

CIRCULAR DATED 9 JULY 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the contents herein or as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Raffles Education Corporation Limited, please forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this Circular.

Raffles Education
RAFFLES EDUCATION CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199400712N)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

**PROPOSED ACQUISITION OF ALL THE MEMBERSHIP INTERESTS OF
SANTA FE UNIVERSITY OF ART AND DESIGN, LLC**

IMPORTANT DATES AND TIMES

Last date and time for lodgment of Proxy Form	:	23 July 2016 at 2.00 p.m.
Date and time of Extraordinary General Meeting	:	25 July 2016 at 2.00 p.m.
Place of Extraordinary General Meeting	:	Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

“3Q 2016”	:	The nine (9) months ended 31 March 2016
“Cash”	:	Cash and cash equivalents of Santa Fe University of Art and Design, LLC (SFUAD) (including marketable securities and short term investments) as of the close of business on the day prior to the Closing
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular dated 9 July 2016 to Shareholders
“Closing”	:	The closing of the Proposed Acquisition
“Companies Act”	:	The Companies Act (Chapter 50 of Singapore) as amended or modified from time to time
“Company”	:	Raffles Education Corporation Limited
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares in the Company. The SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder; or (b) in fact exercises control over the Company, or such other definition as the SGX-ST may from time to time determine
“Department of Education Irrevocable Letter of Credit”	:	The Irrevocable Letter of Credit Number NZS647856 dated 24 September 2009, established with Wells Fargo Bank, N.A., as amended
“Directors”	:	The directors of the Company for the time being
“Earnout Amount”	:	The amount equal to (a) the sum of all amounts contributed to the Seller Account by the Seller minus (b) the sum of the Released Funds minus (c) the sum of all amounts required for satisfaction of the Seller’s indemnification obligations under the SPA, subject to a cap of US\$10,000,000 (approximately S\$13,700,000)
“EGM”	:	The extraordinary general meeting of the Company, notice of which is set out on page 14 of this Circular
“EPS”	:	Earnings per Share
“Escrow Account”	:	An escrow account to be established between the Seller, SFUAD and an escrow agent whereby the Seller shall promptly, upon release of the Department of Education Irrevocable Letter of Credit maintained by the Seller, deliver to this escrow account a sum of up to US\$5,000,000 (approximately S\$6,850,000)

“Estimated Consideration”	:	<p>The estimated consideration to be paid by the Purchaser to the Seller for the Membership Interests being US\$1.00 (approximately S\$1.37),</p> <p>(a) <u>minus</u> the SFUAD Indebtedness as estimated by the Seller (if any);</p> <p>(b) <u>plus</u> Cash as estimated by the Seller (if any);</p> <p>(c) <u>minus</u> the Selling Expenses as estimated by the Seller (if any);</p> <p>(d) <u>plus</u> the Working Capital as estimated by the Seller (if any); and</p> <p>(e) <u>minus</u> the amount by which the estimated Working Capital is less than zero (if any),</p> <p>all as provided in the SPA.</p>
“FY2015”	:	The financial year ended 30 June 2015
“Group”	:	The Company, together with its subsidiaries
“Guaranteed Obligations”	:	<p>(a) the payment of US\$5,000,000 to be contributed by the Purchaser into the escrow account in accordance with the terms of the SPA;</p> <p>(b) the posting by the Purchaser of a Department of Education Irrevocable letter of credit, if required by the USDOE, which is limited to 75% or less of the revenues received by SFUAD from USDOE federal student aid programs funds in the prior fiscal year;</p> <p>(c) from and after the date of Closing, funding by the Purchaser of up to 50% of the estimated operating deficits of SFUAD subject to a cap of US\$10,000,000; and</p> <p>(d) from and after the date of Closing, the payment of the Released Funds and the Earnout Amount (if any), in accordance with the terms of the Stabilisation Agreement, subject to a cap of US\$10,000,000.</p>
“Guaranty Agreement”	:	A guaranty agreement entered into by the Company on 17 May 2016, in favour of the Seller guaranteeing (subject to certain limitations set out in the guaranty agreement) the Guaranteed Obligations of the Purchaser under the SPA and of SFUAD (which will be wholly-owned by the Purchaser following the Closing) under the Stabilisation Agreement
“Latest Practicable Date”	:	30 June 2016, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as amended or modified from time to time
“Membership Interests”	:	All of the issued and outstanding membership interests of SFUAD

“NTA”	:	Net tangible assets
“Post-Closing Statement”	:	A statement setting forth the Purchaser’s determination of the SFUAD Indebtedness, the Cash, the Selling Expenses and the Working Capital
“Proposed Acquisition”	:	The proposed acquisition by the Purchaser of all the Membership Interests from the Seller pursuant to the SPA
“Purchaser”	:	Joshua Education, Inc., a wholly-owned indirect subsidiary of the Company
“Released Funds”	:	Any remaining funds in the Seller Account and the Escrow Account that shall be released to the Seller after 2018.
“Securities Account”	:	A securities account maintained by a depositor with CDP but does not include a securities sub-account
“Seller”	:	LEI Holdings US-1, Inc.
“Seller Account”	:	An account maintaining the funds disbursed from an escrow account established pursuant to an escrow agreement to be entered into between the Purchaser, the Seller and an escrow agent, whereby the Purchaser and Seller have each contributed US\$5,000,000 (approximately S\$6,850,000) into such escrow account and shall jointly instruct the escrow agent to disburse all the funds in the escrow account to the University in accordance with the Stabilisation Agreement upon Closing.
“Selling Expenses”	:	<p>All the unpaid costs, fees and expenses incurred by the Seller and SFUAD prior to the date of Closing relating to the negotiation, preparation and execution of the SPA and the transaction documents and the completion of the transactions contemplated therein, whether accrued or not, including:</p> <ul style="list-style-type: none"> (a) any brokerage, fees, commissions, finders’ fees or financial advisory fees and, in each case, related costs and expenses; (b) any fees, costs and expenses of counsel, accountants, or other advisors and service providers; and (c) any compensation, change in control payments or bonuses payable by SFUAD to any employee, officer, director, consultant or third party, including all applicable payroll related taxes excluding retention bonuses.
“SFUAD”	:	Santa Fe University of Art and Design, LLC
“SFUAD Indebtedness”	:	The aggregate amount of the indebtedness of SFUAD as of the close of business on the day prior to the Closing
“SGX-ST”	:	The Singapore Exchange Securities Trading Limited

“Shareholders”	:	Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the persons named as depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
“Shares”	:	Ordinary shares in the capital of the Company
“SPA”	:	The membership interest purchase agreement entered into between the Purchaser, the Seller and SFUAD on 17 May 2016
“Stabilisation Agreement”	:	The financial stabilisation and earnout agreement to be entered into between the Purchaser, the Seller and the SFUAD upon Closing
“subsidiary”	:	Has the meaning ascribed to it in Section 5 of the Companies Act
“University”	:	Means the institution of higher education called Santa Fe University of Art and Design located at 1600 Saint Michael’s Drive, Santa Fe, New Mexico 87505, United States of America
“US\$”	:	US dollars, being the currency of United States of America
“USDOE”	:	U.S. Department of Education
“Working Capital”	:	The amount of the working capital of SFUAD (i.e. the current assets less the current liabilities of SFUAD) as of the close of business on the day prior to the Closing
“S\$” and “cents”	:	Singapore dollars and cents respectively, being the currency of Singapore
“%” or “per cent.”	:	Per centum or percentage

The terms “depositor” and “Depository Register” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Chapter 289 of Singapore).

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing one gender shall, where applicable, include the other genders. References to persons shall, where applicable, include firms, corporations and other entities.

Any reference in this Circular to any enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any term defined under the Companies Act or the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided. Summaries of the provisions of any laws and regulations (including the Listing Manual) contained in this Circular are of such laws and regulations (including the Listing Manual) as at the Latest Practicable Date.

Any discrepancies in tables included herein between the listed amounts and the totals thereof and/or the relevant percentages (if any) are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Unless indicated otherwise, the indicative US\$-to-S\$ exchange rate used for the purposes of this Circular is US\$1: S\$1.37. The exchange rate as stated above is used for illustration purposes only and should not be construed as a representation that the relevant numbers have been or could be converted at the rate above or at any other rate.

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and the Company does not undertake any obligation to update publicly or revise any forward-looking statements.

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199400712N)

Directors:

Mr Chew Hua Seng (Chairman and Chief Executive Officer)
Mr Henry Tan Song Kok (Lead Independent Director)
Dr Tan Chin Nam (Independent Director)
Mr Teo Cheng Lok John (Independent Director)
Mr Lim Tien Lock, Christopher (Independent Director)
Mr Chew Kok Chor (Executive Director and Deputy Chief Executive Officer)

Registered Office:

51 Merchant Road
Raffles Education Square
Singapore 058283

9 July 2016

To: The Shareholders of Raffles Education Corporation Limited

Dear Sir / Madam

PROPOSED ACQUISITION OF ALL THE MEMBERSHIP INTERESTS OF SANTA FE UNIVERSITY OF ART AND DESIGN, LLC

1. INTRODUCTION

- 1.1 The Directors are convening the EGM to seek Shareholders' approval for the proposed acquisition by Joshua Education, Inc. (the "**Purchaser**"), which is a wholly-owned indirect subsidiary of Raffles Education Corporation Limited (the "**Company**"), of all of the issued and outstanding membership interests (the "**Membership Interests**") of Santa Fe University of Art and Design, LLC ("**SFUAD**") from LEI Holdings US-1, Inc. (the "**Seller**") pursuant to a membership interest purchase agreement (the "**SPA**") between the Purchaser, the Seller and SFUAD (the "**Proposed Acquisition**").
- 1.2 The purpose of this Circular is to provide Shareholders with relevant information relating to the Proposed Acquisition to be tabled at the EGM.

2. THE PROPOSED ACQUISITION

2.1 Background

On 18 May 2016, the Company announced that the Purchaser had on 17 May 2016 entered into the SPA with the Seller and SFUAD. The Company had also executed a guaranty agreement ("**Guaranty Agreement**") in favour of the Seller guaranteeing (subject to certain limitations set out in the Guaranty Agreement) the Guaranteed Obligations of the Purchaser under the SPA and of SFUAD (which will be wholly-owned by the Purchaser following the Closing) under a financial stabilisation and earnout agreement ("**Stabilisation Agreement**") to be entered into between the Purchaser, the Seller and the Company upon the Closing. Under the Stabilisation Agreement, the Seller will contribute up to \$10 million to be used to satisfy the Seller's indemnification obligations under the SPA and to fund a portion of the University's operating deficits through 31 December 2018 to assist in providing financial stability. Please refer to paragraph 5 of this Circular for further details on the material terms of the Stabilisation Agreement.

2.2 Information on Santa Fe University of Art and Design, LLC

SFUAD is a limited liability company incorporated in the state of New Mexico, the United States of America. The principal business activities of SFUAD are the ownership and operation of the institution of higher education called Santa Fe University Of Art And Design, LLC (the "**University**") located at 1600 Saint Michael's Drive, Santa Fe, New Mexico 87505, United States of America. SFUAD does not own the premises on which the University is located, and the premises are leased from the City of Santa Fe. The rent payable for FY2015 was approximately US\$2,350,000 (approximately S\$3,219,500).

The University is the oldest school of higher education in the state of New Mexico and its roots can be traced to a Catholic facility which was founded as St Michael's College in 1859. The University was subsequently renamed The College of Santa Fe in 1966, and on 30 August 2010, the name of the University was changed to the Santa Fe University of Art and Design.

SFUAD is affiliated to Laureate International Universities, a global network of more than 80 accredited campus-based and online universities offering undergraduate and graduate degree programs to more than one (1) million students in over 28 countries throughout North America, Latin America, Europe and Asia. The University offers courses in Contemporary Music, Creative Writing and Literature, Graphic Design and Digital Arts, Film, Performing Arts, Photography, Studio Arts and Theatre. It has a total undergraduate enrollment of 764 students, and currently employs 31 full time faculty staff.

SFUAD has reported losses amounting to US\$3.888 million for 3Q 2016. The main reason for the losses is excess capacity. It is expected that losses will not continue upon rightsizing of the operating structure and increase in student enrolment.

2.3 Information on LEI Holdings US-1, Inc.

LEI Holdings US-1, Inc. is a company incorporated in the state of Maryland, the United States of America. LEI Holdings US-1, Inc. is the sole member of SFUAD. The only activity of LEI Holdings US-1, Inc. is to own its membership interest in SFUAD, and it is managed by a three-person board of directors. Upon Closing, the Seller will no longer be involved in SFUAD.

3. CONDITIONS PRECEDENT

3.1 The parties' respective obligations to consummate the transactions in the SPA and the Closing are conditional upon, *inter alia*, the following conditions having been fulfilled (or waived) by the relevant party:

- (a) the delivery by the Purchaser, the Seller and SFUAD of their respective closing deliverables as set out in the SPA;
- (b) the receipt of regulatory approvals and notices from the Higher Learning Commission and the United States Department of Education with respect to the Proposed Acquisition;
- (c) the absence of any material breach by the Purchaser, the Seller and SFUAD of the covenants and obligations under the SPA;
- (d) the representation and warranty of the Seller and SFUAD on the compliance with educational laws remain true and correct in all material respects;
- (e) the absence of any final governmental order that restrains or enjoins the Proposed Acquisition;
- (f) the receipt of the approval of the Company's shareholders for the Proposed Acquisition or a waiver of any requirement to obtain the approval of the Company's shareholders from the SGX-ST;
- (g) the receipt of a certificate of the president of SFUAD certifying, amongst others, that the board of managers of SFUAD have approved the Proposed Acquisition; and
- (h) the Seller and SFUAD shall have funded the operating deficit of the University through the Closing.

3.2 Pursuant to the terms and conditions of the SPA, the Closing shall take place no later than seven (7) business days after the above conditions have been fulfilled or waived, provided that if the Closing will occur after the 10th day of any month, the Closing shall occur on the first business day of the next succeeding month, or at such other place, time and date as may be mutually agreed by the Purchaser and the Seller. It is estimated that the earliest that Closing could occur would be December 2016.

3.3 On Closing, the Seller, the Purchaser and SFUAD will also enter into a Transition Services Agreement. Under the Transition Services Agreement, the Seller will continue to provide services if required by the Purchaser, such as technology platform support (e.g., Onyx, Salesforce, Oracle Hyperion Planning, Blackboard, etc.), negotiation support with vendors, customer support and online program support, until as late as September 2017 at cost plus 5%.

4. CONSIDERATION

4.1 The estimated consideration to be paid by the Purchaser to the Seller for the Membership Interests shall be US\$1.00 (approximately S\$1.37),

- (a) minus the SFUAD Indebtedness as estimated by the Seller (if any);
- (b) plus Cash as estimated by the Seller (if any);
- (c) minus the Selling Expenses as estimated by the Seller (if any);
- (d) plus the Working Capital as estimated by the Seller (if any); and
- (e) minus the amount by which the estimated Working Capital is less than zero (if any),

all as provided in the SPA (the "**Estimated Consideration**").¹

The Estimated Consideration was arrived at on a "willing seller, willing buyer" basis after taking into account the SFUAD Indebtedness, the Cash, the Selling Expenses and the Working Capital.

4.2 At least five (5) business days prior to Closing, the Seller will provide its estimations of the SFUAD Indebtedness, Cash, Selling Expenses and Working Capital as of the close of business on the day prior to the date of Closing to the Purchaser, including any schedules and data that may be appropriate to support such determination. In consultation with the Sellers, the estimates for SFUAD Indebtedness, Cash, and Working Capital as at 31 March 2016 is as follows:

	Estimate as at 31 March 2016	
	US\$	S\$
SFUAD Indebtedness	1,549,367	2,122,632
Cash	2,181,439	2,988,571
Working Capital	(811,260)	(1,111,426)

The Seller was not able to provide an estimate of the Selling Expenses. Excluding Selling Expenses, the Estimated Consideration (excluding Selling Expenses) as at 31 March 2016 was negative US\$179,187 (approximately S\$245,486). **Please note that these are estimates as at 31 March 2016 only, and are not reflective in any way of the values of SFUAD Indebtedness, Cash and Working Capital and therefore of the Estimated Consideration, as at Closing. These estimates also do not take into account the Selling Expenses, the amount of which is relevant to the determination of the Estimated Consideration (see paragraph 4.1).** The Company will provide updates in an announcement via SGXNET of the Estimated Consideration at Closing.

4.3 At the Closing, the Purchaser shall deliver to the Seller the Estimated Consideration by wire transfer of immediately available funds to an account of the Seller designated in writing by the Seller to the Purchaser. If the Estimated Consideration is less than zero, the Seller shall pay the amount by which the Estimated Consideration is less than zero to the Purchaser at the Closing.

¹ The Estimated Consideration has to be estimated as the University is operational, and the amounts referred to are not fixed and continue to change from day to day. The estimates are provided by the Seller as the Seller is in control of SFUAD prior to Closing.

- 4.4 Within 90 days after the Closing, the Purchaser shall prepare and deliver to the Seller the Post-Closing Statement. If the Seller has no objections to the Post-Closing Statement, the components therein shall be deemed to be finally determined. If the Seller disagrees with the Post-Closing Statement, the Purchaser and the Seller shall use reasonable efforts to resolve any disagreement. If the disagreement cannot be resolved by the Purchaser and the Seller, such disagreement shall be resolved conclusively by KPMG LLP or an independent accounting firm reasonably acceptable to the Purchaser and the Seller.
- 4.5 If the final Cash amount is more or less than the estimated Cash amount, the Estimated Consideration shall be increased or decreased respectively by such difference in amount. The same applies to the Working Capital.
- 4.6 If the final SFUAD Indebtedness amount is more or less than the estimated SFUAD Indebtedness amount, the Estimated Consideration shall be decreased or increased respectively by such difference in amount. The same applies to the Selling Expenses.
- 4.7 Any adjustment in the amount of the Estimated Consideration shall be paid by the Seller to the Purchaser (or *vice versa* as the case may be) within five (5) business days of the date on which the final amount is determined.

5. OTHER MATERIAL DOCUMENTS AND TERMS

- 5.1 In connection with the Proposed Acquisition, the Purchaser and the Seller shall each contribute US\$5,000,000 (approximately S\$6,850,000) into an escrow account established pursuant to an escrow agreement to be entered into between them and an escrow agent. At Closing, the Purchaser and the Seller shall jointly instruct the escrow agent to disburse all the funds in the escrow account to the University to be maintained in an account ("**Seller Account**") and applied in accordance with the Stabilisation Agreement.
- 5.2 Pursuant to the Stabilisation Agreement, the Seller, SFUAD and an escrow agent shall establish another escrow account ("**Escrow Account**"), and the Seller shall promptly, upon release of the Department of Education Irrevocable Letter of Credit maintained by the Seller, deliver to the Escrow Account a sum of up to US\$5,000,000 (approximately S\$6,850,000). The Department of Education Irrevocable Letter of Credit is posted by SFUAD to the U.S. Department of Education ("**USDOE**") for the purposes of SFUAD being considered financially sound by USDOE. The U.S. Department of Education utilises a financial test, which is a composite score that is calculated based on an institution's year-end financial statements to determine the financial condition of the institution. Test results have required SFUAD to post a letter of credit to the USDOE representing 50% of the revenues it received from USDOE federal student aid programs funds in the prior fiscal year.
- 5.3 The funds in the Seller Account and the Escrow Account plus interest and other amounts specified in the Stabilisation Agreement shall be used exclusively to (a) fund a portion of the University's operating deficits from the Closing date through 31 December 2018² and (b) satisfy the Seller's indemnification obligations under the SPA. By requiring that the Seller puts the amounts released by the Department of Education Irrevocable Letter of Credit into the Escrow Account, the Purchaser also receives additional assurance that if the Seller Account is depleted, there will be funds in the Escrow Account to replenish the Seller Account. In relation to (a), given the core commitment of a university to its students, the Purchaser as the prospective successor operator of the University was prepared to set aside a certain amount of funds i.e. US\$5,000,000 in an escrow account, together with the Seller's own commitment to bear half of the operating deficits of the University (up to US\$10,000,000) for the period from Closing through to the end of 2018, to ensure as far as possible the operational viability of the University as a fully accredited albeit loss-making university. In relation to (b), the Seller's indemnification obligations include the customary provisions on indemnifying against any inaccuracies or breach in any of the representations or warranties made by the Seller or SFUAD in the transaction documents, or any breach or non-performance of any of the covenants, agreements, undertakings or obligations made by the Seller or the Company under the transaction documents. After 2018, any remaining funds in the Seller Account and the Escrow Account shall be released to the Seller (the "**Released Funds**").

² For reference, the University's total operating deficit for FY2015 is approximately US\$3,885,000 (approximately S\$5,322,450).

- 5.4 Pursuant to the Stabilisation Agreement, if the operating surplus³ of SFUAD for 2021 or 2022 is greater than US\$5,000,000 (approximately S\$6,850,000) (subject to adjustment in accordance with the Stabilisation Agreement⁴), SFUAD shall pay an Earnout Amount to the Seller. The “**Earnout Amount**” is defined as the amount equal to (a) the sum of all amounts contributed to the Seller Account by the Seller minus (b) the sum of the Released Funds minus (c) the sum of all amounts required for satisfaction of the Seller’s indemnification obligations under the SPA, subject to a cap of US\$10,000,000 (approximately S\$13,700,000). The Stabilisation Agreement provides for an option for the Purchaser to defease certain obligations relating to the operation of the businesses of SFUAD and the University under the Stabilisation Agreement at any time by paying to the Seller the full Earnout Amount. For the avoidance of doubt, the Earnout Amount is payable only once and applicable only to either 2021 or 2022, as the case may be (or applicable to neither year if the Purchaser exercises the option described above).
- 5.5 Besides the terms set out herein, the SPA and the Stabilisation Agreement contain other customary terms such as, without limitation, the parties’ respective representations and warranties, non-competition and non-solicitation, termination, limitation and indemnification provisions.

6. RATIONALE FOR THE PROPOSED ACQUISITION

- 6.1 The Proposed Acquisition enables the Company to acquire a fully fledged and duly accredited institution for higher education in the United States of America. It is accredited by the Higher Learning Commission, which is one of the six officially recognised regional bodies in the United States of America and, more specifically, the regional body authorised to accredit degree-granting post-secondary educational institutions where SFUAD is located. It is a complementary acquisition that falls well within the Company’s area of expertise. The Proposed Acquisition will allow the Company to expand into the United States and leverage its extensive student base in Asia by relying on the captive market within the Company’s existing schools/colleges, the Company’s strong presence in Asia and the Company’s well-established student recruitment network.
- 6.2 The payments for and in connection with the Proposed Acquisition will be funded from internal funds.

7. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

- 7.1 Rule 1014(1) of the Listing Manual 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 Shareholders in general meeting.
- 7.2 Based on the unaudited consolidated financial statements of the Group for 3Q 2016, the relative figures computed in respect of the Proposed Acquisition on the bases set out in Rule 1006 of the Listing Manual are as follows:
- (a) Rule 1006(a) – not applicable to an acquisition of assets.
 - (b) Rule 1006(b) – the aggregate net loss attributable to the Membership Interests of US\$3,888,000 (approximately S\$5,260,000 based on an exchange rate of US\$1=S\$1.3530) for 3Q 2016 represents approximately 92.09% of the Group’s net loss of S\$5,712,000 for 3Q 2016.

³ The operating surplus is to be calculated based on the difference between the revenues and the operating expenses of the University and any schools acquired or opened and owned by the purchaser and its affiliates during the period between the date of Closing and the earlier of 31 December 2022 or the payment of the Earnout Amount (if any). The operating surplus is to be determined in accordance with U.S. GAAP, subject to adjustments in accordance with the Stabilisation Agreement.

⁴ The Stabilisation Agreement provides for adjustments to be made if additional schools are acquired by the Purchaser or its affiliate as contrasted with developing the University, or other similar businesses are acquired by the Company, the Purchaser or the Purchaser’s affiliate and are operated through the University.

- (c) Rule 1006(c) – the aggregate consideration for the Proposed Acquisition of US\$5,000,001 (approximately S\$6,850,001.37)⁵ represents approximately 3.3% of the Company's market capitalisation of approximately S\$207,584,000⁶ as at 16 May 2016, being the market day immediately preceding the date of the SPA.
- (d) Rule 1006(d) – not applicable as no shares will be issued by the Company pursuant to the Proposed Acquisition.
- (e) Rule 1006(e) – not applicable as the Proposed Acquisition is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

7.3 Based on the relative figures set out in paragraph 7.2 of this Circular, 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 the EGM.

8. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

8.1 As at 30 June 2015, the net tangible asset value of the Membership Interests was US\$6,126,000 (approximately S\$8,272,000 based on a closing rate of S\$1=US\$1.3502).

8.2 As at 30 June 2015, the net loss attributable to the Membership Interests was US\$7,570,000⁷ (approximately S\$9,937,000 based on an average rate of S\$1=US\$1.3127).

8.3 The financial effects of the Proposed Acquisition have been prepared based on the audited consolidated financial statements of the Group for FY2015 and based on the following assumptions:

- (a) for the purpose of computing the financial effects of the Proposed Acquisition on the NTA per Share:
 - (i) the Company has used the aggregate consideration of US\$5,000,001 (approximately S\$6,850,001.37)⁸; and
 - (ii) the Proposed Acquisition is assumed to have been completed on 30 June 2015; 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 2014.

Effect on the NTA per Share for the financial year ended 30 June 2015

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000) ⁽¹⁾	451,546	452,968
NTA per Share ⁽²⁾ (Singapore cents)	45.56	45.70

Note:

(1) NTA as at 30 June 2015.

(2) NTA per Share is calculated based on 991,161,433 Shares (excluding treasury shares) as at 30 June 2015.

⁵ For purposes of calculating the relative figures under Rule 1006(c), the Company has used as the aggregate consideration the sum of the Estimated Consideration of US\$1.00 (approximately S\$1.37) and US\$5,000,000 (approximately S\$6,850,000) being the amount that the Purchaser will contribute into an escrow account, as set out in paragraph 5.1. The final amount of the consideration can only be ascertained after the Closing. Please see further paragraph 4 of this Circular.

⁶ Calculated based on the closing price of S\$0.215 per Share and 965,505,133 Shares (excluding treasury shares).

⁷ The net loss attributable to the Membership Interests is calculated based on the full financial year of SFUAD from 1 July 2014 to 30 June 2015.

⁸ See footnote 5 which elaborates on how this aggregate consideration is derived.

Effect on EPS for the financial year ended 30 June 2015

	Before the Proposed Acquisition	After the Proposed Acquisition
Earnings attributable to Shareholders (S\$'000)	16,983	7,046
EPS ⁽¹⁾ (Singapore cents)	1.68	0.70

Note:

(1) EPS is calculated based on the weighted average number of Shares (excluding treasury shares) of 1,009,531,835 for the financial year ended 30 June 2015.

9. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

None of the Directors or Controlling 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. Accordingly, there is no service contract proposed to be entered into by the Company in connection with the Proposed Acquisition.

10. DIRECTORS' RECOMMENDATIONS

Having considered the rationale for the transaction as set out in paragraph 6 of this Circular, the Directors are of the opinion that the Proposed Acquisition is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the resolution set out in the notice of EGM on page 14 of this Circular. Any Shareholder who may require specific advice should consult his stockbroker, accountant, bank manager or other professional adviser.

11. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 14 of this Circular, will be held at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 on 25 July 2016 at 2.00 p.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolution as set out in the notice of EGM.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the Company's registered office at 51 Merchant Road, Raffles Education Square, Singapore 058283, not less than 48 hours before the time fixed for the EGM.

The completion and return of a proxy form by a Shareholder does not preclude him from attending and voting in person at the EGM if he wishes to do so. A depositor shall not be regarded as a member entitled to attend, speak and vote at the EGM unless his name appears in the Depository Register 72 hours before the time appointed for holding the EGM.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular 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 Circular in its proper form and context.

14. DOCUMENTS FOR INSPECTION

A copy of each of the following documents is available for inspection at 51 Merchant Road, Raffles Education Square, Singapore 058283 during the Company's normal business hours from the date hereof up to and including the date of the EGM:

- (a) the SPA;
- (b) the Guaranty Agreement;
- (c) the Constitution of the Company; and
- (d) the audited consolidated financial statements of the Company for FY2015.

Yours faithfully

For and on behalf of the Board of Directors of
RAFFLES EDUCATION CORPORATION LIMITED

Mr Chew Hua Seng
Chairman and Chief Executive Officer

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199400712N)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Raffles Education Corporation Limited (the “**Company**”) will be held at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 on 25 July 2016 at 2.00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as an ordinary resolution.

ORDINARY RESOLUTION -

THAT pursuant to Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited, approval be and is hereby given for:

- (a) the Proposed Acquisition (as defined in the circular to the shareholders dated 9 July 2016), on the terms and conditions of the membership interest purchase agreement dated 17 May 2016 entered into between Joshua Education, Inc., LEI Holdings US-1, Inc. and Santa Fe University of Art and Design, LLC, and the other transaction agreements executed or to be executed by the Company and/or Joshua Education, Inc.; and
- (b) the Directors or any one of them to complete and do all such acts and things (including without limitation, to execute all such documents and to approve any amendments, alteration or modification to any documents) as the Directors or any of them may consider necessary, desirable or expedient to give effect to the Proposed Acquisition.

By Order of the Board
Mr Keloth Raj Kumar
Company Secretary

9 July 2016

Notes:

1. A member of the Company entitled to attend and vote at the EGM, and who is not a Relevant Intermediary (as defined below), is entitled to appoint one proxy or two proxies to attend and vote in his place. A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote in his place, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. A proxy need not be a member of the Company.

“Relevant Intermediary” has the meaning ascribed to it in Section 181 of the Companies Act.

2. The instrument appointing a proxy or proxies must be deposited at 51 Merchant Road, Raffles Education Square, Singapore 058283 not less than 48 hours before the time of the EGM.

Personal Data Privacy:

By submitting an instrument appointing proxy or proxies, and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), and (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure of such individual’s personal data for the Purposes.

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199400712N)

IMPORTANT

1. Relevant Intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore), may appoint more than two proxies to attend and vote at the Extraordinary General Meeting.
2. For CPF/SRS investors who have used their CPF monies to buy ordinary shares in the capital of Raffles Education Corporation Limited ("Shares"), this Circular is forwarded to them at the request of their CPF Agent Banks and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. A CPF/SRS investor who wishes to attend the Extraordinary General Meeting as proxy has to submit his request to his CPF Agent Bank so that his CPF Agent Bank may appoint him as its proxy within the specified timeframe. (CPF Agent Bank: Please refer to Notes 2(b) and 4 on the reverse side of this form on the required details.)

Personal Data Privacy
By submitting an instrument appointing proxy or proxies and/or representative(s), a member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 9 July 2016.

PROXY FORM

*I/We _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being *a shareholder/shareholders of Raffles Education Corporation Limited (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

*and/or failing him/her/them

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or failing *him/her/them, the chairman of the extraordinary general meeting (the "**EGM**"), as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the EGM of the Company to be held at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 on 25 July 2016 at 2.00 p.m.

*I/We direct *my/our *proxy/proxies to vote for or against the ordinary resolution to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the EGM and at any adjournment thereof.

ORDINARY RESOLUTION	**No. of Votes For	**No. of Votes Against
Approval of the Proposed Acquisition		

**Delete accordingly*

*** If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant Resolution, please insert the relevant number of Shares in the boxes provided*

Dated this _____ day of _____ 2016

Total number of Shares held in CDP Register

Signature(s) of shareholder(s) or
Common Seal of corporate shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM



Notes:

1. Please insert the total number of Shares held by you.
2. (a) A member of the Company entitled to attend and vote at a meeting of the Company, and who is not a Relevant Intermediary, is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company. Where a member of the Company appoints two proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named proxy.

(b) A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote at a meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where more than one proxy is appointed, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. In relation to a Relevant Intermediary who wishes to appoint more than two proxies, it should annex to the proxy form the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of shareholding (number of shares, class of shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank who intends to appoint CPF/SRS investors as its proxies shall comply with this Note.

(c) "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
3. Completion and return of the proxy form shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies will be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the proxy form, to the meeting.
4. The proxy form must be deposited at the registered office of the Company at 51 Merchant Road, Raffles Education Square, Singapore 058283, not less than 48 hours before the time appointed for the Extraordinary General Meeting.

----- Fold along this line (1) -----

Affix Postage Stamp

The Company Secretary
Raffles Education Corporation Limited
51 Merchant Road
Raffles Education Square
Singapore 058283

----- Fold along this line (2) -----

5. The proxy form appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the proxy form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where a proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the proxy form, failing which the proxy form may be treated as invalid.
6. A corporation which is a member of the Company may authorise, by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. The Company shall be entitled to reject the proxy form appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form. In addition, in the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any proxy form lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Extraordinary General Meeting as certified by The Central Depository (Pte) Limited to the Company.

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