

Issuer & Securities

Issuer/ Manager

RAFFLES EDUCATION CORPORATION LIMITED

Security

RAFFLES EDUCATION CORP LTD - SG2C97968151 - NR7

Announcement Details

Announcement Title

Annual General Meeting

Date & Time of Broadcast

11-Oct-2018 17:48:57

Status

New

Announcement Reference

SG181011MEETOZOL

Submitted By (Co./ Ind. Name)

Chew Hua Seng

Designation

Chairman & CEO

Financial Year End

30/06/2018

ANNUAL GENERAL MEETING::VOLUNTARY

Event Narrative

Narrative Type	Narrative Text
Additional Text	Please see AGM Notice attached

Event Dates

Meeting Date and Time

29/10/2018 10:00:00

Response Deadline Date

27/10/2018 10:00:00

Event Venue(s)

Place

Venue(s)	Venue details
Meeting Venue	Cinnamom Room, Level 5

Novotel Singapore Clarke Quay,
177A River Valley Road,
Singapore 179031

Attachments

[REC AGM Ad 2018.pdf](#)

Total size =37K MB

Raffles Education

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in Singapore)
Company Registration No. 199400712N

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Raffles Education Corporation Limited (the "Company") will be held on 29 October 2018 at 10.00 a.m. at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 to transact the following businesses:

AS ORDINARY BUSINESS

- To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2018 together with the Independent Auditor's Report thereon. **[Resolution 1]**
- To re-elect the following Directors retiring pursuant to the Company's Constitution:-
 - Mr Lim How Teck (retiring pursuant to Article 97) **[Resolution 2]**
 - Mdm Gan Hui Tin (retiring pursuant to Article 97) **[Resolution 3]**

Notes:
Mr Lim How Teck is the Lead Independent Director. Upon re-election, he will continue to serve as the Chairman of the Audit Committee and a member of the Nomination Committee. Mdm Gan Hui Tin is an Independent Director. Upon re-election, she will continue to serve as a member of the Audit and Nomination Committees.
Please refer to section on "Board of Directors" in the Annual Report for key information on Mr Lim How Teck and Mdm Gan Hui Tin.
- To note the retirement of Dr. Tan Chin Nam who has indicated that he does not wish to seek for re-election as a Director of the Company pursuant to Article 93 (b) of the Company's Constitution.
- To approve the proposed Directors' fees of S\$244,110/- for the financial year ended 30 June 2018. [2017: S\$265,000/-] **[Resolution 4]**
- To re-appoint Messrs. BDO LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. **[Resolution 5]**
- To transact any other ordinary business that may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without any modifications:-

- Authority for Directors to issue shares and to make or grant instruments pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore.
THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the authority be and is hereby given to the Directors of the Company to:
 - issue and allot new shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and with such rights and restrictions as they may think fit to impose and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
 - (Notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force,
provided that:
 - the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below);
 - subject to such other manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of issued shares shall be based on the number of issued shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:
 - any new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - any subsequent bonus issue, consolidation or sub-division of shares;
 - in exercising the authority conferred by this Resolution, the Company shall comply with the provisions imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution for the time being of the Company; and
 - such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (i)]

- Authority for Directors to offer and grant options, and to allot and issue shares pursuant to the Raffles Education Corporation Employees' Share Option Scheme (Year 2011).
THAT the Directors of the Company be and are hereby authorised to:
 - offer and grant options to non-executive directors and employees who are eligible to participate in the Raffles Education Corporation Employees' Share Option Scheme (Year 2011) (the "**Scheme**") in accordance with the Scheme; and
 - allot and issue from time to time such number of fully paid shares in the capital of the Company as may be required to be issued pursuant to exercise of such options in accordance with the terms and conditions of the Scheme,
provided always that the aggregate number of shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) from time to time and subject to such lower limits as the terms of the Scheme may impose.

[See Explanatory Note (ii)]

- Review of the Share Purchase Mandate
THAT
 - for the purposes of the Companies Act, the exercise by the Directors of the Company of all powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or
 - off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;
and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");
 - unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on:
 - the date on which the next Annual General Meeting of the Company is held or required by law to be held; or
 - the date on which the purchases or acquisitions of shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated,
whichever is the earlier.

[See Explanatory Note (iii)]

- Proposed Disposal
THAT pursuant to Chapter 10 of the Listing Manual of the SGX-ST, approval be and is hereby given for:
 - the Proposed Disposal (as defined in the letter to shareholders dated 12 October 2018 accompanying this Notice of Annual General Meeting (the "**Letter**")), on the terms and conditions of the asset sale and purchase agreement dated 29 August 2018 entered into between the Company, Oriental University City Education Consultancy Co., Ltd, Langfang Tonghui Education Consultancy Co., Ltd and Langfang Kaifu Oriental University City Education Consultancy Co., Ltd, the principal terms of which are set out in the Letter; and
 - the Directors or any one of them to complete and do any and all such acts and things (including without limitation, to execute all such documents and to approve any amendments, alterations or modifications to any documents) as the Directors or any of them may consider necessary, desirable or expedient to give effect to the Proposed Disposal.

[See Explanatory Note (iv)]

- Proposed Disposal
THAT pursuant to Chapter 10 of the Listing Manual of the SGX-ST, approval be and is hereby given for:
 - the Proposed Disposal (as defined in the letter to shareholders dated 12 October 2018 accompanying this Notice of Annual General Meeting (the "**Letter**")), on the terms and conditions of the asset sale and purchase agreement dated 29 August 2018 entered into between the Company, Oriental University City Education Consultancy Co., Ltd, Langfang Tonghui Education Consultancy Co., Ltd and Langfang Kaifu Oriental University City Education Consultancy Co., Ltd, the principal terms of which are set out in the Letter; and
 - the Directors or any one of them to complete and do any and all such acts and things (including without limitation, to execute all such documents and to approve any amendments, alterations or modifications to any documents) as the Directors or any of them may consider necessary, desirable or expedient to give effect to the Proposed Disposal.

[See Explanatory Note (iv)]

BY ORDER OF THE BOARD

Keloth Raj Kumar (Mr)

Company Secretary

12 October 2018

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

- The proposed **Resolution 6**, if passed, will empower the Directors of the Company from the date of the passing of the Resolution to the earlier of the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, to allot and issue shares and to grant instruments (such as warrants, debentures or other securities) convertible into shares, and to issue shares in pursuance of such instruments, unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.
The aggregate number of shares which the Directors may issue (including shares to be issued pursuant to convertibles) under this Resolution shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares). For issue of shares other than on a *pro rata* basis, the aggregate number of shares to be issued (including shares to be issued pursuant to convertibles) shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares).
- The proposed **Resolution 7**, if passed, will empower the Directors of the Company from the date of the passing of the Resolution until the earlier of the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, to offer and grant options to eligible non-executive directors and employees of the Company under the Scheme, and to allot and issue shares from time to time pursuant to the exercise of the options under the Scheme, provided always that the aggregate number of shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) from time to time and subject to such lower limits as the terms of the Scheme may impose, unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.
- The proposed **Resolution 8**, if passed, will empower the Directors of the Company from the date of the passing of the Resolution until the earlier of the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, to purchase or otherwise acquire, by way of Market Purchases or Off-Market Purchases, up to ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) as at the date of passing of the Resolution on the terms of the Share Purchase Mandate as set out in the Letter, unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.
The Company intends to use internal sources of funds or borrowings or a combination of both to finance the Company's purchase or acquisition of the shares pursuant to the Share Purchase Mandate. The amount of financing required for the Company to purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of Annual General Meeting as such will depend on, inter alia, the aggregate number of shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the shares purchased or acquired are cancelled or held as treasury shares. For illustrative purposes only, the financial effects of an assumed purchase or acquisition of [66,054,577] shares, at a purchase price equivalent to the Maximum Price per share, in the case of a Market Purchase and an Off-Market Purchase respectively, based on the audited financial statements of the Company and its subsidiaries for the financial year ended 30 June 2018 and certain assumptions, are set out in paragraph [2.8] of the Letter.
- The proposed **Resolution 9**, relates to the proposed disposal by Langfang Tonghui Education Consultancy Co., Ltd ("**Tonghui**") (a subsidiary that is 99% owned by the Company, of three (3) parcels of land and two (2) buildings owned by Tonghui (the "**Properties**") to Oriental University City Holdings (H.K.) Limited ("**OUCHK**"), pursuant to an asset sale and purchase agreement entered into on 29 August 2018 between the Company, OUCHK, Tonghui, and Langfang Kaifu Oriental University City Education Consultancy Co., Ltd, where OUCHK agreed to purchase and the Company agreed to procure Tonghui to sell, the Properties for a total consideration of RMB252,370,000 (approximately S\$50,413,000). Based on the computations of the relative figures on the bases set out in Rule 1006 of Listing Manual, the Proposed Disposal constitutes a major transaction for the purposes of Chapter 10 of the Listing Manual and requires the approval of the Company's shareholders. Please refer to paragraph 3 of the Letter for more details relating to the Proposed Disposal.

Notes:

- A member (other than a Relevant Intermediary) entitled to attend and vote at the Annual General Meeting ("AGM") is entitled to appoint not more than two proxies to attend and vote on his behalf. A shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.
- A member who is not a Relevant Intermediary* is entitled to appoint not more than two proxies to attend and vote at AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- A member who is a Relevant Intermediary* is entitled to appoint more than two proxies to attend and vote at AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

*A Relevant Intermediary is either:

- a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
 - the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- The instrument appointing a proxy must be signed by the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
 - If a proxy is to be appointed, the duly executed instrument appointing a proxy must be duly deposited at the registered office of the Company at **51 Merchant Road, Raffles Education Square, Singapore 058283** not later than 48 hours before the time appointed for the holding of the AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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 Education

RAFFLES EDUCATION CORPORATION LIMITED

(Incorporated in Singapore)

Company Registration No. 199400712N

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Raffles Education Corporation Limited (the "Company") will be held on 29 October 2018 at 10.00 a.m. at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2018 together with the Independent Auditor's Report thereon. **[Resolution 1]**
2. To re-elect the following Directors retiring pursuant to the Company's Constitution:-
 - (a) Mr Lim How Teck {retiring pursuant to Article 97} **[Resolution 2]**
 - (b) Mdm Gan Hui Tin {retiring pursuant to Article 97} **[Resolution 3]**

Notes:

Mr Lim How Teck is the Lead Independent Director. Upon re-election, he will continue to serve as the Chairman of the Audit Committee and a member of the Nomination Committee.

Mdm Gan Hui Tin is an Independent Director. Upon re-election, she will continue to serve as a member of the Audit and Nomination Committees.

Please refer to section on "Board of Directors" in the Annual Report for key information on Mr Lim How Teck and Mdm Gan Hui Tin.

3. To note the retirement of Dr. Tan Chin Nam who has indicated that he does not wish to seek for re-election as a Director of the Company pursuant to Article 93 (b) of the Company's Constitution.
4. To approve the proposed Directors' fees of S\$244,110/- for the financial year ended 30 June 2018. [2017: S\$265,000/-] **[Resolution 4]**
5. To re-appoint Messrs. BDO LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. **[Resolution 5]**
6. To transact any other ordinary business that may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without any modifications:-

7. Authority for Directors to issue shares and to make or grant instruments pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore.

THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), authority be and is hereby given to the Directors of the Company to:

- (a) issue and allot new shares in the capital of the Company (“**shares**”) whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and with such rights and restrictions as they may think fit to impose and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (ii) below);
- (ii) subject to such other manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of issued shares shall be based on the number of issued shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:
 - (A) any new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (B) any subsequent bonus issue, consolidation or sub-division of shares;
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution for the time being of the Company; and

- (iv) such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (i)]

[Resolution 6]

8. Authority for Directors to offer and grant options, and to allot and issue shares pursuant to the Raffles Education Corporation Employees' Share Option Scheme (Year 2011).

THAT the Directors of the Company be and are hereby authorised to:

- (a) offer and grant options to non-executive directors and employees who are eligible to participate in the Raffles Education Corporation Employees' Share Option Scheme (Year 2011) (the "**Scheme**") in accordance with the Scheme; and
- (b) allot and issue from time to time such number of fully paid shares in the capital of the Company as may be required to be issued pursuant to exercise of such options in accordance with the terms and conditions of the Scheme,

provided always that the aggregate number of shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) from time to time and subject to such lower limits as the terms of the Scheme may impose.

[See Explanatory Note (ii)]

[Resolution 7]

9. Renewal of the Share Purchase Mandate

THAT

- (a) for the purposes of the Companies Act, the exercise by the Directors of the Company of all powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
- (i) market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or
- (ii) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on:
- (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or

- (ii) the date on which the purchases or acquisitions of shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earlier.

In this Resolution:

“Maximum Limit” means that number of shares representing ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined), in which event the total number of shares shall be taken to be the number of the shares as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time);

“Relevant Period” means the period commencing from the date of the passing of this Resolution and expiring on the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier; and

“Maximum Price”, in relation to a share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (A) in the case of a Market Purchase, 105 per cent (105%) of the Average Closing Price; and
- (B) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120 per cent (120%) of the Average Closing Price,

where:

- (1) **“Average Closing Price”** means the average of the closing market price of a share over the last five (5) Market Days (a **“Market Day”** being a day on which the SGX-ST is open for trading in securities), on which transactions in the shares were recorded, before the day on which the purchase or acquisition of shares was made or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days;
 - (2) **“day of the making of the offer”** means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and
- (c) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (iii)]

[Resolution 8]

10. Proposed Disposal

THAT pursuant to Chapter 10 of the Listing Manual of the SGX-ST, approval be and is hereby given for:

- (a) the Proposed Disposal (as defined in the letter to shareholders dated 12 October 2018 accompanying this Notice of Annual General Meeting (the “**Letter**”)), on the terms and conditions of the asset sale and purchase agreement dated 29 August 2018 entered into between the Company, Oriental University City Education Consultancy Co., Ltd, Langfang Tonghui Education Consultancy Co., Ltd and Langfang Kaifu Oriental University City Education Consultancy Co., Ltd, the principal terms of which are set out in the Letter; and
- (b) the Directors or any one of them to complete and do any and all such acts and things (including without limitation, to execute all such documents and to approve any amendments, alterations or modifications to any documents) as the Directors or any of them may consider necessary, desirable or expedient to give effect to the Proposed Disposal.

[See Explanatory Note (iv)]

[Resolution 9]

BY ORDER OF THE BOARD

Keloth Raj Kumar (Mr)
Company Secretary

12 October 2018

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

- (i) The proposed **Resolution 6**, if passed, will empower the Directors of the Company from the date of the passing of the Resolution to the earlier of the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, to allot and issue shares and to grant instruments (such as warrants, debentures or other securities) convertible into shares, and to issue shares in pursuance of such instruments, unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.

The aggregate number of shares which the Directors may issue (including shares to be issued pursuant to convertibles) under this Resolution shall not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares). For issue of shares other than on a *pro rata* basis, the aggregate number of shares to be issued (including shares to be issued pursuant to convertibles) shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares).

- (ii) The proposed **Resolution 7**, if passed, will empower the Directors of the Company from the date of the passing of the Resolution until the earlier of the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, to offer and grant options to eligible non-executive directors and employees of the Company under the Scheme, and to allot and issue shares from time to time pursuant to the exercise of the options under the Scheme, provided always that the aggregate number of shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) from time to time and subject to such lower limits as the terms of the Scheme may impose, unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.
- (iii) The proposed **Resolution 8**, if passed, will empower the Directors of the Company from the date of the passing of the Resolution until the earlier of the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, to purchase or otherwise acquire, by way of Market Purchases or Off-Market Purchases, up to ten per cent (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) as at the date of passing of the Resolution on the terms of the Share Purchase Mandate as set out in the Letter, unless such authority is earlier revoked or varied by the shareholders of the Company at a general meeting.

The Company intends to use internal sources of funds or borrowings or a combination of both to finance the Company's purchase or acquisition of the shares pursuant to the Share Purchase Mandate. The amount of financing required for the Company to purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of Annual General Meeting as these will depend on, inter alia, the aggregate number of shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase

prices paid for such shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the shares purchased or acquired are cancelled or held as treasury shares. For illustrative purposes only, the financial effects of an assumed purchase or acquisition of [66,054,577] shares, at a purchase price equivalent to the Maximum Price per share, in the case of a Market Purchase and an Off-Market Purchase respectively, based on the audited financial statements of the Company and its subsidiaries for the financial year ended 30 June 2018 and certain assumptions, are set out in paragraph [2.8] of the Letter.

- (iv) The proposed **Resolution 9**, relates to the proposed disposal by Langfang Tonghui Education Consultancy Co., Ltd (“**Tonghui**”), a subsidiary that is 99% owned by the Company, of three (3) parcels of land and two (2) buildings owned by Tonghui (the “**Properties**”) to Oriental University City Holdings (H.K.) Limited. (“**OUCHK**”), pursuant to an asset sale and purchase agreement entered into on 29 August 2018 between the Company, OUCHK, Tonghui, and Langfang Kaifaqu Oriental University City Education Consultancy Co., Ltd, where OUCHK agreed to purchase and the Company agreed to procure Tonghui to sell, the Properties for a total consideration of RMB252,370,000 (approximately S\$50,413,000). Based on the computations of the relative figures on the bases set out in Rule 1006 of Listing Manual, the Proposed Disposal constitutes a major transaction for the purposes of Chapter 10 of the Listing Manual and requires the approval of the Company’s shareholders. Please refer to paragraph 3 of the Letter for more details relating to the Proposed Disposal.

Notes:

- (1) A member (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (“AGM”) is entitled to appoint not more than two proxies to attend and vote on his behalf. A shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.
- (2) A member who is not a Relevant Intermediary* is entitled to appoint not more than two proxies to attend and vote at AGM. Where such member’s form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (3) A member who is a Relevant Intermediary* is entitled to appoint more than two proxies to attend and vote at AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member’s form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

*A **Relevant Intermediary** is either:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- (4) The instrument appointing a proxy must be signed by the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
- (5) If a proxy is to be appointed, the duly executed instrument appointing a proxy must be duly deposited at the registered office of the Company at **51 Merchant Road, Raffles Education Square, Singapore 058283** not later than 48 hours before the time appointed for the holding of the AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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.

LETTER DATED 12 OCTOBER 2018

This letter to shareholders of the Company is circulated to the shareholders of Raffles Education Corporation Limited (the “**Company**”) together with the Annual Report 2018 (as defined herein). Its purpose is to provide the shareholders of the Company with information relating to, and to explain the rationale for, the proposed renewal of the Share Purchase Mandate (as defined herein) and the Proposed Disposal (as defined herein), to be tabled at the annual general meeting of the Company to be held on 29 October 2018 at 10am at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 (the “**AGM**”).

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

The Ordinary Resolutions (as defined herein) proposed to be passed in respect of the proposed renewal of the Share Purchase Mandate and the Proposed Disposal, is set out in the Notice of AGM (as defined herein).

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

RafflesEducation

RAFFLES EDUCATION CORPORATION LIMITED

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

LETTER TO SHAREHOLDERS IN RELATION TO:

- (1) THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE; AND**
- (2) PROPOSED DISPOSAL OF THREE PARCELS OF LAND AND TWO BUILDINGS IN LANGFANG CITY, HEBEI PROVINCE, THE PEOPLE’S REPUBLIC OF CHINA**

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DEFINITIONS

In this Letter, the following definitions apply throughout unless the context requires or otherwise stated:

- “AGM”** : The annual general meeting of the Company to be held on 29 October 2018 at 10 a.m. at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031, notice of which is enclosed with the Annual Report 2018
- “Annual Report 2018”** : The annual report of the Company for the financial year ended 30 June 2018
- “ASPA”** : The asset sale and purchase agreement entered into between Company, OUCHK, Tonghui and Kaifaqu on 29 August 2018 in relation to the Proposed Disposal
- “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
- “Board”** : The board of Directors
- “Call Option”** : A call option granted by the Company to OUCHK pursuant to a Deed of Non-Competition and Call Option entered into between the Company and OUCHK on 22 December 2014 where, *inter alia*, the Company had granted and undertaken to procure that Tonghui granted to OUCHK a call option to purchase the whole or any part of the Zhuyun Education Land

<u>“CDP”</u>	:	The Central Depository (Pte) Limited
<u>“Companies Act”</u>	:	The Companies Act (Chapter 50) of Singapore, as amended or modified from time to time
<u>“Company”</u>	:	Raffles Education Corporation Limited
<u>“Completion”</u>	:	Completion of the Proposed Disposal under the ASPA
<u>“Completion Date”</u>	:	Date of completion of the Proposed Disposal, being the 10 th Business Day after the fulfilment (or waiver) of the conditions under the ASPA, or such other date as the Parties may mutually agree in writing
<u>“Consideration”</u>	:	RMB252,370,000 (approximately S\$50,413,000), being the aggregate consideration for the Proposed Disposal
<u>“Constitution”</u>	:	The constitution of the Company for the time being
<u>“controlling shareholder”</u>	:	A person who: <ul style="list-style-type: none"> (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares and subsidiary holdings in the Company. The SGX-ST may determine that a person who satisfies the above is not a Controlling Shareholder; or (b) in fact exercises control over the Company.
<u>“Conversion Price”</u>	:	HK\$2.30 per conversion share, representing the average closing price of the shares of OUCHK for the five (5) business days immediately preceding the date of the ASPA
<u>“conversion share”</u>	:	Each new share to be allotted and issued by OUCHK pursuant to the exercise of conversion rights attached to the convertible note issued by OUCHK
<u>“Deed”</u>	:	The Deed of Non-Competition and Call Option entered into between the Company and OUCHK on 22 December 2014 where, <i>inter alia</i> , the Company had granted and undertaken to procure that Tonghui granted to OUCHK a call option to purchase the whole or any part of the Zhuyun Education Land
<u>“Deposit”</u>	:	RMB25,237,000, representing 10% of the Consideration
<u>“Directors”</u>	:	The directors of the Company as at the date of this Letter

“EPS”	:	Earnings per Share
“FY2018”	:	The financial year ended 30 June 2018
“FY2018 Financial Statements”	:	The unaudited consolidated financial statements of the Group for FY2018
“GEM”	:	Growth Enterprise Market
“Group”	:	The Company and its subsidiaries
“HKSE”	:	The Stock Exchange of Hong Kong Limited
“Kaifuqu”	:	Langfang Kaifuqu Oriental University City Education Consultancy Co., Ltd, a wholly-owned subsidiary of OUCHK
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Letter, being 9 October 2018
“Letter”	:	This letter to Shareholders dated 12 October 2018
“Listing Manual”	:	The listing manual of the SGX-ST as may be amended, supplemented or modified from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Maturity Date”	:	29 August 2028, being 10 years from the date of the ASPA
“NAV”	:	Net asset value
“Notice of AGM”	:	The notice of the AGM, as enclosed with the Annual Report 2018
“OHLAM”	:	Oei Hong Leong Art Museum Limited
“Ordinary Resolutions”	:	The ordinary resolutions relating to the renewal of the Share Purchase Mandate and the Proposed Disposal, and each, an “Ordinary Resolution”
“OUCHK”	:	Oriental University City Holdings (H.K.) Limited
“OUCHK Group”	:	OUCHK and its subsidiaries
“Parties”	:	The Company, OUCHK, Tonghui and Kaifuqu

<u>“PRC”</u>	:	People’s Republic of China
<u>“Properties”</u>	:	Comprises three (3) parcels of land and two (2) buildings owned by Tonghui which are part of the Zhuyun Education Land, further particulars of which are set out in paragraph 3.3.1 of this Letter
<u>“Proposed Disposal”</u>	:	The proposed disposal by Tonghui of the Properties to OUCHK for a total consideration of RMB252,370,000 (approximately S\$50,413,000) pursuant to the ASPA
<u>“Proxy Form”</u>	:	The proxy form in respect of the AGM as sent with the Notice of AGM
<u>“public”</u>	:	persons other than: <ul style="list-style-type: none"> (a) directors, chief executive officer, substantial shareholders, or controlling shareholders of the issuer or its subsidiary companies; and (b) associates of the persons in paragraph (a)
<u>“REC ESOS 2001”</u>	:	The employee share option scheme of the Company known as “Raffles Education Corp Employees’ Share Option Scheme (Year 2001)” which was approved on 28 August 2000.
<u>“REC ESOS 2011”</u>	:	The employee share option scheme of the Company known as “Raffles Education Corporation Employees’ Share Option Scheme (Year 2011)” which was approved on 23 March 2011
<u>“Register”</u>	:	The register maintained by the Company setting out details of the Shareholders and their respective shareholdings
<u>“Relevant Period”</u>	:	The period commencing from the date of the AGM, being the date on which the Share Purchase Mandate Ordinary Resolution is passed (if approved by Shareholders), and expiring on the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is earlier
<u>“Securities Account”</u>	:	A securities account maintained by a depositor with CDP but does not include a securities sub-account
<u>“SGX-ST”</u>	:	Singapore Exchange Securities Trading Limited

- “Shareholders”** : Registered holders of Shares in the Register, except that where the registered holder is CDP, the term **“Shareholders”** shall, where the context admits, means the persons named as depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
- “Share Options”** : Options to subscribe for new Shares granted pursuant to the REC ESOS 2001 or the REC ESOS 2011
- “Share Purchase Mandate”** : General and unconditional mandate given by Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, Shares in accordance with the terms set out in the Share Purchase Mandate Ordinary Resolution, as more particularly described in this Letter, and in accordance with the rules and regulations set forth in the Companies Act and the Listing Manual
- “Share Purchase Mandate Ordinary Resolution”** : The ordinary resolution relating to the renewal of the Share Purchase Mandate
- “Shares”** : Ordinary shares in the capital of the Company
- “SIC”** : Securities Industry Council of Singapore
- “Spin-off Listing”** : The spin-off and listing of OUCHK on the GEM of HKSE
- “subsidiary holdings”** : Shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act
- “Take-over Code”** : The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
- “Tonghui”** : Langfang Tonghui Education Consultancy Co., Ltd, a subsidiary that is 99% owned by the Company.
- “Valuation Report”** : The final valuation report issued by Cushman & Wakefield Limited, as the independent professional valuer, on 27 September 2018
- “Zhuyun Education Land”** : Land with land title classified as educational and zoned for educational use pursuant to the land use planning scheme promulgated by the Bureau of Urban and Rural Planning of Langfang City in 2011, with a total site area of approximately 418 mu (approximately 278,666.67 square meters)
- “HK\$”** : Hong Kong dollars, being the lawful currency of Hong Kong

“ RMB ”	:	Renminbi, being the lawful currency of the PRC
“ S\$ ” and “ cents ”	:	Singapore dollars and cents respectively, being the lawful currency of the Republic of Singapore
“ % ”	:	Percentage

The terms “**depositor**” and “**Depository Register**” shall have the meanings ascribed to them respectively in the Securities and Futures Act (Chapter 289 of Singapore) in force as at the Latest Practicable Date.

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, where applicable, include individuals, firms and corporations.

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

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

The headings in this Letter are inserted for convenience only and shall be ignored in construing this Letter.

Any discrepancies in the tables in this Letter between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

RAFFLES EDUCATION CORPORATION LIMITED

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

Directors

Mr Chew Hua Seng (*Chairman and Chief Executive Officer*)
Mr Lim How Teck (*Lead Independent Director*)
Dr Tan Chin Nam (*Independent Director*)
Mr Teo Cheng Lok John (*Independent Director*)
Mdm. Gan Hui Tin (*Independent Director*)

Registered Office

51 Merchant Road
Raffles Education Square
Singapore 058283

12 October 2018

To: The Shareholders of Raffles Education Corporation Limited

Dear Sir/Madam

1. INTRODUCTION

- 1.1 The Directors have issued the Notice of AGM convening the AGM. The following items appear under the heading “As Special Business” in the Notice of AGM:
- (a) the Ordinary Resolution 8 for the renewal of the Share Purchase Mandate;
 - (b) the Ordinary Resolution 9 for the proposed disposal by Langfang Tonghui Education Consultancy Co., Ltd (“**Tonghui**”), a subsidiary that is 99% owned by the Company, of three (3) parcels of land and two (2) buildings owned by Tonghui (the “**Properties**”) which are part of the land with land title classified as educational and zoned for educational use pursuant to the land use planning scheme promulgated by the Bureau of Urban and Rural Planning of Langfang City in 2011 with a total site area of approximately 418 mu owned by Tonghui (the “**Zhuyun Education Land**”), to Oriental University City Holdings (H.K.) Limited. (“**OUCHK**”, and together with its subsidiaries, the “**OUCHK Group**”), pursuant to an asset sale and purchase agreement (“**ASPA**”) entered into on 29 August 2018 between the Company, OUCHK, Tonghui, and Langfang Kaifaqu Oriental University City Education Consultancy Co., Ltd (“**Kaifaqu**”), where OUCHK agreed to purchase and the Company agreed to procure Tonghui to sell, the Properties for a total consideration of RMB252,370,000 (approximately S\$50,413,000) (the “**Proposed Disposal**”).
- 1.2 The purpose of this Letter is to provide Shareholders with information relating to the proposed renewal of the Share Purchase Mandate and the Proposed Disposal to be tabled at the AGM and to seek Shareholders’ approval for the proposed renewal of the Share Purchase Mandate and the Proposed Disposal at the AGM.
- 1.3 The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 The Proposed Renewal of the Share Purchase Mandate

It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at a general meeting of its shareholders. It is also a requirement under the Listing Manual that an issuer who wishes to purchase its own shares has to obtain approval of its shareholders to do so at a general meeting of its shareholders. In this regard, the Share Purchase Mandate was first approved at the extraordinary general meeting of the Company held on 5 March 2008 and last renewed at the annual general meeting held on 13 October 2017.

Unless renewed again, the Share Purchase Mandate will expire on the date of the AGM. In this regard, it is proposed that the Share Purchase Mandate be tabled to Shareholders for renewal and approval at the AGM.

2.2 Rationale for the Proposed Renewal of the Share Purchase Mandate

The approval of the renewal of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake Share purchases or acquisitions up to the 10% limit as described in paragraph 2.3.1 below, at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:

- (a) in managing the business of the Group, the management team strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. Share purchase may be considered as one of the ways through which the return on equity of the Group may be enhanced;
- (b) the Share Purchase Mandate would provide the Company with the flexibility to purchase or acquire the Shares if and when circumstances permit during the period when the Share Purchase Mandate is in force. The Share Purchase Mandate is an expedient, effective and cost-efficient way for the Company to return surplus cash/funds over and above its ordinary capital requirements, if any, which are in excess of the financial and possible investment needs of the Group to its Shareholders, taking into account its growth and expansion plans. In addition, the Share Purchase Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure and dividend policy;
- (c) the purchase or acquisition of Shares under the Share Purchase Mandate may help to mitigate short-term share price volatility (by way of stabilising the supply and demand of issued Shares) and off-set the effects of short-term share price speculation, supporting the fundamental value of the issued Shares, thereby boosting Shareholders' confidence and employees' morale; and
- (d) under the REC ESOS 2011, subject to prevailing legislation, the Constitution and the Listing Manual, the Company has the discretion whether to issue new Shares, deemed fully paid upon issuance and allotment or transfer existing Shares (whether held as treasury shares or otherwise) to such participants who have exercised their Share Options under the REC ESOS 2011. Shares bought back under the Share Purchase Mandate can therefore be held by the Company as treasury

shares to satisfy the Company's obligation to furnish Shares to participants under the REC ESOS 2011, thus giving the Company greater flexibility to select the method of providing Shares to employees most beneficial to the Company and its Shareholders. In the event that the Company with the approval of Shareholders introduces another share option scheme or share scheme subsequently, in compliance with prevailing legislation, the Constitution and the Listing Manual, the Company may also utilise such Shares bought back under the Share Purchase Mandate and held by the Company as treasury shares, to satisfy the Company's obligation to furnish Shares to participants thereunder.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said 10% limit during the duration referred to in paragraph 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate would be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial condition of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Purchase Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

2.3 Authority and Limits on the Share Purchase Mandate

The authority and limitations placed on Share purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate are summarised below:

2.3.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the AGM at which the renewal of the Share Purchase Mandate is approved, unless the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Companies Act, or the court has, at any time during the Relevant Period, made an order under Section 78I confirming the reduction of share capital of the Company, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered by the special resolution of the Company or the order of the court, as the case may be. Any Shares which are held as treasury shares or subsidiary holdings will be disregarded for purposes of computing the 10% limit. As at the Latest Practicable Date, the Company does not have any subsidiary holdings.

For illustrative purposes only, based on the general rule in the foregoing paragraph, on the basis of 1,378,656,672 Shares in issue (excluding treasury shares) as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the AGM, not more than 137,865,667 Shares (representing 10% of the total number of issued Shares (excluding treasury shares) as at that date) may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the Relevant Period.

As at the Latest Practicable Date, there are 3,832,639 outstanding Share Options under the REC ESOS 2001 and the REC ESOS 2011, of which Share Options comprising 637,639 Shares are exercisable as at the Latest Practicable Date. In the event that the Company issues 637,639 new Shares pursuant to the exercise of the exercisable Share Options, the total number of issued Shares (excluding treasury shares) as at the date of the AGM will be 1,379,294,311, and not more than 137,929,431 Shares (representing 10% of the total number of issued Shares (excluding treasury shares) as at that date) may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the period when the Share Purchase Mandate is in force.

2.3.2 Duration of Authority

Purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the AGM, at which the renewal of the Share Purchase Mandate is approved, up to:

- (a) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (b) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

The authority conferred on the Directors by the Share Purchase Mandate to purchase or acquire Shares may be renewed by the Shareholders in a general meeting of the Company, such as at the next annual general meeting or at an extraordinary general meeting to be convened immediately after the conclusion or adjournment of the next annual general meeting. When seeking the approval of the Shareholders for the renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate made during the previous 12 months, including the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for such purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions.

2.3.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

- (a) an on-market purchase (“**Market Purchase**”), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose, in accordance with Section 76E of the Companies Act; and/or
- (b) an off-market purchase (“**Off-Market Purchase**”) effected pursuant to an equal access scheme¹ in accordance with Section 76C of the Companies Act.

¹ With effect from 1 July 2015, a selective off-market purchase or acquisition of shares may be undertaken by a Singapore company that is listed on a securities exchange in accordance with the provisions of the Companies Act. However, Rule 882 of the Listing Manual provides that an off-market purchase or acquisition of shares may only be made in accordance with an equal access scheme as defined in the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual, the Companies Act and the Constitution as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

An Off-Market Purchase must however satisfy all of the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable:
 - (A) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;
 - (B) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and
 - (C) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Listing Manual, if the Company wishes to make an Off-Market Purchase, it must issue an offer document to all Shareholders containing at least the following information:

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;
- (3) the reasons for the proposed purchase or acquisition of Shares;
- (4) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (5) whether the purchases or acquisitions of Shares, if made, could affect the listing of the Shares on the SGX-ST;
- (6) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for the purchases or acquisitions; and
- (7) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by a committee of Directors constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Purchase Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price,

(the **“Maximum Price”**) in either case, excluding related expenses of the purchase or acquisition.

For the purposes of determining the Maximum Price:

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days.

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Status of Purchased Shares

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition unless such Share is held by the Company as a treasury share. The Shares purchased or acquired under the Share Purchase Mandate will be held as treasury shares or cancelled by the Company taking into consideration the then prevailing circumstances and requirements of the Company at the relevant time. On a cancellation, all rights and privileges attached to that Share will expire. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares. It is presently intended by the Company that all or most of the Shares which are purchased or acquired by the Company under the Share Purchase Mandate will be held as treasury shares, up to the maximum number of treasury shares permitted by law to be held by the Company.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Companies Act) will be automatically delisted by the SGX-ST, and (where applicable) all certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following the settlement of any such purchase or acquisition.

2.5 Treasury Shares

Under the Companies Act, the Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

2.5.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

2.5.2 Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as the total value of the treasury share before the subdivision or consolidation, as the case may be.

2.5.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of, or pursuant to, any share scheme, whether for employees, directors or other persons;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

2.6 Reporting Requirements

The Company shall notify the Accounting and Corporate Regulatory Authority within 30 days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchases or acquisitions including the date of the purchase or acquisition, the total number of Shares purchased or acquired by the Company, the number of Shares cancelled and the number of Shares held as treasury shares, the Company's issued share capital before and after the purchase or acquisition, the amount of consideration paid by the Company for the purchase or acquisition, and such other information as required by the Companies Act. Within 30 days of the passing of a

Shareholders' resolution to approve or renew the Share Purchase Mandate, the Company shall lodge a copy of such resolution with the Accounting and Corporate Regulatory Authority.

The Listing Manual states that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made, and
- (b) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The notification of such purchases or acquisition of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide to the Company, in a timely fashion, the necessary information which will enable the Company to make the notifications to the SGX-ST.

The Company, upon undertaking any sale, transfer, cancellation and/or use of treasury shares, will comply with Rule 704(28) of the Listing Manual, which provides that an issuer must make an immediate announcement thereof, stating the following:

- (i) date of the sale, transfer, cancellation and/or use;
- (ii) purpose of such sale, transfer, cancellation and/or use;
- (iii) number of treasury shares sold, transferred, cancelled and/or used;
- (iv) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (v) percentage of the number of treasury shares against the total number of Shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.7 Sources of Funds

The Company may only apply funds legally available for the purchase or acquisition of the Shares as provided in the Constitution and in accordance with the applicable laws in Singapore. The Company may not purchase or acquire its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The Company intends to use internal sources of funds or borrowings or a combination of both to finance the Company's purchase or acquisition of the Shares pursuant to the Share Purchase Mandate. In purchasing or acquiring Shares pursuant to the Share Purchase Mandate, the Directors will principally consider the availability of internal resources. In addition, the Directors will also consider the availability of external financing. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. The Directors will only make

purchases or acquisitions pursuant to the Share Purchase Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

2.8 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the NAV per Share and EPS as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The repurchased Shares may be cancelled or held as treasury shares. If the Shares are cancelled, the Company's total number of issued Shares will be diminished by the total number of the Shares purchased by the Company. The NAV of the Group will be reduced by the aggregate purchase price paid by the Company for the Shares cancelled (including any expenses (including brokerage or commission) incurred directly in the purchase or acquisition of the Shares which is paid out of the Company's capital or profits). If the Shares are held as treasury shares, the issued share capital of the Company will not be affected.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount of profits available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount of profits available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of the Shares will only be effected after considering relevant factors such as the working capital requirements, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The proposed Share Purchase Mandate will be exercised with a view to enhance the EPS and/or the NAV per Share of the Group.

As at the Latest Practicable Date, the total number of issued Shares is 1,458,446,772, of which 79,790,100 Shares are held in treasury (the Company does not have any subsidiary holdings). On this basis, for illustrative purposes only, as the Company can only hold 10% of its Shares in treasury pursuant to Section 76(1) of the Companies Act, it can only hold 145,844,677 Shares in treasury. As such, even though the Share Purchase Mandate provides for potentially up to 137,865,667 Shares to be purchased or acquired by the Company, the maximum number of Shares that the Company can purchase or acquire and hold in treasury is 66,054,577 Shares. Accordingly, the exercise in full of the Share Purchase Mandate would result in the purchase or acquisition of 66,054,577 Shares if all the Shares so purchased or acquired were to be held in treasury.

For the purposes of illustration and comparison only, the Company has assumed that pursuant to the Share Purchase Mandate, it will purchase or acquire the smaller number of Shares, i.e. 66,054,577 Shares, instead of the entire 10% of the total number of issued Shares (excluding treasury shares), i.e. 137,865,667 Shares.

For illustrative purposes only, the financial effects of the Share Purchase Mandate on the Group and the Company, based on the audited financial statements of the Group for the financial year ended 30 June 2018 are based on the assumptions set out below:

- (a) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires 66,054,577 Shares at the Maximum Price of S\$0.17 for one (1) Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 66,054,577 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$11,229,278; and
- (b) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 66,054,577 Shares at the Maximum Price of S\$0.19 for one (1) Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 66,054,577 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$12,550,370.

For illustrative purposes only, and based on the assumptions set out in the foregoing two paragraphs and assuming that:

- (i) such purchase or acquisition of Shares is financed solely by borrowings; and
- (ii) the Share Purchase Mandate been effective on 1 July 2017 and the Company had purchased or acquired 66,054,577 Shares on 1 July 2017,

the financial effects of the:

- (A) purchase or acquisition of the abovementioned number of Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made out of capital and profits and held as treasury shares; and
- (B) purchase or acquisition of the abovementioned number of Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made out of capital and profits and cancelled,

on the audited financial accounts of the Company and the Group for the financial year ended 30 June 2018 are set out below:

(1) Purchases made out of capital and profits and held as treasury shares**(A) Market Purchases**

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	S\$'000	S\$'000	S\$'000	S\$'000
As at 30 June 2018				
Profit/(Loss) after tax	10,667	10,667	(22,721)	(22,721)
Share Capital	554,337	554,337	554,337	554,337
Capital and Other reserves	4,168	4,168	2,453	2,453
Accumulated profits / (losses)	102,770	102,770	(117,179)	(117,179)
	661,275	661,275	439,611	439,611
Treasury shares	(39,683)	(50,912)	(39,683)	(50,912)
Shareholders' funds	621,592	610,363	399,928	388,699
NAV	621,592	610,363	399,928	388,699
Current Assets	144,084	144,084	213,902	213,902
Current Liabilities	259,854	259,854	302,283	302,283
Borrowings	366,456	377,685	86,051	97,280
Number of issued Shares ('000)	1,458,447	1,458,447	1,458,447	1,458,447
Treasury shares ('000)	79,790	145,845	79,790	145,845
Financial Ratios				
NAV per Share (cents)	45.09	46.50	29.01	29.61
Gearing (times)	0.59	0.62	0.22	0.25
Current Ratio (times)	0.55	0.55	0.71	0.71
EPS (cents)	0.90	0.96	(1.92)	(2.04)

(B) Off-Market Purchases

	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 30 June 2018				
Profit/(Loss) after tax	10,667	10,667	(22,721)	(22,721)
Share Capital	554,337	554,337	554,337	554,337
Capital and Other reserves	4,168	4,168	2,453	2,453
Accumulated profits / (losses)	102,770	102,770	(117,179)	(117,179)
	661,275	661,275	439,611	439,611
Treasury shares	(39,683)	(52,233)	(39,683)	(52,233)
Shareholders' funds	621,592	609,042	399,928	387,378
NAV	621,592	609,042	399,928	387,378
Current Assets	144,084	144,084	213,902	213,902
Current Liabilities	259,854	259,854	302,283	302,283
Borrowings	366,456	379,006	86,051	98,601
Number of issued Shares ('000)	1,458,447	1,458,447	1,458,447	1,458,447
Treasury shares ('000)	79,790	145,845	79,790	145,845
Financial Ratios				
NAV per Share (cents)	45.09	46.40	29.01	29.51
Gearing (times)	0.59	0.62	0.22	0.25
Current Ratio (times)	0.55	0.55	0.71	0.71
EPS (cents)	0.90	0.96	(1.92)	(2.04)

(2) Purchases made out of capital and profits and cancelled**(A) Market Purchases**

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	S\$'000	S\$'000	S\$'000	S\$'000
As at 30 June 2018				
Profit/(Loss) after tax	10,667	10,667	(22,721)	(22,721)
Share Capital	554,337	543,108	554,337	543,108
Capital and Other reserves	4,168	4,168	2,453	2,453
Accumulated profits / (losses)	102,770	102,770	(117,179)	(117,179)
	661,275	650,046	439,611	428,382
Treasury shares	(39,683)	(39,683)	(39,683)	(39,683)
Shareholders' funds	621,592	610,363	399,928	388,699
NAV	621,592	610,363	399,928	388,699
Current Assets	144,084	144,084	213,902	213,902
Current Liabilities	259,854	259,854	302,283	302,283
Borrowings	366,456	377,685	86,051	97,280
Number of issued Shares ('000)	1,458,447	1,392,392	1,458,447	1,392,392
Treasury shares ('000)	79,790	79,790	79,790	79,790
Financial Ratios				
NAV per Share (cents)	45.09	46.50	29.01	29.61
Gearing (times)	0.59	0.62	0.22	0.25
Current Ratio (times)	0.55	0.55	0.71	0.71
EPS (cents)	0.90	0.96	(1.92)	(2.04)

(B) Off-Market Purchases

	Group		Company	
	Before Share Purchase S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 30 June 2018				
Profit/(Loss) after tax	10,667	10,667	(22,721)	(22,721)
Share Capital	554,337	541,787	554,337	541,787
Capital and Other reserves	4,168	4,168	2,453	2,453
Accumulated profits / (losses)	102,770	102,770	(117,179)	(117,179)
	661,275	648,725	439,611	427,061
Treasury shares	(39,683)	(39,683)	(39,683)	(39,683)
	621,592	609,042	399,928	387,378
Shareholders' funds	621,592	609,042	399,928	387,378
NAV	621,592	609,042	399,928	387,378
Current Assets	144,084	144,084	213,902	213,902
Current Liabilities	259,854	259,854	302,283	302,283
Borrowings	366,456	379,006	86,051	98,601
Number of issued Shares ('000)	1,458,447	1,392,392	1,458,447	1,392,392
Treasury shares ('000)	79,790	79,790	79,790	79,790
Financial Ratios				
NAV per Share (cents)	45.09	46.40	29.01	29.51
Gearing (times)	0.59	0.62	0.22	0.25
Current Ratio (times)	0.55	0.55	0.71	0.71
EPS (cents)	0.90	0.96	(1.92)	(2.04)

Shareholders should note that the financial effects set out above are purely for illustrative purposes only and are based only on the assumptions set out above. Although the proposed renewal of the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), or purchase or be able to purchase up to the maximum number of its issued Shares that it can hold in treasury as illustrated above. The Company may, subject to the requirements of the Companies Act, cancel all or part of the Shares repurchased and/or hold all or part of the Shares repurchased in treasury, at its discretion.

2.9 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The takeover implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.9.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of the Shares, the percentage of voting rights in the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

2.9.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert ("**concert parties**") comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely:

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, and any company whose associated companies include any of the above companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a *bona fide* offer for their company may be imminent;
- (g) partners; and

- (h) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions, companies controlled by any of the above and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and their concert parties respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.9.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and their concert parties will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the notifications received by the Company, as at the Latest Practicable Date, as set out in paragraph 4 below, save for Mr Chew Hua Seng and Ms Doris Chung Gim Lian, none of the substantial Shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase or acquisition by the Company of the maximum limit of 10% of its issued Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date.

2.9.4 Effect of the Share Purchase Mandate on Mr Chew Hua Seng and Ms Doris Chung Gim Lian

As at the Latest Practicable Date, each of Mr Chew Hua Seng and his spouse, Ms Doris Chung Gim Lian held, directly and indirectly, 33.58% of the total number of Shares (excluding treasury shares).

Assuming that there is no change in the number of Shares held or deemed to be held by each of Mr Chew Hua Seng and Ms Doris Chung Gim Lian, the purchase or acquisition by the Company of the maximum amount of 10% of the total number of issued Shares (excluding treasury shares) (the Company does not have any subsidiary holdings as at the Latest Practicable Date) will result in an increase in the shareholding interests of each of Mr Chew Hua Seng and Ms Doris Chung Gim Lian from the present 33.58% to 37.31%

Accordingly, each of Mr Chew Hua Seng and Ms Doris Chung Gim Lian may *prima facie* be required to make a take-over offer for the Shares held by the other Shareholders pursuant to Rule 14 of the Take-over Code.

Pursuant to Section 3(a) of Appendix 2 of the Take-over Code, Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties, are exempted from the requirement to make a take-over offer for the Shares held by the other Shareholders pursuant to Rule 14 of the Take-over Code as a result of the Company purchasing or acquiring the Shares pursuant to the Share Purchase Mandate, subject to the following conditions:

- (a) this Letter in relation to the Share Purchase Mandate Ordinary Resolution contains advice to the effect that by voting for the renewal of the Share Purchase Mandate, Shareholders are waiving their right to a general offer at the required price from Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties, who, as a result of the Company buying back its Shares, would increase their voting rights by more than 1% in any period of six (6) months;
- (b) this Letter discloses the names of Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties, their voting rights at the time of the Share Purchase Mandate Ordinary Resolution and after the proposed purchase or acquisition of Shares by the Company under the Share Purchase Mandate;
- (c) the Share Purchase Mandate Ordinary Resolution is approved by a majority of those Shareholders present and voting at the AGM on a poll who could not become obliged to make an offer for the Company as a result of the Company purchasing or acquiring Shares under the Share Purchase Mandate;
- (d) Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties, shall abstain from voting for, and Mr Chew Hua Seng shall abstain from recommending Shareholders to vote in favour of, the Share Purchase Mandate Ordinary Resolution; and
- (e) within seven (7) days after the passing of the Share Purchase Mandate Ordinary Resolution, Mr Chew Hua Seng shall submit to the SIC a duly signed form as prescribed by the SIC; and
- (f) Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties, have not acquired and will not acquire any Shares between the date on which they know that the announcement of the proposal for the renewal of the Share Purchase Mandate is imminent and the earlier of:
 - (i) the date on which the authority of the Share Purchase Mandate expires; and
 - (ii) the date on which the Company announces it has bought back such number of Shares as authorised by Shareholders at the AGM or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with those purchased or acquisition of Shares by the Company under the Share Purchase Mandate, would cause their aggregate voting rights to increase by more than 1% in the preceding six (6) months.

If the Company ceases to buy back its Shares and the increase in the aggregate voting rights held by Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties, as a result of the purchase or acquisition of Shares at such time is less than 1%, Mr Chew Hua Seng and Ms Doris Chung Gim Lian will be allowed to acquire voting

shares in the Company. However, any increase in their percentage voting rights in the Company as a result of the Company buying back its Shares under the Share Purchase Mandate will be taken into account together with any Shares acquired by Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties (by whatever means) in determining whether Mr Chew Hua Seng and Ms Doris Chung Gim Lian have increased their aggregate voting rights in the Company by more than 1% in any six (6) month period.

2.9.5 Waiver of Rights to General Offer

Shareholders should note that by voting in favour of the Share Purchase Mandate Ordinary Resolution in relation to the renewal of the Share Purchase Mandate to be tabled at the AGM, Shareholders are waiving their rights to a general offer at the required price from Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the SIC and/or their professional advisers at the earliest opportunity.

2.10 Taxation

Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

2.11 Listing Manual

While the Listing Manual does not expressly prohibit purchase or acquisition of shares by a listed company during any particular time or times, because the listed company would be considered an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not purchase any Shares pursuant to the Share Purchase Mandate after a development which could have a material effect on the price of the Shares has occurred or has been the subject of a consideration and/or a decision of the Board until such time as such information has been publicly announced. In particular, in line with the best practices on securities dealings as reflected under Rule 1207(19) of the Listing Manual, the Company will not purchase or acquire any Shares through Market Purchases during the period commencing two (2) weeks before the announcement of the Company’s financial statements for each of the first three (3) quarters of its financial year and one (1) month before the announcement of the Company’s full year financial statements.

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of its Shares (excluding treasury shares) are in the hands of the public.

Based on the Register of Directors’ shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 737,468,337 Shares, representing 53.49% of the total number of issued Shares (excluding treasury shares), are in the hands of the public. Assuming that (a) the Company purchases its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate and all such Shares purchased are held by the public, and (b) all Shares purchased by the Company are held as treasury shares, the number of Shares in the hands of the public would be reduced to 599,602,670 Shares, representing 48.32% of the total number of issued Shares (excluding treasury shares). Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases

or acquisitions of its issued Shares up to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.12 Previous Share Purchases

The Company has not purchased any Shares during the 12-month period preceding the Latest Practicable Date.

3. THE PROPOSED DISPOSAL OF THE PROPERTIES

3.1 Introduction

3.1.1 Background

The Company had on October 2014, 3 December 2014, 26 December 2014, 31 December 2014, 8 January 2015, 15 January 2015 and 16 January 2015 made announcements on SGXNET in relation to the spin-off and listing (the “**Spin-off Listing**”) of its subsidiary, OUCHK, on the Growth Enterprise Market (“**GEM**”) of the Stock Exchange of Hong Kong Limited (“**HKSE**”).

In connection with the Spin-off Listing, the Company and OUCHK had entered into a Deed of Non-Competition and Call Option on 22 December 2014 (the “**Deed**”), where the Company had granted and undertaken to procure that Tonghui granted to OUCHK a call option (the “**Call Option**”) to purchase the whole or any part of the Zhuyun Education Land. The terms of the Deed provide that the Call Option may be exercised separately, and at different times, in respect of the whole or a part of the Zhuyun Education Land. The Deed provided that the purchase price would be fair and reasonable and negotiated in good faith and agreed between OUCHK and the Company or Tonghui as soon as practicable following the giving of the relevant option notice by OUCHK to the Company or Tonghui to exercise the Call Option. The entry into the Deed was intended to help reduce the possibility of any overlaps between the core businesses and assets of the OUCHK Group and the Group after the Spin-off Listing, and to maintain a clear business delineation between OUCHK Group’s businesses and assets (being the leasing of education facilities) and those retained by the Group (being the operation of schools/colleges and provision of education services).

OUCHK exercised the Call Option on 29 August 2018 to purchase the Properties, and that following negotiations between OUCHK and the Company on the purchase price of the Properties, on 29 August 2018, the Company, OUCHK, Tonghui and Kaifaqu, a wholly-owned subsidiary of OUCHK that is incorporated in the People’s Republic of China (“**PRC**”) (collectively, the “**Parties**”) entered into the ASPA.

The exercise of the Call Option is conditional upon the fulfilment or waiver of the following conditions:

- (a) the approval by the majority of the directors of OUCHK who are, from time to time, determined to be independent non-executive directors within the meaning of the GEM listing rules;
- (b) all necessary regulatory and governmental approvals and consents in respect of the Call Option having been obtained to the reasonable satisfaction of OUCHK; and
- (c) completion of requirements of all applicable laws, including, if required, the approval of OUCHK's shareholders or independent shareholders (as the case may be) for the transaction.

Under the terms of the Deed, upon the completion of the Proposed Disposal, the Call Option will continue to apply in respect of the rest of the Zhuyun Education Land other than the Properties, and will remain outstanding and effective until the earliest of: (i) the date on which the Group, directly or indirectly, ceases to hold or otherwise be interested in, beneficially in aggregate 30% or more of the issued share capital of OUCHK; (ii) the date on which the OUCHK shares cease to be listed on the HKSE (provided that such delisting is voluntary and at the instigation of OUCHK); and (iii) the date on which the Group (including Tonghui) ceases to hold any part of the Zhuyun Education Land. In the event that the Proposed Disposal does not proceed to completion, the terms of the Deed provide that such failure to complete shall not preclude OUCHK from any further exercise of the Call Option in respect of the remaining portions of the Zhuyun Education Land.

Please also refer to the Company's announcements on 29 August 2018 and 4 September 2018 in relation to the Proposed Disposal, and OUCHK's announcement dated 29 August 2018, which has been disclosed together with the Company's announcement on 29 August 2018 in relation to the Proposed Disposal.

3.1.2 Particulars of OUCHK

The Company presently holds 75% of the total issued share capital of OUCHK and OUCHK is therefore a subsidiary of the Company. OUCHK is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on GEM (stock code: 8067). OUCHK is principally engaged in the leasing of education facilities to education institutions and commercial leasing of supporting facilities in the PRC.

For the avoidance of doubt, the Proposed Disposal does not constitute an interested person transaction for the purposes of Chapter 9 of the Listing Manual. Rule 915(3) of the Listing Manual provides that where a transaction between an entity at risk and an investee company, where the interested person's interest in the investee company, other than that held through the issuer, is less than 5%, that transaction is not required to comply with Listing Rules 905, 906 and 907. As no Director, chief executive officer or controlling shareholder of the Company or any of their respective associates holds any interest in OUCHK other than through the Company, the exemption in Rule 915(3) will apply to the Proposed Disposal.

3.1.3 Particulars of the Properties

The Properties are part of the Zhuyun Education Land, situated at Oriental University City, Langfang Economic and Technology Development Zone, Langfang City, Hebei Province, the PRC. The Properties comprise three (3) parcels of land for education use with a total site area of approximately 57,501.40 square meters, and two (2) buildings with a total gross floor area of approximately 58,385.86 square meters.

The key details of the land use rights of the three (3) parcels of land are as follows:

No.	Certificate No.	Date of issue	Land use	Approximate site area (sq.m.)
1	(2012) 023	15 June 2012	Education	40,861.40
2	(2016) 00080	10 November 2016	Education	6,937.20
3	(2017)0007965	1 July 2016	Education	9,702.80
Total:				57,501.40

The key details of the building ownership rights of the two (2) buildings are as follows:

No.	Certificate No.	Date of issue	No. of stories	Approximate site area (sq.m.)
1	H6427	29 June 2016	13	51,576.55
2	H6423	29 June 2016	3	6,809.31
Total:				58,385.86

A total of approximately 6,921.27 square meters of the gross floor area of the two (2) buildings is currently being leased out to 22 tenants (all of which are third parties that are not related to the Group) for terms ranging from September 2015 to August 2022. Pursuant to the relevant tenancy agreements, the aggregate annual rent for these areas is approximately RMB1,728,354 (approximately S\$345,256)(exclusive of government rates and service charges).

The aggregate historical investment costs paid by the Company as at 19 March 2008 for the three (3) parcels of land and two (2) buildings was approximately RMB21,338,051 (approximately S\$4,262,489) and RMB167,269,798 (approximately S\$33,413,815) respectively.

As at 30 June 2018, Tonghui holds approximately 101 mu (approximately 67,333.33 square meters) of the Zhuyun Education Land, as approximately 317 mu (approximately 211,333.33 square meters) of the Zhuyun Education Land had been disposed to various third parties prior to this date. After the Proposed Disposal, the remaining Zhuyun Education Land that Tonghui will continue to hold will comprise land with a total site area of approximately 9,768.55 square meters and buildings with total gross floor area of 9,571.21 square meters.

3.2 Details of the Proposed Disposal

3.2.1 Consideration

The Consideration for the Proposed Disposal is RMB252,370,000 (approximately S\$50,413,000) (the “**Consideration**”). The Consideration was arrived at on a “willing seller, willing buyer” basis after taking into account arm’s length negotiations between the Company and OUCHK under normal commercial terms and with reference to, among others, the preliminary valuation of the Properties at RMB252,370,000 as on 29 August 2018, which provided an indicative value of the Properties. The final valuation report, which similarly values the Properties at RMB252,370,000, has been issued on 27 September 2018 (the “**Valuation Report**”). The valuations were commissioned by OUCHK and the Company jointly and carried out by an independent professional valuer, Cushman & Wakefield Limited². In valuing the Properties, the valuer adopted approaches on the basis of capitalisation of the rental derived from the existing tenancies with due allowance for reversionary rental potential of the Properties, and by making reference to comparable sales evidence as available in the relevant property market. The valuations were prepared in compliance with the HKIS Valuation Standards 2017 issued by the Hong Kong Institute of Surveyors, which follow the International Valuation Standards 2017.

The Consideration shall be satisfied in the following manner:

- (a) upon the signing of the ASPA, RMB25,237,000, representing 10% of the Consideration (the “**Deposit**”) payable by Kaifaqu to Tonghui, shall be settled in cash;
- (b) on the date of the completion of the Proposed Disposal under the ASPA (the “**Completion**”), at the election of OUCHK, OUCHK shall either:
 - (i) make a cash payment of RMB50,474,000 representing 20% of the Consideration and issue a convertible note in the value of RMB176,659,000 (equivalent to approximately HK\$203,700,202 based on the exchange rate as quoted by People’s Bank of China on the date of the ASPA) representing 70% of the Consideration and bearing interest at a rate of 2.48% per annum, entitling the Company (or its nominee) to convert at the price of HK\$2.30 (representing the average closing price of the shares of OUCHK for the five (5) business days immediately preceding the date of the ASPA) (the “**Conversion Price**”) per new share to be allotted and issued by OUCHK pursuant to the exercise of conversion rights attached to the said convertible note (each a “**conversion share**”), into a maximum of 88,565,306 conversion shares³; or
 - (ii) issue a convertible note in the value of RMB227,133,000 (equivalent to approximately HK\$261,900,259 based on the exchange rate as quoted by People’s Bank of China on the date of the ASPA) representing 90% of the

² Based on publicly available information, Cushman & Wakefield Limited is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. For two consecutive years in 2017 and 2018, Cushman & Wakefield Limited has won top awards from the Euromoney Survey across a variety of categories, including Overall, Agency Letting/Sales, Valuation and Research in China. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, advisory and other services. Cushman & Wakefield Limited is a company recognised by the Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors.

³ For illustrative purposes only, the 88,565,306 conversion shares will represent 33.0% of the enlarged share capital of OUCHK, if converted as at 30 June 2018.

Consideration and bearing interest at a rate of 2.48% per annum, entitling the Company (or its nominee) to convert at the Conversion Price per conversion share, into a maximum of 113,869,678 conversion shares⁴.

As stated in paragraph 3.1.2 above, the Company presently holds 75.0% of the total issued share capital of OUCHK. The Company further understands that under the GEM listing rules, OUCHK is required to ensure that at least 25% of its total issued share capital of OUCHK is held in the hands of the public⁵. As disclosed in paragraph 3.2.2(c) (iv) below, the Company undertakes not to exercise its conversion right in relation to the convertible note, if this will result in the percentage of public float of OUCHK's ordinary shares listed on the HKSE falling below the minimum prescribed percentage as required by the GEM listing rules of the HKSE. Shareholders should note that the Company will only be able to exercise the conversion right under the convertible note as described in paragraphs 3.2.1(b)(i) or 3.2.1(b)(ii) above, if the total issued share capital of OUCHK increases or if the Company disposes of part of the OUCHK shares that it currently holds. In light of the holding company-subsidary relationship between the Company and OUCHK, the Company also benefits indirectly through OUCHK as OUCHK's holding company. In addition, as OUCHK's holding company and through its nominee directors on OUCHK's board of directors, the Company will be in a position to exercise some control and influence over OUCHK, subject to restrictions imposed by applicable laws and regulations. In view of the above, the Board has assessed the terms of the Proposed Disposal and is of the view that the Proposed Disposal is in the interests of the Company and its Shareholders.

3.2.2 Principal Terms and Conditions of the ASPA

The following are some of the salient terms and conditions of the ASPA:

(a) Conditions Precedent

Completion is conditional upon the fulfilment or waiver of the following conditions by the relevant party:

- (i) the warranties provided by the Company and OUCHK under the ASPA remaining true, and accurate in all respects and not misleading in any respect on the date of the Completion;
- (ii) the passing of an ordinary resolution by the shareholders of OUCHK (other than the Company) at a general meeting to approve the acquisition of the Properties and to approve the grant of a specific mandate to the board of directors of OUCHK to allot and issue the conversion shares;

⁴ For illustrative purposes only, the 113,869,678 conversion shares will represent 38.7% of the enlarged share capital of OUCHK, if converted as at 30 June 2018. Assuming that the conversion had taken place on 30 June 2018, the Group's shareholding in OUCHK will increase from 75.0% to 84.7% after the conversion. However, as the GEM listing rules require a public float of 25%, the Company will not exercise the conversion right if this will result in the percentage of public float of OUCHK's ordinary shares listed on the HKSE falling below 25%, or such percentage as prescribed under the GEM listing rules from time to time.

⁵ "Public" as defined under the GEM listing rules refers to any person but for the connected persons of OUCHK. This extends to the persons not being financially assisted by the connected persons nor taking instructions from the connected persons. The term "connected persons" as defined under the GEM listing rules includes (i) a director, chief executive or substantial shareholder of OUCHK or any of its subsidiaries; (ii) a person who was a director of OUCHK or any of its subsidiaries in the last 12 months; (iii) an associate (as defined in the GEM listing rules) of any of the above persons; (iv) a connected subsidiary (as defined in the GEM listing rules); or (v) a person deemed to be connected (as defined in the GEM listing rules) by the HKSE.

- (iii) the passing of a resolution by the Shareholders to approve the Proposed Disposal under the ASPA and in accordance with the applicable Singapore listing rules;
- (iv) the Listing Committee of the HKSE granting approval for the listing of, and the permission to deal in, the conversion shares and such approval not having been revoked;
- (v) OUCHK having obtained a legal opinion on, among others, the title certificate of the Properties, issued by a PRC legal adviser, in form and substance satisfactory to OUCHK in its absolute discretion;
- (vi) no material adverse change having occurred between the date of the ASPA and Completion; and
- (vii) approval by the majority of the independent directors of OUCHK;
- (viii) grant of waivers of taxation by the relevant PRC tax authorities in relation to the Proposed Disposal (if required as advised by the PRC legal adviser to OUCHK); and
- (ix) approval by the State Administration of Foreign Exchange of the PRC or its competent local counterpart for the settlement of 70% or 90% (as the case may be) of the Consideration by the issuance of the convertible note to the Company (if required as advised by the PRC legal adviser to OUCHK).

If any of the above conditions are not fulfilled by 31 December 2018 or any such later date as the Parties may mutually agree, or if, before Completion, an event of material adverse effect has occurred or a material breach of the warranties of the Company has occurred, which in each case has not been satisfactorily cured in OUCHK's opinion, within the relevant period specified in the ASPA, the ASPA may be terminated in accordance with the terms of the ASPA. In the former case, Tonghui shall repay the Deposit (interest-free) to Kaifaqu within five (5) business days from the date of termination of the ASPA.

(b) Company's Undertakings

The Company undertakes to inform OUCHK if an internal restructuring relating to Tonghui is necessary in order to optimise any PRC tax obligations relating to the Proposed Disposal. In the event that a new entity (which will be wholly-owned by the Company and/or Tonghui) is set up to hold the Properties prior to the transfer to OUCHK under the ASPA, the Company will procure that such new entity complies with the terms and conditions of the transfer of the Properties to OUCHK as set out in the ASPA.

(c) Principal Terms of the Convertible Note

The principal terms of the convertible note are as follows:

- (i) The aggregate principal amount of the convertible note will be HK\$203,700,202 or HK\$261,900,259 (at the option of OUCHK as set out in paragraph 3.2.1(b) above) (the "**Outstanding Principal Amount**"), with the maturity date as 29 August 2028, being 10 years from the date of the ASPA (the "**Maturity Date**");

- (ii) The convertible note will bear interest on the Outstanding Principal Amount from and including the Completion Date up to (and including) the earlier of (A) the Maturity Date; or (B) the date at which OUCHK has pre-paid the Outstanding Principal Amount in accordance with the terms of the convertible note, at a rate of 2.48% per annum, payable semi-annually in arrears every six (6) calendar months after the Completion Date;
- (iii) Between the date of issue and the Maturity Date, the holder of the convertible note will be able to convert the Outstanding Principal Amount in whole or in part into a specified number of conversion shares based on the Conversion Price, and in accordance with the terms of the convertible note. The conversion shares will rank *pari passu* in all respects with all other existing ordinary shares in the share capital of OUCHK and shall include rights to participate in all dividends and other distributions, the record date of which falls on or after the date of conversion;
- (iv) The noteholder undertakes not to exercise its conversion right if this will result in the percentage of public float of OUCHK's ordinary shares listed on the HKSE falling below the minimum prescribed percentage as required by the GEM listing rules of the HKSE. As at the Latest Practicable Date, the Company understands that under the GEM listing rules of the HKSE, OUCHK is required to maintain a 25% public float; and
- (v) Any part of the convertible note that has not been converted in accordance with the terms of the convertible note as at the Maturity Date shall mature and shall be automatically converted into conversion shares at the Conversion Price on the Maturity Date. In the event that the automatic conversion will result in the percentage of public float of OUCHK's ordinary shares listed on the HKSE falling below the minimum prescribed percentage as required by the GEM listing rules of the HKSE, the Company can choose to dispose of the ordinary shares in OUCHK that it holds or OUCHK will apply to the HKSE for a waiver, with such waiver explaining the event the reason for OUCHK's public float falling below the minimum prescribed percentage, and how OUCHK intends to restore its public float. OUCHK may also opt to pay an amount equal to the outstanding amount of the convertible note as at the Maturity Date. The terms of the convertible note provide that there will be an event of default if OUCHK is not able to pay the Company for the amount due in respect of the convertible note within ten business days from the Maturity Date.

Upon the occurrence of an event of default under the convertible note or at any time while the same is still continuing, the Company or its affiliate will have the right (which can be exercised in its sole discretion) to demand OUCHK to forthwith redeem the convertible note in full in cash.

(d) Completion

Completion will take place on the 10th Business Day after the fulfilment (or waiver) of the Conditions, or such other date as the Parties may mutually agree in writing.

Upon satisfaction of the delivery conditions for the Properties under the ASPA, the Company or Tonghui shall notify OUCHK in writing to commence the procedures for delivery of the Properties. Where both parties have carried out the inspection and acceptance procedures for the Properties, the Company or Tonghui shall produce the acceptance certificate, including all material documentation pursuant to which

the Properties are owned, used or occupied by Tonghui and sign the delivery document. In the event that the Company or Tonghui does not produce the aforesaid certificate and material documents, OUCHK has the right to refuse the delivery and the liability of delayed delivery resulting therefrom shall be assumed by the Company.

The ASPA also contains other customary terms and conditions.

3.3 Relative Figures under Chapter 10 of the Listing Manual

3.3.1 Rule 1014(1) of the Listing Manual states that where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, a transaction is classified as a major transaction. Rule 1014(2) of the Listing Manual further states that such a major transaction must be made conditional upon approval by Shareholders in general meeting.

3.3.2 Based on the FY2018 Financial Statements, the relative figures computed in respect of the Proposed Disposal on the bases set out in Rule 1006 of Listing Manual are as follows:

- (a) Rule 1006(a) – the net asset value of the Properties of approximately S\$47,093,000 as at 30 June 2018 represents approximately 6.5% of the Group's net asset value of S\$722,730,000 as at 30 June 2018;
- (b) Rule 1006(b) – the aggregate net losses of approximately S\$251,000⁶ attributable to the Properties to be disposed of for FY2018 represents approximately negative 0.6% of the Group's net profits of approximately S\$42,421,000 for FY2018;
- (c) Rule 1006(c) – the Consideration of RMB252,370,000 (approximately S\$50,413,000) represents approximately 23.9% of the Company's market capitalisation of approximately S\$210,934,000⁷ as at 28 August 2018, being the market day immediately preceding the date of the ASPA;
- (d) Rule 1006(d) – not applicable as no Shares will be issued by the Company pursuant to Proposed Disposal; and
- (e) Rule 1006(e) – not applicable as the Proposed Disposal is not a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

3.3.3 Based on the relative figures above, the Proposed Disposal constitutes a major transaction for the purposes of Chapter 10 of the Listing Manual and requires the approval of the Company's shareholders.

3.4 Financial Effects of the Proposed Disposal

3.4.1 Based on the FY2018 Financial Statements:

- (a) the book value and net tangible asset value of the Properties as at 30 June 2018 was approximately S\$47,093,000 and S\$47,093,000 respectively;

⁶ Calculated based on the difference between the property expenses of S\$608,000 and the rental income of S\$357,000, attributable to the Properties for FY2018.

⁷ Calculated based on the last transaction price of S\$0.153 per Share and 1,378,656,672 shares excluding treasury shares.

- (b) As this is a transaction within the Group, there will be no gain/loss from this transaction for the Group except for the effect on tax and non-controlling interest⁸. The Group intends to use the sale proceeds from the Proposed Disposal for its working capital.

3.4.2 Based on the latest FY2018 Financial Statements, the financial effects of the Proposed Disposal would be as follows:

- (a) the net tangible assets per share of the Company as at 30 June 2018 would increase from 36.46 Singapore cents to 36.84 Singapore cents, assuming that the Proposed Disposal had been completed on 30 June 2018; and
- (b) the earnings per share of the Company for FY2018 would increase from 0.9 Singapore cents to 1.3 Singapore cents, assuming that the Proposed Disposal had been completed on 1 July 2017.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

4.1 The interest of the directors of the Company in the Shares, as extracted from the Register of Directors' shareholdings, as at the Latest Practicable Date is set out below:

	Number of Shares			% of the total number of issued Shares ⁽¹⁾
	Direct Interest	Deemed Interest	Total Interest	
Chew Hua Seng ⁽²⁾	428,864,605	34,043,159	462,907,764	33.58
Lim How Teck	-	-	-	-
Tan Chin Nam	-	-	-	-
Teo Cheng Lok John	361,562	-	361,562	0.03
Mdm. Gan Hui Tin	-	-	-	-

Notes:

- (1) Based on the total number of Shares (excluding treasury shares) as at the Latest Practicable Date of 1,378,656,672.
- (2) Mr Chew Hua Seng's direct interest in the Shares comprises 291,914,842 Shares held in his sole name and 136,949,763 Shares held jointly with his spouse, Ms Doris Chung Gim Lian. Ms Doris Chung Gim Lian also holds 34,043,159 Shares in her sole name. Mr Chew Hua Seng is deemed to be interested in the 34,043,159 Shares held by Ms Doris Chung Gim Lian. Assuming the purchase or acquisition of Shares pursuant to the Share Purchase Mandate is carried out to the full 10% limit, Mr Chew Hua Seng's percentage shareholding in the Company will increase from 33.58% to 37.31%.

⁸ As this is a transaction between two (2) subsidiaries of the Company, there is also no gain/loss from this transaction at the Company level. For illustrative purposes only, if the Proposed Disposal was entered into with a third party instead of OUCHK, the gain on disposal would be approximately RMB24,600,000 (approximately S\$4,913,600) (being the difference between the Consideration of RMB252,370,000 (approximately S\$50,413,000) and the cost as at 30 June 2018 of RMB227,770,000 (approximately S\$45,499,400)).

The interests of the Substantial Shareholders (other than Directors) in the Shares, as extracted from the Register of Substantial Shareholders, as at the Latest Practicable Date are set out below:

	Number of Shares			% of the total number of issued Shares ⁽¹⁾
	Direct Interest	Deemed Interest	Total Interest	
Doris Chung Gim Lian ⁽²⁾	170,992,922	291,914,842	462,907,764	33.58
Oei Hong Leong ⁽³⁾	134,565,569	43,353,440	177,919,009	12.91

Notes:

- (1) Based on the total number of Shares (excluding treasury shares) as at the Latest Practicable Date of 1,378,656,672.
- (2) Ms Doris Chung Gim Lian is the spouse of Mr Chew Hua Seng. In this respect, Ms Doris Chung Gim Lian is deemed to have an interest in the shareholdings of Mr Chew Hua Seng and *vice versa*.
- (3) Mr Oei Hong Leong is deemed to have an interest in the shares held by Oei Hong Leong Art Museum Limited ("**OHLAM**") due to his direct interest of 90% in the ultimate holding company of OHLAM.

4.2 Interests in the Proposed Disposal

As at the date of this Letter, none of the Directors or controlling shareholders of the Disposal has any interest, direct or indirect, in the Proposed Disposal, other than through their respective directorships and shareholdings in the Company. No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal or any other transaction contemplated in relation to the Proposed Disposal.

5. DIRECTORS' RECOMMENDATIONS

5.1 Proposed Renewal of the Share Purchase Mandate

The Directors (other than Mr Chew Hua Seng, who has abstained from making any recommendations in respect of the Share Purchase Mandate Ordinary Resolution) are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company and accordingly recommend that the Shareholders vote in favour of the Share Purchase Mandate Ordinary Resolution at the AGM.

5.2 Proposed Disposal

The Directors are of the opinion that the Proposed Disposal is in the best interests of the Company and accordingly recommend that the Shareholders vote in favour of the Ordinary Resolution relating to the Proposed Disposal at the AGM.

6. ANNUAL GENERAL MEETING

The AGM, notice of which is circulated with this Letter, will be held on 29 October 2018 at 10am at Cinnamon Room, Level 5, Novotel Singapore Clarke Quay, 177A River Valley Road, Singapore 179031 for the purpose of considering and, if thought fit, passing, with or without modifications, the Ordinary Resolutions set out in the Notice of AGM.

7. ABSTENTION FROM VOTING

Proposed Renewal of Share Purchase Mandate

Each of Mr Chew Hua Seng and Ms Doris Chung Gim Lian, and their concert parties (if any), is required to abstain from voting on the Share Purchase Mandate Ordinary Resolution at the AGM. Each of Mr Chew Hua Seng and Ms Doris Chung Gim Lian shall not, and shall procure that their concert parties shall not, accept appointment as proxies for voting on the Share Purchase Mandate Ordinary Resolution unless specific instructions have been given on the Proxy Form(s) on how the votes are to be cast in respect of the Share Purchase Mandate Ordinary Resolution and that they inform their concert parties accordingly. Please refer to paragraph 2.9 for a definition of their concert parties.

8. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Share Purchase Mandate and the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter 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 these sources and/or reproduced in this Letter in its proper form and context.

9. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 51 Merchant Road, Raffles Education Square, Singapore 058283 during normal business hours from the date hereof up to and including the date of the AGM:

- (a) the Constitution;
- (b) the ASPA;
- (c) the Valuation Report; and
- (d) the Annual Report 2018.

Yours faithfully

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

Chew Hua Seng
Chairman and Chief Executive Officer

