

LETTER DATED 11 OCTOBER 2013

This letter to shareholders of the Company is circulated to the shareholders of Raffles Education Corporation Limited (the "**Company**") together with the Annual Report 2013 (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) to be tabled at the annual general meeting of the Company to be held on 29 October 2013 at Ballroom II & III, Level 2, InterContinental Singapore, 80 Middle Road, Singapore 188966 (the "**AGM**").

The Ordinary Resolution (as defined herein) proposed to be passed in respect of the Share Purchase Mandate 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.

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

**LETTER TO SHAREHOLDERS IN RELATION TO
THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

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DEFINITIONS

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

<u>“AGM”</u>	:	The annual general meeting of the Company to be held on 29 October 2013 at Ballroom II & III, Level 2, InterContinental Singapore, 80 Middle Road, Singapore 188966, notice of which is set out in the Annual Report 2013
<u>“Annual Report 2013”</u>	:	The annual report of the Company for the financial year ended 30 June 2013
<u>“Articles of Association”</u>	:	The articles of association of the Company for the time being in force, as amended or modified from time to time
<u>“Average Closing Price”</u>	:	Has the meaning ascribed to it under paragraph 2.3.4 of this Letter
<u>“Awards”</u>	:	A contingent award of Shares granted under the REC PSP 2008
<u>“Board”</u>	:	The board of Directors
<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>“concert parties”</u>	:	Has the meaning ascribed to it under paragraph 2.9.2 of this Letter
<u>“day of the making of the offer”</u>	:	Has the meaning ascribed to it under paragraph 2.3.4 of this Letter
<u>“Directors”</u>	:	The directors of the Company as at the date of this Letter
<u>“EPS”</u>	:	Earnings per Share
<u>“Group”</u>	:	The Company and its subsidiaries
<u>“Latest Practicable Date”</u>	:	The latest practicable date prior to the printing of this Letter, being 20 September 2013
<u>“Letter”</u>	:	This letter to Shareholders dated 11 October 2013
<u>“Listing Manual”</u>	:	The listing manual of the SGX-ST as may be amended, supplemented or modified from time to time
<u>“Market Day”</u>	:	A day on which the SGX-ST is open for trading in securities
<u>“Market Purchase”</u>	:	Has the meaning ascribed to it under paragraph 2.3.3 of this Letter

<u>“Maximum Price”</u>	:	Has the meaning ascribed to it under paragraph 2.3.4 of this Letter
<u>“Memorandum”</u>	:	The memorandum of association of the Company for the time being in force, as amended or modified from time to time
<u>“NAV”</u>	:	Net asset value
<u>“Notice of AGM”</u>	:	The notice of the AGM, as enclosed with the Annual Report 2013
<u>“Off-Market Purchase”</u>	:	Has the meaning ascribed to it under paragraph 2.3.3 of this Letter
<u>“Ordinary Resolution”</u>	:	The ordinary resolution relating to the renewal of the Share Purchase Mandate
<u>“Proxy Form”</u>	:	The proxy form in respect of the AGM as attached to the Notice of AGM
<u>“public”</u>	:	Has the meaning ascribed to it in the Listing Manual
<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>“REC PSP 2008”</u>	:	The performance share plan of the Company known as “Raffles Education Corporation Performance Share Plan” which was approved on 5 March 2008
<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 and expiring on the date on which the next AGM is held or is required by law to be held, whichever is earlier, assuming that Ordinary Resolution 8 relating to the Share Purchase Mandate is passed
<u>“Securities Account”</u>	:	A securities account maintained by a depositor with CDP but does not include a securities sub-account
<u>“SIC”</u>	:	Securities Industry Council of Singapore
<u>“SGX-ST”</u>	:	Singapore Exchange Securities Trading Limited
<u>“Shareholders”</u>	:	Registered holders of Shares in the Register, except that where the registered holder is CDP, the term <u>“Shareholders”</u> 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 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
“Shares”	:	Ordinary shares in the capital of the Company
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
“S\$” and “cents”	:	Singapore dollars and cents respectively
“%”	:	Percentage

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

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, 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 Henry Tan Song Kok (*Lead Independent Director*)
Dr Tan Chin Nam (*Independent Director*)
Mr Teo Cheng Lok John (*Independent Director*)
Mr Lim Tien Lock, Christopher (*Independent Director*)
Mr Chew Kok Chor (*Executive Director and Deputy Chief Executive Officer*)

Registered Office

Raffles Education Square
51 Merchant Road
Singapore 058283

11 October 2013

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. Item 8 appearing under the heading "As Special Business" in the Notice of AGM is the Ordinary Resolution for the renewal of the Share Purchase Mandate.
- 1.2 The purpose of this Letter is to provide Shareholders with information relating to the proposed renewal of the Share Purchase Mandate to be tabled at the AGM and to seek Shareholders' approval for the proposed renewal of the Share Purchase Mandate 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 29 October 2012.

Unless renewed again, the Share Purchase Mandate will expire at 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 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.
- (d) Under the REC ESOS 2011 and the REC PSP 2008, subject to prevailing legislation, the Memorandum, the Articles of Association 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 or, as the case may be, hold released Awards under the REC PSP 2008. 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 (i) participants under the REC ESOS 2011; and (ii) participants holding Awards under the REC PSP 2008, thus giving the Company greater flexibility to select the method of providing Shares to employees most beneficial to the Company and its Shareholders.

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 position 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) 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 will be disregarded for purposes of computing the 10% limit.

For illustrative purposes only, based on the general rule in the foregoing paragraph, on the basis of 1,025,363,233 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 102,536,323 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 3,495,253 outstanding Share Options under the REC ESOS 2001 and the REC ESOS 2011, of which Share Options comprising 3,495,253 Shares are exercisable as at the Latest Practicable Date. In the event that the Company issues 3,495,253 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 1,028,858,486, and not more than 102,885,849 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 scheme in accordance with Section 76C of 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, the Memorandum and the Articles of Association 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 smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

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 an employees' share scheme;
- (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 Articles of Association 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. 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 1,045,295,233, of which 19,932,000 Shares are held in treasury. On this basis, for illustrative purposes only, as the Company can only hold 10% of its Shares in treasury pursuant to Section 76I(1) of the Companies Act, it can only hold 104,529,523 Shares in treasury. As such, even though the Share Purchase Mandate provides for potentially up to 102,536,323 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 84,597,523 Shares. Accordingly, the exercise in full of the Share Purchase Mandate would result in the purchase or acquisition of 84,597,523 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. 84,597,523 Shares, instead of the entire 10% of the total number of issued Shares (excluding treasury shares), i.e. 102,536,323 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 2013 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 84,597,523 Shares at the Maximum Price of S\$0.31 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 84,597,523 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$26,225,232; and
- (b) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 84,597,523 Shares at the Maximum Price of S\$0.36 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 84,597,523 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$30,455,108.

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 2012 and the Company had purchased or acquired 84,597,523 Shares on 1 July 2012,

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 2013 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 S\$'000	After Share Purchase S\$'000	Before Share Purchase S\$'000	After Share Purchase S\$'000
As at 30 June 2013				
Profit after tax	26,672	26,672	(4,547)	(4,547)
Share Capital	481,785	481,785	481,785	481,785
Capital and Other reserves	(5,427)	(5,427)	2,453	2,453
Accumulated profits / (losses)	99,443	99,443	(77,340)	(77,340)
	575,801	575,801	406,898	406,898
Treasury shares	(21,383)	(47,608)	(21,383)	(47,608)
Shareholders' funds	554,418	528,193	385,515	359,290
NAV	554,418	528,193	385,515	359,290
Current Assets	263,846	263,846	294,883	294,883
Current Liabilities	218,617	218,617	81,594	81,594
Borrowings	226,253	252,478	146,962	173,187
Number of issued Shares ('000)	1,045,295	1,045,295	1,045,295	1,045,295
Treasury shares ('000)	19,932	104,530	19,932	104,530
Financial Ratios				
NAV per Share (cents)	54.07	56.15	37.60	38.19
Gearing (times)	0.41	0.48	0.38	0.48
Current Ratio (times)	1.21	1.21	3.61	3.61
EPS (cents)	2.66	2.90	(0.45)	(0.49)

(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 2013				
Profit after tax	26,672	26,672	(4,547)	(4,547)
Share Capital	481,785	481,785	481,785	481,785
Capital and Other reserves	(5,427)	(5,427)	2,453	2,453
Accumulated profits / (losses)	99,443	99,443	(77,340)	(77,340)
	575,801	575,801	406,898	406,898
Treasury shares	(21,383)	(51,838)	(21,383)	(51,838)
Shareholders' funds	554,418	523,963	385,515	355,060
NAV	554,418	523,963	385,515	355,060
Current Assets	263,846	263,846	294,883	294,883
Current Liabilities	218,617	218,617	81,594	81,594
Borrowings	226,253	256,708	146,962	177,417
Number of issued Shares ('000)	1,045,295	1,045,295	1,045,295	1,045,295
Treasury shares ('000)	19,932	104,530	19,932	104,530
Financial Ratios				
NAV per Share (cents)	54.07	55.70	37.60	37.74
Gearing (times)	0.41	0.49	0.38	0.50
Current Ratio (times)	1.21	1.21	3.61	3.61
EPS (cents)	2.66	2.90	(0.45)	(0.49)

(2) Purchases made out of capital and profits and cancelled**(A) 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 2013				
Profit after tax	26,672	26,672	(4,547)	(4,547)
Share Capital	481,785	455,560	481,785	455,560
Capital and Other reserves	(5,427)	(5,427)	2,453	2,453
Accumulated profits / (losses)	99,443	99,443	(77,340)	(77,340)
	575,801	549,576	406,898	380,673
Treasury shares	(21,383)	(21,383)	(21,383)	(21,383)
Shareholders' funds	554,418	528,193	385,515	359,290
NAV	554,418	528,193	385,515	359,290
Current Assets	263,846	263,846	294,883	294,883
Current Liabilities	218,617	218,617	81,594	81,594
Borrowings	226,253	252,478	146,962	173,187
Number of issued Shares ('000)	1,045,295	960,697	1,045,295	960,697
Treasury shares ('000)	19,932	19,932	19,932	19,932
Financial Ratios				
NAV per Share (cents)	54.07	56.15	37.60	38.19
Gearing (times)	0.41	0.48	0.38	0.48
Current Ratio (times)	1.21	1.21	3.61	3.61
EPS (cents)	2.66	2.90	(0.45)	(0.49)

(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 2013				
Profit after tax	26,672	26,672	(4,547)	(4,547)
Share Capital	481,785	451,330	481,785	451,330
Capital and Other reserves	(5,427)	(5,427)	2,453	2,453
Accumulated profits / (losses)	99,443	99,443	(77,340)	(77,340)
	575,801	545,346	406,898	376,443
Treasury shares	(21,383)	(21,383)	(21,383)	(21,383)
Shareholders' funds	554,418	523,963	385,515	355,060
NAV	554,418	523,963	385,515	355,060
Current Assets	263,846	263,846	294,883	294,883
Current Liabilities	218,617	218,617	81,594	81,594
Borrowings	226,253	256,708	146,962	177,417
Number of issued Shares ('000)	1,045,295	960,697	1,045,295	960,697
Treasury shares ('000)	19,932	19,932	19,932	19,932
Financial Ratios				
NAV per Share (cents)	54.07	55.70	37.60	37.74
Gearing (times)	0.41	0.49	0.38	0.50
Current Ratio (times)	1.21	1.21	3.61	3.61
EPS (cents)	2.66	2.90	(0.45)	(0.49)

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), 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), 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 in respect of the investment account which 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 and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client’s equity share capital;
- (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 persons acting in concert with them 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 under Division 4, Part IV of the Companies Act as at the Latest Practicable Date, as set out in paragraph 3 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) 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 wife, Ms Doris Chung Gim Lian held, directly and indirectly, 34.78% 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) 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 34.78% to 37.91%. 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 parties acting in concert with them, 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 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 parties acting in concert with them 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 parties acting in concert with them, their voting rights at the time of the Ordinary Resolution and after the proposed purchase or acquisition of Shares by the Company under the Share Purchase Mandate;
- (c) the 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 parties acting in concert with them shall abstain from voting for, and Mr Chew Hua Seng shall abstain from recommending Shareholders to vote in favour of, the Ordinary Resolution; and

- (e) within seven (7) days after the passing of the 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 parties acting in concert with them 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 parties acting in concert with them 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 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 parties acting in concert with them.

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 under the Share Purchase Mandate 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 are in the hands of the public. The “public”, as defined under the Listing Manual, are persons other than the Directors, chief executive officer, substantial Shareholders or controlling shareholders of the Company and its subsidiaries, as well as the associates of such persons.

Based on the Register of Directors’ shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 592,852,953 Shares, representing 57.82% 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 508,255,430 Shares, representing 54.03% 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. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTEREST

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⁾	330,435,853	26,187,046	356,622,899	34.78
Tan Chin Nam	-	-	-	-
Henry Tan Song Kok ⁽³⁾	818,089	208,036	1,026,125	0.10
Teo Cheng Lok John	278,125	-	278,125	0.03
Lim Tien Lock, Christopher	-	-	-	-
Chong Ee Yong ⁽⁴⁾	100,000	316,666	416,666	0.04
Chew Kok Chor	588,465	-	588,465	0.06

Notes:

- (1) Based on the total number of Shares (excluding treasury shares) as at the Latest Practicable Date of 1,025,363,233.
- (2) Mr Chew Hua Seng is deemed to be interested in the 171,533,018 Shares held by his spouse, 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 34.78% to 37.91%.
- (3) Mr Henry Tan Song Kok is deemed to be interested in the 208,036 Shares registered in the name of “His Time Family Trust” of which he is the trustee. The beneficiary of the trust is his family.
- (4) Mr Chong Ee Yong is deemed to be interested in the 316,666 Shares held by his spouse, Mdm Yap Chye Suat Claire.

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⁾	171,533,018	185,089,881	356,622,899	34.78
Oei Hong Leong ⁽³⁾	60,288,000	13,290,000	73,578,000	7.18

Notes:

- (1) Based on the total number of Shares (excluding treasury shares) as at the Latest Practicable Date of 1,025,363,233.
- (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. DIRECTORS' RECOMMENDATIONS

The Directors (other than Mr Chew Hua Seng, who has abstained from making any recommendations in respect of the 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 Ordinary Resolution relating to the renewal of the Share Purchase Mandate at the AGM.

5. ANNUAL GENERAL MEETING

The AGM, notice of which is circulated with this Letter, will be held on 29 October 2013 at Ballroom II & III, Level 2, InterContinental Singapore, 80 Middle Road, Singapore 188966 for the purpose of considering and, if thought fit, passing, with or without modifications, the Ordinary Resolution set out in the Notice of AGM.

6. ABSTENTION FROM VOTING

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

7. 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, 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.

8. DOCUMENTS FOR INSPECTION

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

- (a) the Memorandum and the Articles of Association; and
- (b) the Annual Report 2013.

Yours faithfully

For and on behalf of the Board of Directors of

RAFFLES EDUCATION CORPORATION LIMITED

Chew Hua Seng

Chairman and Chief Executive Officer

