

**CIRCULAR DATED 16 JULY 2015**

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

This Circular is issued by Raffles United Holdings Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”). If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other independent professional adviser immediately.

If you have sold or transferred all your ordinary shares in the share capital of the Company held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or 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 assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.



**RAFFLES UNITED HOLDINGS LTD**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 197302030N)

**CIRCULAR TO SHAREHOLDERS**

**in relation to**

- (1) THE PROPOSED ACQUISITION OF 51% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF RAFFLES CAPITAL ENTERPRISE PTE. LTD., WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION; AND**
- (2) THE SHAREHOLDER’S LOAN BETWEEN RAFFLES CAPITAL ENTERPRISE PTE. LTD. AND MS TEO XIAN-HUI AMANDA MARIE, WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION PURSUANT TO THE PROPOSED ACQUISITION.**

Independent Financial Adviser to the Unconflicted Directors  
(as defined herein) of Raffles United Holdings Ltd  
in relation to the Acquisition



**XANDAR CAPITAL PTE LTD**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200002789M)

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	11 August 2015 at 9.30 a.m.
Date and time of Extraordinary General Meeting	:	13 August 2015 at 9.30 a.m.
Place of Extraordinary General Meeting	:	5 Changi South Street 3 Singapore 486117

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## DEFINITIONS

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For the purpose of this Circular, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

- “Acquisition”** : The proposed acquisition of 51% of the issued and paid-up share capital of Raffles Capital Enterprise Pte. Ltd., comprising 51,000 ordinary shares, in accordance with the terms and conditions of the Sale and Purchase Agreement
- “ACRA”** : The Accounting and Corporate Regulatory Authority of Singapore
- “Aggregate Consideration”** : The aggregate purchase consideration of S\$7,980,000 payable by the Company to the Vendors for the Sale Shares
- “Associate”** : (a) in relation to any Director, chief executive officer, substantial shareholder or Controlling Shareholder (being an individual) means:
- i. his immediate family;
  - ii. the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - iii. any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and
- (b) in relation to a substantial shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Audit Committee”** : The audit committee of the Company as at the date of this Circular, comprising Mr. Lee Joo Hai, Mr. Tan Saik Hock and Dr. Ngoi Sing Shang
- “Board”** : The board of Directors of the Company as at the date of this Circular
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 16 July 2015

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## DEFINITIONS

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<b>“Companies Act”</b>	:	The Companies Act (Cap. 50) of Singapore, as amended or modified from time to time
<b>“Company”</b>	:	Raffles United Holdings Ltd
<b>“Controlling Shareholder”</b>	:	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 this paragraph is not a Controlling Shareholder; or  (b) in fact exercises control over the Company
<b>“Director”</b>	:	A director of the Company as at the date of this Circular, and <b>“Directors”</b> shall be construed accordingly
<b>“EGM”</b>	:	The extraordinary general meeting of the Company to be held on 13 August 2015, notice of which is set out in this Circular
<b>“EPS”</b>	:	Earnings per Share
<b>“Group”</b>	:	The Company, and its subsidiaries, collectively
<b>“Group NTA”</b>	:	Has the meaning ascribed to it in Section 7.3 of this Circular
<b>“IFA” or “Xandar Capital”</b>	:	Xandar Capital Pte. Ltd., the independent financial adviser to the Unconflicted Directors in relation to the Acquisition
<b>“IFA Letter”</b>	:	The letter dated 16 July 2015 from the IFA to the Unconflicted Directors in relation to the Acquisition, entitled “Letter from Xandar Capital Pte Ltd to the Unconflicted Directors in relation to the Acquisition”, as set out in Appendix B to this Circular
<b>“Latest Practicable Date”</b>	:	7 July 2015, being the latest practicable date prior to printing of this Circular
<b>“Listing Manual”</b>	:	The rules of the listing manual of the SGX-ST, which apply to entities listed on the SGX-ST Main Board, as amended, modified or supplemented from time to time
<b>“Master Plan 2014”</b>	:	The statutory land use plan issued by the URA in 2014 that guides the physical development of Singapore for the medium term

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## DEFINITIONS

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<b>“Mr Teo GA”</b>	:	Mr. Teo Teck Yao Glenn Ashley
<b>“Mr Teo TB”</b>	:	Mr. Teo Teng Beng
<b>“Ms Teo XH”</b>	:	Ms. Teo Xian-Hui Amanda Marie
<b>“Notice of EGM”</b>	:	Notice of the EGM set out on pages 46 and 47 of this Circular
<b>“NTA”</b>	:	Net tangible assets
<b>“Properties”</b>	:	Has the meaning ascribed to it in Section 2.2 of this Circular
<b>“Proxy Form”</b>	:	The proxy form in respect of the EGM set out in this Circular
<b>“RCE”</b>	:	Raffles Capital Enterprise Pte. Ltd.
<b>“RCE’s NTA”</b>	:	Has the meaning ascribed to it in Section 2.2 of this Circular
<b>“Register of Members”</b>	:	Register of members of the Company
<b>“RU”</b>	:	Raffles United Pte Ltd
<b>“Sale Shares”</b>	:	The 51,000 ordinary shares in aggregate in the capital of RCE to be purchased by the Company from the Vendors pursuant to the Sale and Purchase Agreement
<b>“Securities Account”</b>	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Sale and Purchase Agreement”</b>	:	The sale and purchase agreement entered into amongst the Company and the Vendors on 10 June 2015 in respect of the Acquisition
<b>“Share”</b>	:	An ordinary share in the share capital of the Company and <b>“Shares”</b> shall be construed accordingly
<b>“Shareholders”</b>	:	Registered holders of Shares in the Register of Members, except that where the registered holder is CDP, the term <b>“Shareholders”</b> shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with those Shares

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## DEFINITIONS

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<b>“Shareholder’s Loan”</b>	:	The existing shareholder’s loan of outstanding aggregate principal amount of S\$5,054,000 owing from, and repayable by, RCE to Ms Teo XH
<b>“Substantial Shareholders”</b>	:	Persons who hold directly or indirectly 5% or more of the issued Shares excluding treasury shares in the Company
<b>“Transaction”</b>	:	Collectively, the Acquisition and the Shareholder’s Loan, each constituting an interested person transaction under the Listing Manual
<b>“Unconflicted Directors”</b>	:	Has the meaning ascribed to it in Section 8 of this Circular
<b>“URA”</b>	:	Urban Redevelopment Authority
<b>“Valuation Reports”</b>	:	Has the meaning ascribed to it in Section 2.4 of this Circular
<b>“Vendors”</b>	:	Ms Teo XH and Mr Teo GA

### **Currencies, units of measurement and others**

<b>“sq m”</b>	:	Square metre
<b>“S\$” and “cents”</b>	:	Singapore dollars and cents, respectively, representing the lawful currency of the Republic of Singapore
<b>“%” or “per cent.”</b>	:	Percentage or per centum

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The term **“subsidiary”** shall have the meaning ascribed to it by Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Companies Act, the Listing Manual or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, the Listing Manual or such modification thereof, as the case may be.

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## **CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS**

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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”, “if”, “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 should not place undue reliance on such forward-looking statements, and the Company assumes no obligation to update publicly or revise any forward-looking statement.

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## LETTER TO SHAREHOLDERS

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### RAFFLES UNITED HOLDINGS LTD

(Incorporated in the Republic of Singapore)

(Company Registration No. 197302030N)

#### Board of Directors:

Tan Saik Hock (Independent Non-Executive Chairman)  
Teo Teng Beng (Managing Director)  
Teh Geok Koon (Executive Director cum Chief Operating Officer)  
Lee Joo Hai (Independent Non-Executive Director)  
Ngoi Sing Shang (Independent Non-Executive Director)

#### Registered Office:

5 Changi South Street 3  
Singapore 486117

16 July 2015

To: The Shareholders of Raffles United Holdings Ltd

Dear Sir/Madam,

- (1) **THE PROPOSED ACQUISITION OF 51% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF RAFFLES CAPITAL ENTERPRISE PTE. LTD., WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER THE LISTING MANUAL; AND**
- (2) **THE SHAREHOLDER'S LOAN BETWEEN RAFFLES CAPITAL ENTERPRISE PTE. LTD. AND MS TEO XIAN-HUI AMANDA MARIE, WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER THE LISTING MANUAL PURSUANT TO THE PROPOSED ACQUISITION.**

#### 1. INTRODUCTION

##### 1.1 The Acquisition

On 10 June 2015, the Company announced that it had entered into a Sale and Purchase Agreement with Ms. Teo Xian-Hui Amanda Marie ("**Ms Teo XH**") and Mr. Teo Teck Yao Glenn Ashley ("**Mr Teo GA**") (collectively, the "**Vendors**") on 10 June 2015, in relation to the proposed acquisition of 51,000 ordinary shares in aggregate in Raffles Capital Enterprise Pte. Ltd. ("**RCE**"), representing 51% of the total issued and paid-up share capital of RCE (the "**Acquisition**"). Pursuant to completion of the Acquisition ("**Completion**"), RCE will become a 51%-owned subsidiary of the Company.

Please refer to Section 2 of this Circular for further information on the Vendors, RCE, and the Acquisition.

##### 1.2 The Shareholder's Loan

Prior to the entry into the Sale and Purchase Agreement, Ms Teo XH had granted an interest-free, unsecured shareholder's loan to RCE. As at the Latest Practicable Date, an outstanding aggregate principal amount of S\$5,054,000 is owing from RCE to Ms Teo XH (the "**Shareholder's Loan**").

Please refer to Section 2 of this Circular for further information on the Shareholder's Loan.



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## LETTER TO SHAREHOLDERS

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### 1.3 The Transaction as an Interested Person Transaction

The Acquisition constitutes an interested person transaction under Chapter 9 of the Listing Manual.

Pursuant to Completion, by virtue of RCE becoming a subsidiary of the Company, the Shareholder's Loan will consequently constitute an interested person transaction under Chapter 9 of the Listing Manual.

The value of the Acquisition and the Shareholder's Loan (collectively, the "**Transaction**") exceeds 5.0% of the latest consolidated audited NTA of the Group. Accordingly, the Transaction is subject to the approval of the Shareholders.

Please refer to Section 7 of this Circular for further information on the Transaction as an interested person transaction.

### 1.4 Purpose of this Circular

The Directors are convening the EGM to seek Shareholders' approval for the Transaction.

The purpose of this Circular is to provide Shareholders with information relating to, and the rationale for, the Transaction to be tabled at the EGM, and to seek Shareholders' approval in relation thereto at the EGM. The Notice of EGM is set out on pages 46 and 47 of this Circular.

## 2. THE TRANSACTION

### 2.1 The Vendors

The Vendors collectively hold (i) 100% of the share capital of RCE; and (ii) 100% of the share capital of Raffles United Pte Ltd ("**RU**"), which in turn holds 65.55% of the entire issued and paid-up share capital of the Company. Accordingly, RU is the Controlling Shareholder of the Company, and the Vendors are the deemed Controlling Shareholders of the Company. Ms Teo XH also holds 0.05% direct interest in the share capital of the Company.

Mr Teo GA and Ms Teo XH will be disposing of their respective shareholding interests of 45% (representing his entire stake) and 6% in RCE.

Ms Teo XH currently runs the operations of RCE. Post-Completion, she will continue to run the operations of RCE. The Company intends to appoint directors to the board of directors of RCE in due course upon Completion.

### 2.2 RCE

RCE is an exempt private limited company incorporated in Singapore which acquired the properties known as 296/298/300/302/304/306/308 Lavender Street Singapore 338808/338809/338810/338811/338812/338813/338814 (the "**Properties**"). As at the Latest Practicable Date, RCE has an issued and paid-up share capital of S\$100,000 comprising 100,000 ordinary shares.

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## LETTER TO SHAREHOLDERS

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Based on the audited accounts of RCE as at 31 March 2015, RCE has total assets of S\$30,180,000, comprising:

- (a) the book value of the Properties, being S\$30,000,000; and
- (b) bank balance, accounts receivables and prepayments of S\$180,000.

RCE also has, as at 31 March 2015, total liabilities of S\$14,532,000, which mainly comprise bank borrowings of S\$9,181,000 (the “**Bank Borrowings**”) and the Shareholder’s Loan. The Bank Borrowings were used to part finance the purchase of the Properties, while the Shareholder’s Loan was used to part finance the purchase of the Properties as well as associated costs incurred.

The value of the NTA of RCE is S\$15,648,000, which is the difference between its total assets of S\$30,180,000 and its total liabilities of S\$14,532,000 (the “**RCE’s NTA**”).

### 2.3 The Properties

As set out in Section 2.2 above, apart from the bank balance, accounts receivables and prepayments, the only asset of RCE is the Properties.

The Properties comprise a row of seven units of 2-storey intermediate shophouses located along Lavender Street, constructed of reinforced concrete frames with brick-in-fill walls, reinforced concrete floor and roof.

They have a freehold tenure with a total land area of 1,217.7 sq m, and can yield a maximum permissible gross floor area of approximately 2,250.74 sq m.

Under the Master Plan 2014, the Properties are zoned for residential with commercial use on first storey.

### 2.4 Material terms of the Acquisition

#### A. Aggregate Consideration

The Aggregate Consideration for the Sale Shares is S\$7,980,000, which is the equivalent of 51% of the RCE’s NTA of S\$15,648,000 based on the audited accounts of RCE as at 31 March 2015.

The Aggregate Consideration was arrived at based on arm’s length negotiations between the Company and the Vendors after taking into account the prevailing market conditions and the open market value of the Properties based on the average of independent properties valuation reports dated 4<sup>th</sup> May 2015, 7<sup>th</sup> May 2015 and 10<sup>th</sup> June 2015 (the “**Valuation Reports**”) procured by the Company.

#### B. The Valuation Reports

The Company had engaged Colliers International Consultancy & Valuation (Singapore) Pte Ltd (“**Colliers**”), Dennis Wee Realty Pte Ltd and Sterling Property Consultants Pte Ltd (collectively, the “**Valuers**”), to value the Properties. Copies of the Valuation Reports are attached to this Circular as Appendix A.

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## LETTER TO SHAREHOLDERS

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The Valuers each valued the Properties at S\$30,000,000, as a residential with commercial on first storey, subject to the assumptions, disclaimers, limitations and qualifications as detailed in the Valuation Reports.

In formulating their opinion on the market value of the Properties, the Valuers adopted the Direct Comparison Method of properties valuation. In this method, a comparison is made with sales of similar properties in the vicinity and adjustments are made for other relevant factors before arriving at the market value of the Properties. Colliers also used the Investment Method as a cross-check. Further details of the valuation methods used can be found in the Valuation Reports.

### **C. Conditions**

Completion is conditional upon the Company having obtained clearance from the SGX-ST and the regulatory authorities, and approval from its Shareholders for the Acquisition. If the said clearance and/or approval is not obtained by the Company within 12 weeks from the date of signing of the Sale and Purchase Agreement, the Company shall be fully entitled, upon written notice to the Vendors, to elect to rescind the Sale and Purchase Agreement.

As at the Latest Practicable Date, the clearance from the SGX-ST has been obtained.

### **D. Other Salient Terms**

The Company and the Vendors have agreed that the interest-free Shareholder's Loan shall be repayable by RCE as follows:

- (i) S\$2,577,000 to be repayable on demand; and
- (ii) the remaining balance of S\$2,477,000 to be repayable after 31 December 2016.

## **2.5 Terms of payment**

The Aggregate Consideration will be paid by the Company to the Vendors in cash on the Completion Date.

## **3. RATIONALE FOR THE ACQUISITION**

The Directors believe that the Acquisition is in line with the Group's strategic plans to increase Shareholders' value in future, and thus, is in the best interests of the Group for the following reasons:

### **3.1 The Acquisition strengthens the Group's property investment and expansion strategy**

The Acquisition is in line with the Group's strategy to expand into the property investment segment for properties to be held long term for collection of rent and capital growth potential. The Acquisition represents an opportunity for additional stream of revenues.

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## LETTER TO SHAREHOLDERS

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### 3.2 Strategic location with close proximity to the city and major transport systems

The Properties are strategically located on the north-eastern flank of Lavender Street, at its junction with and bounded by Kempas Road, and some 5 km away from City Centre. Prominent landmarks in the vicinity include City View @ Boon Keng, Kwong Wai Shiu Hospital & Nursing Home, Central Sikh Temple, Arc 380 (under construction), amongst others.

Public transport is readily available along Lavender Street. Accessibility to other parts of the island is enhanced by its proximity to the Central Expressway/Pan-Island Expressway with the Boon Keng/Farrer Park/Lavender MRT stations located nearby. The future Bendemeer MRT station will be within walking distance.

The convenient location with easy access to the public transportation system will be an added benefit in terms of potential capital appreciation.

### 3.3 Freehold tenure

Freehold commercial properties are scarce in Singapore. Purchasing the Properties represents an opportunity for the Group to acquire freehold properties with a sizeable land area and plot ratio. The Directors believe that given the scarcity of land in Singapore and the aforementioned strategic location of the Properties, the Acquisition is an excellent opportunity afforded to the Company.

## 4. TOTAL EXPOSURE

The aggregate total amount which the Company estimates to incur in connection with the Acquisition is approximately S\$22,315,000 (the “**Total Exposure**”), comprising:

- (a) the Aggregate Consideration of S\$7,980,000;
- (b) the Shareholder’s Loan of S\$5,054,000;
- (c) the Bank Borrowings of S\$9,181,000; and
- (d) the estimated professional and other fees and expenses incurred or to be incurred by the Company in connection with the Acquisition (inclusive of stamp duty) of approximately S\$100,000.

The Total Exposure will be funded as follows:

<b>Price and/or Payment</b>	<b>Funding Method</b>
Aggregate Consideration (S\$7,980,000)	S\$6,000,000 from bank borrowings and the balance S\$1,980,000 from working capital
Shareholder’s Loan (S\$5,054,000)	From working capital
Bank Borrowings (S\$9,181,000)	From bank borrowings
Estimated professional and other fees and expenses, including stamp duty (S\$100,000)	From working capital

## LETTER TO SHAREHOLDERS

### 5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual in relation to the Acquisition are as follows:

Rule 1006 of the Listing Manual	Bases	Relative Figures
(a)	Net asset value of the assets to be disposed of, compared with the Group's adjusted net asset value as at 31 December 2014	Not applicable
(b)	The net profits attributable to the assets acquired, compared with the Group's net profits for the financial year ended 31 December 2014	45% <sup>(1)</sup>
(c)	The aggregate value of the Aggregate Consideration, compared with the Company's market capitalisation based on the total number of issued shares as at 9 June 2015	19% <sup>(2)</sup>
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable

Whilst the computed figure under Rule 1006(b) in the above table exceeds 20% but is less than 100%, as the transaction is in the ordinary course of business and does not change the risk profile of the Group<sup>(3)</sup>, Shareholders' approval is not required for the Acquisition under Chapter 10 of the Listing Manual.

**Notes:**

- (1) "Net profits" is defined as profit before income tax, minority interests and extraordinary items.  
Net profits attributable to the assets to be acquired under the Proposed Acquisition is approximately S\$0.55 million, comprising mainly rental income less operating expenses such as interest expense, property tax and staff costs. Based on the latest announced audited consolidated profits for the year ended 31 December 2014, net profits of the Group was approximately S\$1.22 million.
- (2) The aggregate value of the Aggregate Consideration for the Acquisition is approximately S\$7,980,000. The market capitalisation of the Company of approximately S\$42.13 million is determined by multiplying the number of shares in issue (being 234,060,000 shares) by the weighted average price of such shares (being S\$0.18) transacted on 9 June 2015 (being the market day preceding the date of the Sale and Purchase Agreement).
- (3) Pursuant to a shareholders' resolution passed at the shareholders' meeting of the Company convened on 8 December 2014, the Group's core business had been expanded to include property investment and property development.

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## LETTER TO SHAREHOLDERS

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### 6. FINANCIAL EFFECTS OF THE ACQUISITION

The pro forma financial effects of the Acquisition as presented below are strictly for illustrative purposes and do not necessarily reflect the actual results and future financial situation of the Group after Completion.

The pro forma financial effects of the Acquisition were prepared based on the latest audited financial statements of the Group for the financial year ended 31 December 2014.

#### (a) Pro Forma NTA

For illustrative purposes, assuming that the Acquisition had taken place on 31 December 2014, being the end of the most recently completed financial year, the pro forma financial effects of the Acquisition would have the following impact on the NTA and NTA per Share of the Group:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	76,509	76,740
Number of issued Shares excluding treasury shares ('000)	234,060	234,060
NTA per Share (cents)	32.69	32.79

#### (b) Pro Forma EPS

For illustrative purposes, assuming that the Acquisition had taken place on 1 January 2014, being the beginning of the most recently completed financial year, the pro forma financial effects of the Acquisition would have the following impact on the EPS of the Group:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit after tax (S\$'000)	438	669
Weighted average number of issued Shares ('000)	234,060	234,060
EPS (cents)	0.19	0.29

### 6A. SELECTED FINANCIAL INFORMATION OF RCE

The financial year end of RCE is 30 June. For purposes of the Acquisition, the Company has been provided with the audited financial statements of RCE for the nine (9) months ended 31 March 2015 ("**Audited Nine Months Financial Statements**").

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## LETTER TO SHAREHOLDERS

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The Audited Nine Months Financial Statements provide RCE's financial results for the nine (9) months period ended 31 March 2015 ("9M31Mar2015") and the financial year ended 30 June 2014 ("FY2014") as follows:

### Extracted from Statement of Comprehensive Income

	FY2014 (S\$'000)	9M 31Mar2015 (S\$'000)
Revenue – rental income	793	756
Gain from changes in fair value of investment properties	–	14,816
Employee salaries and benefits	(23)	(51)
Commission	(81)	–
Profit before income tax	502	15,267
Profit for the period	454	15,227

### Extracted from Statement of Financial Position

	As at 31 March 2015 (S\$'000)
Non-current assets – Investment properties <sup>(1)</sup>	30,000
Current assets – Cash and bank balances	178
Current assets – Trade and other receivables	2
Total assets	30,180
Non-current liabilities – Term loan, secured	8,871
Current liabilities – Term loan, secured	310
Current liabilities – Other payables <sup>(2)</sup>	5,311
Current liabilities – Income tax payable	40
	14,532
Total equity/Net asset value	<b>15,648</b>

**Notes:**

- (1) Being the Properties stated at fair value.
- (2) Other payables include mainly interest-free Shareholder's Loan from Ms Teo XH of S\$5,054,000 and rental deposits of S\$218,000.

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## LETTER TO SHAREHOLDERS

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### 7. THE TRANSACTION AS AN INTERESTED PERSON TRANSACTION

#### 7.1 Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual governs transactions in which a listed company or any of its subsidiaries or associated companies (known as the “**entity at risk**”) enters into or proposes to enter into with a party who is an interested person of the listed company. Under Chapter 9 of the Listing Manual, an immediate announcement and subsequent shareholders’ approval is required in respect of a transaction between an entity at risk and its interested persons if the value of that transaction exceeds 5% of the latest audited NTA value.

The following definitions are contained under Chapter 9 of the Listing Manual:

- (a) the term “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.
- (b) the term “entity at risk” means:
  - (i) the issuer;
  - (ii) a subsidiary of the issuer that is not listed on the SGX-ST or an approved exchange;or
  - (iii) an associated company of the issuer that is not listed on the SGX-ST or an approved exchange, provided that the issuer and its subsidiaries (the “listed group”), or the listed group and its interested person(s) has control over the associated company.
- (c) the term “interested person”, in the case of a company, means:
  - (i) a director, chief executive officer, or Controlling Shareholder of the issuer; or
  - (ii) an Associate of any such director, chief executive officer, or Controlling Shareholder.
- (d) the term “interested person transaction” means a transaction between an entity at risk and an interested person.

#### 7.2 Interested Person Transaction under Chapter 9 of the Listing Manual

As at the Latest Practicable Date, Ms Teo XH and Mr Teo GA each hold direct interests of 55% and 45% in the share capital of RCE, respectively.

As disclosed in Section 2.1 of this Circular, both Ms Teo XH and Mr Teo GA are deemed Controlling Shareholders of the Company, as they each hold direct interests of 52% and 48% in the share capital of RU (a Controlling Shareholder of the Company), respectively. As at the Latest Practicable Date, Ms Teo XH also holds a direct interest in 110,000 ordinary shares, representing approximately 0.05%, in the share capital of the Company.



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## LETTER TO SHAREHOLDERS

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In addition, Ms Teo XH and Mr Teo GA are the daughter and son of Mr Teo TB, the Managing Director and member of the Nominating Committee of the Company, respectively. Accordingly, both Ms Teo XH and Mr Teo GA are also Associates of Mr Teo TB.

As such, Ms Teo XH and Mr Teo GA are each an “interested person” under Chapter 9 of the Listing Manual and accordingly,

- (i) the Acquisition between the Company as an “entity at risk” and the Vendors as “interested persons”; and
- (ii) the Shareholder’s Loan between RCE as a resultant “entity at risk” post-Completion and Ms Teo XH as an “interested person”,

would constitute interested person transaction(s) subject to Chapter 9 of the Listing Manual.

### 7.3 Materiality Thresholds under Chapter 9 of the Listing Manual

In accordance with Rule 906(1)(a) and Rule 918 of Chapter 9 of the Listing Manual, where the value of an interested person transaction, or when aggregated with other transactions entered into during the same financial year, is equal to or exceeds 5% of the Group’s latest audited NTA, the approval of Shareholders is required to be obtained either prior to the transaction being entered into, or if the transaction is expressed to be conditional on such approval, prior to the completion of such transaction, as the case may be.

Based on the latest audited consolidated net tangible assets of S\$76,509,000 of the Group as at 31 December 2014 (the “**Group NTA**”),

- (i) the value of the Acquisition represents approximately 10.4% of the Group NTA;
- (ii) the value of the Shareholder’s Loan represents approximately 6.6% of the Group NTA; and
- (iii) the collective value of the Transaction represents approximately 17.0% of the Group NTA.

As the aforesaid values are more than 5% of the Group NTA, for the purposes of Chapter 9 of the Listing Manual and in particular Rule 906(1)(a), the Transaction is therefore subject to the approval of Shareholders. Accordingly, the Company will be convening the EGM to seek Shareholders’ approval for the Transaction.

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## LETTER TO SHAREHOLDERS

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### 7.4 Total Value of Interested Person Transactions

Save for the Transaction and as disclosed below, there is no other interested person transactions which was entered into with the Vendors and/or their associates by the Company for the current financial year (i.e. FY2015) up to the Latest Practicable Date:-

Name of Interested Person	Nature of Transaction	Aggregate value of transaction with the particular interested person whose transaction is the subject of this Circular for the current financial year up to the Latest Practicable Date
Ms Teo XH	Rental expenses paid by Company for premises at 5 <sup>th</sup> floor, Sapphire Tower No. 267 Tianmu Zhong Road, Shanghai	S\$91,000

The total value of all interested person transactions entered into by the Company, including the Transaction, for the current financial year up to the Latest Practicable Date is S\$13,146,000, representing approximately 17.2% of the Group NTA.

### 8. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER

Chapter 9 of the Listing Manual provides that, where Shareholders' approval is required for an interested person transaction, the Circular must include an opinion from an independent financial adviser ("IFA") as to whether such transaction (and all other transactions which are the subject of aggregation pursuant to Rule 906) is on normal commercial terms and if it is prejudicial to the interests of the Company and its minority Shareholders.

Accordingly, Xandar Capital Pte Ltd has been appointed as the IFA to the Directors who are independent for the purpose of the Acquisition, namely, Teh Geok Koon, Lee Joo Hai, Tan Saik Hock and Ngoi Sing Shang (collectively, the "**Unconflicted Directors**"), to advise them on whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. As the Shareholder's Loan is non-interest bearing, such that there is no amount at risk to the Company in accordance with Rule 909(3), the IFA opinion does not include the Shareholder's Loan.

A copy of the letter dated 16 July 2015 from the IFA (the "**IFA Letter**"), containing its opinion in full, is set out in Appendix B to this Circular. Shareholders are advised to read the IFA Letter carefully and in its entirety.

**Taking into consideration the factors set out in the IFA Letter, the IFA is of the opinion that, as of the date of the IFA Letter, the Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.**

### 9. AUDIT COMMITTEE'S STATEMENT

Having considered, *inter alia*, the terms, rationale for and benefits of the Acquisition, as well as the opinion and advice of the IFA on the Acquisition, the Audit Committee concurs with the opinion of the IFA and is of the view that the Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

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## LETTER TO SHAREHOLDERS

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### 10. DIRECTORS' RECOMMENDATIONS

Having considered, *inter alia*, the terms, rationale for and benefits of the Transaction, the opinion and advice of the IFA on the Acquisition, as well as the financial effects of the Acquisition, the Unconflicted Directors are of the opinion that the Transaction is in the interests of the Company. Accordingly, the Unconflicted Directors recommend that Shareholders vote in favour of the ordinary resolutions relating to the Transaction to be proposed at the EGM.

Mr Teo TB, being an Associate of the Vendors, has abstained from making a recommendation to Shareholders on the Transaction.

### 11. ABSTENTION FROM VOTING

The Vendors and their Associates, being RU and Mr Teo TB, shall abstain from voting in respect of the ordinary resolutions relating to the Transaction.

They shall also decline to accept appointment as proxy for any Shareholder to vote in respect of the ordinary resolutions relating to the Transaction, unless the Shareholder concerned has given specific instructions as to the manner in which his votes are to be cast.

### 12. IRREVOCABLE UNDERTAKING FROM SUBSTANTIAL SHAREHOLDER

KHB Holdings Pte Ltd, a substantial shareholder of the Company, who holds 11.82% of the shareholding interests in the Company as at the Latest Practicable Date, has provided an irrevocable undertaking to the Company to, *inter alia*, vote in favour of the ordinary resolutions relating to the Transaction at the EGM.

### 13. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the interests of Directors and substantial shareholders of the Company in the Shares, based on the Company's register of interest of Directors and register of substantial shareholders respectively, are as follows:

	Direct interest		Deemed interest	
	No. of Shares	% <sup>(4)</sup>	No. of Shares	% <sup>(4)</sup>
<b>Directors</b>				
Nil	–	–	–	–
<b>Substantial Shareholders (other than Directors)</b>				
RU	153,418,633	65.55	–	–
Ms Teo XH <sup>(1)</sup>	110,000	0.05	153,418,633	65.55
Mr Teo GA <sup>(2)</sup>	–	–	153,418,633	65.55
KHB Holdings Pte Ltd <sup>(3)</sup>	259,700	0.11	27,400,000	11.71

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## LETTER TO SHAREHOLDERS

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**Notes:**

- (1) Ms Teo XH is deemed interested in the Shares held by RU, by virtue of her 52% shareholding interests in RU.
- (2) Mr Teo GA is deemed interested in the Shares held by RU, by virtue of his 48% shareholding interests in RU.
- (3) KHB Holdings Pte Ltd is deemed interested in the Shares registered in the names of Hong Leong Finance Nominees Pte Ltd and SBS Nominees Private Limited.
- (4) Based on 234,060,000 issued Shares as at the Latest Practicable Date.

### **14. INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS**

Save as disclosed in this Circular, none of the Directors, Controlling Shareholders or substantial shareholders of the Company has any interest, direct or indirect, in the Transaction.

### **15. EXTRAORDINARY GENERAL MEETING**

The EGM, notice of which is set out on pages 46 and 47 of this Circular, will be held on 13 August 2015 at 9.30 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolutions as set out in the Notice of EGM.

### **16. ACTION TO BE TAKEN BY THE SHAREHOLDERS**

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 5 Changi South Street 3 Singapore 486117 not less than 48 hours before the time fixed for the EGM. The completion and lodgment of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

### **17. 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 Transaction, the Company and its subsidiaries, 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.

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## LETTER TO SHAREHOLDERS

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### 18. CONSENTS

#### 18.1 Consent by the Valuers

Each of the Valuers has given and has not withdrawn its respective written consent to the issue of this Circular with the inclusion of its names, its respective Valuation Report (as set out in Appendix A to this Circular), and all references thereto in the form and context in which they appear in this Circular.

#### 18.2 Consent by the IFA

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter (as set out in Appendix B to this Circular) and all references thereto in the form and context in which they appear in this Circular.

### 19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 5 Changi South Street 3 Singapore 486117 during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the independent auditors' report on the consolidated financial statements of the Group for the year ended 31 December 2014;
- (c) the Sale and Purchase Agreement;
- (d) the Valuation Reports;
- (e) the IFA Letter;
- (f) the respective letters of consent dated 15 May 2015, 20 May 2015 and 27 May 2015 from the Valuers; and
- (g) the letter of consent dated 16 July 2015 from the IFA.

Yours faithfully

For and on behalf of the Board of Directors of

**RAFFLES UNITED HOLDINGS LTD**

Tan Saik Hock  
Chairman  
16 July 2015

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## APPENDIX A – VALUATION REPORTS

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### VALUATION CERTIFICATE

- Date** : 7 May 2015
- Our Reference** : 2015/79
- Valuation Prepared for** : Raffles United Holdings Limited
- Purpose of Valuation** : For corporate reporting purposes
- Date of Inspection** : 10 April 2015
- Address of Property** : 296 to 308 Lavender Street (Even numbers)  
Singapore 338808/09/10/11/12/13/14
- Type of Property** : 7 adjoining units of 2-storey shophouses
- Brief Description** : The subject property comprises 7 contiguous land plots together forming a trapezoidal plot with a combined frontage of approximately 40 metres onto Lavender Street, a splayed corner of about 5 metres and a return frontage of about 23 metres onto Kempas Road. The land is generally flat and at access road level.
- Abutting its rear boundary is a service road with public carparking. Access to the upper level is via an external staircase along the five-foot way for each unit.
- The 1<sup>st</sup> storey comprises retail units while on the 2<sup>nd</sup> storey are residential units currently approved for temporary backpacker's hostel.

**Legal Description** :

No.	Lot No. (All of TS 17)
296/A	432T
298/A	431P
300/A	430V
302/A	429T
304/A	428P
306/A	427V
308/A	426W

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## APPENDIX A – VALUATION REPORTS

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**Tenure** : Estate In Fee Simple

**Registered Proprietor(s)** : Raffles Capital Enterprise Pte Ltd

**Land/  
Approx. Floor Areas\*** :

No.	Land Area (sm)	Approx. Floor Area (sm)	Level 1 Floor Area (sm)	Level 2 Floor Area (sm)
296/A	161.9	311.1	148.6	162.5
298/A	161.9	311.1	148.6	162.5
300/A	161.9	311.1	148.6	162.5
302/A	161.9	311.1	148.6	162.5
304/A	161.9	311.1	148.6	162.5
306/A	161.9	311.1	148.6	162.5
308/A	246.3	384.14	183.20	200.94
<b>Total</b>	<b>1,217.7</b>	<b>2,250.74</b>	<b>1,074.8</b>	<b>1,175.94</b>

*\*As provided and subject to final survey.*

**Year of Completion** : Circa 1950s/60s

**Condition** : We have inspected all the 1<sup>st</sup> storey retail units except for Nos. 298, 300 & 302. Based on our visual inspection, the retail units are generally in good condition. For the 2<sup>nd</sup> storey, only No. 306A was available for inspection. It is in average condition. For the purpose of this valuation, we have assumed that the rest of the residential units are in similar condition as 306A.

**Occupancy/Tenancy** : We understand that the property is fully tenanted.

**Master Plan Zoning (2014 Edition)** : "Residential with commercial at 1<sup>st</sup> storey"

*Note: The official Master Plan Zoning, Road/Drainage/MRT Interpretation Plans and other legal requisitions have not been applied for and/or made available to us.*

**Basis of Valuation** : As-Is Basis

**Methods of Valuation** : Direct Comparison Method and Investment Method

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## APPENDIX A – VALUATION REPORTS

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**Valuation**

: In view of the foregoing and having taken into consideration the prevailing market conditions as at 10 April 2015, we are of the opinion that the market value of the subject property, with vacant possession and free from encumbrances, is as follows:

MARKET VALUE **S\$30,000,000/-**  
(SINGAPORE DOLLARS THIRTY MILLION ONLY)

*(Subject To Continual Approved Use As Backpacker's Hostel On  
The 2<sup>nd</sup> Storey)*

A handwritten signature in black ink, appearing to be a stylized name, located below the valuation text.

**Colliers International Consultancy & Valuation (Singapore) Pte Ltd**

RL/GSL/ds

*This valuation certificate is subject to the attached Limiting Conditions.*



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**APPENDIX A – VALUATION REPORTS**

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**VALUATION REPORT  
OF PROPERTY AT**

296/298/300/302/304/306/308  
Lavender Street  
Singapore 338808/338809/338810  
338811/338812/338813/338814

Prepared for  
**RAFFLES UNITED HOLDINGS LTD**

## APPENDIX A – VALUATION REPORTS

296/298/300/302/304/306/308 Lavender Street  
Singapore 338808/338809/338810/338811/338812/338813/338814

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**Our Ref : PTE/FEB15/ET/MJ**

10 June 2015

**VALUATION FOR**

Raffles United Holdings Ltd  
5 Changi South Street 3  
Singapore 486117

**Attn: Joyce Ho / David Seah**

Dear Sir / Madam,

**VALUATION OF 296/298/300/302/304/306/308 LAVENDER STREET SINGAPORE  
338808/338809/338810/338811/338812/338813/338814**

**1.0 Purpose Of Valuation** : To determine the current **Open Market Value** of the subject property.

**2.0 Date Of Inspection** : 25 February 2015

**3.0 Address Of Property** : 296/298/300/302/304/306/308 Lavender Street  
Singapore 338808/338809/338810/338811/  
338812/338813/338814

**4.0 Property Details**

**4.1 Type** : 7 Units Of 2-Storey Shophouses

**4.2 Land Area** : 296 – 161.9 sq m or 1,743 sq ft  
298 – 161.9 sq m or 1,743 sq ft  
300 – 161.9 sq m or 1,743 sq ft  
302 – 161.9 sq m or 1,743 sq ft  
304 – 161.9 sq m or 1,743 sq ft  
306 – 161.9 sq m or 1,743 sq ft  
308 – 246.3 sq m or 2,651 sq ft  
Total approximately 1,217.7 sq m or 13,107 sq ft,  
*subject to survey*

**4.3 Floor Area**

<u>Total Floor Area</u>		<u>Level 1</u>	<u>Level 2</u>
<u>Unit</u>	<u>Floor Area</u>	<u>Floor Area (sq ft)</u>	<u>Floor Area (sq ft)</u>
296/296A	311.1 sq m or 3,349 sq ft	1,600	1,749
298/298A	311.1 sq m or 3,349 sq ft	1,600	1,749
300/300A	311.1 sq m or 3,349 sq ft	1,600	1,749
302/302A	311.1 sq m or 3,349 sq ft	1,600	1,749

## APPENDIX A – VALUATION REPORTS

296/298/300/302/304/306/308 Lavender Street  
Singapore 338808/338809/338810/338811/338812/338813/338814

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304/ 304A	311.1 sq m or 3,349 sq ft	1,600	1,749
306 / 306A	311.1 sq m or 3,349 sq ft	1,600	1,749
308 / 308A	383.14 sq m or 4,135 sq ft	1,972	2,163
Total 1 <sup>st</sup> Storey – 1,074.83 sq m or 11,569 sq ft			
Total 2 <sup>nd</sup> Storey – 1,175.91 sq m or 12,657 sq ft			
Total approximately 2,250.74 sq m or 24,227 sq ft, (as scaled from floor plans provided, subject to survey)			

**4.4 Age** : Circa 1960's. However, the subject row of properties has undergone renovation at the time of inspection.

**4.5 Condition** : Good

**4.6 Orientation** : Main frontage faces South West

### 5.0 Title & Tenure

**5.1 Legal Description** : 296 : TS17-432T  
298 : TS17-431P  
300 : TS17-430V  
302 : TS17-429T  
304 : TS17-428P  
306 : TS17-427V  
308 : TS17-426W

**5.2 Tenure/Title** : Estate In Fee Simple

**5.3 Registered Proprietor** : Raffles Capital Enterprise Pte Ltd

### 6.0 Town Planning

**Master Plan (2014)** : Residential with Commercial at 1<sup>st</sup> Storey

### 7.0 Location *(Please refer to Location Plan)*

The subject property is located along Lavender Street.

The immediate locality consists of mainly private residential developments, shops and some HDB flats. Prominent developments in the vicinity include Kerrisdale, Studios @ Marne, Urban Lofts, Rangoon 88, Arc 380 and etc.

Schools in the vicinity include Bendemeer Primary School, Bendemeer Secondary School, Hong Wen School and etc.



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## APPENDIX A – VALUATION REPORTS

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296/298/300/302/304/306/308 Lavender Street  
Singapore 338808/338809/338810/338811/338812/338813/338814

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### 10.0 Tenancy Details

The subject properties were tenanted as at the date of inspection.

### 11.0 Services

All main utilities and telecoms services are provided.

### 12.0 Method Of Valuation

We have valued the subject property, in its existing continued use, by the Comparable Sales Method. In this method, a comparison is made with sales of similar properties in the vicinity and adjustments are made for differences in location, land area, land shape, shop area, floor area, age, condition, tenure, design and layout, traffic flow volume, shop frontage, dates of transaction and the prevailing market conditions etc., before arriving at the value of the subject property.

### 13.0 Basis Of Valuation

The term "Open Market Value" is intended to mean the best price at which an interest in a property might reasonably be expected to be sold at the date of valuation assuming: -

- a) A willing seller, willing buyer;
- b) A reasonable period within which to negotiate the sale, taking into consideration the nature of the property and state of the market;
- c) The property will be freely exposed to the market for a reasonable period of time; and
- d) No account is to be taken of an additional bid by a special purchaser.

### 14.0 Source Of Information

Where applicable, information as to title particulars is obtained from searches carried out at Singapore Land Authority. We have also relied on information provided to us by our client pertaining to matters such as the floor area, usage, addition and alteration works etc. All information provided is treated as true, accurate and we reserve the right to change our opinion of values if any information provided were to be materially change.

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## APPENDIX A – VALUATION REPORTS

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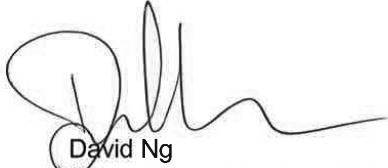
### 15.0 Valuation

With due regard to the foregoing and taking into consideration the current market conditions and other relevant factors, we are of the opinion that the value of the subject property, free from encumbrances, is as follows:

#### Open Market Value

1 <sup>st</sup> Storey	: S\$18,000,000/- (SINGAPORE DOLLARS EIGHTEEN MILLION ONLY)
2 <sup>nd</sup> Storey	: S\$12,000,000/- (SINGAPORE DOLLARS TWELVE MILLION ONLY)

Yours faithfully,  
On and Behalf of  
Dennis Wee Realty Pte Ltd



David Ng  
(License No: AD041-2005203B)


Enclosures: Location Plan, Site Plan, Photographs and Limiting Conditions

## APPENDIX A – VALUATION REPORTS



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### EXECUTIVE SUMMARY

<b>PROPERTY ADDRESS</b>	296/A to 308/A (Even Numbers Only) Lavender Street Singapore 338808/09/10/11/12/13/14
<b>PROPERTY DESCRIPTION</b>	The Properties are 7 adjoining units of 2-storey shophouses, completed circa post-war days. They are bounded by Lavender Street and Kempas Road. There is easy access to other parts of Singapore via the CTE, PIE, KPE, ECP, MCE, AYE and Nicoll Highway. The Boon Keng, Farrer Park and upcoming Bendemeer MRT Stations are located nearby.
<b>INTEREST VALUED</b>	Estate In Fee Simple
<b>TOWN PLANNING</b>	Residential with Commercial at 1 <sup>st</sup> Storey However, approval has been granted for proposed 1 <sup>st</sup> extension of written permission for approved additions and alterations to the existing 7 units of 2-storey shophouse and change of use to temporary backpacker's hostel, temporary food court and shop at 1 <sup>st</sup> storey, and temporary backpacker's hostel at 2 <sup>nd</sup> storey vide URA's Grant of Written Permission (Temporary), Ref: ES20140623R0153 dated 15 July 2014.
<b>LAND AREA</b>	1,217.7 sq metres
<b>APPROXIMATE FLOOR AREA</b>	2,250.74 sq metres
<b>BASIS OF VALUATION</b>	Our valuation is made on the basis of Open Market Value
<b>VALUATION APPROACH</b>	Direct Comparison Method
<b>MARKET VALUE AS AT 4 MAY 2015</b>	<b>S\$30,000,000/-</b> (Singapore Dollars Thirty Million Only)
<b>VALUER</b>	 Sterling Property Consultants Pte Ltd

Note : This Executive Summary must be read in conjunction with the attached valuation report and the details contained therein.

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## APPENDIX B – LETTER FROM XANDAR CAPITAL PTE LTD TO THE UNCONFLICTED DIRECTORS IN RELATION TO THE ACQUISITION

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16 July 2015

**Raffles United Holdings Ltd**  
5 Changi South Street 3  
Singapore 486117



Attention: The Unconflicted Directors

Dear Sirs

**LETTER FROM XANDAR CAPITAL PTE LTD TO THE UNCONFLICTED DIRECTORS OF RAFFLES UNITED HOLDINGS LTD IN RESPECT OF THE PROPOSED ACQUISITION OF 51,000 ORDINARY SHARES REPRESENTING 51% OF THE ISSUED SHARE CAPITAL OF RAFFLES CAPITAL ENTERPRISE PTE LTD AS AN INTERESTED PERSON TRANSACTION (THE “ACQUISITION”)**

*Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meanings herein.*

### 1. INTRODUCTION

On 10 June 2015, Raffles United Holdings Ltd (the “**Company**”) announced that the Company has entered into a sale and purchase agreement on 10 June 2015 (the “**Sale and Purchase Agreement**”) with Teo Teck Yao Glenn Ashley (“**Mr Teo GA**”) and Teo Xian-Hui Amanda Marie (“**Ms Teo XH**”) (collectively, the “**Vendors**”), in relation to the proposed acquisition of 51,000 ordinary shares (the “**Sale Shares**”) in the capital of Raffles Capital Enterprise Pte. Ltd. (“**RCE**”), representing 51% of the total issued and paid-up share capital of RCE, for an aggregate purchase consideration of S\$7,980,000 in cash (the “**Acquisition**”). The Company will be acquiring 45,000 Sale Shares and 6,000 Sale Shares, representing 45% and 6% of the total issued and paid-up share capital of RCE, from Mr Teo GA and Ms Teo XH, respectively.

The Vendors collectively hold 100% of the share capital of Raffles United Pte Ltd (“**RU**”), which in turn holds 65.55% of the entire issued and paid-up share capital of the Company. Accordingly, RU is a Controlling Shareholder of the Company, and the Vendors are the deemed Controlling Shareholders of the Company. Ms Teo XH also holds 0.05% direct interest in the share capital of the Company. Mr Teo GA and Ms Teo XH are also the son and daughter of Mr Teo Teng Beng (“**Mr Teo TB**”, the Managing Director of the Company), respectively. Accordingly, the Acquisition is an interested person transaction under Chapter 9 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

As the aggregate purchase consideration of S\$7.98 million (“**Aggregate Consideration**”) represents 10.43% of the Company’s latest audited consolidated net tangible assets of approximately S\$76,509,000 as at 31 December 2014, the Acquisition is an interested person transaction subject to the approval of the Company’s independent shareholders pursuant to Chapter 9 of the Listing Manual. Pursuant to Rule 921 of the Listing Manual, the



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## APPENDIX B – LETTER FROM XANDAR CAPITAL PTE LTD TO THE UNCONFLICTED DIRECTORS IN RELATION TO THE ACQUISITION

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Company has to obtain an opinion from an independent financial adviser (“**IFA**”) stating whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

The Vendors and its Associates, being RU and Mr Teo TB, shall abstain from voting in respect of the ordinary resolutions relating to the Acquisition. They shall also decline to accept appointment as proxy for any Shareholder to vote in respect of the ordinary resolutions relating to the Acquisition, unless the Shareholder concerned has given instructions as to the manner in which his votes are to be cast.

Mr Teo TB, the Managing Director of the Company, being an Associate of the Vendors, has abstained from making a recommendation to Shareholders on the Acquisition.

Xandar Capital Pte. Ltd. (“**Xandar Capital**”) has been appointed by the Company to act as the IFA to the directors of the Company who are independent of the Acquisition, namely Mr Tan Saik Hock, Mr Lee Joo Hai, Dr Ngoi Sing Shang and Mr Teh Geok Koon (collectively, the “**Unconflicted Directors**”), as to whether the Acquisition is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders.

This letter sets out our evaluation of the terms of the Acquisition and our advice to the Unconflicted Directors thereon (this “**IFA Letter**”) and forms part of the circular to the Shareholders dated 16 July 2015 issued by the Company in connection with the Acquisition (the “**Circular**”).

### 2. TERMS OF REFERENCE

Xandar Capital has been appointed to advise the Unconflicted Directors on whether the Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and the minority Shareholders. We do not, by this IFA Letter, make any representation or warranty in relation to the merits of the Acquisition.

We are not and were not involved in any aspect of the negotiations pertaining to the Acquisition, nor were we involved in the deliberations leading up to the decisions on the part of the Directors to agree on the terms of the Acquisition. Our evaluation is limited to the financial terms of the Acquisition and has not taken into account the legal risks, commercial risks or merits, financial risks or merits of the Acquisition. Our terms of reference do not require us to express, evaluate or comment on the rationale for, strategic or commercial merits and/or risks of the Acquisition or the future performance or prospects of the Company and its subsidiaries (the “**Group**”). We are, therefore, not expressing any opinion herein as to the future financial or other performance of the Company or the Group, whether with or without the Acquisition.

As with other business transactions of the Company, the merit and/or associated risks, whether commercial, financial or otherwise, of the Acquisition are solely the responsibility of the Board. Likewise we are not expressing herein as to the prices at which the Shares may trade upon completion of the Acquisition. We are also not addressing the relative merits of the Acquisition as compared to any alternative transaction previously considered by the Company or that otherwise may become available to the Group in the future. Such evaluations or comments remain the responsibility of the Board and the management of the Company.

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## APPENDIX B – LETTER FROM XANDAR CAPITAL PTE LTD TO THE UNCONFLICTED DIRECTORS IN RELATION TO THE ACQUISITION

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In the course of our evaluation and for the purpose of our opinion in relation to the Acquisition, we have held discussions with certain management of the Company and have examined information provided by the Directors and management of the Company and other publicly available information collated by us, upon which our view is based. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any representation or warranty in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have nevertheless made enquiries and used our judgment as we deemed necessary or appropriate in assessing such information and are not aware of any reason to doubt the accuracy or reliability of the information.

We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading. Where information in the 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 the Circular in its proper form and context. In relation to this IFA Letter, the Directors have confirmed that the facts stated, with respect to the Group and the Acquisition, are to the best of their knowledge and belief, fair and accurate in all material aspects.

We have not made any independent evaluation or appraisal of the assets or liabilities (including without limitation, real property) of RCE. RCE's principal assets are seven (7) freehold units of shophouses located in Singapore (the "**Properties**"). We have been furnished with three independent valuation reports on the Properties (collectively, the "**Valuation Reports**"). Please refer to paragraph 4.1(a) of this IFA Letter for further discussion on the Valuation Reports. We have placed sole reliance thereon for the valuation and/or information contained therein. We are not involved and assume no responsibility for the Valuation Reports. We have also not made any independent verification of the matters or bases set out in the Valuation Reports.

Our opinion is based upon prevailing market, economic, industry, monetary and other conditions (where applicable) and the information made available to us contained in the Circular as of the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our view in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained therein. Shareholders should take note of any announcements relevant to their consideration of the Acquisition which may be released by the Company after the Latest Practicable Date.

**In arriving at our opinion, we did not consider the specific investment objectives, financial situation, tax consequences, risk profile or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment objectives or portfolios should consult his or their legal, financial, tax or other professional advisors immediately.**

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## APPENDIX B – LETTER FROM XANDAR CAPITAL PTE LTD TO THE UNCONFLICTED DIRECTORS IN RELATION TO THE ACQUISITION

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Our opinion is for the use and benefit of the Unconflicted Directors in their deliberation of whether the terms of the Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders, and the statements made by the Unconflicted Directors shall remain the responsibility of the Unconflicted Directors.

The Company has been separately advised by its own advisors in the preparation of the Circular (other than this IFA Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this IFA Letter).

Our opinion in relation to the Acquisition should be considered in the context of the entirety of this IFA Letter and the Circular.

We recommend that the Unconflicted Directors advise the Shareholders to read these pages carefully.

### 3. THE ACQUISITION

Information on the Acquisition is set out in Section 2 of the Circular, and Shareholders are advised to read the information carefully.

#### 3.1 ABOUT RCE

Information on RCE can be found in Sections 2.2 and 2.3 of the Circular. We set out certain extracts in italics as follows:

*RCE is an exempt private limited company incorporated in Singapore which acquired the properties known as 296/298/300/302/304/306/308 Lavender Street Singapore 338808/338809/338810/338811/338812/338813/338814 (the “Properties”). As at the Latest Practicable Date, RCE has an issued and paid-up share capital of S\$100,000 comprising 100,000 ordinary shares.*

*..., apart from the bank balance, accounts receivables and prepayments, the only asset of RCE is the Properties.*

*The Properties comprise a row of seven units of 2-storey intermediate shophouses located along Lavender Street, constructed of reinforced concrete frames with brick-in-fill walls, reinforced concrete floor and roof.*

*They have a freehold tenure with a total land area of 1,217.7 sq m, and can yield a maximum permissible gross floor area of approximately 2,250.74 sq m.*

*Under the Master Plan 2014, the Properties are zoned for residential with commercial use on first storey.*

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## APPENDIX B – LETTER FROM XANDAR CAPITAL PTE LTD TO THE UNCONFLICTED DIRECTORS IN RELATION TO THE ACQUISITION

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We note from the audited financial statements of RCE for the nine months ended 31 March 2015 that:

- (a) the principal activity of RCE is that of investment holding. It owns properties for investment purposes to generate rental income;
- (b) Ms Teo XH has been the director of RCE since 18 March 2015 and is the sole director of RCE as at 30 April 2015; and
- (c) Ms Teo XH has extended shareholder’s loan (amounting to S\$5,053,663 as at 31 March 2015) to RCE. The shareholder’s loan is unsecured, non-interest bearing and repayable upon demand.

### 3.2 THE FINANCIALS OF RCE

The financial year end of RCE is 30 June. For purposes of the Acquisition, we have been provided with the audited financial statements of RCE for the nine (9) months ended 31 March 2015 audited by Alfred PF Shee & Co (“**Audited Nine Months Financial Statements**”).

The Audited Nine Months Financial Statements provide RCE’s financial results for the nine (9) months period ended 31 March 2015 (“**9M31Mar2015**”) and the financial year ended 30 June 2014 (“**FY2014**”). As the financial periods differ, it would not be meaningful to compare and analyse the financial results of RCE for the two financial periods. Nevertheless, we set out the key financials of RCE extracted from the Audited Nine Months Financial Statements as follows:

Extracted from Statement of Comprehensive Income

<b>S\$</b>	<b>FY2014</b>	<b>9M31Mar2015</b>
Revenue – rental income	793,013	755,730
Gain from changes in fair value of investment properties	–	14,815,941
Employee salaries and benefits	(23,189)	(51,333)
Commission	(80,782)	–
Profit before income tax	502,028	15,266,666
Profit for the period	454,264	15,226,559

Extracted from Statement of Financial Position

<b>S\$</b>	<b>As at 31 March 2015</b>
Non-current assets – Investment properties <sup>(1)</sup>	30,000,000
Current assets – Cash and bank balances	178,570
Current assets – Trade and other receivables	1,881
Total assets	30,180,451

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## APPENDIX B – LETTER FROM XANDAR CAPITAL PTE LTD TO THE UNCONFLICTED DIRECTORS IN RELATION TO THE ACQUISITION

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S\$	As at 31 March 2015
Non-current liabilities – Term loan, secured	8,870,786
Current liabilities – Term loan, secured	310,561
Current liabilities – Other payables <sup>(2)</sup>	5,311,090
Current liabilities – Income tax payable	40,107
	<hr/>
	14,532,544
	<hr/>
Total equity/Net asset value (“NAV”)	<b>15,647,907</b>

**Notes:**

- (1) Being the Properties stated at fair value.
- (2) Other payables include mainly the interest-free shareholder’s loan from Ms Teo XH of S\$5,053,663 and rental deposits of S\$218,100.

We note that the independent auditors’ report set out in the Audited Nine Months Financial Statements contains the following statement:

*“Without qualifying our opinion, we draw your attention to Note 1 to the financial statement which indicates the current liabilities of the company exceed the current assets by \$5,481,307 at the reporting date. The ability of the Company to continue operations as a going concern depends on the continued financial support from its principal lenders and shareholders and the generation of significant positive cash flow from the Company’s on-going activities.”*

The Company and Ms Teo XH have mutually agreed under the Sale and Purchase Agreement that the interest-free shareholder’s loan of approximately S\$5,054,000 shall be repayable by RCE as follows:

- (i) S\$2,577,000 to be repayable on demand; and
- (ii) the remaining balance of S\$2,477,000 to be repayable after 31 December 2016.

Accordingly, the net current liabilities of RCE which amounted to S\$5,481,307 as at 31 March 2015 will be adjusted to S\$3,004,307 after the completion of the Sale and Purchase Agreement.

### 3.3 THE SALE SHARES

We note from the Sale and Purchase Agreement that the Company shall purchase the Sale Shares from the Vendors free from all and any charges, liens and other encumbrances and with all rights, title and interest now and hereafter attaching thereto on Completion Date.

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## **APPENDIX B – LETTER FROM XANDAR CAPITAL PTE LTD TO THE UNCONFLICTED DIRECTORS IN RELATION TO THE ACQUISITION**

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### **3.4 THE VENDORS**

As mentioned above, the Vendors are the deemed Controlling Shareholders of the Company.

We note from the annual report of the Company for the financial year ended 31 December 2014 that Ms Teo XH is an executive secretariat of the Group and Mr Teo GA is a corporate planner of the Group.

As at the Latest Practicable Date, Ms Teo XH and Mr Teo GA each hold direct interests of 55% and 45% in the total issued and paid-up share capital of RCE, respectively.

Ms Teo XH and Mr Teo GA are selling 6,000 Sale Shares and 45,000 Sale Shares, representing 6% and 45% of the total issued and paid-up share capital of RCE, respectively, to the Company.

Ms Teo XH currently runs the operations of RCE. Upon completion of the Acquisition, Ms Teo XH will continue to hold 49% of RCE and will remain as a director of RCE. Ms Teo XH will continue to run the operations of RCE.

### **3.5 THE AGGREGATE CONSIDERATION**

The Aggregate Consideration for the Sale Shares is S\$7,980,000, which is the equivalent of 51% of RCE's NTA of approximately S\$15,648,000 based on the audited financial statements of RCE as at 31 March 2015. The consideration payable to Mr Teo GA is S\$7,041,000 and the consideration payable to Ms Teo XH is S\$939,000.

We note that *"The Aggregate Consideration was arrived at based on arm's length negotiations between the Company and the Vendors after taking into account the prevailing market conditions and the open market value of the Properties based on the average of independent properties valuation reports dated 4<sup>th</sup> May 2015, 7<sup>th</sup> May 2015 and 10<sup>th</sup> June 2015 (the "Valuation Reports") procured by the Company."*

The Aggregate Consideration will be paid by the Company to the Vendors in cash on the Completion Date.

The Company intends to fund the payment of the Aggregate Consideration with borrowings of S\$6,000,000 from bank and the balance of S\$1,980,000 from working capital.

### **3.6 OTHER MATERIAL TERMS OF THE SALE AND PURCHASE AGREEMENT**

We note that:

*"Completion is conditional upon the Company having obtained clearance from the SGX-ST and the regulatory authorities, and approval from its Shareholders for the Acquisition. If the said clearance and/or approval is not obtained by the Company within 12 weeks from the date of signing of the Sale and Purchase Agreement, the Company shall be fully entitled, upon written notice to the Vendors, to elect to rescind the Sale and Purchase Agreement."*

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## APPENDIX B – LETTER FROM XANDAR CAPITAL PTE LTD TO THE UNCONFLICTED DIRECTORS IN RELATION TO THE ACQUISITION

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### 4. EVALUATION OF THE ACQUISITION

In our evaluation of the Acquisition, we have taken into account the following factors which we consider to be pertinent and to have a significant bearing on our evaluation:

- (a) the valuation ratios of RCE implied by the Aggregate Consideration;
- (b) Impact of the net current liabilities position of RCE to the Group;
- (c) the rationale for the Acquisition;
- (d) the pro forma financial effects of the Acquisition;
- (e) comparison with Recent Transactions; and
- (f) other considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

#### 4.1 THE VALUATION RATIOS OF RCE IMPLIED BY THE AGGREGATE CONSIDERATION

##### (a) Net Asset Value and Net Tangible Assets

As set out in paragraph 3.2 of this IFA Letter, RCE’s main assets are the Properties which are stated at fair value at S\$30 million as at 31 March 2015. We have been furnished with three independent valuation reports for the Properties as follows:

No.	Valuer/ Valuation Report	Valuation Approach/ Methodology	Valuation
(i)	Colliers International Consultancy & Valuation (Singapore) Pte Ltd (“ <b>Colliers</b> ”)/Valuation report dated 7 May 2015	Adopted the Direct Comparison Method and used the Investment Method as a cross-check	Market value as at 10 April 2015 subject to existing tenancies and free from all encumbrances, is S\$30 million (subject to continual approved use as backpacker’s hostel on the 2 <sup>nd</sup> storey)
(ii)	Dennis Wee Realty Pte Ltd (“ <b>DWG</b> ”)/Valuation report dated 10 June 2015	Valued the subject property, in its existing continued use, by Comparable Sales Method	Open Market Value (mean the best price at which an interest in a property might reasonably be expected to be sold at the date of valuation), free from encumbrances, is S\$18 million for the 1 <sup>st</sup> storey and S\$12 million for the 2 <sup>nd</sup> storey



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No.	Valuer/ Valuation Report	Valuation Approach/ Methodology	Valuation
(iii)	Sterling Property Consultants Pte Ltd (“ <b>Sterling</b> ”)/Valuation report dated 4 May 2015	Direct Comparison Method	With written permission for approved additions and alterations to the existing 7 units of 2-storey shophouse and change of use to temporary backpacker’s hostel, temporary food court and shop at 1 <sup>st</sup> storey, and temporary backpacker’s hostel at 2 <sup>nd</sup> storey, the aggregate open market value as at 4 May 2015 is S\$30 million

Colliers, DWG and Sterling shall be collectively referred herein as the “**Valuers**”.

As there is no difference between the fair value of the Properties stated in the audited financial statements and the values stated in the Valuation Reports, no adjustment is required.

The Company has attached the Valuation Reports as Appendix A to the Circular. Shareholders are advised to read the Valuation Reports carefully.

As the remaining assets as at 31 March 2015 comprised cash and bank balances of S\$178,570 as well as trade and other receivables of S\$1,881, no adjustment will be made to the remaining assets of RCE as at 31 March 2015.

RCE’s liabilities as at 31 March 2015 comprised term loans of S\$9.18 million, other payables (mainly the interest-free shareholder’s loan) of S\$5.31 million and income tax payable of S\$40,107, no adjustment will be made to the liabilities of RCE as at 31 March 2015.

Based on the above, the NAV of RCE as at 31 March 2015 was S\$15,647,907 and 51% of the NAV of RCE as at 31 March 2015 amounted to S\$7,980,433, which is slightly above the Aggregate Consideration of S\$7,980,000.

RCE does not have any intangible assets and accordingly, its NAV is the same as its net tangible assets (“**NTA**”). Accordingly, the Aggregate Consideration represents a price-to-net asset value (“**P/NAV**”) ratio and a price-to-net tangible assets (“**P/NTA**”) ratio of approximately 1.00 time.

**(b) Profit for the period**

We note that RCE has registered profit of S\$15.23 million for 9M31Mar2015 and profit of S\$454,264 for FY2014.

As mentioned in paragraph 3.2 of this IFA Letter, it is not meaningful to compare the financials for 9M31Mar2015 and FY2014 given the difference in the financial reporting period.



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## APPENDIX B – LETTER FROM XANDAR CAPITAL PTE LTD TO THE UNCONFLICTED DIRECTORS IN RELATION TO THE ACQUISITION

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It is also not meaningful to apply either of the profit for 9M31Mar2015 and FY2014 in our analysis as:

- (i) it is not meaningful to compare RCE's financials for 9M31Mar2015 with the full year financials results of the Recent Transactions (as defined in paragraph 4.5 of this IFA Letter) given the difference in the financial reporting period; and
- (ii) although the profit for FY2014 is for a complete financial year, there were material changes to the revenue and expenses patterns of RCE between 9M31Mar2015 and FY2014, for example, the revenue for 9M31Mar2015 is only 4.7% lower than the revenue for FY2014 despite a three months difference in reporting period; employee salaries and benefits for 9M31Mar2015 is 121.36% higher than the employee salaries and benefits for FY2014; and the recognition of fair value gain for 9M31Mar2015 (FY2014:Nil).

Accordingly, it would not be meaningful to present the price-to-earnings ratio ("**PER**") of RCE.

### 4.2 IMPACT OF THE NET CURRENT LIABILITIES POSITION OF RCE TO THE GROUP

As we note in paragraph 3.2 of this IFA Letter, RCE has net current liabilities of S\$5.48 million as at 31 March 2015. One of the material terms of the Sale and Purchase Agreement is to vary the repayment term of the interest-free shareholder's loan of approximately S\$5,054,000 extended by Ms Teo XH to as follows:

- (i) S\$2,577,000 to be repayable on demand; and
- (ii) the remaining balance of S\$2,477,000 to be repayable after 31 December 2016.

While the above arrangement will reduce the net current liabilities of RCE by 45.19% to S\$3,004,307 (the "**Adjusted NCL**") upon completion of the Acquisition, RCE continues to have a net current liabilities position.

We note that from one of the Valuation Reports that the Properties are 100% tenanted to various tenants at a total monthly gross rental of S\$82,550 with lease term ranging from 2 to 3 years. Based on the stated total monthly gross rental, RCE can generate total revenue of S\$990,600 annually (assuming no early termination of any of the tenancy agreements). The Adjusted NCL, after excluding the current portion of the interest-free shareholder's loan of S\$2,577,000 amounted to S\$427,644. Accordingly, the ability of RCE to continue operations as a going concern will depend on the continued financial support from its shareholders (being the Company and Ms Teo XH upon completion of the Acquisition).

Based on the annual report of the Company for the financial year ended 31 December 2014, the Group has net current assets of approximately S\$49,799,000 as at 31 December 2014. The Adjusted NCL of RCE represents only approximately 6.03% of the Group's net current assets and the Group's net current assets as at 31 December 2014 will remain positive after adjusting for the Acquisition.

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## APPENDIX B – LETTER FROM XANDAR CAPITAL PTE LTD TO THE UNCONFLICTED DIRECTORS IN RELATION TO THE ACQUISITION

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### 4.3 THE RATIONALE FOR THE ACQUISITION

The rationale for the Acquisition is set out in Section 3 of the Circular and we recommend that the Unconflicted Directors advise the Shareholders to read the paragraph carefully. We summarised as follows:

- (a) the Acquisition is in line with the Group's strategy to expand into the property investment segment for properties to be held long term for collection of rent and capital growth potential. The Acquisition represents an opportunity for additional stream of revenues.
- (b) the Properties are strategically located with prominent landmarks such as City View @ Boon Keng, Kwong Wai Shiu Hospital & Nursing Home, Central Sikh Temple, Arc 380 (under construction), amongst others in the vicinity. Public transport is readily available along Lavender Street. Accessibility to other parts of the island is enhanced by its proximity to the Central Expressway/Pan-Island Expressway with the Boon Keng/Farrer Park/Lavender MRT stations located nearby. The convenient location with easy access to the public transportation system will be an added benefit in terms of potential capital appreciation.
- (c) purchasing the Properties represents an opportunity for the Group to acquire freehold properties with a sizeable land area and plot ratio.

### 4.4 PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITION

The pro forma financial effects of the Acquisition are set out in Section 6 of the Circular.

In summary, we note the following:

- (a) the NTA per Share would increase slightly by 0.10 cent (or 0.31%) from 32.69 cents to 32.79 cents after the Acquisition; and
- (b) the EPS would increase by 0.10 cent (or 52.63%) from 0.19 cent to 0.29 cent after the Acquisition.

### 4.5 COMPARISON WITH RECENT TRANSACTIONS

For the purpose of evaluation, we have compared the P/NAV ratio implied by the Acquisition Consideration vis-à-vis interested person transactions completed by companies listed on the SGX-ST since 1 January 2014 which involve the acquisitions of a majority stake in private companies, excluding reverse takeovers (the "**Recent Transactions**").

This analysis serves as a general indication of the premium over or discount to NAV, without having regard to specific industry characteristics or other relevant considerations. We wish to highlight that the list of Recent Transactions is not exhaustive, and that the purchase consideration is dependent on various factors, including, *inter alia*, the rationale for the acquisition, then prevailing market conditions and sentiments, the mode of settlement of the purchase consideration, the nature of the business and/or assets acquired. Accordingly, any comparison made with respect to the Recent Transactions is intended to serve as an illustrative guide only.

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Name of company	Details of acquisition	Date of circular	Purchase consideration	P/NAV time(s)
Achieva Limited	100% of the issued and paid-up share capital of (I) SUTL Marina Development Pte. Ltd. and (II) One15 Luxury Yachting Pte. Ltd.	11 May 2015	S\$21.0 million	1.00 <sup>(1)</sup>
Ascendas India Trust	100% of the total issued and paid-up capital of Ascendas IT SEZ (Chennai) Private Limited	12 March 2015	INR1,615.1 million (S\$35.5 million) <sup>(8)</sup>	0.99 <sup>(2)</sup>
Vallianz Holdings Limited	100% of the issued and paid-up share capital of (I) Newcruz International Pte. Ltd. (“ <b>NIPL</b> ”) and (II) PTSB Holdings Pte. Ltd. (“ <b>PTSB</b> ”)	16 December 2014	US\$36.09 million <sup>(8)</sup>	0.52 for NIPL 1.23 for PTSB <sup>(3)</sup>
Jubilee Industries Holdings Ltd.	100% of the issued and paid-up share capital WE Components Pte. Ltd	5 November 2014	US\$8,393,000 <sup>(8)</sup>	1.26 <sup>(4)</sup>
MYP Ltd	80% of the issued and paid-up share capital of Grace Shine Pte. Ltd (“ <b>GSPL</b> ”) and 100% of the issued and paid-up share capital of Affreton Pte. Ltd. (“ <b>APL</b> ”)	4 November 2014	S\$193,523,787	0.85 for GSPL 0.85 for APL <sup>(5)</sup>
AusGroup Limited	100% of the issued and paid up share capital of Ezion Offshore Logistics Hub Pte Ltd and 90% of the issued and paid up share capital of Teras Australia Pty Ltd	14 October 2014	S\$55 million	1.00 <sup>(6)</sup>
Shui On Land Limited	100% of Shui On Granpex Limited, Pat Davie (China) Limited and Famous Scene Holdings Limited	22 September 2014	HK\$52.9 million <sup>(8)</sup>	0.81 <sup>(7)</sup>
Maximum				1.26
Minimum				0.52
Mean				0.95
Median				0.99
RCE				1.00

Source: Circulars of the respective companies.

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## APPENDIX B – LETTER FROM XANDAR CAPITAL PTE LTD TO THE UNCONFLICTED DIRECTORS IN RELATION TO THE ACQUISITION

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### Notes:

- (1) Based on the target companies' proforma net asset values of S\$20.8 million as at 30 June 2014.
- (2) Based on the market value of the property held by the target company as valued by an independent valuer.
- (3) Based on the revalued NAV of NIPL and PTSB as at 30 September 2014.
- (4) Based on the agreed premium of US\$1,718,000 above the NTA of the acquired assets.
- (5) Based on the NTA of GSPL and APL.
- (6) Based on the mid-point of the fair market value of the targets of approximately S\$55 million set out in the independent valuation report.
- (7) Based on the aggregate adjusted net asset value attributable to the equity holders of the target group as at 31 March 2014.
- (8) INR, US\$ and HK\$ refers to Indian Rupee, United States dollars and Hong Kong dollars, respectively.

Based on the above ratio analysis, we noted that the P/NAV ratio of RCE, as implied by the Aggregate Consideration and its NAV, is within the range, but slightly higher than the mean and median of the P/NAV ratios of the Recent Transactions.

### 4.6 OTHER CONSIDERATIONS

In determining whether the terms of the Acquisition are on normal commercial terms and are not prejudicial to the Company and minority Shareholders, we have also considered the following:

#### (a) Acquisition of Majority Stake

The Company will be acquiring a majority stake in RCE with the Sale Shares representing 51% of the issued and paid-up share capital of RCE. In addition, the Company intends to appoint directors to the board of directors of RCE in due course upon completion of the Acquisition such that the Company can establish board control of RCE. Both equity control and board control will allow the Company to exert significant influence over RCE.

#### (b) Gearing

As set out in Section 4 of the Circular, the Company intends to fund the payment of the Aggregate Consideration with borrowings of S\$6,000,000 from bank and the balance of S\$1,980,000 from working capital.

As at 31 December 2014, the Group has total borrowings of S\$47.78 million and total equity of S\$77.69 million, representing a gearing ratio of 0.62 time. With the existing bank borrowings of RCE (of S\$9.18 million as at 31 March 2015) as well as the new borrowings of S\$6 million, the Group's gearing ratio may increase to 0.81 time after adjusting for the Acquisition.

Although the gearing ratio of the Group will increase after adjusting for the Acquisition, we note that the gearing ratio of the Group is still relatively healthy at less than 1.00 time.

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### (c) Undertaking from Substantial Shareholder

We note from Section 12 of the Circular that KHB Holdings Pte Ltd, a substantial shareholder of the Company, holding 11.82% of the shareholding interests in the Company as at the Latest Practicable Date, has provided an irrevocable undertaking to the Company to, *inter alia*, vote in favour of the Acquisition and the Shareholder's Loan at the extraordinary general meeting to be convened by the Company in respect of the Acquisition.

### (d) No Change in Use of the Properties

We note that the Valuation Report from Sterling states that RCE has been granted a URA Grant of Written Permission (Temporary) to change the use of the seven (7) units of shophouses to temporary backpacker's hostel, temporary food court and shop in July 2014. We also note that the Valuation Report from Colliers states that the 2nd storey of the Properties has approval for temporary backpacker's hostel until 27 August 2016. We understand from the Company that the Company presently has no intention to change the use of the Properties. In any case, the Valuation Report from Collier also mentioned that the Properties are 100% tenanted to various tenants with lease term ranging from 2 to 3 years.

### (e) Total Value of Interested Person Transactions

We noted from Section 7.4 of the Circular that Ms Teo XH, one of the Vendors, has leased premises in Shanghai, PRC to the Group and the total rental expenses paid by the Group to Ms Teo XH between 1 January 2015 and the Latest Practicable Date was S\$91,000. As the amount is less than S\$100,000, the abovementioned lease transaction is not a subject of aggregation pursuant to Rule 906 of the Listing Manual.

As mentioned in paragraph 3.2 of this IFA Letter, the interest-free shareholder's loan from Ms Teo XH will be revised to (i) S\$2,577,000 to be repayable on demand; and (ii) the remaining balance of S\$2,477,000 to be repayable after 31 December 2016, implying that Ms Teo XH intends to continue to extend the interest-free shareholder's loan to RCE after the Acquisition. Rule 909(3) of the Listing Manual states that in the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. As noted in paragraph 3.1 of this IFA Letter, the shareholder's loan from Ms Teo XH is non-interest bearing.

Accordingly, our opinion does not include the abovementioned lease transaction and the interest-free shareholder's loan from Ms Teo XH.

## 5. OPINION

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Acquisition. We have carefully considered as many factors as we deem essential and balanced them before reaching our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

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## **APPENDIX B – LETTER FROM XANDAR CAPITAL PTE LTD TO THE UNCONFLICTED DIRECTORS IN RELATION TO THE ACQUISITION**

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We have set out below a summary of the key factors we have taken into our consideration:

- (a) the Aggregate Consideration represents a P/NAV ratio and a P/NTA ratio of approximately 1.00 time;
- (b) while RCE has net current liabilities position, the Adjusted NCL of RCE represents only approximately 6.03% of the Group's net current assets and the Group's net current assets as at 31 December 2014 will remain positive after adjusting for the Acquisition;
- (c) the rationale for the Acquisition which are further detailed in Section 3 of the Circular;
- (d) based on the pro forma financial effects set out in Section 6 of the Circular, both the NTA per Share and EPS of the Group will improve after the Acquisition;
- (e) when comparing with Recent Transactions, the P/NAV ratio of RCE as implied by the Aggregate Consideration and its NAV, is within the range, but slightly higher than the mean and median of the P/NAV ratios of the Recent Transactions; and
- (f) other consideration as set out in paragraph 4.6 of this IFA Letter.

**Accordingly, after taking into account the above factors, we are of the opinion that, as of the date hereof, the Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.**

This IFA Letter is addressed to the Unconflicted Directors for their benefit, in connection with and for the purpose of their consideration of the terms of the Acquisition, and the recommendation made by them to the Shareholders shall remain the responsibility of the Unconflicted Directors. Neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose, except for the Acquisition, at any time and in any manner without the prior written consent of Xandar Capital in each specific case.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly  
For and on behalf of  
**XANDAR CAPITAL PTE LTD**

LOO CHIN KEONG  
EXECUTIVE DIRECTOR

PAULINE SIM POI LIN  
HEAD OF CORPORATE FINANCE

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### RAFFLES UNITED HOLDINGS LTD

(Incorporated in the Republic of Singapore)  
(Company Registration No. 197302030N)

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“**EGM**”) of Raffles United Holdings Ltd (the “**Company**”) will be held at 5 Changi South Street 3, Singapore 486117 on Thursday, 13 August 2015 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions set out below.

*All capitalised terms used in this Notice of EGM which are not defined herein shall have the same meanings ascribed to them in the Circular dated 16 July 2015 to the shareholders of the Company.*

#### **ORDINARY RESOLUTIONS:**

#### **RESOLUTION (1): THE PROPOSED ACQUISITION OF 51% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF RAFFLES CAPITAL ENTERPRISE PTE. LTD., WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER THE LISTING MANUAL (THE “ACQUISITION”)**

That:

- (a) approval be and is hereby given for the Acquisition of 51,000 ordinary shares, representing 51% of the issued and paid-up share capital, of Raffles Capital Enterprise Pte. Ltd. from the Vendors in accordance with the terms and conditions of the Sale and Purchase Agreement, which constitutes an interested person transaction under the Listing Manual; and
- (b) the Directors and any of them be and are hereby authorised and empowered to approve, complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may consider expedient, desirable or necessary or in the interests of the Company to give effect to the Acquisition, this resolution and the transactions contemplated by the Acquisition and/or authorised by this resolution.

#### **RESOLUTION (2): THE SHAREHOLDER’S LOAN BETWEEN RAFFLES CAPITAL ENTERPRISE PTE. LTD. AND MS TEO XIAN-HUI AMANDA MARIE, WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER THE LISTING MANUAL PURSUANT TO THE ACQUISITION (THE “SHAREHOLDER’S LOAN”)**

That:

- (c) approval be and is hereby given for the Shareholder’s Loan granted by Ms Teo Xian-Hui Amanda Marie to RCE, which constitutes an interested person transaction pursuant to the Acquisition under the Listing Manual; and
- (d) the Directors and any of them be and are hereby authorised and empowered to approve, complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may consider expedient, desirable or necessary or in the interests of the Company to give effect to the Shareholder’s Loan, this resolution and the transactions contemplated by the Shareholder’s Loan and/or authorised by this resolution.

By Order of the Board

TAN SAIK HOCK  
Chairman

**Raffles United Holdings Ltd**

16 July 2015

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### Notes:

- (1) A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
- (3) The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
- (4) The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 5 Changi South Street 3, Singapore 486117, not less than 48 hours before the time set for the EGM.

### Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (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), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



# RAFFLES UNITED HOLDINGS LTD

(Incorporated in the Republic of Singapore)  
(Company Registration No. 197302030N)

## IMPORTANT:

1. For investors who have used their CPF monies to buy the Company's shares, this Circular to Shareholders is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the EGM as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

## PROXY FORM EXTRAORDINARY GENERAL MEETING

(Please see notes overleaf before completing this form)

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of Raffles United Holdings Ltd (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Extraordinary General Meeting (the "EGM") as my/our proxy/proxies to vote for me/us on my/our behalf at the EGM of the Company to be held on Thursday, 13 August 2015 at 9.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the EGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the EGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

**(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)**

No.	Resolutions relating to:	For	Against
1	The proposed acquisition of 51% of the issued and paid-up capital of Raffles Capital Enterprise Pte. Ltd., which constitutes an interested person transaction under the listing manual		
2	The shareholder's loan between Raffles Capital Enterprise Pte. Ltd. and Ms Teo Xian-Hui Amanda Marie, which constitutes an interested person transaction under the listing manual pursuant to the proposed acquisition		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

Total number of Shares in:	Number of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
*Signature of Shareholder(s) or  
Common Seal of Corporate Shareholder*

\* Delete where inapplicable

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act (Cap. 50) of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at the EGM of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 5 Changi South Street 3, Singapore 486117 not less than 48 hours before the time appointed for the EGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies 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 the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act (Cap. 50) of Singapore.

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM.

**General:**

The Company shall be entitled to reject the instrument 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 instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.



