



RAFFLES CAPITAL LIMITED

Notice of General Meeting and Explanatory Memorandum

For the Meeting of Members to be held at
Level 2 Hudson House, 131 Macquarie Street Sydney NSW 2000 at 10:00 am on Friday, 27 February 2015.

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Raffles Capital Limited

ACN 009 106 049

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Raffles Capital Limited

ACN 009 106 049

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Shareholders of Raffles Capital Limited (**Company**) will be held at Level 2, 131 Macquarie Street, Sydney, NSW 2000, on Friday 27 February at 10am (**Meeting**).

The Explanatory Memorandum provide additional information on the business of the Meeting. The Explanatory Memorandum and the Proxy Forms are included in this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company on Wednesday, 25 February 2015 at 5pm (AEST).

Capitalised terms and abbreviations used in the Notice are defined in Schedule 1.

Business

Resolution 1 Convertible Note 1 – Swift China Limited

To consider and if thought fit, pass the following as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue and allot Convertible Note 1 with a face value of \$500,000 to issue up to 5,000,000 Shares and 5,000,000 Options and to issue and allot those Shares and Options upon conversion of Convertible Note 1 to Swift China Limited on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 1 by Swift China Limited and any of their associates and a person who might obtain a benefit, except a benefit solely in their capacity as a holder of ordinary securities, if the resolution is passed.

However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on a Proxy Form; or the vote is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on a Proxy Form.

Resolution 2 Convertible Note 2 – New Inspiration Development Ltd

To consider and if thought fit, pass the following as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue and allot Convertible Note 2 with a face value of \$500,000 to issue up to 5,000,000 Shares and 5,000,000 Options and to issue and allot those Shares and Options upon conversion of Convertible Note 2 to New Inspiration Development Ltd on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 2 by New Inspiration Development Ltd and any of their associates and a person who might obtain a benefit, except a benefit solely in their capacity as a holder of ordinary securities, if the resolution is passed.

However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on a Proxy Form; or the vote is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on a Proxy Form.



Resolution 3 Convertible Note 3 – SinoWealth Financial Ltd

To consider and if thought fit, pass the following as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue and allot Convertible Note 3 with a face value of \$500,000 to issue up to 5,000,000 Shares and 5,000,000 Options and to issue and allot those Shares and Options upon conversion of Convertible Note 3 to SinoWealth Financial Ltd on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 3 by SinoWealth Financial Ltd and any of their associates and a person who might obtain a benefit, except a benefit solely in their capacity as a holder of ordinary securities, if the resolution is passed.

However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on a Proxy Form; or the vote is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on a Proxy Form.

Resolution 4 Convertible Note 4 – Acquisition of Sequoia

To consider and if thought fit, pass the following as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue and allot a convertible note with a face value of \$1,000,000 to issue up to 10,000,000 Shares and to issue and allot those Shares upon conversion of the convertible note to Huang Chuan in consideration for the acquisition of Sequoia Capital (Hong Kong) Limited on the terms and conditions described in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 4 by Mr Huang Chuan and his associates and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed.

However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on a Proxy Form; or the vote is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on a Proxy Form to vote as the proxy decides.

Resolution 5 Reconstruction Resolution

To consider and if thought fit, pass the following as an **ordinary resolution**:

"That, in accordance with Section 256B of the Corporations Act 2001 (Cth) and for all other purposes approval be granted for the Company to reduce its issued share capital by approximately \$5,184,277, and that such reduction be effected and satisfied by Raffles transferring on the Distribution Date to each registered holder of Raffles Shares on the Record Date, one (1) RafflesCo Security for every one (1) Raffles Share held by that holder as at the Record Date."

Resolution 6 Issue of Shares to Adviser

To consider and if thought fit, pass the following as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 4,000,000 Raffles Shares to Mile Oak Investments Limited on the terms and conditions set out in the Explanatory Memorandum."



Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 6 by Mile Oak Investments Limited or any of his associates and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed.

However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form.

Resolution 7 Consolidation Resolution

To consider and if thought fit, pass the following as an **ordinary resolution**:

"That, in accordance with section 254H of the Corporations Act and for all other purposes, the Shares be consolidated with effect from the 6 March 2015 on the basis of 1 Share for every 2 Shares held as at the Record Date, on the terms and conditions described in the Explanatory Memorandum."

BY ORDER OF THE BOARD

Henry Kinstlinger
Company Secretary

21 January 2015



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Raffles Capital Limited

ACN 009 106 049

Explanatory Memorandum

A. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the Extraordinary General Meeting (EGM) of Shareholders to be held on Friday, 27 February 2015 at 10am.

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

Capitalised terms and abbreviations used in the Explanatory Memorandum are defined in Schedule 1.

A Proxy Form is located at the end of the Explanatory Memorandum.

Shareholders are asked to consider a number of resolutions, which are not inter-conditional.

Each resolution, if passed will have an impact on the Company. This Explanatory Memorandum provides the information considered necessary for shareholders to make an informed decision whether to support each resolution. However it is also appropriate that shareholders consider the impact on the Company in the event that all resolutions are passed.

B. Action to be taken by Shareholders

Shareholders should read the Notice, including the Explanatory Memorandum carefully before deciding how to vote on each resolution.

A Proxy Form is enclosed with the Notice. This is to be used by Shareholders if they wish to appoint a representative (a proxy) to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and Proxy Form lodgement.

C. Forward looking statements

Some of the statements appearing in this document may be in the nature of forward looking statements.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected.

None of the Company, any of its officers or any person named in this document or involved in the preparation of this document make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and you are cautioned not to place undue reliance on those statements.



The forward looking statements in this document reflect views held only as at the date of this document. The Company has no obligation to disseminate after the date of this document any updates or revisions to any such statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based unless it is required so under the Corporations Act or under the ASX Listing Rules.

D. No financial product advice

This document is not financial product or investment advice nor a recommendation in respect of the Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act Shareholders and others should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances. The Company is not licensed to provide financial product advice in respect of the Shares.

E. No other material information

Except as set out in this Explanatory Memorandum, in the opinion of the Directors, there is no other information material to the making of a decision on how to vote in relation to the Resolutions, being information that is within the knowledge of any Director or of any related body corporate of the Company which has not been previously disclosed to Shareholders.

The Company will issue a supplementary document to the Explanatory Memorandum if it becomes aware of any of the following between the date this Explanatory Memorandum is lodged with ASIC and provided to ASX, and the date the EGM is held:

- (a) a material statement in the Explanatory Memorandum is false or misleading in a material aspect;
- (b) a material omission from the Explanatory Memorandum;
- (c) a significant change affecting a matter included in the Explanatory Memorandum; or
- (d) a significant new matter has arisen and it would have been required to be included in the Explanatory Memorandum if it had arisen before the date the Explanatory Memorandum is lodged with ASIC and provided to ASX.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, the Company may circulate and publish any supplementary document by:

- (a) making an announcement to ASX;
- (b) placing an advertisement in daily newspapers (as defined in the Corporations Act) ordinarily published in Australia;
- (c) posting the supplementary document to Shareholders at their registered address as shown on the Company's register of Shareholders; or
- (d) posting a statement on the Company's corporate website, as the Company in its sole and absolute discretion considers appropriate.

F. Voting entitlements

In accordance with section 1074E(2)(g) of the *Corporations Act 2001* (Cth) and regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) for the purposes of the Meeting, persons holding Shares on Wednesday, 25 February 2015 at 5pm (AEST) will be treated as Shareholders. This means that if you are not the registered holder of a relevant Share at that time you will not be entitled to attend and vote in respect of that Share at the Meeting.

G. ASIC Relief

The Corporations Act restricts the Company from issuing an invitation to Shareholders to vote on Resolution 5 in relation to the proposed in specie distribution of the RafflesCo Shares without the Company issuing a prospectus under Chapter 6D of the Corporations Act. In addition, the



Corporations Act restricts Shareholders from on-selling their RafflesCo Shares issued (without a prospectus) under the proposed in specie distribution within the first 12 months after the date on which they are issued.

Accordingly, a compliance prospectus in respect of the RafflesCo Shares would be required to accompany this Notice of Meeting in order to comply with the disclosure obligations in Chapter 6D of the Corporations Act.

The Board considered that the disproportionately high costs involved in the preparation of a compliant prospectus were not justified and that the costs outweighed the benefits to Shareholders of receiving a compliant prospectus. Accordingly, the Company submitted an application to ASIC for relief from the obligation to issue a prospectus based on the principles set out in ASIC Regulatory Guide 188 – Disclosure in reconstructions (RG 188).

In broad terms, under RG 188 relief for capital reductions may be granted by ASIC where there is no significant change to a member's overall investment so that they are not making a new investment decision (such as an in specie distribution).

ASIC granted relief from these disclosure and on-sale restrictions by way of the issue of an Exemption and Declaration under subsection 741(1) of the Corporations Act dated 19 January 2015. The effect of the relief is that the Company may include Resolution 5 in this Notice and implement the proposed in specie distribution of Raffles Shares without issuing a prospectus.

Further, Shareholders who receive RafflesCo Shares under the proposed in specie distribution will be free to transfer them at any time after they are issued should they wish to do so.

In compliance with the requirements of the Exemption and Declaration granted by ASIC, the Company confirms that this Notice of Meeting is substantially in the same form as the draft Notice of Meeting which was provided to ASIC in support of the Company's application for relief under RG 188.

1. ABOUT RAFFLES

Raffles Snapshot

No of Shares on Issue	24,700,359
Last Traded price ¹	\$0.20
Market Capitalisation	\$4,940,072
Directors	Tan Sri Ibrahim Menudin (Chairman) Mr Benjamin Amzalak Mr Charlie In Mr Richard Holstein

Raffles primarily focuses on the following areas.

- Corporate advisory and acquisitions – identifying commercial and corporate opportunities, synergic partnerships and project funding. Partnerships and acquisitions are examined for strategic returns to reflect Raffles contribution.
- Legal funding - currently evaluating business models to look at operating in the Litigation Funding area within Australia and in other jurisdictions.
- Origination - identifying prospective businesses and mineral exploration projects. Using multi-discipline due diligence, and are involved in creating project design with project staff including recommending relevant corporate structures, identifying corporate, technical and management talent to drive growth.

It is not expected that Raffles business will change as a result of the resolutions being considered by shareholders. It will continue in line with the three current areas of focus.

¹ 16 January 2015



2. RESOLUTIONS SUMMARY

The information in this section is a summary of the key points only and is not intended to provide comprehensive details of the resolutions to be considered at the EGM.

You should read the full text of this Explanatory Memorandum and, if in any doubt, you should consult with your professional advisers.

2.1. Resolutions 1-3 – Section 3

Raffles has secured \$1.5 million in new funding from three independent and non-associated investors – Swift China Limited, New Inspiration Development Ltd and SinoWealth Financial Ltd². This funding is through the issue of 3 convertible notes. Each convertible note has a face value of \$500,000. This funding will provide working capital to be applied in the Company's focus areas. Shareholders are asked to approve the issue and subsequent conversion of the Convertible Notes to fully paid ordinary shares and Options in the company.

2.2. Resolution 4 – Section 4

In line with Raffles' origination program, directors have identified a prospective business – Sequoia Capital (Hong Kong) Limited, and propose to acquire Sequoia in consideration of the issue of Convertible Note 4 with a face value of \$1 million; the acquisition also requires the issue of a Performance Bond.

Sequoia is a company incorporated in Hong Kong. It has an Exclusive Technology Consulting Service Agreement with China Chongqing Branch Gezhouba Xinjiang Engineering Bureau (CGGC) to manage all the projects that are developed by CGGC.

CGGC is a state-owned enterprise in the People's Republic of China with a 40-year track record in engineering and construction. It is best known for its work on the Three Gorges Dam on the Yangtze River. CGGC is the recipient of numerous construction and engineering accolades over the years and holds a AAA credit rating awarded by the China International Construction Association.

Raffles will own Sequoia. Sequoia will continue to be managed by its existing management.

Shareholders should carefully read the section on risk factors outlined in section 4.3.

Shareholders are asked to approve the issue and conversion of Convertible Note 4 in order that the Company can acquire Sequoia.

2.3. Resolution 5 – Section 5

Raffles has accumulated an investment portfolio, with a balance sheet value of \$5,184,277. This investment portfolio is held by the Company's wholly owned subsidiary RafflesCo. It is proposed to distribute the Company's shares in RafflesCo to **existing** shareholders (see section 5.1). This is to quarantine these investments for the benefit of existing shareholders only. Existing shareholders will retain their shares in Raffles. The convertible note holders will not benefit from the RafflesCo investments, nor will any new shareholders of Raffles.

It is important to note that RafflesCo will be an unlisted disclosing entity and will disclose information through ASIC, rather than through the ASX.

The shares in RafflesCo will not be listed and as such will not be able to be traded on the ASX.

Shareholders should carefully read the section on risk factors outlined in section 5.5.

RafflesCo will focus on increasing shareholder value through development of the investment portfolio and distribution of profits to its members as determined by its directors.

² On 28 November 2014, ASX was originally advised that a single convertible note would be issued to Swift China Limited. On 19 January 2015, ASX was advised that 3 convertible notes with a cumulative face value of A\$1.5 million would be issued to 3 non-associated investors, including Swift China Limited instead (see section 3.1).



2.4. Resolution 6 – Section 6

The Company has been advised by Mile Oak Investments Ltd (**Advisors**) with regard to the various resolutions to be considered by shareholders. In consideration of this work the Company will issue the Advisors 4,000,000 shares. The shares to the Advisor will be issued after the reconstruction contemplated in Resolution 5 is completed. The Advisor will not receive any RafflesCo shares.

2.5. Resolution 7 – Section 7

The directors consider it appropriate to reduce the number of shares on issue by half, through a consolidation of 1 share for every 2 shares held. As a consequence of this consolidation, the number of shares to be issued pursuant to the convertible notes will be reduced in half, whilst the conversion price will double. The view of directors is that the consolidation will best reflect the impact of resolution 5 and ensure that the number of shares on issue and trading price of Raffles shares is at a level broadly comparable to Raffles' peer group of companies.

2.6. Overall Transactions

All resolutions when considered together, if passed by shareholders will have the greatest impact on the Company. The table at section 5.14.2 shows the effect on the assets and liabilities of the Company following the passing, implementation and securities issues as a consequence of each resolution.

The following tables summarise the effect on Raffles Shareholders:

Raffles	Number of Shares on Issue	Current Raffles Shareholder interest	New Raffles Shareholder Interest	Issued Capital	Net Assets	NTA
Current	24,700,359	100%	0%	\$11,898,002	\$4,040,671	\$0.170
Resolutions 1 -3 – Convertible Notes	38,700,359	61.24%	38.76%	\$13,398,002	\$5,540,671	\$0.143
Resolution 4 – Acquisition of Sequoia	48,700,359	48.67%	51.33%	14,398,002	\$7,107,040	\$0.146
Resolution 5 – Reconstruction (In specie distribution of RafflesCo shares to existing shareholders)	48,700,359	48.67%	51.33%	\$9,213,725	\$1,922,763	\$0.039
Resolution 6 – issue of shares to Advisor	52,700,359	44.97%	55.03%	\$9,613,725	\$1,922,763	\$0.036
Resolution 7 – Consolidation (reduction of shares)	26,350,180	44.97%	55.03%	\$9,613,725	\$1,922,763	\$0.073

RafflesCo	Number of Shares on Issue	Current Raffles Shareholder interest	New Raffles Shareholder Interest	Issued Capital	Net Assets	NTA
Following Resolution 5	24,700,359	100%	0%	\$5,184,277	\$5,184,277	\$0.210

Assumptions: Effective date 30 October 2014
 All convertible notes, but not the options, are converted
 All resolutions are passed
 Conversion rate at \$0.16 (HK) to \$1.00 (AUD)



3. RESOLUTION 1,2 & 3: CONVERTIBLE NOTE 1,2 & 3

3.1. Background

Shareholders are asked to approve the issue of three (3) convertible notes with a cumulative face value of \$1.5m and the subsequent issue of 15,000,000 shares and 15,000,000 options pursuant to the convertible note loan agreements with the Company Swift China Limited, New Inspiration Development Ltd and SinoWealth Financial Ltd.

The recipients of the Convertible Notes are three independent investors. They are not related to, nor are they associates of Raffles or RafflesCo, nor are they related or associates of each other.

3.2. Principal Terms of Convertible Note 1,2 & 3

Maturity Date	31 December 2016
Note Face Value	\$500,000 per note (reducing upon conversion)
Interest	8.8% per annum, commencing 1 June 2015
Conversion Price	\$0.10 if Resolution 7 is not passed \$0.20 if Resolution 7 is passed
Convertible Securities	1 fully paid share and 1 fully paid option exercisable at the Conversion Price prior to the Maturity Date. 15m shares and 15m options (exercisable at \$0.10) if Resolution 7 is not passed or 7.5m shares and 7.5m options (exercisable at \$0.20) if Resolution 7 is passed
Other	Raffles has discretion whether to convert or repay the Note Face Value; With Raffles consent - the Note can be converted prior to the Maturity Date; The Note will be issued upon receipt of the final tranche payment; and The issue of Shares and Options pursuant to the Note is subject to shareholder approval.

The conversion price and number of convertible securities will be adjusted in accordance with the Listing Rules, summarised in sections 3.3 and 7.5.

In the event the Convertible Notes are converted to shares, each holder of the Convertible Notes will acquire a 12.92% interest in the Company (collectively 38.76%). The interest of the current shareholders of Raffles will reduce from 100% to 61.24%.

3.3. ASX Listing Rule 6.16 & 6.19

Pursuant to ASX Listing Rule 6.16, the terms of the Options include that the rights of an option holder will be changed to the extent necessary to comply with the listing rules applying to a reorganisation of capital at the time of the reorganisation.

Pursuant to ASX Listing Rule 6.19, the terms of the Options include that an option holder cannot participate in new issues without exercising their option.

3.4. ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that (subject to certain exceptions, none of which is relevant here) prior approval by shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

The Company intends to offer Swift China Limited, New Inspiration Development Ltd and SinoWealth Financial Ltd the Convertible Notes to raise funds to finance working capital and future expansion. The Directors are of the view that this will enhance the value of the Company.



ASX listing rule 7.3 outlines the notice requirements for approval under ASX Listing Rule 7.1. For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 1 to 3 will allow Shareholders to assess the future issue of Shares pursuant to the conversion of the financial instruments:

- (a) the Convertible Notes will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that will occur on the Distribution Date;
- (b) the maximum number of fully paid ordinary shares allotted and issued upon exercise of the financial instruments is 15,000,000 Shares and a further 15,000,000 options exercisable at \$0.10 prior to the Maturity Date;
- (c) The Convertible Notes may be converted at any time up and until the 31 December 2016;
- (d) The maximum aggregated value of the Convertible Notes is \$1.5 million;
- (e) The Convertible Notes will be issued to Swift China Limited, New Inspiration Development Ltd and SinoWealth Financial Ltd who are professional investors as defined by s708 of the Corporations Act;
- (f) the terms of the Convertible Notes are set out in section 3.2 above ;
- (g) the funds will be used for working capital and investment opportunities by the Company;
- (h) the shares will be issued progressively as converted by the noteholders up and until the 31 December 2016 (or such date to the extent permitted by the ASX); and
- (i) a voting exclusion statement is included in the Notice of Meeting.

3.5. Directors' Recommendation

The Directors recommend that Shareholders vote in favour of Resolutions 1, 2 & 3.

4. RESOLUTION 4: CONVERTIBLE NOTE 4 – ACQUISITION OF SEQUOIA

4.1. Background

As announced on 2 December 2014, the Company had entered into a Share Sale and Purchase Agreement (**the Agreement**) with Mr Huang Chuan to acquire all of the shares of Sequoia Capital (Hong Kong) Limited.

Consideration for the Agreement is the issue of Convertible Note 4.

The issue of the Convertible Note and subsequent conversion to shares requires shareholder approval, as the number of securities to be issued is greater than the Company's capacity under Listing Rule 7.1 (see section 4.6). Approval by shareholders to acquire Sequoia is not otherwise required.

The acquisition of Sequoia will be completed upon the issue of Convertible Note 4 which will be issued in the time provided in section 4.6(a).

4.2. Sequoia Capital (Hong Kong) Limited

Sequoia was incorporated in April 2013 under the Hong Kong Companies Ordinance Chapter 32 of the Laws of Hong Kong.

Sequoia has an Exclusive Technology Consulting Service Agreement with China Chongqing Branch Gezhouba Xinjiang Engineering Bureau (**CGGC**), which entitles Sequoia to manage all projects developed by CGGC.

Sequoia will provide relevant technical advice and services to CGGC as technical consulting and services provider on all development projects of CGGC. The service includes design and planning, sales and marketing, civil and structural engineering, personnel technical training, advice and management services on the commissioning, construction and maintenance, research and development and technical and advisory services for any other related issues of the business.



CGGC is a state-owned company by the People's Republic of China (**the PRC**), with a track record of over 40 years and expertise in various construction techniques, CGGC is best known for its work on the Three Gorges Dam on the Yangtze River. CGGC has been the recipient of numerous construction and engineering accolades over the years and holds an AAA credit rating awarded by the China International Construction Association.

As per CGGC plan, in the next three years, it is expected that Sequoia will have 5 million sq. metres of development projects. Engineering Procurement and Construction (**EPC**) projects focus on large-scale state invested infrastructure, ports, docks, roads and bridges. Sequoia's customer base is mainly government or government related enterprises and major corporate projects.

After the acquisition Raffles intends for Sequoia to continue operating under its existing management under the direction of its current owner, Mr. Huang Chaun. As the owner, Raffles will provide appropriate board oversight.

Mr Huang has a good grasp of the China property market, in-depth understanding of the Chinese language and culture, hands on experience in the PRC building and construction business and good business and governmental working relationships in South West China, particularly in Chongqing, Guizhou and Sichuan.

Currently, Mr Huang is the Managing Director of Southwest China Gezhouba Group. Previously, he was the Executive Director of North Morning Investment Hong Kong Limited, Senior Project Manager of Chongqing Kangda Environmental Protection Co. Ltd and Sichuan Office Manager of China Huayuan Group.

Mr Huang holds a Masters degree in environmental engineering from Tsinghua University.

Sequoia, through CGGC has secured a A\$300m EPC contract with the Primary Food Company Ltd (PFC) at Tamworth, New South Wales, Australia to build a 500,000 tons annual feed-stock plant to produce wheat-related food products, MSG and ethanol (from the wheat waste).

This plant would be the first plant capable of producing MSG in Australia. Construction is planned to commence in 2015 and should be completed within 18 months.

4.3. Benefits and Risks of the Sequoia Acquisition

The acquisition of Sequoia will provide Raffles with a unique origination project. There is no cash consideration being paid. Future cash payments will be made against the Bond, but will be only 5% of the profit and Raffles is able to redeem the Bond at any time (see section 4.4).

As is the case in all acquisitions, there is no guarantee of success. The principal risk is that the business will fail and Raffles shareholders will be diluted with no benefit.

Other risks include:

Key Risk	Comment
Competition risk	The industry in which the Sequoia will be involved is subject to domestic and global competition. While Sequoia will undertake all reasonable diligence in its business decisions and operations, Sequoia will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of Sequoia 's business.
Laws and regulations	The laws and regulations in China differ to those that exist in Australia. Laws may unexpectedly change, and could have an impact on the operational activities of the Company in China. While Sequoia has operated successfully within the Chinese legal and regulatory environment, unforeseen changes could materially impact the operating results of Sequoia .



Reliance on key personnel	<p>Skilled employees and consultants are essential to the successful delivery of Sequoia's strategy.</p> <p>Raffles will rely to a large extent on the services of Sequoia's key management personnel, particularly certain of its Chinese nationals who will manage day to day interactions with contractors and regulatory authorities, the loss of any of which could delay the pursuit of the Sequoia 's strategy. Sequoia will not maintain key-man life insurance with respect to any of its employees.</p>
Economic	<p>General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on Sequoia's activities, as well as on its ability to fund those activities.</p>

4.4. Share Sale and Purchase Agreement

The Company agreed to buy all of Sequoia shares from the Vendor. Consideration for the purchase is Convertible Note 4 whose principal terms are listed at 4.5 below (**Convertible Note 4**).

In further consideration for the Acquisition, Raffles will issue a Performance Bond to the Vendor (**Bond**). The face value of the Bond will be 9 times the audited Net Profit After Tax of Sequoia for either the financial year 2015 or 2016, at the discretion of the Vendor. The Bond will be issued at this time.

The yield of the Bond is 5% per annum paid every 6 months. The Bond has no maturity date and Raffles can redeem the Bond at any time for the Note Face Value and any accrued interest.

The Acquisition is subject to Raffles completing due diligence about Sequoia, to its satisfaction and obtaining all statutory, regulatory and shareholder approvals necessary to complete the transaction.

4.5. Principal Terms of Convertible Note 4

Maturity Date	31 December 2017
Note Face Value	\$1,000,000 (reducing upon conversion)
Interest	8.8% per annum, commencing 1 June 2015
Conversion Price	\$0.10 if Resolution 7 is not passed \$0.20 if Resolution 7 is passed
Convertible Securities	1 fully paid share at the Conversion Price prior to the Maturity Date. 10m if Resolution 7 is not passed or 5m shares if Resolution 7 is passed
Other	Raffles has discretion whether to convert or repay the Note Face Value; With Raffles consent - the Note can be converted prior to the Maturity Date; The Note will be issued upon receipt of the final tranche payment; and The issue of Shares and Options pursuant to the Note is subject to shareholder approval.

In the event that Convertible 4 is converted to shares, the Vendors will acquire a 12.57% interest in the Company on the basis that the Convertible Notes are also converted.

4.6. ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that (subject to certain exceptions, none of which is relevant here) prior approval by shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

The Company intends to offer Mr. Huang Chaun Convertible Note 4 to acquire Sequoia. The Directors are of the view that this will enhance the value of the Company.



ASX listing rule 7.3 outlines the notice requirements for approval under ASX Listing Rule 7.1. For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 4 to allow Shareholders to assess the future issue of Shares pursuant to the conversion of the financial instruments:

- (a) Convertible Note 4 will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that will occur on the Distribution Date;
- (b) the maximum number of fully paid ordinary shares allotted and issued upon exercise of the financial instrument is 10,000,000;
- (c) Convertible Note 4 may be converted at any time up and until the 31 December 2017;
- (d) the maximum aggregated value of Convertible Note 1 is \$1.0 million;
- (e) Convertible Note 4 will be issued to Mr Huang Chuan who is a professional investor as defined by s708 of the Corporations Act;
- (f) the terms of the new Convertible Note 4 are set out in section 4.5 above;
- (g) No funds are being raised through the issue of Convertible Note 4 as the issue of the convertible note is the consideration for the acquisition of Sequoia;
- (h) the shares will be issued progressively as converted by the noteholders up and until the 31 December 2017 (or such date to the extent permitted by the ASX); and
- (i) a voting exclusion statement is included in the Notice of Meeting.

4.7. Directors' Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 4.

5. RESOLUTION 5: RECONSTRUCTION RESOLUTION

5.1. Background

Shareholders are being asked to consider an ordinary Resolution authorising the Company to reduce its issued share capital by undertaking a return of capital and distributing in specie to Shareholders the RafflesCo Shares.

RafflesCo holds the investment portfolio of Raffles. It consists of the following fully paid ordinary shares (**Investment Shares**):

Company	No Shares	Original Acquisition Price
Sovereign Gold Company Limited (ASX: SOC)	35,721,325	\$6,671,386
Hudson Investment Group Limited (ASX: HGL)	88,800,000	\$7,840,727
Precious Metal Resources Limited (ASX: PMR)	111,409	\$2,144
Tiaro Coal Limited (ASX: TCM)	1,000,000	\$278,613
Hudson Resources Limited	13,595,640	\$3,226,168
		\$18,019,038
Adjustment to reflect reduction in value		-\$12,834,761
Current assessed value		\$5,184,277

The original acquisition price reflects the consideration paid by Raffles at the time of acquisition of the Investment Shares. \$5,184,277 represents the reduced market price of the Investment Shares.

Market sentiment for shares in resources companies has significantly reduced.



Any in specie distribution of the RafflesCo Shares will be to Shareholders on a pro rata basis (subject to fractional entitlements being rounded down) by way of an equal capital reduction under section 256B of the Corporations Act.

Shareholders would not be required to pay any consideration for the RafflesCo shares, as the Company would make an appropriate capital reduction to reflect the distribution. As a result of the return of capital the Company's paid-up share capital (contributed equity) will be reduced by \$5,184,277.

The terms of the capital reduction are the same for each Shareholder. The date for determining which Shareholders are entitled to participate in the return of capital is the Record Date.

For the purposes of the Corporations Act, the proposed return of capital is an "equal" reduction of capital, which requires the approval of Shareholders by ordinary Resolution in a general meeting. Accordingly, for the return of capital to proceed, a majority of votes must be cast in favour of the resolution.

The Board retains discretion whether to proceed with the proposed Demerger. If Raffles Shareholders pass the Resolution, the Board may resolve not to proceed should market conditions and other factors impacting on the proposed Demerger cause the Directors to believe that proceeding with the Demerger would not be in the best interests of the Raffles Shareholders.

5.2. Raffles Constitution

The Company's constitution permits the Company to conduct a distribution in specie of shares in another company, with the Company's Shareholders being deemed to have agreed to be bound by the constitution of a company in which shares are distributed to the Company's Shareholders as part of a capital reduction.

This means that if Raffles Shareholders approve the Resolution by ordinary resolution at the Meeting, when the distribution takes place all of the Shareholders will be deemed to have agreed to comply with the constitution of Raffles by virtue of the ordinary resolution having been passed. In other words if a simple majority of Shareholders passes the Resolution, the capital reduction will be binding on all Raffles Shareholders regardless of how they voted on the Resolution.

5.3. Rationale for the proposed capital reduction and distribution in specie

Directors believe that an in specie distribution provides the best protection of existing assets to the benefit of existing shareholders of the Company.

The in specie distribution will quarantine the Investment shares to the benefit of **existing** shareholders only. Notwithstanding the in specie distribution existing shareholders will retain their shares in Raffles. The convertible note holders will not benefit from the RafflesCo investments, nor will any new shareholders of Raffles.

By protecting the assets of the Company, shareholder value is preserved regardless of success or future outcome of the Acquisition.

The alternative of distributing the Investment Shares to existing shareholders of Raffles was considered but not found to be prudent at this time due the associated costs, depressed values of the Investment Shares and possible tax consequences.

RafflesCo will focus on increasing shareholder value through development of the investment portfolio and distribution of profits to its members as determined by its directors.

5.4. RafflesCo summary

Directors	Tan Sri Ibrahim Menudin Mr Benjamin Amzalak Mr Vincent Tan
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No of Shares on Issue	24,700,359
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RafflesCo will manage an investment portfolio, which will include the Investment Shares with the aim of increasing shareholder value. Other shares may be acquired and the Investment Shares may be sold. It is not the current intention of the directors of RafflesCo to raise any funds or conduct any business other than dealing with the Investment Shares and increasing the value of



the company. Whilst there is no dividend policy at this time, the directors intend to pay dividends at an appropriate time.

Directors

Tan Sri Ibrahim Menudin, B.Com, FCA

Tan Sri Ibrahim Menudin, a Malaysian citizen, graduated with a B.Com from the University of Western Australia. He is a fellow of the Institute of Chartered Accountants in Australia and a member of the Malaysian Institute of Certified Public Accountants.

He was formerly a Director and Chairman of Suria Capital Holdings Berhad, a public-listed company on the Main Board of Bursa Malaysia Berhad from 20 May 2002 until retirement on 31 October 2012.

He was formerly the Chief Executive Office of Bumiputra Investment Fund of Sabah until 1985. He had also served as Chairman of Sabah Gas Industries Sdn Bhd, Deputy Chairman of Sabah Forest Industries Sdn Bhd as well as being a board member of other Sabah Government corporations ranging from finance, forestry, manufacturing, plantations, hotel and property development.

He was previously appointed a board member and Group Chief Executive of Malaysia Mining Corporation Berhad and was a Board Member of Ashton Mining Limited and Plutonic Resources Ltd.

He was also the Special Advisor to the Chief Minister of Sabah from February 2002 until March 2004.

He is a director of Raffles.

Vincent Tan B.Com & Admin CA

Vincent Tan is a chartered accountant and has over the past 35 years worked in a range of industries, including insurance, securities trading, finance and property.

Mr Tan has held senior management positions in a number of public and non-government organisations and has broad experience in corporate structuring.

He is a former director of Raffles and is responsible for day-to-day management of RafflesCo.

Benjamin Amzalak B. Com (Marketing & Finance)

Mr Amzalak has an extensive background in capital raising, investor relations and broking communications. He has been engaged in capital management, raising in excess of \$250 million in new venture capital for mining and other public companies. He provides advisory services to public companies in many areas including Initial Public Offerings and Mergers and Acquisitions.

He is a director of Raffles.

5.5. Risks associated with the proposed capital reduction

It is important to note that RafflesCo will be an unlisted disclosing entity and will disclose information through ASIC, rather than through the ASX.

RafflesCo will continue to be subject to regulation under the Corporations Act and RafflesCo's Constitution.

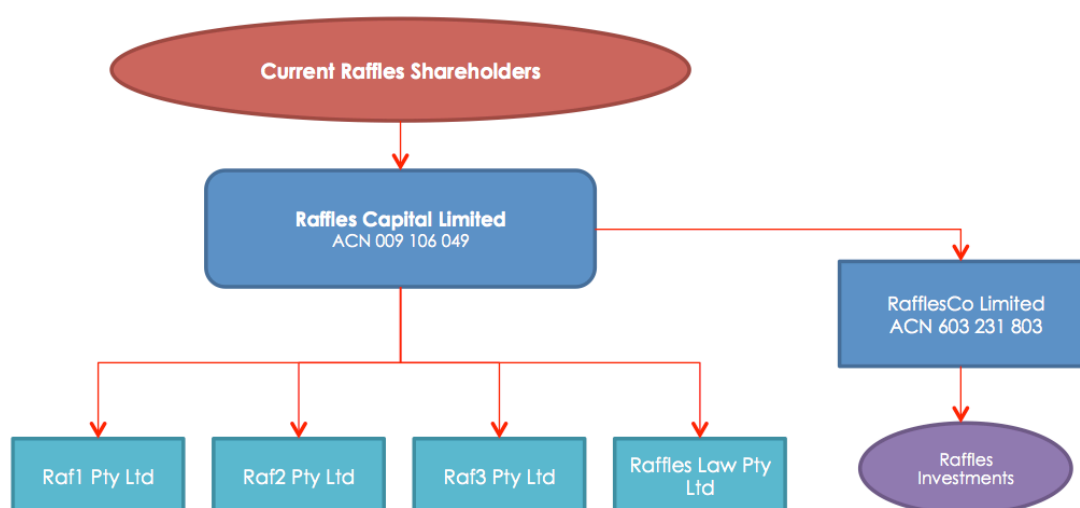
Shareholders ability to sell RafflesCo shares and realise their investment in RafflesCo may be diminished	As shares in RafflesCo will not be traded on ASX, the liquidity of shares will be directly affected and may be further diminished. However, if a shareholder wishes to realise their investment after the reconstruction, RafflesCo will try to facilitate such sales by matching these sellers to potential buyers, subject to applicable rules and regulations.
If RafflesCo is not listed, it will have limited means by which it can raise capital by the issue of securities	Generally speaking, an unlisted company does not have the ability to raise capital from the issue of securities by means of limited disclosure fundraising documents. Therefore, the main means for the company (as an unlisted company) to raise equity funds will be by way of an offer of securities pursuant to a full form prospectus or by way of placement to sophisticated



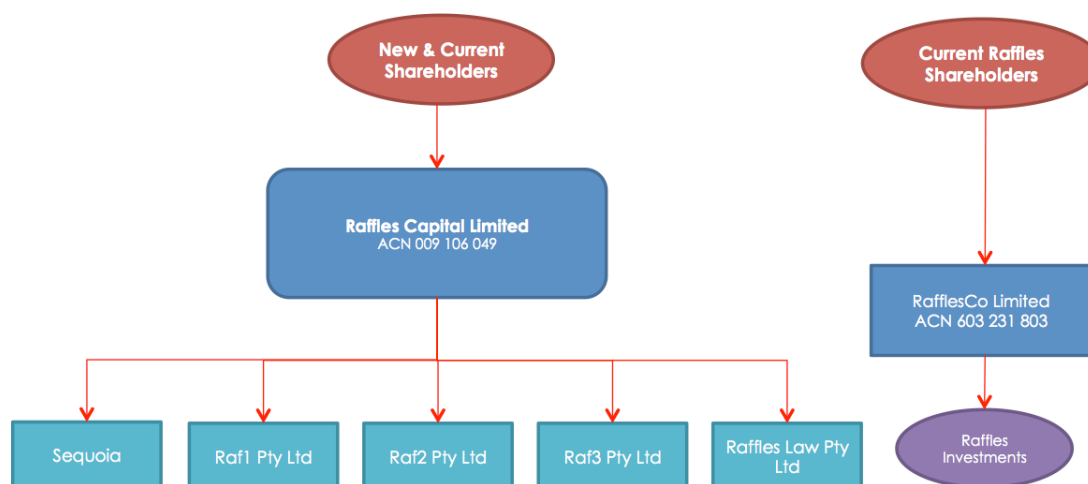
	<p>and other investors who do not require a prospectus.</p> <p>Balanced against these considerations is the fact that RafflesCo presently has access to sufficient capital for its needs in any event and is not proposing any fundraising in the immediate future.</p>
If RafflesCo is not listed, various requirements of the ASX Listing Rules will not apply to RafflesCo	The reduction of obligations associated with a listing on ASX may include relief from some reporting and disclosure requirements, removal of restrictions on the issue of shares by RafflesCo, requirements concerning significant changes to RafflesCo activities and relief from requirements to address ASX Corporate Governance Principles and Recommendations. The absence of continued restrictions in these areas may be perceived to be a disadvantage to some shareholders, particularly minority shareholders.
If RafflesCo is not listed, its ability to conduct any buy-back of Shares will be more limited as it will not be able to buy-back shares on market	RafflesCo is however still able to conduct an off-market buy back should that be considered appropriate. The Directors have no present intention for RafflesCo to conduct any buy-back.

5.6. Diagrammatic Profiles

5.6.1. Current



5.6.2. Post Approval of all Resolutions (including Reconstruction)



As can be seen from the above diagram, current Raffles shareholders retain their interest in the Investment Shares and also have a continuing shareholding in Raffles.



5.7. Statutory Requirements

Resolution 5 must be approved by a simple majority of votes cast by or on behalf of Raffles Shareholders on the resolution, in order to be passed.

The reduction of capital by way of a distribution in specie to Shareholders is an equal capital reduction under the Corporations Act. Pursuant to section 256C of the Corporations Act, an equal reduction must be approved by an ordinary resolution passed at a general meeting of the Company.

As provided in section 256B of the Corporations Act, the Company may only reduce its share capital if the reduction:

- a) is fair and reasonable to the Shareholders as a whole; and
- b) does not materially prejudice the Company's ability to pay its creditors; and
- c) is approved by Shareholders under section 256C of the Corporations Act.

In addition, the Company must give Shareholders all information known to the Company that is material to the decision on how to vote on the Resolution.

The proposed capital reduction is an equal reduction because it only relates to Shares of the Company, applicable to each Shareholder in proportion to the number of Shares held and the terms of the reduction are the same for each holder of ordinary Shares. An ordinary resolution is therefore necessary to approve the proposed equal reduction of capital, under section 256C of the Corporations Act.

The Raffles Board considers that the proposed Distribution is fair and reasonable to Raffles Shareholders as a whole because they are all treated in the same manner given that the distribution of Raffles Shares is on a pro rata basis. The Directors consider that the proposed Distribution does not materially prejudice Raffles ability to pay its creditors and it will not result in Raffles being insolvent at the time of or after the Distribution.

The disadvantages and advantages of the Demerger are discussed at 5.8 and 5.9 below in more detail.

5.8. Advantages

1. Shareholders will retain their current interest in the Investment Shares through their individual pro rata shareholding in RafflesCo.
2. Shareholders will retain a majority interest in the capital of Raffles (see section 2 of the effect of the Demerger on current shareholders).
3. The directors believe that acquisition of Sequoia will benefit the Company through positive cash flow, which will in turn enable the Company to further pursue its objectives (see section 1).
4. The continuing viability of the Company as a going company depends on identifying suitable opportunities, which will sustain a viable business. The Corporate Restructure and Acquisition presents an opportunity to benefit from the growth of Sequoia while compartmentalizing the Company's existing assets for the benefit of existing shareholders and thus mitigating the risk of the acquisition of Sequoia if it proves to be unsuccessful.

5.9. Disadvantages

1. Should all the resolutions be passed, current Raffles Shareholders could potentially be diluted from 100% to 55.03% of the total issued shares in the Company, notwithstanding that they will retain 100% interest in the Investment Shares (see section 2 of the effect of the Demerger on current shareholders).
2. Following the Distribution, there will be new substantial shareholders. This may reduce the attractiveness of the Company to a potential acquirer as it may make a takeover of the Company more difficult.



- The shares in RafflesCo will not be listed; RafflesCo will be an unlisted company. Generally speaking, an unlisted company does not have the ability to raise capital from the issue of securities by means of limited disclosure fundraising documents. Therefore, the main means for RafflesCo (as an unlisted company) to raise equity funds will be by way of an offer of securities pursuant to a full form prospectus or by way of placement to sophisticated and other investors who do not require a prospectus. See section 5.9 for other possible risks.

5.10. Proposed Return of Capital

Raffles proposes to transfer to each registered holder of Raffles Securities, one (1) RafflesCo Security for every one (1) Raffles Share held by the holder on the Record Date (representing \$5,184,277 in total) as a return of capital.

The record date for determining entitlements to receive the return of capital is 5.00 pm on 5 March 2015.

5.11. Timetable for Return of Capital

Set out below is an indicative timetable for the return of capital. These indicative dates are subject to change at the Board's discretion (subject to the Listing Rules).

Event	Date
Meeting of Shareholders	27 February 2015
Trading in Shares on an "ex return of capital" basis	3 March 2015
Record date	5 March 2015
Anticipated date of distribution of RafflesCo In-specie Shares	13 March 2015

5.12. Trading in Shares

Shares will trade on an "ex return of capital" basis on 13 February 2015, which is the second business day after the meeting of the Shareholders has approved the return of capital.

5.13. Ability to pay creditors not materially prejudiced

The return of capital involves a reduction in the Company's paid-up share capital (contributed equity). However, in the opinion of the Board, this will not materially prejudice the Company's ability to pay its creditors. The return of capital will not involve the payment by the Company of any cash amounts and the Company will have sufficient cash reserves to pay its creditors post return of capital.

5.14. Pro forma Statement of Assets and Liabilities

5.14.1. Basis of Preparation

The pro forma Statement of Assets and Liabilities sheet below includes the financial information of Raffles together with the entities, which will be controlled by Raffles following the Capital Reduction.

The pro forma Statement of Assets and Liabilities has been derived from the reviewed financial statements of Raffles at 30 October 2014, and reflects the position as if the Capital Reduction were completed on that date.

The Raffles financial report for the half-year ended 30 June 2014 was reviewed in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity and the review statement issued to the members of Raffles relating to the half-year financial report was unqualified.

The pro forma Statement of Assets and Liabilities has been prepared by applying relevant pro forma adjustments described in this section to the management consolidated balance sheet of Raffles as at 30 October 2014.



The pro forma Statement of Assets and Liabilities is presented in abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with Australian Accounting Standards and the Corporations Act.

5.14.2. Raffles historical and pro forma statement of Asset and Liabilities

The following table sets out the Raffles historical and pro forma statement of assets and liabilities as at the 30 October 2014. For the purposes of presenting the Raffles pro forma statement of assets and liabilities, it has been assumed that the Deconstruction described above was completed on 30 October 2014.

	TOTAL RAFFLES GROUP	CONVERTIBLE NOTE 1 - 3	ACQUISITION OF SEQUOIA	RECONSTRUCTION RESOLUTION	ISSUE TO ADVISER	CONSOLIDATION RESOLUTION
	30 October 2014	Resolution 1 - 3	Resolution 4	Resolution 5	Resolution 6	Resolution 7
ASSETS (\$)						
Current Assets	1,186,797	2,686,797	4,486,797	3,301,212	3,301,212	3,301,212
Cash and cash equivalents	1,212	1,501,212	2,501,212	2,501,212	2,501,212	2,501,212
Other current assets	1,185,585	1,185,585	1,985,585	800,000	800,000	800,000
Total non-current assets	3,998,692	3,998,692	3,998,692	0	0	0
Total assets	5,185,489	6,685,489	8,485,489	3,301,212	3,301,212	3,301,212
LIABILITIES (\$)						
Current Liabilities	19,523	19,523	253,154	253,154	253,154	253,154
Trade and other payables	19,523	19,523	19,523	19,523	19,523	19,523
Current Liabilities*	0	0	233,631	233,631	233,631	233,631
Non-current liabilities	1,125,296	1,125,296	1,125,296	1,125,296	1,125,296	1,125,296
Total liabilities	1,144,819	1,144,819	1,378,450	1,378,450	1,378,450	1,378,450
NET ASSETS (\$)	4,040,671	5,540,671	7,107,040	1,922,763	1,922,763	1,922,763
TOTAL EQUITY (\$)						
Issued Capital	11,898,002	13,398,002	14,398,002	9,213,725	9,613,725	9,613,725
Issued Capital*	0	0	800,000	800,000	800,000	800,000
Retained Revenue	-7,857,331	-7,857,331	-7,857,331	-7,857,331	-8,257,331	-8,257,331
Retained Revenue*	0	0	-233,631	-233,631	-233,631	-233,631

* from Sequoia Capital (Hong Kong) Limited Balance Sheet at \$0.16 (HK) to \$1.00 (AUD)

5.15. Effect on Shareholders

In isolation the return of capital will have no effect on the number of Shares held by Shareholders or on their proportionate interests in the share capital of the Company. However, Shareholder interest will reduce as a consequence of the other resolutions being considered. See section 2 for a summary of the effect on Shareholders on the passing of the various resolutions.

The Company has no partly paid shares on issue and no convertible securities on issue other than the issue of Convertible Notes under consideration at this meeting.

All convertible securities will be adjusted in accordance with Listing Rule 7.21.

5.16. Effect on Company's capital structure

The return of capital will have no effect on the total number of Shares on issue.

5.17. Tax

Implications

The following is a general summary of the Australian taxation consequences for Shareholders who receive RafflesCo Securities in respect of the Distribution based on the applicable taxation law at the date of this Explanatory Memorandum.

Raffles has sought advice from KS Black & Co chartered accountants to confirm the taxation implications for Shareholders in respect of the availability of demerger tax relief under Division 125 of the Income Tax Assessment Act 1997 (Cth) (**Demerger Relief**) and the non-application of the integrity rule in section 45B of the Income Tax Assessment Act 1936 (Cth) (Section 45B).



The following summary only applies to Shareholders who hold their shares in Raffles (Shares) on capital account for tax purposes, and not on revenue account. The application of tax legislation can vary according to the individual circumstances of each Shareholder. This summary is not intended, and should not be relied upon, as specific taxation advice to any particular Shareholder. The comments in this summary are of a general nature only, may not apply to your specific circumstances and cannot be relied upon for accuracy or completeness.

The Company has not sought any class ruling from the ATO as to the tax implications of the return of capital to Shareholders.

Each Shareholder should seek and rely on its own professional taxation advice, specific to its particular circumstances, in relation to the taxation consequences of the proposed transaction. Neither Raffles, nor any of its officers or advisers, accepts liability or responsibility with respect to such consequences or the reliance by any Shareholder on any part of the following summary.

Australian taxation implications for Shareholders who choose Demerger Relief if Class Ruling application is successful

Shareholders who are residents of Australia and who hold their Raffles Shares on capital account for tax purposes will be eligible to choose Demerger Relief. Broadly, Demerger Relief ensures that any capital gains tax (CGT) consequences from the transaction may be deferred, and that any dividend component of a distribution is not taxed in the hands of the Shareholders.

The Distribution is a CGT event for each Shareholder. However, a Shareholder who chooses Demerger Relief may disregard any capital gain under the Distribution, such that no capital gain or loss will arise on the Distribution

Each Shareholder who is eligible for Demerger Relief must recalculate the cost base and reduced cost base of the Raffles Shares and the RafflesCo Securities for CGT purposes. This is done by apportioning the total cost base and reduced cost base of the Raffles Shares held by that Shareholder just before the Distribution between:

- the Raffles Shares held by that Shareholder just after the Distribution; and
- the RafflesCo Shares distributed to that Shareholder.

The apportionment must be done on a reasonable basis, based on the market values of the Raffles Shares and the RafflesCo Security just after the Distribution (to be advised by Raffles once the Distribution is complete), or a reasonable approximation of those market values. These adjustments apply separately to all Shareholders who are eligible for demerger roll-over, regardless of whether or not Demerger Relief is chosen.

Further information in relation to the apportionment of tax cost bases will be provided to Shareholders in due course after the Distribution occurs and following confirmation from the Australian Tax Office as to the position.

On a future disposal of the RafflesCo Securities, certain Shareholders (such as individuals and complying superannuation funds) may be entitled to a CGT discount if they have held their Shares for at least 12 months. For these purposes, Shareholders can treat their RafflesCo Shares as having been acquired on the date that they acquired the corresponding original Raffles Shares.

Australian taxation implications for Shareholders who do not choose Demerger Relief

An Australian resident Shareholder who does not choose Demerger Relief will have the same tax consequences as a Shareholder who chooses Demerger Relief, except that the Shareholder may make a capital gain to the extent that the capital (ie non-dividend) component of the In-specie Distribution (to be advised by Raffles once the In-specie Distribution is complete) exceeds the Shareholder's cost base. Conversely, if the capital component is less than the cost base, then the Shareholder's cost base and reduced cost base are reduced by the amount of the capital component.

For the avoidance of doubt, notwithstanding that the Shareholder does not choose Demerger Relief:

- (a). the cost base and reduced cost base of the Raffles Shares and the RafflesCo Security must still be recalculated in the manner described above;



- (b). for the purposes of determining eligibility for the Capital Gains Tax discount, each RafflesCo Security will be treated as having been acquired at the time that the corresponding original Share was acquired; and
- (c). to the extent that any part of the Distribution is a dividend, it will not be assessable income or exempt income of the Shareholder.

Australian taxation implications for non-resident Shareholders

Shareholders who are not residents of Australia for tax purposes will not be subject to any Australian CGT consequences unless they hold (either alone or together with their associates) 10% or more of the direct participation interests in Raffles at the time of the Distribution or for a continuous period of at least 12 months in the 24 months immediately preceding the Distribution.

To the extent that a non-resident Shareholder holds any Raffles Shares that meet the above conditions, the Shareholder may make a capital gain to the extent that the capital component of the Distribution (to be advised by Raffles once the Distribution is complete) exceeds the Shareholder's cost base. However, non-resident Shareholders cannot choose Demerger Relief. For the avoidance of doubt, notwithstanding that the Shareholder cannot choose Demerger Relief:

- (a). the cost base and reduced cost base of the Raffles Shares and the RafflesCo Securities must be recalculated in the manner described above; and
- (b). for the purposes of determining eligibility for the CGT discount, each RafflesCo Securities will be treated as having been acquired at the time that the corresponding original Share was acquired.

The In-specie Distribution will not be subject to dividend withholding tax.

Australian taxation implications if Class Ruling does not confirm availability of Demerger Relief and non-application of Section 45B

Broadly, if Raffles proceeds with the Distribution in the absence of Demerger Relief, the following taxation consequences may result:

- (a). Shareholders may make a capital gain to the extent that the capital component of the Distribution exceeds the particular Shareholder's cost base (unless the Shareholder is a non-resident whose Raffles Shares do not breach the ownership thresholds described above);

Shareholders may make a capital gain to the extent that the capital component of the Distribution exceeds the particular Shareholder's cost base (unless the Shareholder is a non-resident whose Raffles Shares do not breach the ownership thresholds described above);
- (b). the cost base and reduced cost base of the Raffles Shares will be reduced by the amount debited against Raffles' share capital account (**Capital Reduction Amount**) unless the Commissioner of Taxation makes a determination to treat all or part of the Capital Reduction Amount as an unfranked dividend;
- (c). the cost base and reduced cost base of the RafflesCo Security will be equal to the Capital Reduction Amount;
- (d). the RafflesCo Security will be taken to have been acquired by the Shareholder at the date of the Distribution for the purposes of determining eligibility for the CGT discount; and
- (e). the excess of the market value of the RafflesCo Security at the time of the In-specie Distribution over the Capital Reduction Amount, and all or part of the Capital Reduction Amount (if the Commissioner of Taxation so determines) may be treated as an unfranked dividend. This amount would be assessable income for Australian resident Shareholders or subject to dividend withholding tax for non-resident Shareholders (at a rate of 30% on the gross amount, subject to any applicable double taxation agreement).

Taxation implications for the Company

The transfer of the RafflesCo Securities from Raffles to the Shareholders in respect of the share capital reduction is not expected to have any adverse CGT implications for Raffles.



5.18. Directors' Recommendation

The Directors recommend that Shareholders vote in favour of the Reconstruction Resolution for the following reasons:

- (a) after a comprehensive assessment of all available material information, the Directors believe that the proposed share capital reduction and Distribution is in the best interests of Shareholders; and
- (b) the Directors believe the benefits of the proposed share capital reduction and In-specie Distribution outweigh the disadvantages as referred to in section 5.9 of this Explanatory Memorandum.

6. RESOLUTION 6: ISSUE OF SHARES TO ADVISER

6.1. General

The Company has agreed to issue to the Adviser 4,000,000 Shares on a (Pre Consolidation Basis) as consideration for the payment of corporate advisory fees in connection with the Acquisition.

Resolution 6 therefore seeks Shareholder approval for the issue of a total of 4,000,000 Raffles Shares (on a pre-Consolidation basis).

The effect of Resolution 6 will be to allow the Directors to issue the Shares to the Adviser during the period of 3 months after the Meeting (or longer period, if allowed by ASX), without using the Company's annual 15% placement capacity.

6.2. ASX Listing Rule 7.1

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to Resolution 6:

- (a) the maximum number of Shares to be issued is 4,000,000 (on Pre-Consolidation basis);
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that will occur on the Distribution Date;
- (c) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Adviser (or their nominees) are sophisticated and/or professional investors;
- (e) the Adviser (or their nominees) are not related parties of the Company;
- (f) the Shares will be issued to the Adviser (or their nominees) in consideration for corporate advisory and facilitation services, and as such no funds will be raised from the issue; and
- (g) a voting exclusion statement is included in the Notice.

6.3. Directors' Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 6.

7. RESOLUTION 7: CONSOLIDATION RESOLUTION

7.1. The Proposal

Raffles proposes to consolidate Raffles share capital through the conversion of every two (2) Raffles ordinary shares into one (1) Raffles ordinary share.

Under section 254H of the Corporations Act, a company may consolidate its shares if the consolidation is approved by an ordinary resolution of shareholders at a general meeting.



If the consolidation is approved, the consolidation will take effect on and from 9 March 2015.

For the avoidance of doubt, entitlements under the proposed Reconstruction will be calculated based on Raffles' pre-consolidation share capital.

7.2. Treatment of fractions

Where the consolidation of a shareholder's holding results in an entitlement to a fraction of a share, the fraction will be rounded up to the next whole number of shares.

Where the Directors form the opinion that shareholdings have been split or aggregated to obtain the benefit of rounding, transfers of shares and aggregated parcels of shares may be disregarded for the purpose of rounding.

7.3. Reasons for Consolidation

The aim of the share consolidation is to reflect the impact of the Reconstruction and ensure that the number of shares on issue and trading price of Raffles shares is at a level broadly comparable to Raffles' peer group of companies.

7.4. Effect of Consolidation - Summary

On the basis that **all** resolutions are passed and all convertible notes (but not options) are converted, the proposed share consolidation will reduce the number of Raffles ordinary shares on issue from 52,700,359 shares to approximately 26,350,180 shares (subject to rounding).

The effect on Shareholders is described in the tables in Section 2.

As the share consolidation applies equally to all Raffles shareholders, individual shareholdings will be reduced in the same ratio as the total number of Raffles shares (subject only to the rounding of fractions). It follows that the consolidation will have no material effect on the percentage interest of each individual Raffles shareholder in Raffles.

Similarly, the aggregate value of each Raffles shareholder's holding (and Raffles market capitalisation) should not change other than minor changes as a result of rounding - as a result of the share consolidation alone (that is, assuming no other market movements or impacts occur). However, the price per share can be expected to increase to reflect the reduced number of shares on issue.

Shareholders should note that the reduction of share capital, if approved, would also have an effect on Raffles share price.

If the Consolidation Resolution is passed and the conditions to its implementation are satisfied, then the Consolidation will be implemented and binding upon all Raffles Shareholders, regardless of how (or if) they vote on the resolution.

7.5. Treatment of Convertible Securities

Having regard to the ASX Listing Rules, all convertible securities on issue or issued prior to the approval of Resolution 7 will either be consolidated on the same basis as the Company's ordinary shares or the terms adjusted, so that the number of ordinary shares to be provided if the share rights vest will reflect the impact of share consolidation, with the necessary adjustments to be made to any applicable exercise or conversion price or number of securities issued on exercise or conversion.



7.6. Timetable for Consolidation

Set out below is an indicative timetable for the consolidation. These indicative dates are subject to change at the Board's discretion (subject to the Listing Rules).

Event	Date
General Meeting	27 February 2015
Notification to ASX that Share Consolidation is approved	27 February 2015
Last day for trading in pre-consolidated securities	10 March 2015
Trading in the consolidated securities on a deferred settlement basis commences	11 March 2015
Last day to register transfers on a pre-consolidation basis	13 March 2015
Registration of securities on a post-consolidation basis	16 March 2015
Despatch of new holding statements Deferred settlement trading ends	20 March 2015
Normal trading starts	23 March 2015

7.7. Tax implications for Shareholders

The summary in this section is general in nature. In addition, particular taxation implications will depend on the circumstances of each shareholder. Accordingly, shareholders are encouraged to seek their own professional advice in relation to their tax position. Neither Raffles nor any of its officers, employees or advisers assumes any liability or responsibility for advising shareholders members about the tax consequences for them from the proposed share consolidation.

The share consolidation will be undertaken in accordance with section 254H of the Corporations Act. Subject only to rounding, there will be no change to the proportionate interests held by each Raffles shareholder in Raffles as a result of the consolidation.

7.8. Directors' Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 7.

8. Declaration

Other than the information above and otherwise in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by Shareholders in order to decide whether or not it is in the Company's shareholder's best interests to pass the resolutions herein.



Raffles Capital Limited

ACN 009 106 049

Schedule 1 - Definitions

In the Notice of Meeting, words importing the singular include the plural and vice versa.

\$ means Australian Dollars;

Acquisition means the acquisition of Sequoia by the Company by Resolution 4 of this Meeting;

Adviser means Mile Oak Investments Limited (1765523), a company incorporated in the British Virgin Islands;

ASX means the ASX Limited (ABN 98 008 624 691) and where the context permits the Australian Securities Exchange operated by ASX Limited;

Chairman means the person appointed to chair the Meeting of the Company convened by the Notice;

Company means Raffles Capital Limited ACN 009 106 049 (ASX: RAF);

Consolidation means the consolidation of Raffles Shares on a two (2) for one (1) basis as per Resolution 7;

Consolidation Resolution means Resolution 7;

Constitution means the constitution of the Company as at the date of the Meeting;

Convertible Note 1 means the convertible note issued pursuant to Resolution 1;

Convertible Note 2 means the convertible note issued pursuant to Resolution 2;

Convertible Note 3 means the convertible note issued pursuant to Resolution 3;

Convertible Note 4 means the convertible note issued pursuant to Resolution 4;

Convertible Notes means the Convertible Note 1, Convertible Note 2 and Convertible Note 3;

Corporations Act means the *Corporations Act 2001* (Cth);

Demerger means the Consolidation and Reconstruction corporate actions, effected by the Consolidation Resolution and Reconstruction Resolution;

Director means a director of the Company;

Distribution Date means 6 March 2015 or such other date the Directors determine;

Distribution means the distribution of RafflesCo Securities to Raffles Shareholders on a one (1) for one(1) basis;

Existing Assets means the assets of the Company prior to the Acquisition;

Explanatory Memorandum means the explanatory memorandum attached to the Notice of Meeting;

Meeting means the meeting the subject of the Notice of Meeting;

New Inspiration Development Ltd (1538284) a company registered in the British Virgin Islands;

Notice of Meeting means this notice of meeting dated 21 January 2015;

Option means an option to issue a Raffles Share;

Proxy Form means the proxy form attached to this Notice of Meeting;

Raffles means also the Company;

Raffles Shares means a fully paid ordinary share in Raffles Capital Limited;

RafflesCo means RafflesCo Limited ACN 603 231 803;

RafflesCo Security means a fully paid ordinary share in RafflesCo;

Reconstruction means the equal capital reduction of \$5,184,277 in the issued capital of the Company, payment of that capital reduction to be satisfied by the Distribution pursuant to Resolution 5;

Reconstruction Resolution means Resolution 5;

Record Date means 5:00 pm AEDT on 25 February 2015 or such other date as the Directors specify as the record date for the Distribution;

Resolution means a resolution contained in this Notice of Meeting;

Sequoia means Sequoia Capital (Hongkong) Limited (Company Registration No. 1889348);

Shares means Raffles Shares;

SinoWealth Financial Ltd (1729378) a company incorporated in the British Virgin Islands;

Swift China Limited (1420362) a company incorporated in the British Virgin Islands; and

Vendor means Mr Huang Chuan.



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RAFFLES CAPITAL LIMITED

ACN 009 106 049

Level 2 Hudson House
131 Macquarie St Sydney NSW 2000



Raffles Capital Limited

ACN 009 106 049

Proxy Form

Please complete, sign and return this document to:

To: The Secretary

Raffles Capital Limited
Level 2, Hudson House
131 Macquarie Street
Sydney NSW 2000

fax executed form to: +61 2 9251 7500

email executed form to:
rockett@rafflescapital.com.au

I/We

being a member of Raffles Capital Limited appoint:

Name of proxy: _____

Address of proxy: _____

Or in his or her absence (or if left blank), the chairman of the meeting as my/our proxy to attend, vote and otherwise act on my/our behalf at the General Meeting of the Company to be held on **27 February 2015 at 10am** and at any adjournment of that meeting. If you wish to appoint the proxy in respect of only a specified number of your shares you must insert that number in the appropriate space below. In the absence of any such specification, the proxy will be taken to have been appointed in respect of all of your shares.

My/our proxy is authorised to exercise the vote rights in respect of _____ of my/our shares.

RESOLUTIONS	FOR	AGAINST	ABSTAIN
Ordinary Resolution 1 – Swift China Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 2 – New Inspiration Development Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 3 – SinoWealth Financial Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 4 – Acquisition of Sequoia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 5 – Reconstruction Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 6 – Issue of Shares to Adviser	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 7 – Consolidation Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Proxy Instructions

If you wish to direct how your votes are to be cast, place mark (X) in the appropriate box above. Unless otherwise directed, the proxy holder may vote as he/she thinks fit, or abstain from voting.

The Chairman intends to vote all undirected proxies that he receives in favour of each resolution to be brought before the meeting, except where the Chairman is expressly forbidden to do so, under the *Corporations Act 2001* (Cth).

SIGNATURE OF MEMBER(S)

Individual or Member 1

Member 2

Member 3

Sole Director/
Company Secretary

Director

Director/Company Secretary

Date: _____

Contact Name: _____ Contact Phone (daytime): _____



Notes on Proxies

1. A Member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead pursuant to the Constitution.
2. If a Member appoints one proxy only, that proxy shall be entitled to vote on a show of hands, but if a Member appoints two proxies neither shall be entitled to vote on a show of hands.
3. Where more than one proxy is appointed, each proxy must be appointed to represent a specified portion of the Member's voting rights.
4. A proxy need not be a Member.
5. A proxy form must be signed by the Member(s) or the Member's attorney or, if a corporation, be executed in accordance with Section 127 of *the Corporations Act 2001* or by its attorney.
6. The instrument appointing a proxy and the power of attorney (if any) under which it is signed, or a notarially certified copy of the power and a declaration by the attorney of its non-revocation, must be deposited at the registered office of the Company or sent by facsimile to (+61 2) 9251 7500 not less than 48 hours before the person named in the instrument purports to vote pursuant to it.