

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 199400712N)

ACQUISITION OF PROPERTY AT NENDAZ, SWITZERLAND BY RAFFLES EDUCATION CORPORATION LIMITED THROUGH ITS SUBSIDIARY, 4 VALLEES PTE. LTD.

1. INTRODUCTION

The Board of Directors of Raffles Education Corporation Limited (the “Company” and together with its subsidiaries, the “Group”) wishes to announce that its subsidiary, 4 Valleys Pte. Ltd., is acquiring a hotel and facilities, seven commercial units and a plot of land with teaching building and dormitories, in Nendaz, Switzerland (the “Properties”).

The acquisition of the Properties (the “Acquisition”) mark the Group’s maiden entry into Europe which is in line with its progressive morphing into a Group with three related businesses that will drive its future growth, viz a premier private education provider, management of education assets and facilities, and education-related real estate investment and development.

The Group is better positioned to harness value-accretive three-pronged opportunities around the world with the three growth engines operating in tandem,

2. INFORMATION ON THE PROPERTIES

Land and buildings (the “**Colonie**”)

The Colonie is a 12,000 square metres of land with two buildings for use as teaching rooms, accommodation and canteen, as well as basketball court and lawns. The Colonie is owned by the Sports Department of the Swiss Canton, Neuchatel.

Hotel Nendaz 4 Valleys and Spa (the “**Hotel**”)

The Hotel sits on 5,910 square metres of land. It has a total built-up area of 9,895 square metres consisting of 62 hotel rooms, restaurants, bars, conference room and facilities, 47 car park lots and a 2,200 square metres well equipped spa. The Hotel was completed in December 2013 and has since been leased out to a hotel operator (the “**Hotel Operator**”) for a period of 10 years.

4 Valleys Pte. Ltd. will take over the existing lease with the Hotel Operator and earn a fixed annual rental in addition to variable rental incomes computed based on a percentage of the annual turnover of the hotel which includes the spa.

The Hotel Operator has an existing contractual right given by the seller, and expiring on 31 December 2016, to purchase the Hotel for a fixed price of CHF 27 million.

Seven commercial units (the “Commercial Units”)

The Commercial Units, owned by an individual, occupies 911 square metres and are located at the ground floor of the Hotel complex. Currently, four of the units are rented out with the remaining intended for own use.

3. RATIONALE FOR THE ACQUISITION

The Group intends to start a hospitality management school, a design school and a Swiss International Baccalaureate school in Switzerland using the facilities at the Colonie. The acquisition of the Hotel will avail both students from Switzerland and other countries in which the Group operates with opportunities to gain valuable hospitality experience through internships at the Hotel. The Group believes that this will also enhance the student intakes across its colleges.

The purchase of the Commercial Units allows for the control of tenant mix to complement the Hotel's operations and also for use by the Group to conduct short courses, thereby enhancing the overall offerings of the Group.

4. VALUATION AND CONSIDERATION FOR THE ACQUISITION

The total consideration for the Acquisition, arrived at on a “willing-buyer willing seller basis” is CHF29.12 million (approximately S\$39.8 million based on an exchange rate of CHF1 = S\$1.3681).

Valuations made on 15 September 2014 valued the Hotel complex at CHF36 million and the Commercial Units at CHF5.8 million.

Pursuant to the separate agreements for the purchase of the Hotel and the Commercial Units a sum of CHF 2.662 million, being ten per cent (10%) of the total consideration for the Hotel and Commercial Units, has been paid to the respective sellers proportionately.

The sources of funds for the Acquisition will be through a combination of bank borrowings and internal resources.

5. FINANCIAL EFFECTS OF THE ACQUISITION

For illustrative purposes, the financial effects of the Acquisition on the net tangible asset (“**NTA**”) per share of the Company and earnings per share (“**EPS**”) of the Company, based on the unaudited consolidated financial statements of the Company for the financial year ended 30 June 2014, are as follows:

NTA

Assuming the Acquisition had been effected at the end of the financial year ended 30 June 2014, the financial effects of the Acquisition on the NTA of the Company would have been as follows:

	As at 30 June 2014	
	Before Acquisition	After Acquisition
NTA (S\$'000)	435,866	435,866
NTA per share ⁽¹⁾ (Singapore cents)	42.84	42.84

Note:

- (1) NTA per Share is calculated based on 1,017,399,233 Shares (excluding treasury shares) as at 30 June 2014

EPS

Assuming the Acquisition had been effected at the beginning of the financial year ended 30 June 2014 the financial impact of the Acquisition on the EPS of the Company would have been as follows:

	As at 30 June 2014	
	Before Acquisition	After Acquisition
Net Profit attributable to the equity holders of the Company (S\$'000)	55,374	55,969
EPS ⁽²⁾ (Singapore cents)	5.40	5.46

Note:

- (2) EPS is calculated based on the weighted average number of Shares (excluding treasury shares) of 1,024,974,236 for the financial year ended 30 June 2014

The above pro forma financial effects presented are theoretical in nature and are only for illustration purposes. They do not represent the actual financial position and/or results of the Company and its subsidiaries (the "**Group**").

6. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL OF THE SGX-ST

Based on the unaudited consolidated financial statements of the Group for the financial year ended 30 June 2014, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Bases of calculation	Relative figure (%)
<u>Rule 1006(a)</u> Net asset value of assets to be disposed of, compared with the Group's net asset value	Not Applicable

<u>Rule 1006(b)</u> Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	0.7
<u>Rule 1006(c)</u> Aggregate value of consideration given, compared with the Company's market capitalisation as at 16 September 2014 ⁽³⁾	11.5
<u>Rule 1006(d)</u> Number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue	Not Applicable

Note:

(3) Based on the closing price of the shares of the Company transacted on the SGX-ST on 16 September 2014, being the trading day prior to the date of the agreements.

Based on the above, the Acquisition constitutes a discloseable transaction and does not require the approval of shareholders for the purposes of Chapter 10 of the Listing Manual.

7. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors, and as far as the Directors are aware, none of the controlling shareholders of the Company, has any interest, direct or indirect, in the Acquisition save through their shareholdings (if any) in the Company.

No person is proposed to be appointed as a Director in connection with the Acquisition.

8. DOCUMENTS FOR INSPECTION

Copies of the documents pertaining to the Acquisition including valuation reports for the Hotel and Commercial Units 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 51 Merchant Road, Raffles Education Square, Singapore 058283.

By Order of the Board
RAFFLES EDUCATION CORPORATION LIMITED

Chew Hua Seng
Chairman

18 September 2014