

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No.: 199400712N)

THE ACQUISITION OF UP TO AN ADDITIONAL 50% OF THE ISSUED SHARE CAPITAL IN RAFFLES COLLEGE OF HIGHER EDUCATION SDN. BHD.

1. INTRODUCTION

1.1 The Board of Directors of Raffles Education Corporation Limited (the “**Company**”) wishes to announce that the Company has today entered into:

- (a) a share purchase agreement with Doris Chung Gim Lian (“**Doris Chung**”) (the “**First Share Purchase Agreement**”) to purchase 464,000 ordinary shares (“**RKL Shares**”) in the capital of Raffles College of Higher Education Sdn. Bhd. (“**RKL**”), which represents 29% of the issued share capital in RKL (the “**First Tranche Acquisition**”); and
- (b) a conditional share purchase agreement (the “**Second Share Purchase Agreement**”) to purchase 336,000 RKL Shares, which represents 21% of the issued share capital in RKL (the “**Second Tranche Acquisition**”). The completion of the Second Tranche Acquisition is conditional upon the approval of the Ministry of Education of Malaysia (“**MOE**”),

(the First Tranche Acquisition and the Second Tranche Acquisition shall collectively be referred to as the “**Acquisition**”).

1.2 The First Tranche Acquisition was executed today. Completion is scheduled to take place on the second business day after the date of the First Share Purchase Agreement or such other date as may be agreed between Doris Chung and the Company. Prior to the First Tranche Acquisition, the Company owned 20% of the issued share capital in RKL. Following the completion of the First Tranche Acquisition, the Company will be registered as the holder of an additional 464,000 RKL Shares, bringing its total shareholding in RKL to a total of 784,000 RKL Shares, representing 49% of the issued share capital in RKL.

1.3 If the approval of the MOE is obtained, the Company shall, upon completion of the Second Tranche Acquisition, own up to a maximum of 1,120,000 RKL Shares, representing 70% of the issued share capital in RKL.

2. INFORMATION ON THE ACQUISITION

2.1 RKL is a private company limited by shares incorporated in Malaysia on 24 March 1992. RKL has at the date of this Announcement (a) an authorised share capital of Ringgit Malaysia (“**RM**”) 5,000,000.00 divided into 5,000,000 ordinary shares of RM1.00 each and (b) an issued and paid-up share capital of RM1,600,000.00 divided into 1,600,000 ordinary shares of RM1.00 each, which prior to the completion of the First Tranche Acquisition, are held by the Company, Doris Chung and Ringgitvale Sdn. Bhd., in the shareholding percentages of 20%, 50% and 30% respectively.

2.2 The principal business activity of RKL is the provision of training programmes and courses in various areas of design and management.

3. **RATIONALE FOR THE ACQUISITION**

3.1 The Acquisition will enable the Company to benefit from the profitable operations of RKL, where it is currently not expected for the Company to fund the operations of RKL. As the Company has an existing 20% interest in RKL, the Acquisition will cause the Company to have a controlling interest in RKL and the results of RKL will be consolidated into the financials of the Company and its subsidiaries (the “**Group**”).

3.2 The Acquisition is in line with the Company’s long term business plan to access the growing educational industry in Malaysia.

4. **PRINCIPAL TERMS OF THE ACQUISITION**

4.1 **Consideration payable for the RKL Shares**

The aggregate purchase consideration payable to Doris Chung in connection with the Acquisition (the “**Purchase Consideration**”) shall be:

- (a) in respect of the First Share Purchase Agreement, an amount in cash equal to the sum of RM8,381,000.00, which shall be the sum of:
 - (i) RM838,100.00 to be paid on the closing date of the First Share Purchase Agreement, being the second business day after the date of the First Share Purchase Agreement or such other date as may be agreed between the parties thereto; and
 - (ii) RM7,542,900.00 to be paid within the first anniversary of the closing date of the First Share Purchase Agreement; and
- (b) in respect of the Second Share Purchase Agreement:
 - (i) in the event that the maximum number of RKL Shares in respect of which approval has been obtained from the MOE for the purchase by the Company is 336,000 RKL Shares, an amount in cash equal to the sum of RM6,069,000.00; or
 - (ii) in the event that the maximum number of shares in respect of which approval has been obtained from the MOE for the purchase by the Company is less than 336,000 RKL Shares, and subject to the Company’s right to elect to complete as described in paragraph 4.3 below, an amount in cash calculated by multiplying the maximum number of shares for which approval is obtained from the MOE with RM18.0625.

The Purchase Consideration is arrived at on a willing-buyer and willing-seller basis, after taking into account the independent valuation of RSM Strategic Business Advisors Sdn. Bhd. (“**RSM**”).

RKL had commissioned RSM, an independent advisory firm, to value the 100% equity interest of RKL. RSM had conducted its valuation based on the income approach, using a discounted cash flow analysis as the primary valuation method, and the market approach using the capitalisation of earning method. The valuation by RSM of the market value of 100% equity interest in RKL as of 1 July 2015 is in a range of RM28.9 million to RM36.1 million.

4.2 Terms of payment and source of funds for payment of the Purchase Consideration

- (a) The Purchase Consideration is payable in cash.
- (b) The payment for the Purchase Consideration by the Company will be funded through a combination of internal cash resources and external financing.

4.3 Conditions precedent

(a) *First Share Purchase Agreement.*

There is no condition precedent to completion under the First Share Purchase Agreement, as the Company has previously obtained the approval of the MOE in 2008 to own up to 49% of the issued share capital in RKL.

(b) *Second Share Purchase Agreement.*

- (i) The principal terms of the Second Share Purchase Agreement include, among others, the condition precedent to completion taking place under the Second Share Purchase Agreement is the approval from the MOE being obtained for the change in shareholding in the Company (as contemplated under the Second Share Purchase Agreement), on terms reasonably satisfactory to the Company; and subject always to the Company's right to elect to complete if the number of shares approved by the MOE for the purchase by the Company from Doris Chung shall be less than 336,000 RKL Shares.
- (ii) Completion of the Second Share Purchase Agreement is conditional upon the above condition precedent being satisfied on or before the Cut-off Date. If the condition precedent is not satisfied on or before the Cut-Off Date, the Company or Doris Chung may, in its or her sole discretion, terminate the Second Share Purchase Agreement. For the purpose of the Second Share Purchase Agreement, "**Cut-off Date**" refers to the date three months from the date of the Second Share Purchase Agreement.

5. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures in relation to the Acquisition computed on the bases set out in Rule 1006 of the Listing Manual, based on the purchase consideration to be paid to Doris Chung by the Company pursuant to the First Share Purchase Agreement and the Second Share Purchase Agreement collectively, are as follows:

Rule 1006	Basis	RKL(S\$)	Group (S\$)	Relative Figures
(a)	Net asset value of assets to be disposed of, compared with the Group's net asset value	N.A.	N.A.	N.A.
(b)	Net profits attributable to the 800,000 RKL Shares acquired, compared with the Group's net profits for the period ended 30 September 2015	42,000	667,000	6.3%
(c)	Aggregate value of the Purchase Consideration, compared with the Company's market capitalisation as at 3 February 2016 ⁽¹⁾	4,747,259	224,497,626	2.1%
(d)	Number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue	N.A.	N.A.	N.A.

Notes:

- (1) Based on the closing price of the shares of the Company transacted on the SGX-ST on 3 February 2016, being the market day preceding the date of this announcement.

In relation to the Acquisition, as the relative figures calculated under Rule 1006 of the Listing Manual in row (b) of the table is more than 5% but less than 20%, the Acquisition does not require the approval of shareholders for the purposes of Chapter 10 of the Listing Manual.

6. FINANCIAL EFFECTS OF THE ACQUISITION

6.1 Bases and Assumptions

The pro forma financial effects have been prepared for illustrative purposes only and are neither indicative of the actual financial effects of the Acquisition on the net tangible assets ("NTA") per Share and earnings per Share ("EPS") of the Group, nor of the future actual financial performance of the Group.

The pro forma financial effects have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2015 ("FY 2015").

Other significant assumptions and bases are set out as follows:

- (a) for the purposes of computing the NTA per Share, the Acquisition was completed on 30 June 2015; and
- (b) for the purposes of computing the EPS, the Acquisition was completed on 1 July 2014.

6.2 NTA per Share

The financial effects of the Acquisition on the NTA per Share of the Group as at 30 June 2015 would be as follows:

	Before Completion of the Acquisition	After Completion of the Acquisition
Number of Shares ('000)	991,161,433	991,161,433
NTA (S\$'000)	451,546	447,750
NTA per Share (Singapore cents)	45.56	45.17

6.3 EPS

Assuming the Acquisition had been completed at the beginning of FY 2015, the financial impact of the Acquisition on the EPS of the Company would be as follows:

	Before Completion of the Acquisition	After Completion of the Acquisition
Weighted Average Number of Shares ('000)	1,009,531,835	1,009,531,835
Profit after tax attributable to Shareholders (S\$'000)	16,983	18,688
EPS (Singapore cents)	1.68	1.85

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

7.1 As of the date of this announcement, Mr Chew Hua Seng is the chief executive officer of the Company and a controlling shareholder who holds a direct and deemed interest totalling approximately 36.81% of the Company's issued shares. Ms Doris Chung is the spouse of Mr Chew Hua Seng, and is therefore regarded as an "associate" of Mr Chew Hua Seng for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**"). RKL is a company in which Mr Chew Hua Seng and Ms Doris Chung together (directly or indirectly) have an interest of 30% or more, and is therefore regarded as an "associate" of Mr Chew Hua Seng for the purposes of Chapter 9 of the Listing Manual. Accordingly, (a) Ms Doris Chung is an "interested person" vis-à-vis Mr Chew Hua Seng (being the controlling shareholder and chief executive officer of the Company); (b) RKL is an "interested person" vis-à-vis Mr Chew Hua Seng; and (c) the Acquisition by the Company of RKL Shares from Ms Doris Chung is an "interested person transaction" under Chapter 9 of the Listing Manual.

7.2 The Acquisition, when aggregated with all interested person transactions entered into between Mr Chew Hua Seng and his associates, is less than 3% of the Group's latest audited net tangible assets.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Saved as disclosed in paragraph 7 above as at the date of this announcement, none of the directors or controlling shareholders of the Company has an interest, direct or indirect, in the Acquisition.

9. SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company as a result of the Acquisition, or any other transactions contemplated in connection with the Acquisition.

10. DOCUMENTS FOR INSPECTION

A copy of the following documents is available for inspection during normal business hours at the registered office of the Company located at 51 Merchant Road, Raffles Education Square, Singapore 058283, for a period of three months commencing from the date of this announcement:

- (a) the First Share Purchase Agreement; and
- (b) the Second Share Purchase Agreement.

By Order of the Board
RAFFLES EDUCATION CORPORATION LIMITED

Chew Hua Seng
Chairman

4 February 2016