

RAFFLES UNITED HOLDINGS LTD
(Incorporated in the Republic of Singapore)
(Company Registration No.: 197302030N)

**PROPOSED ACQUISITION OF 51% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF
RAFFLES CAPITAL ENTERPRISE PTE. LTD.**

1. INTRODUCTION

The board of directors (the “**Board**”) of Raffles United Holdings Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a sale and purchase agreement on 10 June 2015 (the “**SPA**”) with Teo Teck Yao Glenn Ashley (“**TTY**”) and Teo Xian-Hui Amanda Marie (“**TXH**”) (collectively, the “**Vendors**”), in relation to the proposed acquisition of 51,000 ordinary shares in aggregate in the capital of Raffles Capital Enterprise Pte. Ltd. (the “**Target**”, and such shares, the “**Sale Shares**”), representing 51% of the total issued and paid-up share capital of the Target, for a total purchase consideration of S\$7,980,000 in cash (the “**Proposed Acquisition**”).

The Proposed Acquisition is in the ordinary course of business, and does not change the risk profile of the Group, thus it does not fall under Chapter 10 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The Proposed Acquisition would constitute an interested person transaction within the meaning of Chapter 9 of the Listing Manual.

2. THE PROPOSED ACQUISITION

2.1. The Proposed Acquisition as an Interested Person Transaction

As at the date of this Announcement, TTY and TXH each hold direct interests of 48% and 52% in the share capital of Raffles United Pte Ltd (“**RU**”) respectively, which in turn holds a direct interest in 153,418,633 ordinary shares, representing approximately 65.55%, in the share capital of the Company. Accordingly, RU is a controlling shareholder of the Company, and the Vendors are the deemed controlling shareholders of the Company. TXH also holds a direct interest in 110,000 ordinary shares, representing approximately 0.05%, in the share capital of the Company.

In addition, as at the date of this Announcement, TTY and TXH each hold direct interests of 45% and 55% in the share capital of the Target, respectively. TTY and TXH are the son and daughter of Mr Teo Teng Beng (“**TTB**”), the Managing Director and member of the Nominating Committee of the Company, respectively. Accordingly, TTY and TXH are associates of TTB.

As such, TTY and TXH are each an “interested person” in relation to the Company within the meaning of Rule 904 of the Listing Manual, and accordingly, the Proposed Acquisition between the Company as an “entity at risk” and the Vendors as “interested persons” would constitute an interested person transaction subject to Chapter 9 of the Listing Manual.

2.2. Information on the Target

The Target is an exempt private limited company incorporated in Singapore which acquired the properties known as 296/298/300/302/304/306/308 Lavender Street Singapore 338808/338809/338810/338811/338812/338813/338814, comprising a row of seven units of 2-storey intermediate shophouses located along Lavender Street, which have a freehold tenure with a total land area of 1,217.7 square metres (the “**Properties**”).

As at the date of this Announcement, the Target has an issued and paid-up share capital of S\$100,000 comprising 100,000 ordinary shares.

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

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

The Target also has, as at 31 March 2015, total liabilities of S\$14,532,000 which comprise mainly of bank borrowings of S\$9,181,000 (the “**Bank Borrowings**”) and a shareholder’s loan of S\$5,054,000 owing to TXH (the “**Shareholder’s Loan**”). The Bank Borrowings were used to part finance the purchase of the Properties, while the Shareholder’s Loan was used to part finance the purchase of the Properties as well as associated costs incurred.

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

2.3. Rationale of the Proposed Acquisition

The Directors believe that the Proposed Acquisition is in line with the Group’s strategic plans to increase shareholder value in future, and thus is in the best interest of the Group for the following reasons:

2.3.1. *The Proposed Acquisition strengthens the Group’s property investment and expansion strategy*

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

2.3.2. *Strategic location with close proximity to the city and major transport systems*

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

Public transport is readily available along Lavender Street. Accessibility to other parts of the island is enhanced by its proximity to the Central Expressway/Pan-Island

Expressway with the Boon Keng / Farrer Park / Lavender MRT stations located nearby. The future Bendemeer MRT station will be within walking distance away.

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

2.3.3. *Freehold tenure*

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

2.4. **Purchase Consideration**

The purchase consideration for the Sale Shares is S\$7,980,000 (the “**Purchase Consideration**”), which is the equivalent of the 51% of the Target’s NTA of S\$15,648,000 based on the audited accounts of the Target as at 31 March 2015.

The Purchase Consideration was arrived based on arm’s length negotiations between the parties after taking into account the prevailing market conditions and the open market value of the Properties based on the average of independent property valuation reports (the “**Valuation Reports**”) procured by the Company.

The Company had engaged Colliers International Consultancy & Valuation (Singapore) Pte Ltd, Dennis Wee Realty Pte Ltd and Sterling Property Consultants Pte Ltd (collectively, the “**Valuers**”), to value the Properties. The Valuers each valued the Properties at S\$30,000,000, as a residential with commercial at first storey, subject to relevant assumptions, disclaimers, limitations and qualifications. In formulating their opinion on the market value of the Properties, the Valuers adopted the Direct Comparison Method of properties valuation. In this method, a comparison is made with sales of similar properties in the vicinity and made adjustments for other relevant factors before arriving at the market value of the Properties.

2.5. **Total Exposure**

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

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

2.6. Conditions Precedent

Completion of the Proposed Acquisition (the “**Completion**”) is subject to the Company obtaining clearance from the SGX-ST and the regulatory authorities, as well as the approval of shareholders of the Company (the “**Shareholders**”), for the purchase of the Sale Shares. If the said clearance and/or approval is not obtained by the Company within 12 weeks from the date of signing of the SPA, the Company shall be fully entitled, upon written notice to the Vendors, to elect to rescind the SPA.

2.7. Value of the Interested Person Transaction

The total amount payable to the Vendors, comprising the Purchase Consideration of S\$7,980,000 and the Shareholder’s Loan of S\$5,054,000 owing from the Target (which will be a subsidiary of the Company post-Completion, and accordingly, also an “entity at risk”), amounts to S\$13,034,000, which represents approximately 17.0% of the latest audited consolidated net tangible assets of S\$76,509,000 of the Group as at 31 December 2014 (the “**Group NTA**”). As the value of the Proposed Acquisition is more than 5% of the Group NTA, for the purposes of Chapter 9 of the Listing Manual and in particular Rule 906(1)(a), the Proposed Acquisition is therefore subject to the approval of Shareholders.

Pursuant to Chapter 9 of the Listing Manual, an independent financial adviser (“**IFA**”) will be appointed to advise the directors of the Company who are deemed independent for the purposes of making recommendations to the Shareholders on whether the Proposed Acquisition is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders. The Audit Committee of the Company will consider the opinion of the IFA before forming its own view on whether the Proposed Acquisition is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders.

2.8. Total Value of Interested Person Transactions

Save for the Proposed Acquisition and as disclosed below, there are no other interested person transactions which were entered into with the Vendors and/or their associates by the Company for the current financial year (i.e. FY2015) up to the date of this Announcement:-

Name of Interested Person	Nature of Transaction	Aggregate value of transaction with the particular interested person whose transaction is the subject of this Announcement for the current financial year up to the date of this Announcement
TXH	Rental expenses paid by Company for premises at 5 th floor, Sapphire Tower No.267 Tianmu Zhong Road, Shanghai	S\$76,000

The total value of all interested person transactions entered into by the Company, including the Proposed Acquisition, for the current financial year up to the date of this

Announcement is S\$13,131,000, representing approximately 17.2% of the Group NTA.

2.9. Chapter 10 of the Listing Manual

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

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

Notes:

- (1) "Net profits" as defined as profit before income tax, minority interests and extraordinary items.

Net profits attributable to the assets to be acquired under the Proposed Acquisition is approximately S\$0.55 million. Based on the latest announced audited consolidated profits for the year ended 31 December 2014, net profits attributable to the Group was approximately S\$1.22 million.

- (2) The aggregate value of the Purchase Consideration for the Proposed Acquisition is S\$7,980,000. The market capitalisation of the Company of approximately S\$42.13 million is determined by multiplying the number of shares in issue (being 234,060,000 shares) by the weighted average price of such shares (being S\$0.18) transacted on 9 June 2015 (being the market day preceding the date of the SPA).

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

2.10. Financial Effects of the Proposed Acquisition

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

(a) Pro Forma NAV

For illustrative purposes, assuming that the Proposed Acquisition had taken place on 31 December 2014, the pro forma financial effects of the Proposed Acquisition would have the following impact on the NAV and NAV per Share of the Group:

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

(b) Pro Forma EPS

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

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

3. EXTRAORDINARY GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

The Directors will be convening an extraordinary general meeting to seek the approval of Shareholders for the Proposed Acquisition. A circular to Shareholders, containing, *inter alia*, details in relation to the Proposed Acquisition will be despatched by the Company to Shareholders in due course.

4. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed above in this Announcement, in particular Section 2.1, none of the Directors (other than in his capacity as Director or Shareholder) or controlling Shareholders (other than through their respective shareholdings in the Company) has any interest, direct or indirect, in the Proposed Acquisition.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office at 5 Changi South Street 3 Singapore 486117 for a period of three (3) months from the date of this Announcement:

- (i) the SPA; and
- (ii) the Valuation Reports.

BY ORDER OF THE BOARD

Tan Saik Hock
Chairman
10 June 2015