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

# THE PROPOSED ACQUISITION OF 10% OF THE SHAREHOLDING INTEREST IN ORIENTAL UNIVERSITY CITY LIMITED ("OUC")

## 1. INTRODUCTION

1.1 The Board of Directors of Raffles Education Corporation Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the announcement dated 9 February 2010 in relation to the entry into a sale & purchase agreement (the "**2010 S&P Agreement**") with Rawa Investments (Cayman Islands) Ltd (the "**Vendor**"), a wholly owned subsidiary of Khazanah Nasional Berhad ("**Khazanah**"), in relation to the sale by the Company of such number of ordinary shares in the capital of OUC representing 10% of the issued and paid-up share capital of OUC (the "**Sale Shares**") to the Vendor (the "**2010 Transaction**"). Subsequently on 31 March 2010, the Company had announced the completion of the 2010 Transaction.

1.2 Under the 2010 S&P Agreement, the Vendor had the option (the "**Put Option**") to sell the Sale Shares back to the Company in the event that, *inter alia*, the initial public offering of shares or other securities of OUC (the "**IPO**") was not successfully undertaken by 31 August 2013.

1.3 As the IPO had not been successfully undertaken as at 31 August 2013, the Vendor issued to the Company a notice of its exercise of the Put Option in respect of the Sale Shares on 1 September 2013. Pursuant to the exercise of the Put Option, the Vendor will sell and the Company will purchase the Sale Shares (the "**Proposed Acquisition**").

1.4 In conjunction with the exercise of the Put Option, the Company had on 1 September 2013 entered into a side letter with the Vendor to amend the terms and conditions of the 2010 S&P Agreement (the "**Side Letter**"). Under the terms of the Side Letter, the Company and the Vendor had agreed to vary the terms and conditions of the 2010 S&P Agreement in respect of, *inter alia*, the following: (a) the completion date for the Proposed Acquisition, (b) the interest payable by the Company to the Vendor in the event of a delay in the completion of the Proposed Acquisition, (c) the currency for payment of the consideration for the Sale Shares, and (d) the completion mechanics of the Proposed Acquisition.

## 2. INFORMATION ON OUC

OUC was incorporated in the Cayman Islands on 27 November 2007. OUC, through its subsidiaries, owns the Oriental University City in Langfang, Hebei Province, China, a 1.3 million square metre self-contained campus. Within this campus, OUC provides education services and supporting education services to 8 colleges with a total student population of approximately 24,000.

## 3. MATERIAL TERMS AND CONDITIONS OF THE PUT OPTION AND THE SIDE LETTER

3.1 Pursuant to the Put Option, the Vendor had the option to sell the Sale Shares back to the Company in the event that (1) the IPO was not successfully undertaken by 31 August 2013, or

(2) if OUC had proceeded with the IPO but the value of the Vendor's shares in OUC at the time of the book-building (calculated using the lowest book-building price) was less than RMB 400,000,000.

3.2 Under the terms of the Put Option, as amended by the Side Letter:

(a) The consideration for the Sale Shares under the Put Option would be either:

(i) Renminbi ("**RMB**") 300,000,000 after deducting dividends and any other distributions the Vendor may have received from OUC up to the exercise of the Put Option (the "**Cash Consideration**"); or

(ii) such number of new shares in the capital of the Company ("**Shares**") listed on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") determined by dividing RMB 400,000,000 with the weighted average price of the Shares in the last five (5) trading days prior to the date of exercise of the Put Option.

(b) The Vendor would have the absolute discretion to decide whether to exercise the Put Option and to select the consideration mentioned in paragraph 3.2(a)(i) or paragraph 3.2(a)(ii) above.

(c) If the Vendor elected to receive the Cash Consideration as set out under paragraph 3.2(a)(i) above, the Company would in addition be obliged to pay to the Vendor RMB 100,000,000 as a break fee (the "**Break Fee**" and together with the Cash Consideration, the "**Consideration**"). The Company would be obliged to pay an amount in Singapore dollars equivalent to the aggregate of the Cash Consideration and the Break Fee (based on spot rate of exchange published by Bank of China for the purchase of Singapore dollars with RMB at or about 11.00 a.m. on the date of actual payment) to the Vendor on or before 7 October 2013.

(d) In the event of default by the Company in the payment on demand of the Consideration or any part thereof on or before 7 October 2013, the liability of the Company shall be increased to include interest on such sum from 21 September 2013 to the date of actual payment at a rate of nine per cent. (9%) per annum calculated on the basis of a 365-day year and on the actual number of days in default and which shall accrue from day to day.

3.3 The Company has, under the terms of the Side Letter, agreed to fully indemnify the Vendor and any of the directors of OUC ("**OUC Directors**") who have been appointed by the Vendor and hold each of them harmless against any liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses that may arise (directly or indirectly) out of or are based upon or in connection with OUC's proposed IPO and any restructuring made in connection with the proposed IPO or any failure on the part of the Company to perform or observe at any time all or any of its obligations under the 2010 Sale & Purchase Agreement and the shareholders' agreement between the Company and the Vendor dated 31 March 2010. The Company has also agreed to procure that OUC will waive any possible claim against the OUC Directors and that if there is such claim, the Company shall fully indemnify the OUC Directors.

## 4. THE SALE SHARES

Based on the unaudited consolidated financial statements of the Group for the financial year ended 30 June 2013, the book value of the Sale Shares was approximately S$30,429,000 and the net tangible assets value of the Sale Shares was approximately S$30,429,000 as at 30 June 2013.

## 5. RATIONALE FOR THE PUT OPTION AND THE PROPOSED ACQUISITION

In connection with the 2010 Transaction, the Vendor had negotiated with the Company for the Put Option so as to enable it to exit the 2010 Transaction upon the occurrence or non-occurrence of certain events. At that time, the 2010 Transaction presented the Company with an opportunity for the Company to monetise part of its investment in OUC. Further, the participation of a strong and established investor like Khazanah in OUC validated the long-term growth prospects of OUC and the Company's potential to replicate OUC's business model in the Asia Pacific. In view of the reasons set out above for the 2010 Transaction, the Company had agreed to the Put Option. Following the exercise of the Put Option, the Company is entering into the Proposed Acquisition to comply with its contractual obligations under the Put Option.

## 6. CONSIDERATION

In connection with the exercise of the Put Option, the Vendor had exercised its discretion and selected the Cash Consideration for the Sale Shares. Accordingly, the Consideration, being RMB 400,000,000 and comprising the Cash Consideration and the Break Fee, is to be paid by the Company to the Vendor for the Sale Shares.

The Company shall pay the Consideration in cash to the Vendor on completion of the Proposed Acquisition, which is expected to be on or around 7 October 2013. The Consideration shall be paid in Singapore dollars, as calculated based on the spot rate of exchange published by Bank of China for the purchase of Singapore dollars with RMB at or about 11.00 a.m. on the date of actual payment.

The Consideration was arrived at pursuant to arm's length negotiations between the Company and the Vendor on a willing-buyer willing-seller basis, after taking into consideration the purchase price paid by the Vendor to the Company pursuant to the 2010 Transaction and a reasonable level of return to the Vendor for the non-occurrence of the IPO.

## 7. SOURCE OF FUNDS

The Company intends to fund the Proposed Acquisition through internal resources and borrowings.

## 8. REQUIREMENTS OF THE LISTING MANUAL

8.1 Rule 1014(1) of the Listing Manual ("**Listing Manual**") of the SGX-ST states that where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, a transaction is classified as a major transaction. Rule 1014(2) of the Listing Manual further states that such a major transaction must be made conditional upon approval by the shareholders of the Company ("**Shareholders**") in general meeting.

### 8.2 Historical Relative Figures

The relative figures for the 2010 Transaction, taking into account the Put Option, computed on the bases as set out in Rule 1006 of the Listing Manual, did not exceed 20% at the time of the

2010 Transaction and therefore, Shareholders' approval was not required then. Such relative figures calculated based on the unaudited financial statements of the Group for the six (6) months ended 31 December 2009, being the latest announced consolidated accounts of the Group at the time of announcement of the 2010 Transaction, are set out below for reference:

(a) Rule 1006(a) of the Listing Manual – The net asset value attributable to the Sale Shares under the 2010 Transaction, of approximately S$7,810,000 represented approximately 1.4% of the Group's net assets of S$545,851,000 as at 31 December 2009;

(b) Rule 1006(b) of the Listing Manual – The net profits attributable to the Sale Shares which are the subject of the Put Option and the Sale Shares which were sold and purchased pursuant to the 2010 Transaction, of approximately S$262,000[(1)] represented approximately 1.2% of the Group's net profits of S$23,552,000 for the six months ended 31 December 2009;

(c) Rule 1006(c) of the Listing Manual – The total of the consideration for the Sale Shares received pursuant to the 2010 Transaction[(2)] and the Consideration, represented approximately 16.6% of the Company's market capitalisation of approximately S$877,622,000 as at 8 February 2010, being the market day immediately preceding the date of the 2010 S&P Agreement; and

(d) Rule 1006(d) of the Listing Manual - This test is not applicable in the context of the Put Option for the Sale Shares taking into account the Vendor's election in paragraph 6 and/or the 2010 Transaction.

**Notes:**

(1) For illustration purposes, calculated based on the aggregate of (a) the net profits attributable to the Sale Shares which were sold to the Vendor under the 2010 S&P Agreement, and (b) the net profits attributable to the Sale Shares which the Vendor may have resold to the Company pursuant to the Put Option under the 2010 Transaction.

(2) Calculated based on the aggregate of (a) the Consideration for the Sale Shares of RMB 400,000,000 payable by the Company to the Vendor and (b) the consideration received pursuant to the 2010 Transaction of RMB 300,000,000 by the Company from the Vendor.

8.3 Applicable Relative Figures

The relative figures for the Proposed Acquisition computed on the bases as set out in Rule 1006 of the Listing Manual and calculated based on the unaudited financial statements of the Group for the financial year ended 30 June 2013, are as follows:

(a) Rule 1006(a) of the Listing Manual - The net asset value test is not applicable in the context of the Proposed Acquisition.

(b) Rule 1006(b) of the Listing Manual

| Net profits attributable to the Sale Shares for the financial year ended 30 June 2013 (S$'000) | Group's net profits for the financial year ended 30 June 2013 (S$'000) (unaudited) | Relative figure |
|---|---|---|
| 2,868 | 27,835 | 10.3% |

(c) Rule 1006(c) of the Listing Manual

| Consideration to be paid in respect of the Sale Shares (S$'000) | Company's market capitalisation based on 1,025,363,233 issued Shares at weighted average price of S$0.286 as at 30 August 2013, being the market day preceding the date of the exercise of the Put Option (S$'000) | Relative figure |
|---|---|---|
| 82,160[(1)] | 293,254 | 28.0% |

**Note:**

(1) Calculated based on the illustrative exchange rate of RMB 4.8685 to S$1.

(d) Rule 1006(d) of the Listing Manual – the equity securities test is not applicable in the context of the Proposed Acquisition.

8.4 Based on the relative figures set out in paragraph 8.3 above, the Proposed Acquisition constitutes a major transaction under Chapter 10 of the Listing Manual. The Company is therefore seeking approval from the Shareholders for the Proposed Acquisition at an extraordinary general meeting ("**EGM**") to be convened.

## 9. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The *pro forma* financial effects of the Proposed Acquisition on the Group are for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed Acquisition on the net tangible assets ("**NTA**") per Share and earnings per Share ("**EPS**"), nor do they represent the actual financial position and/or results of the Group immediately after the completion of the Proposed Acquisition.

The financial effects of the Proposed Acquisition have been prepared based on the unaudited financial statements of the Group for the financial year ended 30 June 2013 and based on the following assumptions:

(a) for the purpose of computing the financial effects of the Proposed Acquisition on the NTA per Share, the Proposed Acquisition is assumed to have been completed on 30 June 2013; and

(b) for the purpose of computing the financial effects of the Proposed Acquisition on the EPS, the Proposed Acquisition is assumed to have been completed on 1 July 2012.

Effect on the NTA per Share for the financial year ended 30 June 2013 (unaudited)

| | **Before adjusting for the Proposed Acquisition** | **After adjusting for the Proposed Acquisition** |
|---|---|---|
| NTA (S$'000)[(1)] | 425,380 | 400,056 |
| NTA per Share[(2)] (Singapore cents) | 41.49 | 39.02 |

**Note:**

(1) NTA as at 30 June 2013.
(2) NTA per Share is calculated based on 1,025,363,233 Shares (excluding treasury shares) as at 30 June 2013.

Effect on EPS for the financial year ended 30 June 2013 (unaudited)

| | **Before adjusting for the Proposed Acquisition** | **After adjusting for the Proposed Acquisition** |
|---|---|---|
| Net profit attributable to Shareholders (S$'000) | 26,672 | 29,997 |
| EPS[(1)] (Singapore cents) | 2.66 | 2.99 |

**Note:**

(1) EPS is calculated based on the weighted average number of Shares (excluding treasury shares) of 1,004,413,517 for the financial year ended 30 June 2013.

## 10. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition or any other transaction contemplated in relation to the Proposed Acquisition. Accordingly, there is no service contract proposed to be entered into in connection with the Proposed Acquisition.

## 11. CIRCULAR TO SHAREHOLDERS

A circular (the "**Circular**") containing details of the Proposed Acquisition and a notice convening an EGM of the Company will be despatched to Shareholders in due course.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

## 12. DOCUMENTS FOR INSPECTION

A copy of the 2010 S&P Agreement and the Side Letter may be inspected during the Company's usual business hours (from 9.00 a.m. to 5.00 p.m.) on any business day for a period of three months from the date of this announcement at the registered office of the Company at Raffles Education Square, 51 Merchant Road, Singapore 058283.

By Order of the Board
**RAFFLES EDUCATION CORPORATION LIMITED**

Chew Hua Seng
Chairman
2 September 2013