

CLEARBRIDGE HEALTH LIMITED
(Company Registration No. 201001436C)

PROPOSED ACQUISITION OF SHARES IN NINE (9) DENTAL CLINICS

1. INTRODUCTION

1.1 The board of directors (the "**Board**" or the "**Directors**") of Clearbridge Health Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's wholly-owned subsidiary, Clearbridge Lifestyle Pte. Ltd. ("**CBL**"), has today entered into a conditional sale and purchase agreement (the "**SPA**") with Dr Joseph Seow Kok Siam (the "**Vendor**") and the Company in relation to the proposed acquisition by CBL (the "**Proposed Acquisition**") of an aggregate 51% interest in the following entities:

- (a) Urban Dental (SG) Pte. Ltd. ("**Urban Dental (SG)**");
- (b) LKDS (Hougang Green) Pte. Ltd.;
- (c) LKDS (Yishun) Pte. Ltd.;
- (d) LKDS (Simei) Pte. Ltd.;
- (e) Dental Focus (Bendemeer) Pte. Ltd.;
- (f) Dental Town (AMK) Pte. Ltd.;
- (g) Dental Focus (Pioneer) Pte. Ltd.;
- (h) DentalFamily (Pioneer) Pte. Ltd.; and
- (i) Dental Focus (People's Park) Pte. Ltd.,

(collectively, the "**Targets**" and each, a "**Target**").

1.2 It is intended that CBL will incorporate a wholly-owned subsidiary for the purpose of the Proposed Acquisition (the "**Acquiror**"). Upon completion of the Proposed Acquisition, the Vendor will be allotted shares in the Acquiror representing 49% of the issued and paid-up share capital of the Acquiror and the Targets will be wholly-owned subsidiaries of the Acquiror. The remaining 51% of the issued and paid-up share capital of the Acquiror will be held by CBL.

1.3 Upon completion of the Proposed Acquisition, the Vendor will also grant to the Acquiror a 3-year right of first refusal (the "**ROFR**") in respect of certain interests owned by him and/or his wife, Dr Ong Siu-Min Ethel, in six (6) dental clinics and ancillary dental services providers, which are operating under the "Dental Focus" branding. Any transfer of such interests to the Acquiror shall be on terms to be agreed between the Vendor and the Acquiror.

1.4 The Vendor is not related to the Directors or the controlling shareholders of the Company and their respective associates.

2. INFORMATION ON THE TARGETS

2.1 The Targets are incorporated in Singapore as private companies limited by shares. The Targets each operate a dental clinic within the "Dental Focus" group and are part of a network of dental

clinics strategically located across Singapore. The Targets provide a wide range of dental services that include primary dental care, restorative and aesthetics dentistry and pain management and aim to provide patient-centric and affordable dental services using the latest technology in up-to-date facilities.

- 2.2 As at the date of this announcement, the Vendor is the sole shareholder of all the Targets save for Urban Dental (SG), which is held equally between the Vendor and his wife, Dr Ong Siu-Min Ethel. It is a condition precedent to completion of the Proposed Acquisition ("**Completion**") that Dr Ong Siu-Min Ethel transfers her shares in Urban Dental (SG) to the Vendor, such that the Vendor will be the sole shareholder of Urban Dental (SG) prior to Completion.
- 2.3 Based on the unaudited management accounts of the Targets for the 12 months ended 31 March 2019, the aggregate book value and net tangible assets ("**NTA**") of the Targets amounted to approximately S\$1.9 million and the aggregate net profit of the Targets was approximately S\$0.8 million. No independent valuation was conducted on the Targets.

3. **CONSIDERATION AND EARN OUT AMOUNTS**

- 3.1 The consideration for the Proposed Acquisition shall be S\$3,315,000 in cash (the "**Consideration**") payable to the Vendor on the date of Completion (the "**Completion Date**").

3.2 Earn Out Amounts

- (a) In respect of the Targets' audited aggregate net profits after taxation ("**Targets' Combined NPAT**") for the 12-month period ending on the date falling on the first anniversary of the Completion Date ("**First Anniversary NPAT**"), CBL shall pay to the Vendor a cash sum (the "**Tranche A Earn Out Amount**") determined in the following manner:
- (i) in the event that the First Anniversary NPAT is equal to or more than S\$1.3 million, the Tranche A Earn Out Amount shall be S\$663,000; and
 - (ii) in the event that the First Anniversary NPAT is less than S\$1.3 million, the Tranche A Earn Out Amount shall be nil.
- (b) In respect of the Targets' Combined NPAT for the 24-month period ending on the date falling on the second anniversary of the Completion Date ("**Second Anniversary NPAT**"), CBL shall pay to the Vendor a cash sum (the "**Tranche B Earn Out Amount**") determined in the following manner:
- (i) in the event that the Second Anniversary NPAT is equal to or more than S\$2.6 million, the Tranche B Earn Out Amount shall be S\$1,326,000 less the Tranche A Earn Out Amount paid out in the preceding year; and
 - (ii) in the event that the Second Anniversary NPAT is less than S\$2.6 million, the Tranche B Earn Out Amount shall be nil.
- (c) In respect of the Targets' Combined NPAT for the 36-month period ending on the date falling on the third anniversary of the Completion Date ("**Third Anniversary NPAT**"), CBL shall pay to the Vendor a cash sum (the "**Tranche C Earn Out Amount**") determined in the following manner:
- (i) in the event that the Third Anniversary NPAT is equal to or more than S\$3.9 million, the Tranche C Earn Out Amount shall be S\$1,989,000 less the sum of

the Tranche A Earn Out Amount and the Tranche B Earn Out Amount paid out in the preceding years; and

- (ii) in the event that the Third Anniversary NPAT is less than S\$3.9 million, the Tranche C Earn Out Amount shall be computed in accordance with the following formula:

Tranche C Earn Out Amount = S\$1,989,000 – (Tranche A Earn Out Amount + Tranche B Earn Out Amount paid out in the preceding years) – [51% x (S\$3.9 million – Third Anniversary NPAT)]

3.3 The Consideration, the Tranche A Earn Out Amount, the Tranche B Earn Out Amount and the Tranche C Earn Out Amount were determined based on arms' length negotiations and arrived at on a willing-buyer and willing-seller basis. The Consideration, the Tranche A Earn Out Amount, the Tranche B Earn Out Amount and the Tranche C Earn Out Amount take into account, among other things, the book value and NTA of the Targets as disclosed in paragraph 2.3 above, and that the Targets were cumulatively profitable for the past three (3) years.

3.4 The Proposed Acquisition will be funded by bank borrowings.

4. CONDITIONS

Completion of the Proposed Acquisition is conditional upon, among other things:

- (a) the results of a due diligence exercise over the business, affairs, operations, assets, financial condition, prospects and records of each of the Targets being satisfactory to CBL in its sole and absolute discretion;
- (b) CBL having obtained financing for the Consideration, on terms and conditions reasonably satisfactory to CBL;
- (c) all consents, waivers and permits necessary for the transfer of shares of the Targets or performance of the SPA having been obtained;
- (d) all consents and approvals required under any applicable laws for the transfer of the shares of the Targets and/or any transactions contemplated under the SPA being obtained, including listing requirements and compliances required by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**");
- (e) the Vendor entering into a new employment agreement with a Target;
- (f) the Vendor procuring the employees of each of the Targets to enter into new employment or independent contractor agreements with the relevant Targets;
- (g) the transfer of one (1) ordinary share in the capital of Urban Dental (SG), representing 50% of the issued and paid-up share capital of Urban Dental (SG), from Dr Ong Siu-Min Ethel to the Vendor, such that the Vendor shall be the legal and beneficial owner of the entire issued and paid-up share capital of Urban Dental (SG) prior to Completion;
- (h) the Targets having an aggregate cash balance equivalent to at least S\$250,000 in the bank accounts of the Targets on the Completion Date; and

- (i) the receipt of written consent or waivers from lenders and landlords to certain Targets in respect of loan facilities obtained by the relevant Targets and tenancy agreements entered into by the relevant Targets.

5. CHAPTER 10 OF THE LISTING MANUAL SECTION B: RULES OF CATALIST OF THE SGX-ST (THE "CATALIST RULES")

Based on the latest announced unaudited consolidated financial statements of the Group for the first quarter ended 31 March 2019 and the management accounts of the Targets for the three (3) months ended 31 March 2019, the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules are as follows:

	Relative Figures for the Proposed Acquisition
Rule 1006(a) The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable
Rule 1006(b) The net profits attributable to the assets acquired, compared with the Group's net profits.	Not meaningful ⁽¹⁾
Rule 1006(c) The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	7.3% ⁽²⁾
Rule 1006(d) The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
Rule 1006(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable

Notes:

- (1) The Group's loss before tax was approximately S\$66,000 for the first quarter ended 31 March 2019. The aggregate profit before tax of the Targets for the three (3) months ended 31 March 2019 was approximately S\$94,000.
- (2) Computed based on the sum of the Consideration of S\$3,315,000 and the maximum earn out amount of S\$1,989,000, and the market capitalisation of the Company of approximately S\$72.17 million, which was determined by multiplying the issued share capital of the Company of 489,310,702 shares with the volume-weighted average price of such shares transacted on 24 May 2019 (being the date preceding the date of the SPA) of S\$0.1475 per share.

As the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules exceed 5% but do not exceed 75%, the Proposed Acquisition constitutes a “discloseable transaction” under Rule 1010 of the Catalist Rules.

6. RATIONALE FOR THE PROPOSED ACQUISITION

The Directors believe the Proposed Acquisition is advantageous to the Group for the following strategic and commercial reasons:

- (a) The Proposed Acquisition will enhance the Group's position in the Singapore healthcare market, as the expanded network of nine (9) clinics provides scale and is strategically located to serve residents in those areas.
- (b) The Directors expect the Proposed Acquisition to result in revenue and cost synergies which will be achieved by deploying other products and services within the Group through the expanded network of clinics and potentially realising economies of scale.
- (c) The Directors also expect the Proposed Acquisition to result in revenue synergies by cross selling services to existing clients of both the Group and the Targets.
- (d) The Proposed Acquisition will add capabilities to the Group, which could potentially be established in other countries where the Group currently has operation.
- (e) Future potential acquisitions pursuant to the ROFR enhance the scalability and expansion potential of the Company as other dental practices could be incorporated to the Group subsequently.

7. FINANCIAL EFFECTS

The financial effects of the Proposed Acquisition on the Group are set out below and are purely for illustrative purposes. The pro forma financial effects of the Proposed Acquisition on the Group's NTA and loss per share ("**LPS**") have been computed based on (a) the Group's audited consolidated financial statements for the financial year ended 31 December 2018; and (b) the Targets' unaudited management accounts for the 12 months ended 31 March 2019.

- 7.1 NTA. The pro forma financial effect of the Proposed Acquisition on the NTA per share of the Group as at 31 December 2018, assuming the Proposed Acquisition had completed on 31 December 2018, is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA attributable to owners of the Company (S\$'000)	25,114	20,793
Number of shares in issue	489,310,702	489,310,702
NTA per share (Singapore cents)	5.13	4.25

- 7.2 LPS. The pro forma financial effect of the Proposed Acquisition on the LPS of the Group as for the financial year ended 31 December 2018, assuming the Proposed Acquisition had completed on 1 January 2018, is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Loss attributable to owners of the Company (S\$'000)	(18,448)	(18,035)
Weighted average number of shares in issue	487,125,171	487,125,171
LPS (Singapore cents)	(3.79)	(3.70)

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Acquisition other than through their respective shareholding interests in the Company (if any).

9. SERVICE CONTRACTS

No directors are proposed to be appointed to the Board in connection with the Proposed Acquisition.

10. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the SPA is available for inspection at the registered address of the Company for a period of three (3) months from the date of this announcement.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

12. FURTHER ANNOUNCEMENTS

The Company will make further announcements to keep shareholders informed, as and when there are further material updates and developments in respect of the Proposed Acquisition.

13. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. In particular, shareholders and potential investors

should note that completion of the Proposed Acquisition is subject to fulfilment of various conditions as set out in the SPA. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisers.

BY ORDER OF THE BOARD

Yee Pinh Jeremy
Executive Director and Chief Executive Officer

24 May 2019

*This announcement has been prepared by the Company and has been reviewed by the Company's sponsor, United Overseas Bank Limited (the "**Sponsor**"), for compliance with Rules 226(2)(b) and 753(2) of the Catalist Rules. This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Mr Chia Beng Kwan, Senior Director, Equity Capital Markets, who can be contacted at 80 Raffles Place, #03-03 UOB Plaza 1, Singapore 048624, telephone: +65 6533 9898.*