

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

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 170,893,872 NEW ORDINARY SHARES (THE "RIGHTS SHARES") IN THE CAPITAL OF RAFFLES EDUCATION CORPORATION LIMITED (THE "COMPANY"), AT AN ISSUE PRICE OF S\$0.14 FOR EACH RIGHTS SHARE, ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FIVE (5) EXISTING ORDINARY SHARES (THE "SHARES") HELD BY THE SHAREHOLDERS OF THE COMPANY (THE "SHAREHOLDERS") AS AT A BOOKS CLOSURE DATE TO BE DETERMINED, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED

1. INTRODUCTION

The Board of Directors (the "**Board**") of the Company wishes to announce that the Company is proposing to undertake a renounceable non-underwritten rights issue (the "**Rights Issue**") of up to 170,893,872 Rights Shares at an issue price of S\$0.14 for each Rights Share ("**Issue Price**"), on the basis of one (1) Rights Share for every five (5) existing Shares held by Entitled Shareholders (as defined below) as at a time and date to be determined by the directors of the Company (the "**Directors**") for the purpose of determining entitlements of the Shareholders under the Rights Issue (the "**Books Closure Date**"), fractional entitlements to be disregarded.

The Rights Issue will be made pursuant to the general mandate obtained from Shareholders at the Company's annual general meeting held on 21 October 2011 (the "**General Mandate**"). The General Mandate authorises the Directors to, *inter alia*, issue and allot new shares and convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and with such rights and restrictions as they may think fit to impose and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares and convertible securities to be issued shall not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares in the capital of the Company, of which the aggregate number to be issued other than on a *pro rata* basis to existing shareholders of the Company does not exceed twenty per cent (20%) of the total number of issued shares excluding treasury shares in the capital of the Company.

2. PROPOSED PRINCIPAL TERMS OF THE RIGHTS ISSUE

The Rights Issue is proposed to be made on a renounceable basis to Shareholders whose registered addresses with the Company or The Central Depository (Pte) Ltd ("**CDP**"), as the case may be, are in Singapore as at the Books Closure Date, or who have, at least five (5) market days prior to the Books Closure Date, provided to the Company or the CDP, as the case may be, addresses in Singapore for the service of notices and documents ("**Entitled Shareholders**"). Fractional entitlements to the Rights Shares will be disregarded and will, together with the provisional allotments which are not taken up or allotted for any reason, be aggregated and allotted to satisfy excess applications (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company.

The Rights Shares are payable in full upon acceptance and application, and when allotted and issued, will rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the

date of issue of the Rights Shares.

Entitled Shareholders will be at liberty to accept, decline or otherwise renounce or trade their provisional allotment of Rights Shares and are eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue.

For practical reasons and in order to avoid any violation of relevant legislation applicable in countries other than Singapore, the Rights Shares will not be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least five (5) market days prior thereto, provided to the Company or the CDP, as the case may be, addresses in Singapore for the service of notices and documents ("**Foreign Shareholders**"). If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotments of Rights Shares which would otherwise have been provisionally allotted to Foreign Shareholders to be sold "nil paid" on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") as soon as practicable after dealings in the provisional allotments of Rights Shares commence and the net proceeds arising therefrom will be dealt with in accordance with the terms set out in the offer information statement ("**Offer Information Statement**") to be issued by the Company in connection with the Rights Issue.

The Issue Price of S\$0.14 for each Rights Share represents a discount of more than 60% from the price of S\$0.365 per Share on the SGX-ST on 24 August 2012, being the last transacted price preceding this announcement.

Further, the Directors are of the opinion that there is no minimum amount which must be raised from the Rights Issue. Hence, in view of the above and the savings enjoyed for not having to bear underwriting fees, the Company has decided to proceed with the Rights Issue on a non-underwritten basis.

The terms and conditions of the Rights Issue are subject to such change as the Directors may deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be despatched by the Company to Entitled Shareholders in due course.

Depending on the level of subscription for the Rights Shares, the Company will, if necessary, scale down the subscription and/or excess applications for the Rights Shares by any of the substantial Shareholders (if such substantial Shareholder chooses to subscribe for its pro-rata Rights Shares and/or apply for excess Rights Shares) to avoid placing the relevant substantial Shareholder and parties acting in concert with it (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.

3. PURPOSE OF THE RIGHTS ISSUE AND THE USE OF PROCEEDS

As at the date of this resolution, the existing issued and paid-up share capital of the Company comprises of 854,469,361 Shares, excluding treasury shares of 19,932,000 (the "**Existing Share Capital**"). Based on the Existing Share Capital and assuming that the Rights Shares are fully subscribed by Shareholders, an aggregate of 170,893,872 Rights Shares will be allotted and issued pursuant to the Rights Issue. Accordingly, the gross proceeds from the Rights Issue will be up to approximately S\$23.925 million and the net proceeds, after deducting estimated expenses, will be up to approximately S\$23.745 million (the "**Net Proceeds**").

The Company intends to apply the Net Proceeds raised from the Rights Issue for the repayment of loans, investment in education institutions and general working capital purposes. The estimated proportion of the use of Net Proceeds is as follows:

Use of Net Proceeds	Percentage of Net Proceeds
Repayment of Loans	60%
Investment in Education Institutions	20%
General Working Capital Purposes	20%
Total	100%

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.

4. APPROVALS

The Rights Issue is subject to, *inter alia*, the following:

- (a) the approval in-principle of the SGX-ST for the dealing in, listing and quotation of the Rights Shares on the Official List of the SGX-ST having been obtained; and
- (b) the lodgment of the Offer Information Statement with the Monetary Authority of Singapore.

An application will be made to the SGX-ST for permission to deal in, and for the listing and quotation of, the Rights Shares on the SGX-ST. An appropriate announcement on the outcome of the application will be made in due course.

5. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors or substantial shareholders have any direct or indirect interests in the Rights Issue (other than through their respective shareholdings in the Company).

6. RESPONSIBILITY STATEMENT

The Directors (including any Director who may have delegated detailed supervision of the preparation of this announcement) have taken all reasonable care to ensure that the facts stated in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.

By Order of the Board
RAFFLES EDUCATION CORPORATION LIMITED

Chew Hua Seng
Chairman
27 August 2012