

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

**PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 318,585,026
NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY**

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of Raffles Education Corporation Limited (the “**Company**” together with its subsidiaries, the “**Group**”) wishes to announce that the Company is proposing to undertake a renounceable non-underwritten rights issue of up to 318,585,026 new ordinary shares in the capital of the Company (the “**Rights Shares**”) at an issue price of S\$0.140 (the “**Issue Price**”) for each Rights Share, on the basis of three (3) Rights Shares for every ten (10) existing ordinary shares in the capital of the Company (“**Shares**”) held by the 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 the Entitled Shareholders’ entitlements under the Rights Issue (the “**Books Closure Date**”), fractional entitlements to be disregarded (the “**Rights Issue**”).

2. PRINCIPAL TERMS OF THE RIGHTS ISSUE

2.1 Introduction

The Company is proposing to issue up to 318,585,026 Rights Shares at the Issue Price for each Rights Share pursuant to the Rights Issue in order to raise gross proceeds of up to approximately S\$44.60 million from the Rights Issue. The Rights Issue is proposed to be made on a renounceable basis to Entitled Shareholders (as defined below) on the basis of three (3) Rights Shares for every ten (10) existing Shares held as at the Books Closure Date, fractional entitlements to be disregarded.

The Rights Shares are payable in full upon acceptance and application by Entitled Shareholders. The Rights Shares will, upon allotment and issue, 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. For this purpose, a “**record date**” means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which the Shareholders must be registered with the Company or The Central Depository (Pte) Limited (“**CDP**”), as the case may be, in order to participate in such dividends, rights, allotments or other distributions.

Fractional entitlements, if any, to any 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 allocated to satisfy applications for excess Rights Shares (if any) or disposed of or otherwise dealt with in such manner as the Directors, in their absolute discretion, deem fit in the interests of the Company.

2.2 Number of Rights Shares

As at the date of this Announcement, the issued share capital of the Company (excluding treasury shares) comprises 1,060,505,133 Shares (the “**Existing Share Capital**”), excluding 79,790,100 treasury shares and assuming that:-

- (a) none of the 1,444,955 outstanding options (“**Share Options**”) issued pursuant to the Raffles Education Corp Employees’ Share Option Scheme (Year 2001) and the Raffles Education Corporation Employees’ Share Option Scheme (Year 2011) which was approved by the Shareholders on 28 August 2000 and 23 March 2011 respectively (collectively, the “**ESOS**”) that are exercisable by the Books Closure Date are exercised, and the Rights Issue is fully subscribed, 318,151,539 Rights Shares will be issued pursuant to the Rights issue (the “**Minimum Rights Issue Scenario**”); and
- (b) all of the 1,444,955 outstanding Share Options are exercised by the Books Closure Date, the issued share capital of the Company (excluding treasury shares) will increase to 1,061,950,088 Shares and assuming that the Rights Issue is fully subscribed, 318,585,026 Rights Shares will be issued pursuant to the Rights Issue (the “**Maximum Rights Issue Scenario**”).

Save for the Share Options, the Company does not have any other outstanding convertible securities.

2.3 Issue Price

The Issue Price per Rights Share is S\$0.140 and represents a discount of approximately 44% to the closing price of S\$0.25 per Share on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 18 December 2017, being the date of this Announcement, and a discount of approximately 37.78% to the theoretical ex-rights price¹ of approximately S\$0.225 per Share.

2.4 Further Information

The terms and conditions of the Rights Issue may be subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights Issue will be contained in the offer information statement (the “**Offer Information Statement**”) and its accompanying documents to be lodged with the Monetary Authority of Singapore (the “**MAS**”). The Offer Information Statement will be despatched by the Company to Entitled Shareholders in due course.

3. **RATIONALE FOR THE RIGHTS ISSUE**

- 3.1 The Company is undertaking the Rights Issue to strengthen the financial position and capital base of the Group, to partially repay certain indebtedness of the Group including the Notes due May 2018 issued under the Group’s Multicurrency Medium Term Note Programme, and to raise proceeds for general corporate and working capital purposes, including but not limited

¹ The theoretical ex-rights price is the theoretical market price of each Share assuming the Minimum Rights Issue Scenario, and is calculated based on (A) the sum of (i) the Company’s market capitalisation based on the closing price of S\$0.25 per Share on the SGX-ST on 18 December 2017, being the date of this Announcement and (ii) the gross proceeds of the Rights Issue under the Minimum Rights Issue Scenario, divided by (B) the enlarged total number of Shares in issue following the completion of the Rights Issue being 1,378,656,672 (assuming the Minimum Rights Issue Scenario).

to (a) operating costs and (b) making strategic investments and/or acquisitions if opportunities arise. The Rights Issue will also provide the Shareholders with an opportunity to further participate in the equity of the Company at a discount, and will allow the Group to be less reliant on external sources of funding, thereby potentially incurring lower external funding expenses.

4. APPOINTMENT OF ISSUE MANAGER

The Company has appointed United Overseas Bank Limited as the manager for the Rights Issue.

5. USE OF PROCEEDS

5.1 The estimated net proceeds of the Rights Issue, after deducting estimated expenses of approximately S\$160,000, are expected to be approximately:-

(i) S\$44.38 million, assuming the Minimum Rights Issue Scenario, and

(ii) S\$44.44 million, assuming the Maximum Rights Issue Scenario,

(the “**Net Proceeds**”).

5.2 The Company intends to utilise the Net Proceeds in the following proportions:

Use of Net Proceeds	Assuming the Minimum Rights Issue Scenario	Assuming the Maximum Rights Issue Scenario
	Estimated Percentage Allocation (%)	Estimated Percentage Allocation (%)
Partially repaying certain indebtedness of the Group including the notes due May 2018 issued under the Group’s Multicurrency Medium Term Note Programme	90.0	90.0
Raising proceeds for general corporate and working capital purposes, including but not limited to (a) operating costs and (b) making strategic investments and/or acquisitions if opportunities arise	10.0	10.0

5.3 Pending the deployment of the net proceeds from the Rights Issue, such 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 purposes on a short-term basis as the Directors may deem appropriate in the interests of the Group.

5.4 The Company will make periodic announcements on the use of proceeds from the Rights Issue as and when the funds are materially disbursed, as well as provide status reports on the use of proceeds from the Rights Issue in the Company’s annual reports until such time the proceeds have been fully utilised.

6. ELIGIBILITY OF SHAREHOLDERS TO PARTICIPATE IN THE RIGHTS ISSUE

6.1 Entitled Shareholders

Shareholders whose registered address with the Company's share registrar or CDP, as the case may be, are in Singapore as at the Books Closure Date, or who have, at least three (3) market days prior to the Books Closure Date, provided to the Company's share registrar or CDP, as the case may be, addresses in Singapore for the service of notices and documents will be entitled to participate in the Rights Issue and to receive the Offer Information Statement to be issued by the Company in connection with the Rights Issue together with the appropriate application forms and accompanying documents at their respective Singapore addresses (the "**Entitled Shareholders**").

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

Any entitlements to the Rights Shares not taken up for any reason will be aggregated and allotted to satisfy applications for excess Rights Shares or disposed of in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

6.2 Foreign Shareholders

For practical reasons and for avoidance of violating any foreign laws, 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 three (3) market days prior to the Books Closure Date, provided to the Company's share registrar or CDP, as the case may be, addresses in Singapore for the service of notices and documents (the "**Foreign Shareholders**").

All documents in respect of the Rights Issue, comprising the Offer Information Statement and the accompanying application forms to be issued by the Company will, therefore, not be mailed to any address outside Singapore. Accordingly, no provisional allotments of the Rights Shares will be made to Foreign Shareholders and no purported acceptances or application will be valid.

If it is practicable to do so, arrangements may, at the absolute discretion of the Company, be made for the entitlements to the Rights Shares which would otherwise be provisionally allotted to Foreign Shareholders to be sold "nil-paid" on the SGX-ST or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

6.3 Foreign Purchasers

The Offer Information Statement and the accompanying application forms will also not be despatched to persons purchasing the provisional allotments of the Rights Shares through the book-entry (scripless) settlement system if their registered addresses with CDP are outside Singapore (the "**Foreign Purchasers**"). Foreign Purchasers who wish to accept the provisional allotments of the Rights Shares credited to their securities accounts should make the necessary arrangements with their depository agents or stockbrokers in Singapore. The Company reserves the right to reject any acceptances of Rights Shares and/or applications for excess Rights Shares where it believes, or has reason to believe, that such acceptances and/or applications may violate the applicable laws, rules and regulations of any jurisdiction.

6.4 Excess Rights Shares

In the allotment of excess Rights Shares, preference will be given to the rounding of odd lots, and Directors and substantial shareholders of the Company who have control or influence over the Company in connection with the day-to-day affairs of the Company or the terms of the Rights Issue or have representation (direct or indirect through a nominee) on the Board will rank last in priority for the rounding of odd lots and allotment of excess Rights Shares.

7. **IRREVOCABLE UNDERTAKINGS**

In support of the Rights Issue, Mr. Chew Hua Seng and Ms. Doris Chung Gim Lian (collectively, the “**Undertaking Shareholders**”) have provided irrevocable undertakings in favour of the Company that, among others:

- (a) prior to the Books Closure Date, they will not, and will not procure another person to, sell, transfer or otherwise dispose of or part with the ownership of any of their respective Shares; and
- (b) they will subscribe and pay in full for their respective *pro rata* entitlement of Rights Shares under the Rights Issue, in accordance with the terms and conditions of the Rights Issue as follows:

Name of Undertaking Shareholders	Number of Shares beneficially owned as at the date of this Announcement	Percentage of total number of Shares in issue (%)	Number of Rights Shares to be subscribed for	Percentage of total number of Rights Shares (%)⁽³⁾
Mr. Chew Hua Seng	224,549,881 ⁽¹⁾	21.17	67,364,964	21.14
Ms. Doris Chung Gim Lian	26,187,046 ⁽²⁾	2.47	7,856,112	2.46
Mr. Chew Hua Seng and Ms. Doris Chung Gim Lian jointly	105,345,972	9.93	31,603,791	9.92

Notes:

- (1) Does not include 105,345,972 Shares which are held jointly by Mr. Chew Hua Seng and Ms. Doris Chung Gim Lian.
- (2) Does not include 105,345,972 Shares which are held jointly by Mr. Chew Hua Seng and Ms. Doris Chung Gim Lian.
- (3) Based on the Maximum Rights Issue Scenario.

Depending on the level of subscription for the Rights Shares, the Company will, if necessary, scale down the subscription for the Rights Shares by any of the Undertaking Shareholders to avoid placing the relevant Undertaking Shareholder and parties acting in concert with them (as defined in the Singapore Code on Take-overs 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.

8. NON-UNDERWRITTEN RIGHTS ISSUE

In view of the savings in costs enjoyed by the Company as a result of not having to bear any underwriting fees, and there being no minimum amount that must be raised from the Rights Issue, the Company has decided to proceed with the Rights Issue on a non-underwritten basis.

9. APPROVAL FOR THE RIGHTS ISSUE

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

- (a) the approval in-principle from the SGX-ST for the listing of and quotation for the Rights Shares on the Mainboard of the SGX-ST having been obtained (and such approval not having been withdrawn or revoked on or prior to the completion of the Rights Issue), and if such approval is granted subject to conditions, such conditions being acceptable to and fulfilled by the Company; and
- (b) the lodgement of the Offer Information Statement, together with all other accompanying documents (if applicable) in respect of the Rights Issue with the MAS.

9.2 An application to the SGX-ST for the listing of and quotation for the Rights Shares on the Mainboard of the SGX-ST will be made. Appropriate announcements in relation to the outcome of the application, among others, will be made in due course.

10. GENERAL MANDATE FOR THE ISSUE OF THE RIGHTS SHARES

The Rights Issue will be made and the proposed Rights Shares will be issued pursuant to the authority granted by the share issue mandate approved by the shareholders of the Company (the “Shareholders”) at the annual general meeting of the Company held on 13 October 2017 (the “Share Issue Mandate”). The Share Issue Mandate authorised, *inter alia*, the Directors to allot and issue shares and convertible securities of not more than 50% of the total number of issued shares in the capital of the Company, excluding treasury shares, of which the aggregate number of shares and convertible securities to be issued other than on a *pro rata* basis to existing Shareholders does not exceed 20% of the total number of issued shares in the capital of the Company, excluding treasury shares. Accordingly, as the number of Rights Shares to be issued pursuant to the Rights Issue falls within such limit of the Share Issue Mandate, the Company will not be seeking specific approval from the Shareholders for the Rights Issue.

11. INDICATIVE TIMETABLE

An indicative timetable for the Rights Issue will be provided to Shareholders in due course.

12. ADJUSTMENTS TO SHARE OPTIONS UNDER THE ESOS

As a result of the Rights Issue, adjustments may be made to the number and/or exercise price of the outstanding Share Options. The Company will in due course make the relevant announcements and notify holders of the Share Options of such adjustments.

13. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, none of the Directors and substantial Shareholders has any interests, direct or indirect, in the Rights Issue, other than through each of their respective shareholding interests, direct and/or indirect, in the Company.

14. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Rights Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement 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 Announcement in its proper form and context.

15. CAUTION IN TRADING

SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION IN THE TRADING OF THEIR SHARES IN THE COMPANY.

THE COMPLETION OF THE RIGHTS ISSUE IS SUBJECT TO CERTAIN CONDITIONS. AS AT THE DATE OF THIS ANNOUNCEMENT, THERE IS NO CERTAINTY OR ASSURANCE THAT THE RIGHTS ISSUE WILL BE COMPLETED OR THAT NO CHANGES WILL BE MADE TO THE TERMS THEREOF. THE COMPANY WILL MAKE THE NECESSARY ANNOUNCEMENTS WHEN THERE ARE FURTHER DEVELOPMENTS ON THE RIGHTS ISSUE AND OTHER MATTERS CONTEMPLATED BY THIS ANNOUNCEMENT. SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO READ THIS ANNOUNCEMENT AND ANY FURTHER ANNOUNCEMENTS BY THE COMPANY CAREFULLY.

SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD CONSULT THEIR STOCK BROKERS, BANK MANAGERS, SOLICITORS OR OTHER PROFESSIONAL ADVISORS IF THEY HAVE ANY DOUBT ABOUT THE ACTIONS THEY SHOULD TAKE.

By Order of the Board
RAFFLES EDUCATION CORPORATION LIMITED

Chew Hua Seng
Chairman

18 December 2017