Consideration
- “Deficit”** : Shall bear the meaning set out in paragraph 5.4 of this Circular
- “Development Land”** : The land with a total area of 25.33 mu located in the Langfang Development Zone, agreed to be acquired by the Langfang Authorities from the Vendor for development into roads
- “Directors”** : The directors of the Company, as at the date of this Circular
- “EGM”** : The extraordinary general meeting of the Company, notice of which is set out on page 17 of this Circular
- “EPS”** : Earnings per Share
- “Equity Interest”** : 100% of the equity interest in Taitu
- “Equity Transfer”** : The transfer by the Vendor to the Purchaser of the Equity Interest

- “Equity Transfer Agreement”** : The equity interest transfer agreement dated 19 April 2012 entered into between the Vendor and the Purchaser for the Equity Transfer, as supplemented by a supplemental agreement dated 20 June 2012 entered into between the Vendor and the Purchaser
- “Exchange Rate”** : Exchange rate of S\$1 to RMB5.005. The Exchange Rate is used for illustration purposes only and should not be construed as a representation that the relevant amounts have been or could be converted at the Exchange Rate or at any other rate
- “FY2011”** : The financial year ended 30 June 2011
- “Group”** : The Company and its subsidiaries
- “Langfang Authorities”** : The relevant authorities in the PRC, which agreed with the Vendor to acquire the Development Land
- “Langfang Development Zone”** : Langfang Development Zone, Hebei Province, the PRC
- “Langfang Higher Education”** : Langfang Development Zone Oriental University City Higher Education Co., Ltd. (廊坊开发区东方大学城高等教育有限公司)
- “Latest Practicable Date”** : 10 August 2012, being the latest practicable date prior to the printing of this Circular
- “Listing Manual”** : The listing manual of the SGX-ST
- “LUR Agreement”** : The land use rights transfer agreement dated 22 December 2011 entered into between Langfang Higher Education and the Purchaser for the transfer of land use rights relating to the 10 Mu Land, as supplemented by the supplemental agreement dated 25 March 2012 entered into between Langfang Higher Education, the Vendor and the Purchaser
- “NTA”** : Net tangible assets
- “OUC”** : Oriental University City Limited
- “OUCDC”** : Oriental University Development Co., Ltd (东方大学城开发有限公司)
- “Overall Agreement”** : The overall agreement dated 29 February 2012 entered into between the Vendor and the Purchaser for the sale by the Vendor to the Purchaser of land use rights relating to the 635 Mu Land together with some of the properties located thereon
- “Personal Guarantee”** : The personal guarantee dated 19 April 2012 provided by Mr Peng Yusen to the Vendor, the terms of which are set out in paragraph 2.1 of this Circular
- “PRC”** : The People’s Republic of China
- “Proposed Disposal”** : The proposed disposal of the 635 Mu Land and the properties thereon

<u>“Purchaser”</u>	: Langfang Fenghe International Golf Club Co., Ltd. (廊坊凤河国际高尔夫俱乐部有限公司)
<u>“Sale Land”</u>	: The 635 Mu Land and the 10 Mu Land
<u>“Securities Account”</u>	: A securities account maintained by a depositor with CDP but does not include a securities sub-account
<u>“SGX-ST”</u>	: Singapore Exchange Securities Trading Limited
<u>“Shares”</u>	: Ordinary shares in the capital of the Company
<u>“Shareholders”</u>	: Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, means the persons named as depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
<u>“Substantial Shareholder”</u>	: A Shareholder who has an interest in one or more voting shares in the Company, and the total votes attached to that share, or those shares, is not less than five (5) per cent. of the total votes attached to all the voting shares in the Company
<u>“Taitu”</u>	: Langfang Taitu Real Estate Development Co., Ltd (廊坊泰土房地产开发有限公司), a wholly-owned subsidiary of the Vendor which will hold the Sale Land and the Development Land
<u>“Valuation”</u>	: The valuation conducted by Chesterton Suntec International Pte Ltd as at 30 June 2011
<u>“Vendor”</u>	: Hebei Oriental Zhuyun Property Development Co., Ltd. (河北东方筑韵房地产开发有限公司)

Currencies, Units and Others

<u>“mu”</u>	: Each mu is equivalent to approximately 666.7 sqm
<u>“RMB”</u>	: PRC Renminbi
<u>“S\$”</u>	: Singapore dollars
<u>“sqm”</u>	: Square metres
<u>“%” or “per cent.”</u>	: Per centum or percentage

The terms “**depositor**” and “**Depository Register**” shall have the same meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and *vice versa*. References to persons shall, where applicable, include firms, corporations and other entities.

Any reference in this Circular to any enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any term defined under the Companies Act or the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided. Summaries of the provisions of any laws and regulations (including the Listing Manual) contained in this Circular are of such laws and regulations (including the Listing Manual) as at the Latest Practicable Date.

Any discrepancies in tables included herein between the amounts in the columns of the tables and the totals thereof and relevant percentages if any are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199400712N)

Directors:

Mr Chew Hua Seng (Chairman and Chief Executive Officer)
Dr Tan Chin Nam (Independent Director)
Mr Henry Tan Song Kok (Lead Independent Director)
Mr Teo Cheng Lok John (Independent Director)
Mr Lim Tien Lock, Christopher (Independent Director)
Mr Chong Ee Yong (Executive Director)
Mr Chew Kok Chor (Executive Director and Deputy Chief Executive Officer)

Registered Office:

99 Beach Road
Singapore 189701

16 August 2012

To: The Shareholders of Raffles Education Corporation Limited

Dear Sir / Madam

THE PROPOSED DISPOSAL OF LAND AND PROPERTIES THEREON LOCATED IN LANGFANG DEVELOPMENT ZONE, HEBEI PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA THROUGH THE TRANSFER OF 100% OF THE EQUITY INTEREST IN LANGFANG TAITU REAL ESTATE DEVELOPMENT CO., LTD (廊坊泰土房地产开发有限公司)

1. INTRODUCTION

- 1.1 The Directors are convening the EGM to seek Shareholders' approval for the Proposed Disposal through the Equity Transfer. The purpose of this Circular is to provide Shareholders with relevant information relating to the same.
- 1.2 The SGX-ST takes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this Circular.

2. THE PROPOSED DISPOSAL THROUGH THE EQUITY TRANSFER

2.1 Background on the Proposed Disposal

On 1 March 2012, the Company announced that the Vendor, a subsidiary of the Company, had on 29 February 2012 entered into the Overall Agreement with the Purchaser for the Proposed Disposal to the Purchaser. Subsequently, on 20 April 2012, the Company announced the entry into of the Equity Transfer Agreement between the Vendor and the Purchaser in connection with:

- (a) the Proposed Disposal of the 635 Mu Land and the properties thereon for the Consideration of RMB1,047,005,000;
- (b) the completion of the disposal of the 10 Mu Land by Langfang Higher Education to the Purchaser for a consideration of RMB11,000,000 (approximately S\$2.2 million based on the Exchange Rate) pursuant to the LUR Agreement; and
- (c) the completion of the disposal of the Development Land by the Vendor to the Langfang Authorities for a land acquisition fee of approximately RMB7,500,000 (approximately S\$1.5 million based on the Exchange Rate) subject to the results of an assessment to be conducted,

through the Equity Transfer. Langfang Higher Education and the Vendor are both subsidiaries of the Company, which are held through OUC. The Company holds a 90% stake in OUC. OUC in turn holds 90% of the equity interest in each of Langfang Higher Education and the Vendor.

A summary of the Proposed Disposal and the disposals of the 10 Mu Land and the Development Land is set out in Appendix A to this Circular.

On 21 June 2012, the Company further announced the entry into of a supplemental agreement dated 20 June 2012 to supplement the Equity Transfer Agreement, pursuant to which the Vendor and the Purchaser agreed to extend the dates set out in paragraph 2.6(b) below from “30 June 2012” to “31 July 2012” and from “90 days from the date of the Equity Transfer Agreement” to “150 days from the date of the Equity Transfer Agreement”. Langfang Higher Education and the Vendor are both subsidiaries of the Company, which are held through OUC. The Company holds a 90% stake in OUC. OUC in turn holds 90% of the equity interest in each of Langfang Higher Education and the Vendor.

In accordance with the Equity Transfer Agreement (please refer to paragraph 2.6(a)(v) below), Mr Peng Yusen, the ultimate shareholder of the Purchaser, has provided the Personal Guarantee dated 19 April 2012 to the Vendor, pursuant to which Mr Peng has:

- (i) guaranteed the full performance of obligations of the Purchaser under the Debt Transfer Agreement and the Equity Transfer Agreement; and
- (ii) undertaken to the Vendor that in the event the Purchaser fails to perform any of its obligations under the Debt Transfer Agreement and/or the Equity Transfer Agreement, he shall assume, jointly and severally, all claims by the Vendor against the Purchaser under the laws and regulations of the PRC as well as the Debt Transfer Agreement and/or the Equity Transfer Agreement including without limitation to all losses, damages, expenditures, payments and expenses incurred by the Vendor and arising from the Purchaser's failure to perform its obligation under or breach of the Debt Transfer Agreement and/or the Equity Transfer Agreement.

2.2 Background on the disposals of the 10 Mu Land and the Development Land

As announced on 20 April 2012, each of the disposals of the 10 Mu Land and the Development Land is a separate transaction from the Proposed Disposal. As none of the relative figures in relation to each of the disposals of the 10 Mu Land and the Development Land computed pursuant to Rule 1006 of the Listing Manual exceeded 5%, each such disposal was a non-discloseable transaction under Chapter 10 of the Listing Manual. Accordingly, the Company is not seeking shareholders' approval for the disposal of the 10 Mu Land or the disposal of the Development Land.

The disposal of the 10 Mu Land was agreed upon in December 2011 pursuant to the LUR Agreement prior to the Proposed Disposal being agreed upon, and the inclusion of the 10 Mu Land under the Equity Transfer Agreement is administrative and purely for the reason stated below. Similarly, the disposal of the Development Land through the Equity Transfer is also solely to facilitate completion of the disposal. In this regard, the settlement of both the disposals of the 10 Mu Land and the Development Land through the Equity Transfer was agreed upon based on the following considerations:

- (a) with respect to the 10 Mu Land, the Purchaser had requested for the completion of the disposal through the Equity Transfer after taking into account compliance costs and tax expenses and to facilitate the business development plans of the Purchaser through a single entity (i.e. Taitu) instead of holding land parcels in separate entities; and
- (b) with respect to the Development Land, it is expected that a direct transfer by the Vendor to the Langfang Authorities would require a longer period of time to complete and would be subject to various taxes such that completion of the disposal through the Equity Transfer is expected to be a more efficient transaction structure.

In the event Shareholders' approval is not received for the Proposed Disposal through the Equity Transfer, the Vendor intends to complete the sale of each of the 10 Mu Land and the Development Land in a manner to be agreed upon between the Vendor and each of the Purchaser and the Langfang Authorities, and such manner may include the Equity Transfer except that the 635 Mu Land and the properties thereon will not be disposed of together with the Equity Transfer in such an event.

2.3 Information on Taitu

Taitu, a company incorporated in the PRC on 21 March 2012, is a subsidiary of the Company. The registered capital of Taitu amounts to RMB5,000,000. Taitu has been incorporated for the purpose of holding the Sale Land and the Development Land so as to effect the Proposed Disposal and the disposal of the 10 Mu Land and the Development Land, and is not presently engaged in any business operations. As at the Latest Practicable Date, the Sale Land and the Development Land have been transferred to Taitu.

2.4 Information on the Sale Land and the Development Land

The Sale Land and the Development Land are located in the Langfang Development Zone, where the Oriental University City is located.

The Sale Land comprises non-core assets of the Group, being land approved for residential purposes as well as land planned for conversion into residential land, and properties thereon include student dormitories and academic buildings.

The Development Land, which comprises land approved for education and scientific research, and houses an ancillary building, which functions as an electrical substation, is being acquired by the Langfang Authorities for the purpose of road development.

2.5 Consideration

As the sale of each of the disposal of the 10 Mu Land and the Development Land is a separate transaction from the Proposed Disposal, the Consideration relates only to the consideration for the Proposed Disposal, and excludes the consideration of RMB11,000,000 for the disposal of the 10 Mu Land (which has been received by the Vendor as at the Latest Practicable Date) and the land acquisition fee of RMB7,500,000 (subject to the results of an assessment to be conducted) for the disposal of the Development Land (which is payable by the Langfang Authorities).

The Consideration was arrived at on the basis of the Valuation and recent transactions in the vicinity as well as on a willing-buyer, willing-seller basis, and shall be payable in the following manner:

- (a) novation of the Debts by the Vendor to the Purchaser pursuant to the Debt Transfer Agreement entered into between the Vendor and the Purchaser with OUCDC for the novation of the Debts as part payment of the Consideration (please refer to paragraph 2.7 below for further information); and
- (b) the Cash Balance of RMB344,379,263.28 on the following terms:
 - (i) RMB50,000,000 within 15 days from the date of the Equity Transfer Agreement;
 - (ii) RMB100,000,000 within 30 days from the date of the Equity Transfer Agreement; and
 - (iii) the remaining amount of RMB194,379,263.28 by 28 February 2013.

On the basis that the Personal Guarantee has been provided by Mr Peng Yusen to the Vendor (please refer to paragraph 2.1 above) for the full performance of the obligations of the Purchaser under the Debt Transfer Agreement and the Equity Transfer Agreement (which would include the repayment of the Debts under the Debt Transfer Agreement and the payment of the Cash Balance under the Equity Transfer Agreement), the Directors are of the opinion that the payment of the Consideration in the manner set out in paragraphs 2.5(a) and (b) above, including without limitation the payment of the Cash Balance by the Purchaser on the terms set out in paragraph 2.5(b) above, is in the best interest of the Company.

A diagram summarising the manner in which the Consideration is payable is set out in Appendix B to this Circular.

2.6 Salient Terms of the Equity Transfer Agreement

The salient terms of the Equity Transfer Agreement include:

- (a) completion of the Equity Transfer is subject to the following Conditions:
 - (i) approval from the board of directors and/or the shareholders of each of the Vendor and the Purchaser;
 - (ii) approval from the board of Directors and/or the Shareholders;
 - (iii) completion of the registration of Taitu as the holder of the Sale Land;
 - (iv) completion of the registration of the Purchaser as the shareholder of Taitu; and
 - (v) provision of (A) a personal guarantee by Mr Peng Yusen, the ultimate shareholder of the Purchaser, for the period commencing on the date of completion of the Equity Transfer to the date on which the Cash Balance has been paid in full for any outstanding amount on the balance of the Consideration or (B) a pledge over part of the Equity Interest by the Purchaser for an amount equivalent to the outstanding amount on the balance of the Consideration in favour of the Vendor, until such date on which the Purchaser fulfils all its obligations under the Equity Transfer Agreement and all relevant agreements, each in agreed form;
- (b) the Vendor and the Purchaser shall use their best endeavours to procure the satisfaction of the Conditions before 31 July 2012 or such other date as may be agreed. In the event that any of the Conditions is not satisfied within 150 days from the date of the Equity Transfer Agreement or such other date as may be agreed, the Overall Agreement and the Equity Transfer Agreement shall be terminated without liability except that any payment of the Consideration shall be refunded in full (without interest); and
- (c) the Vendor has agreed with the Langfang Authorities to transfer to the Langfang Authorities the Development Land for a land acquisition fee of approximately RMB7,500,000 (subject to the results of an assessment to be conducted) for the purpose of road development by the Langfang Authorities. For the reason set out in paragraph 2.2(a) above, the Vendor and the Purchaser agreed for the transfer of the Development Land to be effected through the Equity Transfer. In this regard, the Vendor shall transfer the Development Land to Taitu prior to the completion of the Equity Transfer. Thereafter, Taitu shall transfer the Development Land to the Langfang Authorities, and the Purchaser shall procure that the land acquisition fee be paid by the Langfang Authorities to the Vendor.

2.7 Salient Terms of the Debt Transfer Agreement

The salient terms of the Debt Transfer Agreement include:

- (a) the Purchaser shall pay to the Vendor any additional amount required for the purchase of the 635 Mu Land, if any;
- (b) the Purchaser shall repay the Debts in the following tranches:
 - (i) RMB100,000,000 within 10 days from the date of the Debt Transfer Agreement;
 - (ii) approximately RMB402,625,737 before 31 December 2012; and
 - (iii) the remaining RMB200,000,000 by 28 February 2013; and
- (c) in the event the Purchaser (or its nominee) fails to, among others, repay all of the Debts, the Vendor shall, upon receipt of a written notice from OUCDC, repay the Debts on the terms set out in paragraph 2.7(b) above.

Under the Debt Transfer Agreement, in the event of any dispute between the Purchaser, the Vendor and OUCDC, including for example, failure by the Purchaser to repay the Debts, the parties agree to enter into discussion to resolve such dispute. If the dispute is not resolved within 60 days from the date the dispute arose, any of the parties shall have the right to commence legal proceedings at the local courts in the PRC.

In addition, the Equity Transfer Agreement provides that in the event that the Purchaser fails to, among others, repay the Debts in accordance with the Debt Transfer Agreement, the Vendor shall be entitled to do, among others, the following: (i) delay the completion of the Equity Transfer; or (ii) delay the delivery of, or refuse to deliver, the Sale Land and the properties thereon. The Purchaser is also entitled to commence legal proceedings against the Purchaser for losses suffered by the Vendor arising in connection therewith if the Purchaser fails to remedy such a breach with 14 days after the receipt of a notice from the Vendor regarding the breach. In such an event, the Purchaser can also choose to enforce the Personal Guarantee provided by Mr Peng Yusen (please see paragraph 2.1 above for further details) and commence legal proceedings against Mr Peng for losses suffered by the Vendor in connection therewith if he fails to repay the Debts on behalf of the Purchaser.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Directors believe that the Proposed Disposal is beneficial to the Company and its Shareholders for the following reasons:

- (a) the 635 Mu Land and the properties thereon proposed to be disposed are non-core assets of the Group, and the divestment of which is in line with the Group's intention to streamline its assets and realise returns on investments in the Oriental University City for redeployment into the core education business of the Group; and
- (b) the transaction is expected to significantly strengthen the Group's financial position as the payment of part of the Consideration in the manner contemplated under the Debt Transfer Agreement will result in full payment of the Debts owed by the Group to OUCDC of RMB702,625,736.72. In addition, the Group will also realise cash amounting to RMB344,379,263.28 (payable in the manner set out in paragraph 2.5(b) above), which the Group can re-invest into its education business.

After this transaction, the Group will still own a significant amount (approximately 74% of what it currently holds) of land and buildings in the Langfang Development Zone. The Company intends to continue to use the land and buildings for educational purposes.

4. RELATIVE FIGURES OF THE PROPOSED DISPOSAL THROUGH THE EQUITY TRANSFER UNDER CHAPTER 10 OF THE LISTING MANUAL

- 4.1 The relative figures that were computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Disposal through the Equity Transfer and based on the unaudited consolidated financial statements of the Group for 3Q2012 are as follows:

Listing Rule	Percentage
(a) <u>Listing Rule 1006(a)</u>	
Net asset value of the 635 Mu Land and the properties thereon of approximately S\$261,400,000 as at 31 March 2012 compared with the Group's net asset value of S\$646,800,000 as at 31 March 2012	Approximately 40.4%

(b) Listing Rule 1006(b)

The net loss attributable to the 635 Mu Land and the properties thereon of approximately S\$1,100,000 (calculated based on the rental revenue attributable to the 635 Mu Land and the properties thereon, and an allocation of the expenses in proportion to the land area of the 635 Mu Land over the total land area of the Langfang Development Zone held by the Group) for 3Q2012 compared with the Group's net profits of S\$19,582,000 for 3Q2012

Approximately negative 5.4%

(c) Listing Rule 1006(c)

The Consideration of approximately S\$209,200,000 compared with the Group's market capitalisation of approximately S\$384,500,000 (calculated based on the closing price of S\$0.450 per Share and 854,469,361 Shares excluding treasury shares) as at 18 April 2012, being the market day immediately preceding the date of the Equity Transfer Agreement

Approximately 54.4%

(d) Listing Rule 1006(d)

There are no Shares to be issued by the Company pursuant to the Proposed Disposal

Not applicable

4.2 Based on the above, the Proposed Disposal through the Equity Transfer constitutes a major transaction under Chapter 10 of the Listing Manual. The Company is therefore seeking approval from the Shareholders for the Proposed Disposal through the Equity Transfer at the EGM.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL THROUGH THE EQUITY TRANSFER

5.1 As announced on 20 April 2012 and set out in paragraphs 2.2 and 2.5 above, each of the disposals of the 10 Mu Land and the Development Land is a separate transaction from the Proposed Disposal. Accordingly, the financial effects presented below are based on the value of the 635 Mu Land and the properties thereon and do not take into account the value of the 10 Mu Land and the Development Land.

5.2 Based on the audited consolidated financial statements of the Group for FY2011:

(a) the book value and NTA value of the 635 Mu Land and the properties thereon as at 30 June 2011 was approximately S\$261,400,000; and

(b) Taitu is newly incorporated and there are no net profits attributable to Taitu for FY2011. The amount of loss upon completion of the Proposed Disposal through the Equity Transfer is approximately S\$52,200,000.

5.3 Based on the valuation report dated 2 August 2011 in respect of the Valuation, the value placed on the 635 Mu Land and the properties thereon was approximately S\$261,400,000 as at 30 June 2011. The Company commissioned the Valuation, which included a valuation of the entire Langfang Development Zone held by the Group, for accounting purposes for FY2011. The Valuation was conducted:

(a) in respect of land, on the basis of direct comparisons with recent transactions in the vicinity (including comparison with residential land prices within the vicinity with regard to residential land), after adjusting for differences in location, size, time and other material factors in determining land; and

(b) in respect of the properties, based on the current construction prices in the PRC, and an estimation of the amount of depreciation and obsolescence.

5.4 The deficit of the proceeds from the Proposed Disposal through the Equity Transfer (after taking into account transaction costs) over the book value of the 635 Mu Land and the properties thereon (net of estimated income tax) (the “**Deficit**”), based on the Consideration, is approximately S\$59,700,000, which takes into account the loss on disposal of approximately S\$52,200,000 as well as transaction costs and estimated income tax. The actual amount of income tax payable has not been finalised with the relevant authorities. The income tax amount that may eventually be finalised may be higher or lower than the estimated income tax utilised to calculate the Deficit in this paragraph 5.4. Accordingly, the finalised amount of income tax may affect the amount of the Deficit, depending on whether the finalised income tax payable is higher than that estimated, or *vice versa*, assuming that the transaction costs remain unchanged. The Company intends to utilise the proceeds from the Proposed Disposal to pay off outstanding purchase consideration to OUCDC (through the Debt Transfer Agreement as set out in paragraph 2.5(a) above) and to realise cash for re-investment into its core education business.

5.5 Based on the audited consolidated financial statements of the Group for FY2011, the financial effects of the Proposed Disposal are as follows:

- (a) the NTA per Share as at 30 June 2011 would decrease from 41.75 Singapore cents to 36.09 Singapore cents, assuming that the Proposed Disposal had been completed on 30 June 2011; and
- (b) the EPS for FY2011 would decrease from 4.89 Singapore cents to negative 0.75 Singapore cents, assuming that the Proposed Disposal had been completed on 1 July 2010.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or controlling Shareholders has any interest, direct or indirect, in the Proposed Disposal through the Equity Transfer. No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal through the Equity Transfer or any other transaction contemplated in relation to the Proposed Disposal through the Equity Transfer.

7. DIRECTORS’ RECOMMENDATION

Having considered the rationale for the Proposed Disposal through the Equity Transfer, the Directors are of the opinion that the Proposed Disposal through the Equity Transfer is in the best interest of the Company. Accordingly, they recommend that Shareholders vote in favour of the Proposed Disposal through the Equity Transfer.

8. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 17 of this Circular, will be held at Raffles Education Campus, 99 Beach Road, Singapore 189701 on 31 August 2012 at 3.00 p.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolution in respect of the Proposed Disposal through the Equity Transfer as set out in the notice of EGM.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at Raffles Education Campus, 99 Beach Road, Singapore 189701, not less than 48 hours before the time fixed for the EGM. The completion and return of a proxy form by a Shareholder does not preclude him from attending and voting in person at the EGM if he wishes to do so. A depositor shall not be regarded as a member entitled to attend, speak and vote at the EGM unless his name appears in the Depository Register 48 hours before the time appointed for holding the EGM.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal through the Equity Transfer, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

11. DOCUMENTS FOR INSPECTION

A copy of each of the following documents is available for inspection at the registered office of the Company at Raffles Education Campus, 99 Beach Road, Singapore 189701 during normal business hours from the date hereof up to and including the date of the EGM:

- (a) the Equity Transfer Agreement;
- (b) the Debt Transfer Agreement;
- (c) the Memorandum and Articles of Association of the Company; and
- (d) the annual report of the Company for FY2011.

Yours faithfully

For and on behalf of the Board of Directors of
RAFFLES EDUCATION CORPORATION LIMITED

Chew Hua Seng
Chairman and Chief Executive Officer

APPENDIX A

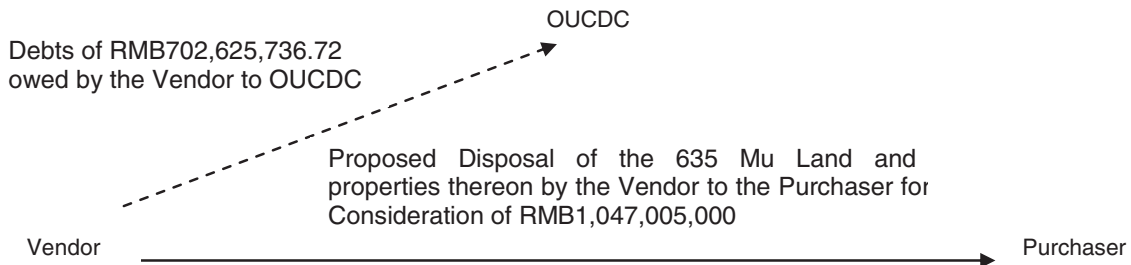
SUMMARY OF THE PROPOSED DISPOSALS

	Disposal consideration	Status of payment
1. Disposal of the 10 Mu Land by Langfang Higher Education to the Purchaser	RMB11,000,000	The disposal consideration has been paid by the Purchaser.
2. Disposal of the Development Land by the Vendor to the Langfang Authorities	RMB7,500,000	The disposal consideration will be paid by the Langfang Authorities.
3. Proposed Disposal of the 635 Mu Land and the properties thereon by the Vendor to the Purchaser	RMB1,047,005,000	The Consideration will be paid in the manner set out in paragraph 2.5 of the Circular. Please also refer to Appendix B to this Circular for a diagrammatic representation of the manner in which the Consideration is to be paid.
Total consideration	RMB1,065,505,000	

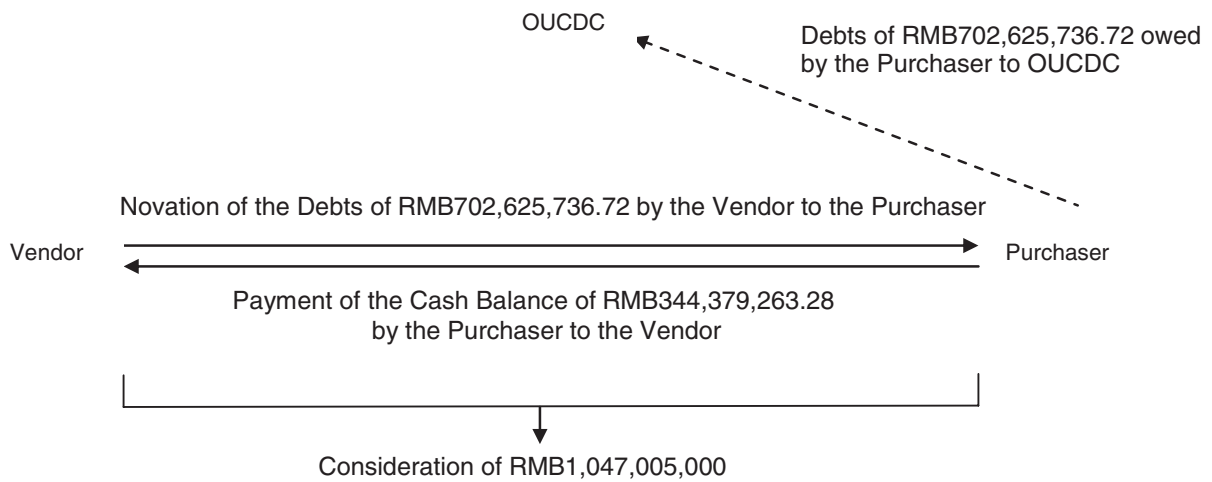
APPENDIX B

SETTLEMENT OF THE CONSIDERATION

Before the Proposed Disposal



After the Proposed Disposal



RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199400712N)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting (the "**EGM**") of Raffles Education Corporation Limited (the "**Company**") will be held at Raffles Education Campus, 99 Beach Road, Singapore 189701 on 31 August 2012 at 3.00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

ORDINARY RESOLUTION – THE PROPOSED DISPOSAL

THAT pursuant to Chapter 10 of the Listing Manual of Singapore Exchange Securities Trading Limited, approval be and is hereby given for:

- (a) the disposal (the "**Proposed Disposal**") of four (4) land parcels with a total area of approximately 635 mu located in the Langfang Development Zone, Hebei Province, the People's Republic of China and properties thereon by Hebei Oriental Zhuyun Property Development Co., Ltd. (河北东方筑韵房地产开发有限公司) (the "**Vendor**"), a subsidiary of the Company, to Langfang Fenghe International Golf Club Co., Ltd. (廊坊凤河国际高尔夫俱乐部有限公司) (the "**Purchaser**") through the transfer (the "**Equity Transfer**") of 100% of the equity interest in Langfang Taitu Real Estate Development Co., Ltd (廊坊泰土房地产开发有限公司) for the consideration of RMB1,047,005,000, comprising:
- (i) the novation of debts owing to Oriental University Development Co., Ltd (东方大学城开发有限公司) ("**OUCDC**") amounting to RMB702,625,736.72 by the Vendor to the Purchaser on the terms and subject to the conditions of the debt transfer agreement dated 29 March 2012 entered into between the Vendor, the Purchaser and OUCDC; and
 - (ii) the payment of RMB344,379,263.28 in cash by the Purchaser to the Vendor on the terms and subject to the conditions of the equity transfer agreement dated 19 April 2012 for the Equity Transfer; and
- (b) the directors of the Company (the "**Directors**") or any of them to complete and do all such acts and things (including without limitation, to execute all such documents and to approve any amendments, alteration or modification to any documents) as the Directors or any of them may consider necessary, desirable or expedient to give effect to the Proposed Disposal through the Equity Transfer and this Ordinary Resolution.

By Order of the Board
Keloth Raj Kumar (Mr)
Company Secretary
Singapore
16 August 2012

Notes:

1. A Shareholder entitled to attend and vote at the EGM is entitled to appoint not more than two (2) proxies to attend and vote in his stead.
2. A Shareholder that is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. A proxy need not be a Shareholder.
4. The instrument appointing a proxy must be deposited at the registered office of the Company not less than 48 hours before the time of the EGM.

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RAFFLES EDUCATION CORPORATION LIMITED

Incorporated in the Republic of Singapore)
(Company Registration No. 199400712N)

PROXY FORM FOR EXTRAORDINARY GENERAL MEETING

IMPORTANT

1. For investors who have used their CPF monies to buy Raffles Education Corporation Limited shares, this Circular to Shareholders is forwarded to them at the request of the CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

*I/We _____

of _____

being *a shareholder/shareholders of Raffles Education Corporation Limited (the "**Company**"), hereby appoint Mr/Mrs/Ms:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

*and/or failing him/her (delete as appropriate)

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or failing *him/her, the chairman of the extraordinary general meeting (the "**EGM**"), as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the EGM of the Company to be held on 31 August 2012 at 3.00 p.m. at Raffles Education Campus, 99 Beach Road, Singapore 189701. *I/We direct *my/our *proxy/proxies to vote for or against the resolution to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the EGM.

IMPORTANT: PLEASE READ NOTES OVERLEAF AND BELOW BEFORE COMPLETING THIS PROXY FORM

RESOLUTION	To be used on a show of hands		To be used in the event of a poll	
	For	Against	No. of votes for	No. of votes against
Ordinary Resolution				
To approve the Proposed Disposal through the Equity Transfer				

Dated this _____ day of _____ 2012

Total Number of Shares in	
(a) CDP Register	
(b) Register of Members	

Signature(s) of shareholder(s) or

Common Seal of corporate shareholder

***Delete accordingly**

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM



Notes:

1. Please insert the total number of the Company's shares (the "**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act (Chapter 50 of Singapore)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A shareholder of the Company ("**Shareholder**") entitled to attend and vote at a meeting of the Company is entitled to appoint a proxy or proxies (not more than two (2)) to attend and vote on his/her behalf. A proxy need not be a Shareholder of the Company.
3. Where a Shareholder appoints two (2) proxies, the appointments shall be deemed to be in the alternative unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Raffles Education Campus, 99 Beach Road, Singapore 189701 not less than 48 hours before the time appointed for the EGM.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
6. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act (Chapter 50 of Singapore).

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Shareholder, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.