

CIRCULAR DATED 29 JUNE 2018

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action that you should take, you should consult your legal, financial, tax, or other professional adviser(s) immediately.

If you have sold or transferred all your shares in the capital of Smartflex Holdings Ltd. ("**Company**") represented by physical share certificate(s), you should immediately forward this Circular together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form immediately to the purchaser or the transferee, or to the bank, stockbroker or agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"). The Sponsor has not independently verified the contents of this Circular. The SGX-ST does not normally review the application for admission but relies on the Sponsor confirming that the Enlarged Group (as defined herein) is suitable to be listed on Catalist and complies with the Catalist Rules.

Neither the Monetary Authority of Singapore ("**Authority**") nor the SGX-ST has examined or approved the contents of this Circular. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Circular, including the correctness or accuracy of any of the statements made, reports contained, or opinions expressed. A copy of this Circular has been lodged with SGX-ST, acting as agent on behalf of the Authority. The lodgment of this Circular with the SGX-ST does not imply that the Securities and Futures Act, Cap. 289, of Singapore ("**SFA**"), or any other legal or regulatory requirements, or requirements under the Catalist Rules, have been complied with.

An application has been made to the SGX-ST for permission for the listing of and quotation for the Consideration Shares, the Arranger Shares, the Financial Adviser Shares, the Bonus Issue Warrant Shares, the Referral Shares and the Referral Bonus Issue Warrant Shares on Catalist. The listing and quotation notice for the Consideration Shares, the Arranger Shares, the Financial Adviser Shares, the Bonus Issue Warrant Shares, the Referral Shares and the Referral Bonus Issue Warrant Shares if, issued by the SGX-ST, is not to be taken as an indication of the merits of the Proposed Transactions, the Shares, the Consideration Shares, the Arranger Shares, the Financial Adviser Shares, the Bonus Issue Warrant Shares, the Referral Shares, the Referral Bonus Issue Warrant Shares, the Company, the Target and the Enlarged Group nor has the SGX-ST in any way considered the merits of the Proposed Transactions, the Shares, the Consideration Shares, the Arranger Shares, the Financial Adviser Shares, the Bonus Issue Warrant Shares, the Referral Shares, the Referral Bonus Issue Warrant Shares, the Company, the Target and the Enlarged Group. The contact person for the Sponsor is Ms Alice Ng, Director, Head of Continuing Sponsorship, ZICO Capital Pte. Ltd., 8 Robinson Road, #09-00, ASO Building, Singapore 048544.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

Your attention is drawn to Section 4.2 of this Circular and Section 23 of Appendix A of this Circular on "Risk Factors relating to the Proposed Acquisition, the New Business and the Enlarged Group" and "Risk Factors", respectively, which you should review carefully and collectively.



SMARTFLEX HOLDINGS LTD.

(Company Registration No. 201003501R)

(Incorporated in the Republic of Singapore on 17 February 2010)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) THE PROPOSED ACQUISITION OF ALL THE ISSUED AND FULLY-PAID SHARES IN THE CAPITAL OF AVH ANIMAL ARK PTE. LTD., BEING A VERY SUBSTANTIAL ACQUISITION UNDER THE CATALIST RULES (THE "PROPOSED ACQUISITION");
- (2) THE PROPOSED ALLOTMENT AND ISSUE OF THE CONSIDERATION SHARES TO THE VENDOR AND/OR ITS NOMINEE(S) UPON COMPLETION AT THE ISSUE PRICE OF S\$0.25 PER CONSIDERATION SHARE PURSUANT TO THE PROPOSED ACQUISITION (THE "PROPOSED ALLOTMENT OF CONSIDERATION SHARES");
- (3) THE PROPOSED ALLOTMENT AND ISSUE OF THE ARRANGER SHARES TO TIGER EQUITIES PTE. LTD. AND ZICO CAPITAL PTE. LTD. (THE "PROPOSED ALLOTMENT OF ARRANGER SHARES");
- (4) THE PROPOSED ALLOTMENT AND ISSUE OF THE FINANCIAL ADVISER SHARES TO ZICO CAPITAL PTE. LTD. (THE "PROPOSED ALLOTMENT OF FINANCIAL ADVISER SHARES");
- (5) THE PROPOSED ISSUE OF 5,300,000 BONUS ISSUE WARRANTS (THE "BONUS ISSUE WARRANTS") TO TIGER EQUITIES PTE. LTD. AND/OR ITS NOMINEE(S) AT AN ISSUE PRICE OF S\$0.0001 PER BONUS ISSUE WARRANT, EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW SHARE OF THE COMPANY AT AN EXERCISE PRICE OF S\$0.25 (THE "PROPOSED ISSUE OF BONUS ISSUE WARRANTS") AND THE PROPOSED ISSUE OF THE BONUS ISSUE WARRANT SHARES UPON EXERCISE OF THE BONUS ISSUE WARRANTS (THE "PROPOSED ISSUE OF BONUS ISSUE WARRANT SHARES");
- (6) THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM "SMARTFLEX HOLDINGS LTD." TO "ASIA VETS HOLDINGS LTD." (THE "PROPOSED CHANGE OF NAME"); AND
- (7) THE PROPOSED ADOPTION OF A NEW CONSTITUTION.

Sponsor and Financial Adviser to the Company in respect of the Proposed Acquisition



ZICO CAPITAL PTE. LTD.

(Company Registration No. 201613589E)

(Incorporated in the Republic of Singapore)

Independent Financial Adviser to the Company in respect of the Proposed Acquisition



XANDAR CAPITAL PTE. LTD.

(Company Registration No. 200002789M)

(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	24 July 2018 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	26 July 2018 at 10.00 a.m.
Place of Extraordinary General Meeting	:	Maxwell Chambers, 32 Maxwell Road, #03-01, Singapore 069115

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CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Tan Tong Guan, <i>Executive Chairman and CEO</i> Tan Geok Moey, <i>Non-Executive Director</i> Teo Yi-Dar, <i>Lead Independent Director</i> Chan Kum Kit, <i>Independent Director</i>
COMPANY SECRETARY	:	Chew Kok Liang, <i>LLB Hons</i>
REGISTERED OFFICE	:	95 Amoy Street Singapore 069915 Telephone: (65) 6222 2188 Fax: (65) 6222 2892
PRINCIPAL PLACE OF BUSINESS OF THE TARGET	:	11 Binjai Park Singapore 589823 Telephone: (65) 6100 6000 Fax: (65) 6462 3319
FINANCIAL ADVISER TO THE COMPANY IN RESPECT OF THE PROPOSED ACQUISITION	:	ZICO Capital Pte. Ltd. 8 Robinson Road #03-00 ASO Building Singapore 048544
INDEPENDENT AUDITORS TO THE COMPANY AND REPORTING ACCOUNTANTS IN RESPECT OF THE PROPOSED ACQUISITION	:	Ernst & Young LLP One Raffles Quay Level 18, North Tower Singapore 048583 Partner-in-charge: Yeow Hui Cheng (a member of the Institute of Singapore Chartered Accountants)
LEGAL ADVISER TO THE COMPANY	:	RHTLaw Taylor Wessing LLP Six Battery Road, #10-01 Singapore 049909
LEGAL ADVISER TO THE FINANCIAL ADVISER TO THE COMPANY IN RESPECT OF THE PROPOSED ACQUISITION	:	Virtus Law LLP 1 Raffles Place #18-61 Tower 2 Singapore 048616
INDEPENDENT FINANCIAL ADVISER	:	Xandar Capital Pte. Ltd. 3 Shenton Way Shenton House, #24-02 Singapore 068805
INDEPENDENT VALUER	:	RSM Corporate Advisory Pte. Ltd. 8 Wilkie Road #03-08, Wilkie Edge Singapore 228095

CORPORATE INFORMATION

SHARE REGISTRAR : RHT Corporate Advisory Pte. Ltd.
9 Raffles Place
#29-01 Republic Plaza Tower 1
Singapore 048619

PRINCIPAL BANKER : RHB Bank Berhad
90 Cecil Street, #01-01
RHB Bank Building
Singapore 069531

DEFINITIONS

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

Companies within the Enlarged Group

“Company”	:	Smartflex Holdings Ltd., a public limited liability company
“Enlarged Group”	:	The enlarged group comprising the Company and the Target, assuming Completion
“Target” or “AVH”	:	For the purpose of this Circular, AVH Animal Ark Pte. Ltd. (formerly known as Asia Vets Holdings Pte. Ltd.) after the Restructuring, unless otherwise described

Other Companies, Organisations, Agencies and other Persons

“AVA”	:	Agri-Food & Veterinary Authority of Singapore
“CDP”	:	The Central Depository (Pte) Limited
“CPF”	:	Central Provident Fund
“Financial Adviser” or “Sponsor” or “ZICO Capital”	:	ZICO Capital Pte. Ltd.
“IFA”	:	Xandar Capital Pte. Ltd.
“Independent Valuer”	:	RSM Corporate Advisory Pte. Ltd.
“Institute of Singapore Chartered Accountants”	:	Formerly known as “Institute of Certified Public Accountants of Singapore”
“NEA”	:	National Environment Agency
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Vendor”	:	Hu Zhi Investments Limited
“Warrantor”	:	David Wendy Karl Jenkins

General

“2014 Amendment Act”	:	Companies (Amendment) Act 2014
“2017 Amendment Act”	:	Companies (Amendment) Act 2017

DEFINITIONS

“Agreed EBIT”	:	The final EBIT of S\$1.24 million as agreed between the Company and the Vendor for the Proposed Acquisition further to the completion of the audit of the Animal Ark Group for financial year 2016
“Arranger Shares”	:	The new Shares to be issued to Tiger Equities and the Financial Adviser pursuant to the Finders’ Fee and Consultancy Agreement
“Article(s)”	:	Article(s) of the Existing Constitution
“Animal Ark Group”	:	The group comprising the following entities, namely (1) The Animal Ark (TCM) Pte. Ltd., (2) The Animal Ark (Tampines) Pte. Ltd., (3) The Animal Ark (Binjai) Pte. Ltd., and (4) The Animal Ark Pte. Ltd.
“Announcement”	:	The Company’s announcement dated 11 September 2017 in connection with, <i>inter alia</i> , the Proposed Acquisition
“Associate”	:	<p>(a) in relation to any Director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means:</p> <ul style="list-style-type: none"> (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family (whether directly or indirectly) have an interest of 30.0% or more; and <p>(b) in relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0% or more</p>
“Audit Committee”	:	The audit committee of the Company
“Average EBIT”	:	The average EBIT (on an annualised basis) derived from the business and assets of the Target over the Retention Period, as explained in Section 2.3(b) of this Circular

DEFINITIONS

“Average EBIT Determination Period”	:	The period commencing on the expiry of the Retention Period and ending on the date that is twenty (20) business days from the expiry of the Retention Period
“Board”	:	The board of Directors of the Company as at the date of this Circular
“Bonus Issue Warrants”	:	The 5,300,000 bonus issue warrants to be issued by the Company, immediately upon Completion, to Tiger Equities and/or its nominee(s) at an issue price of S\$0.0001 per Bonus Issue Warrant, each Bonus Issue Warrant carrying the right to subscribe for one (1) new Share at an exercise price of S\$0.25 and having an expiry date of 30 June 2020, as explained in Section 2.5(A) of this Circular
“Bonus Issue Warrant Shares”	:	The 5,300,000 new Shares to be issued by the Company to Tiger Equities and/or its nominee(s) upon the exercise of the Bonus Issue Warrants, as explained in Section 2.5(A) of this Circular
“BVI”	:	British Virgin Islands
“Catalist”	:	The Catalist board of the SGX-ST, being the sponsor-supervised listing platform of the SGX-ST
“Catalist Rules”	:	The Listing Manual of the SGX-ST, Section B: Rules of Catalist, as amended, modified or supplemented from time to time
“CEO”	:	Chief executive officer
“CFO”	:	Chief financial officer
“Circular”	:	This circular to Shareholders dated 29 June 2018
“Code of Ethics”	:	The Code of Ethics for Veterinarians (February 2012) issued by the AVA
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
“Completion”	:	The completion of the Proposed Acquisition in accordance with the terms and conditions set out in the Sale and Purchase Agreement
“Completion Date”	:	The date falling five (5) business days after the date on which the last of the conditions set out in the Sale and Purchase Agreement is fulfilled or waived (or such other date and time as the parties may agree in writing)

DEFINITIONS

“Conditions Precedent”	:	The conditions precedent to be satisfied or waived in order for Completion to take place, as explained in Section 2.3(d) of this Circular
“Consideration”	:	The aggregate consideration for the Proposed Acquisition of S\$9,300,000, in accordance with the terms of the Sale and Purchase Agreement; such Consideration being subject to further adjustment upon the determination of the Average EBIT, as explained in Section 2.3(b) of this Circular
“Consideration Shares”	:	24% of the Consideration, represented by 8,928,000 new Shares to be issued and allotted to the Vendor (and/or its nominee(s)) immediately upon Completion at the issue price of S\$0.25 per Share, as explained in Section 2.3(b) of this Circular
“Controlling Shareholder(s)”	:	A person who: <ul style="list-style-type: none"> (a) holds directly or indirectly 15% or more of all voting Shares; or (b) in fact exercises control over the Company
“Directors”	:	The directors of the Company, or director of the Target as at the date of this Circular, where the context applies
“Deferred Consideration Shares”	:	6% of the Consideration to be paid via the issuance and allotment of such number of new Shares to the Vendor and/or its nominee(s), on the date immediately falling after the expiry of the Average EBIT Determination Period, at an issue price based on the 10-day VWAP of the Shares prior to the 30th month anniversary of the Completion Date, as explained in Section 2.3(b) of this Circular
“Dr Eugene Lin”	:	Dr Lin Chung Chieh Eugene (Lin Zhongjie Eugene)
“EBIT”	:	Earnings before interest and tax
“EGM”	:	The extraordinary general meeting of the Company to be convened and held at Maxwell Chambers, 32 Maxwell Road, #03-01, Singapore 069115 on 26 July 2018 at 10.00 a.m., notice of which is set out in the Notice of EGM
“Elaine Poh”	:	Poh E-lynn Elaine (Fu Yilin Elaine)
“Existing Constitution”	:	The memorandum and articles of association of the Company which were in force immediately before 3 January 2016

DEFINITIONS

“Existing Share Capital”	:	The issued share capital of the Company as at the Latest Practicable Date of S\$17,970,919 comprising 126,440,002 Shares
“Fair Market Value”	:	Has the meaning ascribed to it in Section 2.6 of this Circular
“Financial Adviser Shares”	:	The new Shares to be issued to the Financial Adviser, being consideration for the services provided by the Financial Adviser to the Company under its mandate with the Company
“Finders’ Fee Agreement”	:	The finders’ fee agreement entered into on 5 June 2017 by and between the Company, Tiger Equities and the Financial Adviser, as supplemented by a supplemental agreement dated 8 September 2017
“Finders’ Fee and Consultancy Agreement”	:	The finders’ fee and consultancy agreement entered into on 8 September 2017 between the Company, Tiger Equities and the Financial Adviser
“FY”	:	Financial year ended or ending 31 December
“IFA Letter”	:	The letter dated 29 June 2018 issued by the IFA containing the advice of the IFA to the Directors of the Company in relation to the Proposed Acquisition, as reproduced in Appendix E to this Circular
“Independent Shareholders”	:	For the purpose of approving the Proposed Acquisition, Shareholders other than (i) Tan Tong Guan and (ii) Tan Gee Beng Private Limited and their Associates
“Initial Payout”	:	80% of the Consideration to be satisfied by the Company to the Vendor (and/or its nominee(s)) immediately upon Completion, comprising 56% in cash, and 24% in the form of Consideration Shares, as explained in Section 2.3(b) of this Circular
“Interested Person”	:	<p>(a) a Director, CEO, or Controlling Shareholder of our Company; or</p> <p>(b) an Associate of any such Director, CEO, or Controlling Shareholder</p>
“Interested Person Transaction”	:	Transactions proposed to be entered or entered into between an entity at risk and an Interested Person and has the meaning ascribed to it in the Catalist Rules

DEFINITIONS

“Latest Practicable Date”	:	18 June 2018, being the latest practicable date prior to the printing of this Circular
“LPS”	:	Loss per Share
“NAV”	:	Net asset value
“New Business”	:	The business of providing veterinary services and operating veterinary clinics
“New Constitution”	:	The new constitution of the Company proposed to be adopted by the Company at the EGM
“Notice of EGM”	:	The notice of the EGM set out on pages N-1 to N-4 of this Circular
“NTA”	:	Net tangible assets
“Period Under Review”	:	FY2015, FY2016 and FY2017
“Personal Data Protection Act”	:	Personal Data Protection Act 2012 (No. 26 of 2012)
“Proposed Adoption of a New Constitution”	:	The proposed adoption of a New Constitution of the Company
“Proposed Acquisition”	:	The proposed acquisition of all the issued and fully-paid shares in the capital of the Target pursuant to the Sale and Purchase Agreement
“Proposed Allotment of Arranger Shares”	:	The proposed allotment and issue of the Arranger Shares to Tiger Equities and the Financial Adviser
“Proposed Allotment of Consideration Shares”	:	The proposed allotment and issue of the Consideration Shares to the Vendor and/or its nominee(s) upon Completion
“Proposed Allotment of Financial Adviser Shares”	:	The proposed allotment and issue of the Financial Adviser Shares to the Financial Adviser
“Proposed Change of Name”	:	The proposed change of name of the Company from Smartflex Holdings Ltd. to Asia Vets Holdings Ltd.
“Proposed Issue of Bonus Issue Warrants”	:	The proposed issue of 5,300,000 Bonus Issue Warrants to Tiger Equities and/or its nominee(s) upon Completion
“Proposed Issue of Bonus Issue Warrant Shares”	:	The proposed issue of 5,300,000 new Shares upon the exercise of the Bonus Issue Warrants

DEFINITIONS

“Proposed Transactions”	:	Collectively, the Proposed Acquisition, the Proposed Allotment of Consideration Shares, the Proposed Allotment of Arranger Shares, the Proposed Allotment of Financial Adviser Shares, the Proposed Issue of Bonus Issue Warrants, the Proposed Issue of Bonus Issue Warrant Shares, and the Proposed Change of Name
“Promoter”	:	<p>(a) Controlling Shareholders and their Associates; and</p> <p>(b) Executive Directors with an interest in 5% or more in the issued share capital of the Company at the time of Completion</p>
“Proxy Form”	:	The proxy form in respect of the EGM, a copy of which is set out on pages P-1 to P-2 of this Circular
“Referral Shares”	:	The new Shares to be issued to Tiger Equities and the Financial Adviser pursuant to the Finders’ Fee Agreement, as detailed in Section 3.1 of this Circular
“Referral Bonus Issue Warrants”	:	Up to 7,200,000 bonus issue warrants to be issued by the Company, on completion of the relevant acquisition, to Tiger Equities (and/or its nominee(s)) at the issue price of S\$0.0001 per Referral Bonus Issue Warrant, each carrying the right to subscribe for one (1) new Share at an exercise price of S\$0.25 and having an expiry date of 30 June 2020, as explained in Section 3.1 of this Circular
“Referral Bonus Issue Warrant Shares”	:	Up to 7,200,000 new Shares to be issued by the Company to Tiger Equities (and/or its nominee(s)) upon the exercise of the Referral Bonus Issue Warrants, as explained in Section 3.1 of this Circular
“Regulation(s)”	:	Regulation(s) of the New Constitution
“Relevant Period”	:	FY2015, FY2016 and FY2017 and for the period commencing from 1 January 2018 up to the Latest Practicable Date
“Restructuring”	:	The transfer of the Veterinary Assets and Business of the entities under the Animal Ark Group to the Target, as explained in Section 2.2(C) of this Circular
“Retention Period”	:	The period commencing on the Completion Date and ending on the date that is thirty (30) months from the Completion Date

DEFINITIONS

“Retention Sum”	:	20% of the Consideration, comprising (i) 14% to be paid in cash by the Company to the Vendor (and/or its nominee(s)) on the date immediately falling after the expiry of the Average EBIT Determination Period, and (ii) 6% in the form of Deferred Consideration Shares, as explained in Section 2.3(b) of this Circular
“Sale and Purchase Agreement”	:	The conditional sale and purchase agreement dated 8 September 2017 between the Company, the Vendor and the Warrantor in relation to the Proposed Acquisition (as amended, modified and supplemented from time to time)
“Sale Shares”	:	All the issued shares in the capital of the Target
“Second Finders’ Fee Agreement”	:	The finders’ fee agreement entered into on 23 October 2017 by and between the Company and Tiger Equities
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
“Service Agreement”	:	The service agreement dated 28 May 2018 entered into between the Target and Dr Eugene Lin, details of which are set out in Section 4.4(D) of this Circular
“SFA”	:	Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
“SFR”	:	Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005, as amended, modified or supplemented from time to time
“Shareholders”	:	Registered holders of Shares in the register of members of the Company except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts maintained with CDP are credited with Shares
“Shares”	:	Ordinary shares in the capital of the Company
“Statutes”	:	The Companies Act, every other statute and other written law or regulations for the time being in force concerning companies and affecting the Company
“Substantial Shareholder”	:	A person who has an interest in not less than 5.0% of the total votes attached to all the voting shares (excluding treasury shares) in the company

DEFINITIONS

“Target’s Veterinary Clinics”	:	<p>The various clinics under the Veterinary Assets and Business, namely:</p> <p>(a) the Animal Ark Veterinary Group (Animal Ark Binjai) veterinary clinic (“Binjai Vet Clinic”);</p> <p>(b) the Animal Ark Veterinary Group (Animal Ark Tampines) veterinary clinic (“Tampines Vet Clinic”); and</p> <p>(c) the Animal Ark Veterinary Group (Animal Ark TCM) veterinary clinic (“Tampines (TCM) Clinic”)</p>
“Tiger Equities”	:	Tiger Equities Pte. Ltd., a company incorporated in Singapore in 2003, and one of the parties to the Finders’ Fee Agreement, the Finders’ Fee and Consultancy Agreement and the Second Finders’ Fee Agreement. The Warrantor is the sole shareholder and director
“Trademarks”	:	The trademarks associated with the Veterinary Assets and Business, as detailed in Section 10 of Appendix A of this Circular
“Valuation Letter”	:	The independent valuation letter in respect of 100% of the share capital of the Target, dated 23 May 2018 prepared by the Independent Valuer
“Vendor”	:	Hu Zhi Investments Limited, a company incorporated in Hong Kong, and party to the Sale and Purchase Agreement. The Warrantor is the sole shareholder and director
“Veterinary Assets and Business”	:	The relevant businesses and assets of the Animal Ark Group to be transferred to the Target, as explained in Section 2.2(C) of this Circular
“VSA”	:	Very substantial acquisition
“VWAP”	:	Volume weighted average price
<u>Currencies, Units and Others</u>		
“sq ft”	:	Square feet
“\$”, “S\$” and “cents”	:	Singapore dollars and cents, respectively
“%” or “per cent”	:	Percentage or per centum

DEFINITIONS

The term “**subsidiary**” shall have the meaning ascribed to it in the Companies Act.

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA. The term “treasury shares” shall have the meaning ascribed to it in the Companies Act.

The terms “**associate**” and “**associated company**” shall have the meanings ascribed to them respectively in the Catalist Rules.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Catalist Rules or any modification thereof and used in this Circular shall have the same meaning assigned to it thereunder, as the case may be, unless otherwise provided.

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

Any discrepancies in tables included herein (if any) between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

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

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of the business of the Target, the following glossary contains an explanation and description of certain terms used in this Circular in connection with the veterinary services industry. The terms and their assigned meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms.

Biopsy	:	Examination of a small piece or small pieces of tissues removed from a living body to discover the presence, cause, or extent of a disease
Cryptorchidectomy	:	Surgical removal of an undescended testicle(s) in the inguinal canal or within the abdomen
Endoscopy	:	A minimally invasive procedure in which a long and narrow rigid or flexible instrument (endoscope) is inserted into the body, through small incisions or natural orifices to view its internal parts
Esophagoscopy	:	Examination of the interior of the esophagus by means of a flexible or rigid endoscope
Fluoroscopy	:	The use of or examination by means of a fluoroscopy machine
Gastropexy	:	The surgical attachment of the stomach to the abdominal wall to prevent the stomach from rotating in the abdomen
Gastroscopy	:	Examination of the interior of the stomach with a flexible endoscope
Hip dysplasia	:	A degenerative condition of the hip joint(s) resulting in lameness in animals
Laparoscopy	:	A minimally invasive surgical procedure in which long and narrow optical scope(s) and instrument(s) is/are inserted into the abdominal wall through small incision(s) to view the internal organs and permit surgery and/or biopsy
Orifices	:	Natural openings of the body, such as the mouth
Otoscopy	:	Examination of the external ear canal and sometimes the middle ear with an otoscope
Ovariectomy	:	Surgical removal of one or both ovaries
Rhinoscapy	:	Examination of the nasal cavity with a flexible and/or rigid endoscope
Veterinary services to small animals	:	Provision of medical/surgical services to cats and dogs and other small sized pets

GLOSSARY OF TECHNICAL TERMS

Sterilisation	:	Surgery to render the animal unable to sire or produce offspring
TCM	:	Traditional Chinese medicine
Tracheoscopy	:	Examination of the interior of the trachea with a flexible or rigid endoscope
Tracheal stenting	:	Treatment for the collapse of the windpipe through the insertion of a stent under flourosopic guidance to act as a conduit for air flow
Urethral stenting	:	Treatment for the obstruction of the urethra through the insertion of a stent under flourosopic guidance to act as a conduit for urine flow
Vestibulovaginoscopy	:	Examination of the vestibule, vagina and bladder with a rigid endoscope

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Statements contained in this Circular, statements made in press releases and oral statements that may be made by the Company, the Target, and their respective Directors, key executives or employees acting on behalf of the Company and the Target, which are not statements of historical fact, constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would”, “could” and similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company’s, the Enlarged Group’s or the Target’s expected financial position, business strategy, plans and prospects are forward-looking statements and accordingly involve known and unknown risks, uncertainties and other factors that may cause the Company’s, the Enlarged Group’s or the Target’s actual results, performance and achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

These forward-looking statements and other matters discussed in this Circular, including but not limited to:

- revenue and profitability;
- goodwill on acquisition and associated impairment (if any);
- any expected growth;
- any expected industry trends;
- anticipated completion of proposed plans;
- expansion plans; and
- other matters that are not historical facts,

are only predictions.

These involve risks, uncertainties and other factors which are discussed in more detail in this Circular, in particular, but not limited to, the risk factors set out in Section 4.2 of this Circular and Section 23 of **Appendix A** of this Circular.

Given the risks, uncertainties and other factors which may cause the Company’s, the Enlarged Group’s or the Target’s actual future results, performance or achievements to be materially different from those expected, expressed or implied by forward-looking statements in this Circular, press releases and oral statements that may be made by the Company, undue reliance must not be placed on those statements.

None of the Company, the Enlarged Group, the Target, the Sponsor and Financial Adviser or any other person represents or warrants that the Company’s, the Enlarged Group’s or the Target’s actual future results, performance or achievements will be as discussed in those statements. Further, the Company, the Enlarged Group, the Target and the Sponsor and Financial Adviser disclaim any responsibility, and undertake no obligation to update or revise any forward-looking statements to reflect any change in the Company’s, the Enlarged Group’s or the Target’s expectations with respect to such statements after the Latest Practicable Date or to reflect any change in events, conditions or circumstances on which any such statements were based subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any regulatory or supervisory body or agency.

LETTER TO SHAREHOLDERS

SMARTFLEX HOLDINGS LTD.

(Company Registration No. 201003501R)
(Incorporated in the Republic of Singapore on 17 February 2010)

Directors

Tan Tong Guan, *Executive Chairman and CEO*
Tan Geok Moey, *Non-Executive Director*
Teo Yi-Dar, *Lead Independent Director*
Chan Kum Kit, *Independent Director*

Registered Office

95 Amoy Street
Singapore 069915
Telephone: (65) 6222 2188
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29 June 2018

To: The Shareholders of Smartflex Holdings Ltd.

Dear Sir/Madam

- (1) THE PROPOSED ACQUISITION;**
- (2) THE PROPOSED ALLOTMENT OF CONSIDERATION SHARES;**
- (3) THE PROPOSED ALLOTMENT OF ARRANGER SHARES;**
- (4) THE PROPOSED ALLOTMENT OF FINANCIAL ADVISER SHARES;**
- (5) THE PROPOSED ISSUE OF BONUS ISSUE WARRANTS AND THE PROPOSED ISSUE OF BONUS ISSUE WARRANT SHARES;**
- (6) THE PROPOSED CHANGE OF NAME; AND**
- (7) THE PROPOSED ADOPTION OF A NEW CONSTITUTION.**

1. INTRODUCTION

1.1 Background

(A) The Proposed Acquisition, and the Proposed Allotment of Consideration Shares

On 8 September 2017, the Company entered into a conditional sale and purchase agreement with the Vendor and the Warrantor for the entire issued share capital of the Target for a purchase consideration of S\$9,750,000 in accordance with the terms of the Sale and Purchase Agreement. On 25 April 2018, the Company announced that, following the completion of the audit of the Animal Ark Group for its financial year 2016, the purchase consideration was adjusted to S\$9,300,000.

Upon completion of the Proposed Acquisition, the Target will be a wholly-owned subsidiary of the Company.

The Consideration shall be fully satisfied 70% in cash and 30% by way of the issuance and allotment of such number of new Shares in the manner set out below at Section 2.3.

LETTER TO SHAREHOLDERS

(B) The Proposed Allotment of the Arranger Shares, the Proposed Allotment of Financial Adviser Shares, the Proposed Issue of Bonus Issue Warrants and the Proposed Issue of Bonus Issue Warrant Shares

In connection with the Proposed Acquisition, the Company has also entered into the Finders' Fee and Consultancy Agreement in respect of (a) fees to be paid to the Financial Adviser and Tiger Equities for financial advisory services and as the introducer and arranger in connection with the Proposed Acquisition, respectively, and (b) the appointment of Tiger Equities as the exclusive consultant to the Company for a period of one year from Completion. The Financial Adviser has also signed a mandate letter with the Company for its provision of financial advisory services in connection with the Proposed Acquisition.

The Proposed Allotment of the Arranger Shares, the Proposed Allotment of the Financial Adviser Shares, the Proposed Issue of Bonus Issue Warrants and the Proposed Issue of Bonus Issue Warrant Shares are pursuant and subject to the terms and conditions of the Finders' Fee and Consultancy Agreement, as well as the Financial Adviser's mandate with the Company (as the case may be).

(C) The Proposed Change of Name

In view of the Proposed Acquisition, the Company is seeking the approval of the Shareholders to change the name of the Company from "Smartflex Holdings Ltd." to "Asia Vets Holdings Ltd." to better reflect the new business acquired by the Company. The change of name of the Company will take effect on or after the date of the EGM.

Accordingly, the Company will be seeking the approval of the Shareholders for the Proposed Transactions at the EGM.

(D) The Proposed Adoption of a New Constitution

The Company is proposing to adopt a New Constitution which will consist of the memorandum and articles of association of the Company which were in force immediately before 3 January 2016 (the "**Existing Constitution**"), and incorporate amendments to take into account the changes to the Companies Act introduced pursuant to the 2014 Amendment Act and the 2017 Amendment Act.

The New Constitution also contains updated provisions which are consistent with the Catalist Rules prevailing as at the Latest Practicable Date, in compliance with Rule 730 of the Catalist Rules. In addition, the Company is taking this opportunity to include provisions in the New Constitution to take into account the personal data protection regime in Singapore, and also to streamline and rationalise certain other provisions.

Accordingly, the Company will be seeking the approval of the Shareholders for the Proposed Adoption of a New Constitution at the EGM.

1.2 Opinion of the IFA

The IFA has been appointed to advise the Directors of the Company in relation to the Proposed Acquisition. The IFA Letter is set out in **Appendix E** of this Circular.

LETTER TO SHAREHOLDERS

1.3 Purpose of this Circular and Conditionality of the Resolutions

The purpose of this Circular is to provide Shareholders with relevant information relating to the Proposed Transactions and the Proposed Adoption of a New Constitution and to seek the approval of Shareholders for the following proposals at the EGM:

As ordinary resolutions:

- (a) the Proposed Acquisition (Resolution 1);
- (b) the Proposed Allotment of Consideration Shares (Resolution 2);
- (c) the Proposed Allotment of Arranger Shares (Resolution 3);
- (d) the Proposed Allotment of Financial Adviser Shares (Resolution 4);
- (e) the Proposed Issue of Bonus Issue Warrants and the Proposed Issue of Bonus Issue Warrant Shares (Resolution 5); and

As special resolutions:

- (f) the Proposed Change of Name (Resolution 6); and
- (g) the Proposed Adoption of a New Constitution (Resolution 7).

Shareholders should note that the Resolutions 1 to 6 are inter-conditional upon each other. Accordingly, in the event that any of these Resolutions is not approved, the other Resolutions will not be passed.

This Circular has been prepared solely for the purposes outlined above and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched to by the Company) or for any other purpose.

2. THE PROPOSED ACQUISITION

2.1 Rationale for the Proposed Acquisition

The Proposed Acquisition is an opportunity that the Board believes will maximise value for Shareholders and is in line with the Company's long-term growth strategy to expand its business through additional mergers and acquisitions in the veterinary industry in Singapore and beyond. Subject to, among others, the approval of the Shareholders being obtained, the Company intends to enter into the veterinary business through the Proposed Acquisition to meet the requirements for a new listing pursuant to Rule 1017(2) of the Catalist Rules.

The Board believes that the Proposed Acquisition will provide an opportunity for the Company to venture into a new business area with a proven profitable track record and as a solid foundation to drive growth both organically and through further acquisitions within the veterinary industry. This will enable the Company to enhance shareholder value and generate renewed investor interest in the shares of the Company. Hence, the Board is of the view that the Proposed Acquisition is likely to enhance the long-term interests of the Company and its Shareholders.

LETTER TO SHAREHOLDERS

2.2 Information on the Target and the Vendor

(A) Information on the Target

The Target is a company incorporated in Singapore. As at the date of the Circular, the Target does not have any business operations, subsidiaries or associated companies. The Vendor is the sole shareholder of the Target while the Warrantor is the sole director of the Target.

(B) Information on the Vendor

The Vendor is an investment company incorporated in Hong Kong. As at the date of the Circular, the Vendor is wholly owned by the Warrantor, who is also the sole director of the Vendor.

As at the Latest Practicable Date, the Vendor did not directly or indirectly hold any Shares.

(C) Restructuring

Pursuant to the Sale and Purchase Agreement, the completion of the Proposed Acquisition is subject to, among others, the completion of the restructuring of the Target in respect of the transfer of the relevant businesses and assets of the following entities to the Target (on such terms acceptable to the Company) (the “**Restructuring**”) having taken place, or taking place simultaneously on Completion:

- (a) The Animal Ark (TCM) Pte. Ltd. (Company Registration No. 201330315Z), which operates the Tampines (TCM) Clinic;
- (b) The Animal Ark (Tampines) Pte. Ltd. (Company Registration No. 201100230N), which operates the Tampines Vet Clinic;
- (c) The Animal Ark (Binjai) Pte. Ltd. (Company Registration No. 201326595K), which operates the Binjai Vet Clinic; and
- (d) The Animal Ark Pte. Ltd. (Company Registration No. 200512502C),

(collectively, the “**Animal Ark Group**”) (the “**Veterinary Assets and Business**”).

The Veterinary Assets and Business comprise contracts, books and records, intellectual property, movable assets, goodwill and all other properties, rights and assets that are necessary in order to carry on the business of providing veterinary services as carried on by the Animal Ark Group.

The Animal Ark Group is currently managed by Dr Eugene Lin and Elaine Poh, a husband and wife team. Dr Eugene Lin has more than 17 years of experience in veterinary practice. Dr Eugene Lin has received training in interventional and minimally invasive surgeries in the United States and the United Kingdom. We understand that Dr Eugene Lin was among the first veterinarians to offer these minimally invasive diagnostic and surgical procedures in Singapore. For more details, please refer to Section 2 on “Business Overview” in **Appendix A** of this Circular.

LETTER TO SHAREHOLDERS

Upon completion of the Restructuring, the Target will hold the Veterinary Assets and Business of the Animal Ark Group, and Dr Eugene Lin and Elaine Poh will each enter into an employment contract with the Target commencing from Completion, with Dr Eugene Lin committing to an employment period of at least 30 months.

Pursuant to his Service Agreement, Dr Eugene Lin will be appointed as the Medical Director and General Manager of the Target and will be responsible for overseeing the delivery of veterinary care and clinical services by the existing clinics of the Veterinary Assets and Business and overseeing the activities of the veterinarians to be employed by the Target to work at such existing clinics, including the recruiting process. For details of Dr Eugene Lin's Service Agreement, please refer to Section 4.4(D) of this Circular.

2.3 Principal Terms of the Proposed Acquisition

(a) Sale Shares

The Sale Shares will be acquired by the Company free from all encumbrances together with all rights and entitlements attaching thereto on and from the Completion Date.

(b) Consideration

The Consideration shall be fully satisfied 70% in cash and 30% by way of the issuance and allotment of such number of new Shares in the following manner:

1. Initial Payout

- a. 56% of the Consideration to be paid in cash to the Vendor and/or such other person(s) as may be specified by the Vendor, immediately upon Completion; and
- b. 24% of the Consideration to be paid via the issuance and allotment of such number of new Shares to the Vendor and/or such other person(s) as may be specified by the Vendor, immediately upon Completion (the "**Consideration Shares**"), at an issue price of S\$0.25 per Consideration Share,

(collectively, the "**Initial Payout**").

2. Retention Sum

- a. 14% of the Consideration to be paid in cash shall be held in escrow by the Company (or such other third party appointed by the Company) for the Retention Period and the Average EBIT Determination Period. Such cash (without any interest) shall be released to the Vendor and/or such other person(s) as may be specified by the Vendor on the date immediately falling after the expiry of the Average EBIT Determination Period; and

LETTER TO SHAREHOLDERS

- b. 6% of the Consideration to be paid via the issuance and allotment of such number of new Shares to the Vendor and/or such other person(s) as may be specified by the Vendor, on the date immediately falling after the expiry of the Average EBIT Determination Period (the “**Deferred Consideration Shares**”), at an issue price that is based on the 10-day VWAP of the Shares prior to the 30th month anniversary of the Completion Date,

(collectively, the “**Retention Sum**”).

Following the completion of the audit of the Animal Ark Group for its financial year 2016, the Consideration was adjusted from S\$9,750,000 to S\$9,300,000.

The Consideration may be adjusted upon determination of the Average EBIT after the Retention Period, and the Retention Sum shall be adjusted accordingly as detailed below:

3. Retention Sum Adjustment Mechanism

- a. If the average EBIT (on an annualised basis) derived from the business and assets of the Target over the Retention Period (the “**Average EBIT**”) is less than the Agreed EBIT, the Vendor shall fully indemnify the Company for the difference between the Average EBIT and the Agreed EBIT by way of adjustment of the Retention Sum to be paid by the Company to the Vendor (and/or its nominee(s)) at the end of the Average EBIT Determination Period. The Retention Sum shall be adjusted downwards proportionately in accordance with the mechanism specified in the Sale and Purchase Agreement to reflect the lower EBIT provided that in all circumstances, such adjustment amount to be capped at the Retention Sum.
- b. If the Average EBIT is more than 105% of the Agreed EBIT, the Retention Sum to be paid at the end of the Average EBIT Determination Period shall be increased proportionally in accordance with the mechanism specified in the Sale and Purchase Agreement to account for any additional average EBIT (on an annualised basis) exceeding 105% of the Agreed EBIT.

(c) Consideration Shares and Deferred Consideration Shares

The issue price for each Consideration Share is S\$0.25, which was arrived at following arm’s length negotiations between the Company and the Vendor, taking into account, among other factors, the prevailing Share price at the point of signing the Sale and Purchase Agreement and the financial position of the Company.

The issue price for each Deferred Consideration Share shall be based on the 10-day VWAP of the Shares prior to the 30th month anniversary of the Completion Date.

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The Consideration Shares and Deferred Consideration Shares, when allotted and issued, shall be credited as fully-paid and free from any encumbrances and shall rank *pari passu* in all respects with, and carry all rights similar to, the existing Shares, except that they will not rank for any dividend, right, allotment or other distribution, the record date for which falls on or before the date of issue of the Consideration Shares or Deferred Consideration Shares (as the case may be).

Upon the determination of the number of Deferred Consideration Shares, the Company will apply for the listing of and quotation for the Deferred Consideration Shares, and will rely on its general mandate in force at the relevant time or seek specific shareholders' approval for the issuance of such Deferred Consideration Shares as required by the Catalist Rules.

Pursuant to the Sale and Purchase Agreement, the Company will, immediately upon Completion, issue and allot the following number of Consideration Shares at an issue price of S\$0.25 per Consideration Share:

- (i) 1,116,000 Shares to the Vendor (or its nominee(s));
- (ii) 3,906,000 Shares to Dr Eugene Lin; and
- (iii) 3,906,000 Shares to Elaine Poh.

Please refer to the Section 20 of this Circular on "Interests of Directors and Substantial Shareholders" for details of the shareholders and their respective shareholding interests upon Completion.

(d) Conditions Precedent

Completion is subject to certain Conditions Precedent being satisfied or waived in accordance with the Sale and Purchase Agreement, including, *inter alia*, the following:

- (i) the Company being able to proceed with the Proposed Acquisition as a VSA after its consultation with the SGX-ST;
- (ii) the Vendor procuring the Target to obtain such approval(s) required from the Target's board of directors and its shareholder (if applicable) in connection with the Sale and Purchase Agreement and the transactions contemplated therein (including the Restructuring);
- (iii) the Company receiving such approval(s) required from the Shareholders in connection with the Sale and Purchase Agreement and the transactions contemplated therein (including the Restructuring);
- (iv) in respect of the Company, all consents and approvals required under any and all applicable laws for the Proposed Acquisition and the transactions contemplated thereunder being obtained from all relevant governmental and regulatory authorities (including the SGX-ST), the approval from the SGX-ST for the drawdown of monies from the Company's escrow account (if necessary), and where any consent or approval is subject to conditions, such conditions being satisfactory to the Company in its sole and absolute discretion;

LETTER TO SHAREHOLDERS

- (v) the receipt and non-withdrawal of the listing and quotation notice from the SGX-ST for, among others, the listing of and quotation for the Consideration Shares, Deferred Consideration Shares and Arranger Shares, on terms acceptable to the Company and the Vendor;
- (vi) completion of the Restructuring having taken place, or taking place simultaneously, including receipt of all third-party consents and where any consent or approval is subject to conditions, such conditions being reasonably satisfactory to the Company;
- (vii) the Company being satisfied with the results of the due diligence investigations in relation to the Target, the Veterinary Assets and Business of the Animal Ark Group, including the legal, financial and tax positions of the Target, and the Veterinary Assets and Business of the Animal Ark Group;
- (viii) the Company receiving a legal opinion from the Vendor's solicitors in such form satisfactory to the Company confirming that the Restructuring and Acquisition are (a) legal, valid and binding under the relevant laws and regulations in Singapore; and (b) do not breach any relevant laws and regulations in Singapore;
- (ix) the Company and the Vendor being satisfied that there is no material adverse change or any development that is likely to result in a material adverse change to, among others, the value, operations, financial position or profitability of the Veterinary Assets and Business, the ability of the Vendor to comply with its obligations under the Sale and Purchase Agreement, and change in law adversely affecting the veterinary industry in Singapore on or before Completion; and
- (x) all warranties being materially complied with, and are true and correct in all material respects and the Vendor has complied with and performed all of the terms, conditions, agreements and covenants of the Sale and Purchase Agreement to be complied with by it prior to Completion.

As at the Latest Practicable Date, the Conditions Precedent under sub-paragraph (i) above has been fulfilled. Condition Precedent (v) in respect of the listing and quotation notice from the SGX-ST for the Deferred Consideration Shares has been waived by the Vendor in favour of the Company on 23 May 2018.

In the event any condition precedent is not fulfilled or waived on or before 31 August 2018 (or such other date as agreed in writing between the parties), the Sale and Purchase Agreement shall cease and no party shall have any claim against the other parties, save for any antecedent breach.

LETTER TO SHAREHOLDERS

2.4 Proposed Acquisition as a Very Substantial Acquisition

As at the date of the Announcement, the relative figures computed on the relevant bases set out in Rule 1006 of the Catalist Rules in respect of the Proposed Acquisition and based on the unaudited financial statements of the Company for the six-month period ended 30 June 2017 (“1HY2017”) were as follows:

Catalist Rule	Relative Figures
Rule 1006(a) The net asset value of the assets to be disposed of, compared with the group’s net asset value. This basis is not applicable to an acquisition of assets.	Not applicable
Rule 1006(b)⁽¹⁾ The net profits attributable to the assets acquired ⁽²⁾ , compared with group’s net profits ⁽³⁾ .	96.0%
Rule 1006(c) The aggregate value of the consideration ⁽⁴⁾ given, compared with the Company’s market capitalisation ⁽⁵⁾ based on the total number of issued shares excluding treasury shares.	35.1%
Rule 1006(d) The number of equity securities issued by the Company as consideration for the Proposed Acquisition ⁽⁶⁾ , compared with the number of equity securities previously in issue.	9.5%
Rule 1006(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the group’s proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

- (1) For the purpose of computation of the net profit figures under Rule 1006(b) of the Catalist Rules, pursuant to Rule 1002(3)(b) of the Catalist Rules, “**net profits**” means profit or loss before income tax, minority interests and extraordinary items.
- (2) For the purpose of the computation of the net profits of the Target, completion of the Restructuring is assumed and no adjustments had been made to account for the different financial year ends of the companies within the Animal Ark Group as set out below. The net profits of the Target (on a post-Restructuring basis) of S\$677,969 was based on the pro forma financial statements of the Target (on a post-Restructuring basis) for the relevant six-month period (adjusted to remove any exceptional, extraordinary, one-off and/or non-recurring items) which in turn was based on the unaudited combined financial statements of (i) The Animal Ark (TCM) Pte. Ltd. for the six-month period ended 31 March 2017, (ii) The Animal Ark (Binjai) Pte. Ltd. for the six-month period ended 31 March 2017, (iii) The Animal Ark (Tampines) Pte. Ltd. for the six-month period ended 30 June 2017, and (iv) The Animal Ark Pte. Ltd. for the six-month period ended 30 June 2017. Different financial periods were used for the comparison, as the financial year-end for The Animal Ark (TCM) Pte. Ltd. and The Animal Ark (Binjai) Pte. Ltd. is different from that of The Animal Ark (Tampines) Pte. Ltd. and The Animal Ark Pte. Ltd..
- (3) The net profits of the Company for 1HY2017 amounted to US\$507,000 (or S\$706,030 based on the average exchange rate of S\$1.00: US\$0.7181 for 1HY2017).
- (4) Based on a Consideration of S\$9,750,000. Based on the adjusted Consideration of S\$9,300,000, following the completion of the audit of the Animal Ark Group for its financial year 2016, as announced by the Company on 25 April 2018, the relative figure is 33.4%.

LETTER TO SHAREHOLDERS

- (5) The Company's market capitalisation was approximately S\$27,816,800, derived by multiplying the issued share capital of the Company of 126,440,002 Shares with the VWAP of such Shares transacted on 7 September 2017, of S\$0.22 per Share. The Company did not and does not have any treasury shares.
- (6) For the purpose of the computation of the Rule 1006 figures in this Circular, the aggregate of 12,019,090 Shares to be issued as part of the consideration for the Proposed Acquisition were based on the following assumptions:-
 - (a) There is no change to the Consideration of S\$9,750,000 and no adjustment to the Initial Payout and Retention Sum payable by the Company to the Vendor for the Proposed Acquisition.
 - (b) 9,360,000 Consideration Shares are to be issued at an issue price of S\$0.25 per Consideration Share issued as part of the Initial Payout.
 - (c) 2,659,090 Deferred Consideration Shares are to be issued at an issue price of S\$0.22 per Deferred Consideration Share, such issue price assumed to be based on the VWAP of S\$0.22 per Share on 7 September 2017 (being the market day preceding the date of the Sale and Purchase Agreement).

Based on the adjusted Consideration of S\$9,300,000, following the completion of the audit of the Animal Ark Group for its financial year 2016, as announced by the Company on 25 April 2018, the relative figure is 9.1%, based on an aggregate of 11,464,362 Shares that will be issued as part of the consideration for the Proposed Acquisition, based on the following assumptions:-

- (a) There is no adjustment to the Initial Payout and Retention Sum payable by the Company to the Vendor for the Proposed Acquisition.
- (b) 8,928,000 Consideration Shares are to be issued at an issue price of S\$0.25 per Consideration Share issued as part of the Initial Payout.
- (c) 2,536,362 Deferred Consideration Shares are to be issued at an issue price of S\$0.22 per Deferred Consideration Share, such issue price assumed to be based on the VWAP of S\$0.22 per Share on 7 September 2017 (being the market day preceding the date of the Sale and Purchase Agreement).

The Company had, through the Financial Adviser consulted with the SGX-ST. The SGX-ST has no objection on the Company's enquiry that, notwithstanding that the Proposed Acquisition does not constitute a Reverse Takeover ("**RTO**") or a VSA under Rule 1015 of the Catalist Rules, the assessment of whether the Proposed Acquisition will qualify for a new listing on the Catalist would be based on the admission requirements under Chapter 4 of the Catalist Rules. Further, the Proposed Acquisition shall be subject to the following conditions:

- (a) ZICO Capital is to adopt the due diligence and disclosure requirements applicable to a VSA under Rule 1015 of the Catalist Rules in respect of the Proposed Acquisition and accordingly, be subjected to shareholders' approval. The information to be set out in the circular to shareholders in relation to the Proposed Acquisition will comply with the disclosure requirements for a VSA, as stipulated in Rule 1015(4) of the Catalist Rules (which includes compliance with the disclosure requirements of the Fifth Schedule of the SFR);
- (b) The Sponsor must, in preparing the Company for lifting of its cash status, be satisfied that, having made reasonable due diligence enquiries and having considered all relevant matters, the Proposed Acquisition satisfies the requirements of a new listing under the Catalist Rules to lift the cash status of the company. This includes complying with Catalist Rule 225 (full sponsor due diligence in preparing listing applicant for admission) and having regard to the guidance in Practice Notes 2B and 4A of the Catalist Rules;
- (c) Notwithstanding that the Proposed Acquisition is not a RTO or a VSA, the Company must retain its full sponsor for the Proposed Acquisition as continuing sponsor for at least 3 years as required under Rule 225(3), after the Company's cash status is lifted upon Completion;

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- (d) ZICO Capital providing a confirmation to the SGX-ST after having conducted the due diligence on the Proposed Acquisition that, ZICO Capital, as Financial Adviser and Sponsor, is of the view that the Company is suitable for listing. There should be no adverse concerns and no reasonable basis to cast doubt on the viability of the business of the Proposed Acquisition;
- (e) The Company setting out clearly and prominently in the circular to shareholders that (i) the Proposed Acquisition will be undertaken as if it were a VSA; (ii) the safeguards volunteered by the Company; and (iii) the conditions imposed by the SGX-ST;
- (f) The Company providing an undertaking to the SGX-ST that should the Proposed Acquisition fail, the escrow monies will be distributed to Shareholders and the Company will be delisted; and
- (g) Compliance with the SGX-ST's listing rules.

The Financial Adviser has also, on behalf of the Company, sought a waiver from SGX-ST from compliance with Catalist Rule 1015(4)(A) read together with Rule 407(1) on paragraph 2(b) of Part IX of the Fifth Schedule of the SFR which require the Company to present the audited annual financial statements of the Target and/or the Enlarged Group for the three (3) most recent completed financial years.

For the rationale and more details on the said waiver, please refer to Section 16 of **Appendix A** of this Circular on "Management's Discussion and Analysis of Results of Operations and Financial Position – Waiver of Requirement for Inclusion of the Audited Financial Statements of the Target for FY2015, FY2016 and FY2017".

2.5 Proposed Allotment of Arranger Shares, Financial Adviser Shares and Proposed Issue of Bonus Issue Warrants and Bonus Issue Warrant Shares

In connection with the Proposed Acquisition, the Company has also entered into the Finders' Fee and Consultancy Agreement with ZICO Capital and Tiger Equities in respect of (a) fees to be paid to ZICO Capital for financial advisory services; and (b) fees to be paid to Tiger Equities as the introducer and arranger in connection with the Proposed Acquisition.

(A) Arranger Shares, Bonus Issue Warrants, and Bonus Issue Warrant Shares

Pursuant to the terms of the Finders' Fee and Consultancy Agreement, the Company will, immediately upon Completion, issue and allot the following number of Arranger Shares at an issue price of S\$0.25 per Arranger Share to ZICO Capital (as financial adviser) and Tiger Equities (as introducer) and/or their respective nominees:

- (i) 1,973,334 Shares to Tiger Equities; and
- (ii) 986,666 Shares to ZICO Capital.

The Arranger Shares are issued to Tiger Equities as fees for their services as arranger/introducer, and to ZICO Capital as fees for their services as financial adviser and in connection with the Proposed Acquisition, respectively.

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In addition to the Arranger Shares, the Company shall, immediately upon Completion, issue 5,300,000 bonus issue warrants (the “**Bonus Issue Warrants**”) to Tiger Equities and/or its nominee(s) at an issue price of S\$0.0001 per Bonus Issue Warrant, each Bonus Issue Warrant carrying the right to subscribe for one (1) new Share at an exercise price of S\$0.25 and having an expiry date of 30 June 2020 (the “**Bonus Issue Warrant Shares**”). The Bonus Issue Warrants are issued in addition to the Arranger Shares to Tiger Equities and/or its nominee(s) as part of fees for its services as arranger/introducer in connection with the Proposed Acquisition.

The Company has applied to the SGX-ST for permission for the listing of and quotation for the Arranger Shares and the Bonus Issue Warrant Shares, and is seeking Shareholders’ approval for the issue of such Arranger Shares and the Bonus Issue Warrant Shares.

(B) Financial Adviser Shares to ZICO Capital

The Company will issue 600,000 Financial Adviser Shares to ZICO Capital at the issue price of S\$0.25 per Share pursuant to the mandate letter between ZICO Capital and the Company and as part of the settlement of the financial advisory fee due to ZICO Capital as Sponsor and Financial Adviser.

(C) Information on Tiger Equities

Tiger Equities is a company incorporated in Singapore in 2003 and has offices in Singapore and Hong Kong. David Wendy Karl Jenkins is the sole shareholder and director of Tiger Equities. Tiger Equities specialises in value-creation through the aggregation of synergistic private businesses and is focused on businesses across Asia-Pacific. Tiger Equities introduced the Veterinary Assets and Business of the Animal Ark Group to the Company.

2.6 Independent Valuation

The Company has further appointed RSM Corporate Advisory Pte. Ltd. to conduct an independent valuation in respect of the Fair Market Value (as defined below) of 100% of the share capital of the Target (based on certain assumptions, including that the Restructuring had been completed as at 1 January 2015 and the Proposed Acquisition had taken place as at 31 December 2017).

“**Fair Market Value**” is defined as “*the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm’s length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts*” as set out in the International Glossary of Business Valuation Terms by the National Association of Certified Valuers and Analysts.

The Independent Valuer has used the income approach to estimate the Fair Market Value of 100% of the share capital of the Target. The Fair Market Value has been estimated as the sum of the future free operating cash flows expected to be generated by the Target discounted to its present value as at 31 December 2017 using the weighted average cost of capital, on a stand-alone going concern basis. The Independent Valuer also considered the market approach as a cross-check. The market approach uses valuation multiples of comparable companies as indicators of Fair Market Value of the Target.

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The expected future free operating cash flows are defined as the cash generated from operations taking into account requirements for capital expenditure and incremental working capital.

In accordance with terms of reference, limitations, key assumptions and factors set out in the Valuation Letter, the Fair Market Value range of 100% of the share capital of the Target as at 31 December 2017 is S\$9.7 million to S\$12.1 million.

The Valuation Letter issued by RSM Corporate Advisory Pte. Ltd., as the Independent Valuer, is set out in full in **Appendix D** of this Circular.

2.7 Moratorium Undertakings

The Proposed Acquisition, being within the ambit of Rule 1015, is subject to the moratorium requirements specified in Part IX of Chapter 4 of the Catalist Rules. Rule 1015(3)(b) provides that the moratorium requirements specified in Rules 420, 421 and 422 are applicable to the following persons:

- (a) the existing Controlling Shareholders and their associates; and
- (b) persons who will become a Controlling Shareholder and their associates.

Promoters

To demonstrate its commitment to our Company, our Controlling Shareholder Tan Gee Beng Private Limited has, in respect of its 57,139,331 Shares, undertaken not to:

- (a) sell, contract to sell, offer, realise, transfer, assign, grant any option or right to acquire, pledge, grant any security over, directly or indirectly, or otherwise dispose of, or encumber, any part of its shareholding interests in our Company immediately after Completion for a period of six (6) months commencing from the date of Completion; and
- (b) for a period of six (6) months thereafter, sell, contract to sell, offer, realise, transfer, assign, grant any option or right to acquire, pledge, grant any security over, directly or indirectly, or otherwise dispose of or encumber, more than 50% of its original shareholding interests in our Company.

In addition, each of the shareholders of Tan Gee Beng Private Limited, being our Executive Director Tan Tong Guan, our Non-Executive Director Tan Geok Moey, Tan Cheng Chow @ Tan Gee Beng, Tan Yoke Hong and Lim Choong Kuen Stephenie, who collectively hold the entire issued share capital of Tan Gee Beng Private Limited, has undertaken:

- (aa) not to sell, contract to sell, offer, realise, transfer, assign, grant any option or right to acquire, pledge, grant any security over, directly or indirectly, or otherwise dispose of, or encumber, any part of his or her respective shareholding interests in Tan Gee Beng Private Limited immediately after the Completion for a period of twelve (12) months from the date of Completion; and
- (bb) to procure that Tan Gee Beng Private Limited will comply with its moratorium undertakings set out in the paragraphs above.

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To demonstrate his commitment to our Company, our Executive Director Tan Tong Guan has, in respect of his 565,001 Shares, undertaken not to:

- (a) sell, contract to sell, offer, realise, transfer, assign, grant any option or right to acquire, pledge, grant any security over, directly or indirectly, or otherwise dispose of, or encumber, any part of his shareholding interests in our Company immediately after Completion for a period of six (6) months commencing from the date of Completion; and
- (b) for a period of six (6) months thereafter, sell, contract to sell, offer, realise, transfer, assign, grant any option or right to acquire, pledge, grant any security over, directly or indirectly, or otherwise dispose of or encumber, more than 50% of his original shareholding interests in our Company.

Such moratorium will maintain the promoters' commitment to the Company after the completion of the Proposed Acquisition and align their interests with that of minority shareholders.

The Vendor

In respect of the 1,116,000 Shares to be issued to the Vendor on Completion pursuant to the Sale and Purchase Agreement, the Vendor has undertaken not to sell, contract to sell, offer, realise, transfer, assign, grant any option or right to acquire, pledge, grant any security over, directly or indirectly, or otherwise dispose of, or encumber, any part of its shareholding interests in our Company immediately after Completion for a period of twelve (12) months commencing from the date of Completion.

Dr Eugene Lin and Elaine Poh

On Completion, Dr Eugene Lin and Elaine Poh will each hold 3,906,000 Shares.

In respect of their respective shareholdings, Dr. Eugene Lin and Elaine Poh have each undertaken not to sell, contract to sell, offer, realise, transfer, assign, grant any option or right to acquire, pledge, grant any security over, directly or indirectly, or otherwise dispose of, or encumber, any part of their shareholding interests in our Company immediately after Completion for a period of twelve (12) months commencing from the date of Completion.

Further to the determination of the Average EBIT (as defined in Section 2.3(b) of this Circular) after the Retention Period, such number of Deferred Consideration Shares (if applicable) determined based on the 10-day VWAP of the Shares prior to the end of the Retention Period, shall be allotted and issued to Dr Eugene Lin and Elaine Poh in equal shares.

In respect of the Deferred Consideration Shares, Dr Eugene Lin and Elaine Poh have undertaken not to sell, contract to sell, offer, realise, transfer, assign, grant any option or right to acquire, pledge, grant any security over, directly or indirectly, or otherwise dispose of, or encumber, any of the Deferred Consideration Shares immediately upon the issue of such Shares for a period of twelve (12) months commencing from the date of the issue of such Shares.

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Tiger Equities and the Financial Adviser

In respect of the 1,973,334 Arranger Shares to be issued to Tiger Equities on Completion pursuant to the Finders' Fee and Consultancy Agreement, Tiger Equities has undertaken not to sell, contract to sell, offer, realise, transfer, assign, grant any option or right to acquire, pledge, grant any security over, directly or indirectly, or otherwise dispose of or encumber, any part of its shareholding interests in our Company immediately after Completion for a period of three (3) months commencing from the date of Completion.

In respect of the 1,586,666 Shares (comprising 986,666 Arranger Shares and 600,000 Financial Adviser Shares) to be issued to the Financial Adviser on Completion pursuant to the Finders' Fee and Consultancy Agreement and the Financial Adviser's mandate with the Company, the Financial Adviser has undertaken not to sell, contract to sell, offer, realise, transfer, assign, grant any option or right to acquire, pledge, grant any security over, directly or indirectly, or otherwise dispose of, or encumber, any part of its shareholding interests in our Company immediately after Completion for a period of three (3) months commencing from the date of Completion.

2.8 Shareholders' Approval

In respect of the Proposed Acquisition, the Company is seeking Shareholders' approval for (i) the Proposed Allotment and Issue of Consideration Shares, (ii) the Proposed Allotment and Issue of Arranger Shares, (iii) the Proposed Allotment and Issue of Financial Adviser Shares, and (iv) the Proposed Issue of Bonus Issue Warrants and the Proposed Issue of Bonus Issue Warrant Shares, pursuant to the following:

(a) Rule 805 of the Catalist Rules

Rule 805(1) of the Catalist Rules provides, *inter alia*, that except as provided in Rule 806 (General Mandate) of the Catalist Rules, an issuer must obtain the prior approval of its shareholders in general meeting for the issue of shares of the issuer.

(b) Section 161 of the Companies Act

Section 161 of the Companies Act provides, *inter alia*, that directors shall not, without the prior approval of the company in general meeting, exercise any power of the company to issue shares.

2.9 Abstention from Voting

Tan Tong Guan, Tan Gee Beng Private Limited and their Associates have volunteered to abstain from voting on Resolution 1 (set out on page N-1 of this Circular) in respect of the Proposed Acquisition. They will not accept any nominations to act as proxy for any Shareholder in approving the Proposed Acquisition at the EGM unless specific instructions as to voting are given by such Shareholder in the proxy form. The abstention from voting is to leave the decision to approve the Proposed Acquisition in the hands of the minority Shareholders.

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3. OTHER AGREEMENTS WITH TIGER EQUITIES AND THE FINANCIAL ADVISER

3.1 Referral Shares, Referral Bonus Issue Warrants and Referral Bonus Issue Warrant Shares

Pursuant to the terms of the Finders Fee Agreement, Tiger Equities and the Financial Adviser shall introduce and/or refer appropriate acquisition target(s) to the Company, and if required by the Company, shall arrange for any restructuring required of the Company for the purpose of such acquisition(s). Such acquisition(s) shall be based on certain parameters, including aggregate EBIT of S\$1,860,000, and subject to audit and satisfactory due diligence being carried out on the target(s).

The Company will, upon completion of such acquisition, issue and allot the following number of Referral Shares at an issue price of S\$0.25 per Referral Share to Tiger Equities (as introducer and/or arranger) and ZICO Capital (as financial adviser) and/or their respective nominees:

(i) up to 2,693,334 Shares to Tiger Equities; and

(ii) up to 1,346,666 Shares to ZICO Capital,

based on an issue price of S\$0.25 per Referral Share, equivalent to an amount of up to S\$1,010,000 (the “**Referral Shares**”).

For Tiger Equities, in addition to the Referral Shares, the Company shall, on completion of the relevant acquisition, issue up to 7,200,000 bonus issue warrants (the “**Referral Bonus Issue Warrants**”) to Tiger Equities and/or its nominee(s) at an issue price of S\$0.0001 per Referral Bonus Issue Warrant, each Referral Bonus Issue Warrant carrying the right to subscribe for one new Share at an exercise price of S\$0.25 and having an expiry date of 30 June 2020 (the “**Referral Bonus Issue Warrant Shares**”).

The Company has applied to the SGX-ST for permission for the listing of and quotation for the Referral Shares and the Referral Bonus Issue Warrant Shares, and will rely on its general mandate in force at the relevant time or seek specific shareholders’ approval as required under the Catalist Rules, for the issuance of such Referral Shares and Referral Bonus Issue Warrant Shares.

3.2 Appointment of Tiger Equities as exclusive consultant

Pursuant to the Finders’ Fee and Consultancy Agreement, Tiger Equities shall be appointed as the exclusive consultant to the Company for a period of one year from Completion (the “**First Consultancy Term**”) in respect of any potential strategic acquisitions for which the target(s) is/are referred and/or introduced to the Company by Tiger Equities within the First Consultancy Term. Such potential target has to be deemed satisfactory to the Company.

Tiger Equities’ appointment as the Company’s exclusive consultant will be automatically renewed annually for such annual period after the First Consultancy Term up to a maximum period of three years from Completion, subject to, among others, Tiger Equities successfully referring and/or introducing to the Company at least one potential target for acquisition by the Company (each a “**Successive Target**”) within each successive period of one year from the First Consultancy Term, such Successive Target to be deemed satisfactory to the Company.

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There are no fixed consultancy fees charged by Tiger Equities during its appointment as exclusive consultant to the Company. Any fees payable by the Company to Tiger Equities will be based on successful referrals and/or introductions of targets to the Company during Tiger Equities' appointment as exclusive consultant.

3.3 Future referrals or introductions resulting in acquisitions

Pursuant to the Second Finders' Fee Agreement, Tiger Equities shall introduce and/or refer appropriate acquisition target(s) to the Company, and if required by the Company, shall arrange for any restructuring required of the Company for the purpose of such acquisition(s). The Second Finders' Fee Agreement is deemed to be effective on the date when the accumulated agreed EBIT of all acquisitions, including the acquisition of the Animal Ark Group business, is expected to exceed S\$3,100,000. For successful acquisition(s) of target(s) introduced or referred to the Company by Tiger Equities, the Company agreed that Tiger Equities will be entitled to payment of cash and Shares (to be issued and allotted at an issue price equal to the 10-day VWAP of the Shares prior to completion of the acquisition), provided that the total value of such cash and Shares shall not exceed S\$3,000,000. Tiger Equities is also entitled to four (4) bonus issue warrants for every S\$1 of agreed EBIT at the issue price of S\$0.0001 per bonus issue warrant, such warrant carrying the right to subscribe for one (1) new Share at the exercise price that is 30% above the 10-day VWAP of the Shares prior to completion and having an expiry date that is three (3) years from the date of completion of such acquisition.

The Company will apply to the SGX-ST for permission for the listing of and quotation for such Shares in due course, and may rely on its general mandate in force at the relevant time or seek specific Shareholders' approval for the issuance of such Shares, if necessary.

4. INFORMATION ON THE ENLARGED GROUP

4.1 Principal Business

Immediately following Completion, the principal business of the Enlarged Group will be the provision of veterinary services in Singapore.

4.2 Risk Factors relating to the Proposed Acquisition, the New Business and the Enlarged Group

The Proposed Acquisition will change the existing risk profile of the Company. The following is a list of material risk factors which are associated with the Proposed Acquisition. Please refer to Section 23 of **Appendix A** of this Circular for a further discussion on risks associated with the new veterinary business and their impact on Target and/or the Enlarged Group.

The following describes some of the risks known to the Company that could directly or indirectly affect it and the value of its Shares. The following does not state risks unknown to the Company now but which could occur in the future and risks which the Company currently believes to be immaterial, which could turn out to be material. Should such risks occur or turn out to be material, they could materially and adversely affect the Enlarged Group's business operations, results of operations and financial position.

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Shareholders should note that certain of the statements set forth below constitute “forward-looking statements” that involve risks and uncertainties. Please refer to the section entitled “Cautionary Note On Forward-Looking Statements” of this Circular. If any of the following risk factors and uncertainties develops into actual events, the Enlarged Group’s business operations, results of operations and financial position may be materially and adversely affected. In such circumstances, the trading price of the Shares could decline and Shareholders may lose all or part of their investment.

To the best of the Directors’ belief and knowledge, the risk factors associated with the new veterinary business which are material to Shareholders in making an informed decision with regard to the Proposed Acquisition have been set out below and in Section 23 entitled “**Risk Factors**” in **Appendix A** of this Circular.

If the Proposed Acquisition does not complete, the Company will be delisted

Completion of the Sale and Purchase Agreement is subject to the satisfaction or waiver of the Conditions Precedent, as explained in Section 2.3(d) of this Circular. If any one or more of the Conditions Precedent is not satisfied or waived on or before 31 August 2018, and the Company does not proceed with the Proposed Acquisition for non-satisfaction of the Conditions Precedent or otherwise, the escrow monies in our Company’s accounts will be distributed to Shareholders and our Company will be delisted.

In such event, Shareholders may face the risk of losses, if the portion of the escrow monies distributed to them is insufficient to cover their investment amounts.

The Company has no prior track record or experience in the New Business

The Company does not have a proven track record in the New Business and the current management of the Company may not have the relevant experience and expertise required in the carrying out or implementation of the New Business. As the New Business is a new area of business to the Company, the Company will face the usual risks, uncertainties and problems associated with the entry into any new business which it has no prior experience or track record in. These risks, uncertainties and problems include the inability to manage the operations and costs, the failure to attract and retain customers, the failure to provide the results, level of revenue and margins the Company is expecting, the failure to identify, attract, retain and motivate qualified personnel, and the inability to find the suitable joint venture, strategic or other business partners. There is no assurance that the management of the Company will be able to ensure success in undertaking the New Business.

As at the Latest Practicable Date, the Target did not yet hold the permits and licences necessary for the business and operations of the veterinary clinics

Please refer to Section 14 of **Appendix A** of this Circular on the licences granted to the Animal Ark Group and which are essential for the business and operations of the veterinary clinics (apart from those pertaining to general business requirements). These licences cannot be transferred to the Target by Animal Ark Group, and the Target is required to apply for new licences.

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As at the Latest Practicable Date, as Completion has not taken place, the Target did not yet hold these licences. It is a condition for Completion that the Company be satisfied with the results of due diligence investigations in relation to the business and assets of the Animal Ark Group. Satisfactory due diligence for the Company will include the existence and validity of all licences necessary for the veterinary business being operated by the Animal Ark Group. The Vendor will procure that the licences shall be issued to the Target upon Completion.

In respect of the licences issued by AVA for the operation of the Target's Veterinary Clinics, our Directors understand that in the past, the annual renewals of these licences had been obtained without difficulty, as there was no change to the clinics' operations, premises' layout and staff and the said clinics had passed the AVA inspections accordingly. Under the Proposed Acquisition, there will also be no change to the clinics' operations, premises' layout and staff after the Target takes control of the Target's Veterinary Clinics from Completion.

In respect of the licences issued by NEA for the Target's Veterinary Clinics to possess or keep ionising irradiating apparatus, our Directors understand that in the past, the annual or quarterly renewals of these licences had been obtained without difficulty, as there was no change to the location of the ionising irradiating apparatus at the clinics. Under the Proposed Acquisition, there will also be no change to the location of the ionising irradiating apparatus at the clinics after the Target takes control of the Target's Veterinary Clinics from Completion.

RHTLaw Taylor Wessing LLP, the Legal Adviser to the Company, has made enquiries to AVA regarding the application process to be undertaken by the Target for the new licences for the Target's Veterinary Clinics, and notes the following:

1. the Target had on 30 May 2018 applied to AVA for its new licences in relation to the existing clinic premises of the Animal Ark Group;
2. the AVA will schedule the requisite inspections of the clinic premises, as part of the application review process;
3. generally, if there is no change to the clinics' operations, premises' layout and staff, the clinics will pass the AVA inspection;
4. subject to the clinics passing the requisite inspection, AVA will issue an approval in principle for the Target's licence applications; and
5. on Completion, AVA will terminate the licences of the existing clinics and issue new licences in the name of the Target.

RHTLaw Taylor Wessing LLP, the Legal Adviser to the Company, has also made enquiries to NEA regarding the application process to be undertaken by the Target for the new licences to possess or keep ionising irradiating apparatus at the Target's Veterinary Clinics, and notes the following:

1. the Target had on 1 June 2018 applied to NEA for the new licences;
2. NEA will take about a month to process the applications, including the scheduling of inspection of the clinics;

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3. generally, if there is no change to the locations of the relevant equipment, the clinics will pass the NEA inspection; and
4. subject to the clinics passing the requisite inspection, NEA will issue the new licences on Completion, provided that the Target gives the NEA at least one week's notice of the Completion Date.

Based on the above, RHTLaw Taylor Wessing LLP, the Legal Adviser to the Company, is of the view that, barring unforeseen circumstances, upon Completion, the Target will be able to obtain the licences for the operations of the Target's Veterinary Clinics and the licences for these clinics to possess or keep irradiating apparatus.

Based on the above, our Directors do not foresee that the Target will not be able to successfully apply for and obtain the licences material for the operations of the Target's Veterinary Clinics upon Completion.

In the event that the Target does not obtain the licences upon Completion and/or if our Company does not proceed with Proposed Acquisition, the escrow monies in our Company's accounts will be distributed to Shareholders and our Company will be delisted.

As at the Latest Practicable Date, the Target did not yet hold the insurances for the Veterinary Assets and Business

Please refer to Section 13 of **Appendix A** of this Circular on the insurance policies maintained by the Animal Ark Group as at the Latest Practicable Date. As at the Latest Practicable Date, as Completion has not taken place, these insurance policies were not yet issued in the name of the Target. It is a condition for Completion that the Company be satisfied with the results of due diligence investigations in relation to the business and assets of the Animal Ark Group. Satisfactory due diligence for the Company will include the existence of adequate insurance coverage for the Veterinary Assets and Business. The Vendor will procure that the Target will have the necessary insurance policies upon Completion.

The Company or the Target will, prior to Completion, engage with insurance companies (including those that currently provide such insurance coverage to the Animal Ark Group), and ensure that the necessary insurance policies under its name would be in place upon Completion.

After making all due enquiries as are reasonable in the circumstances, our Directors are not aware of anything that will hinder or prevent the Target or the Company from obtaining the insurance coverage for the Veterinary Assets and Business upon Completion. It is the intention of the Enlarged Group to procure insurance coverage at the same or higher levels.

After Completion, the Enlarged Group may not have adequate insurance coverage

There is no assurance that any claims made or decided against us will be covered by insurance, or if covered, will not exceed the limits of our coverage. Further, if there is a break in the insurance coverage between Completion and the date on which the Target obtains insurance coverage for the Veterinary Assets and Business during which there is a significant disruption to the business and operations or damage to the properties and assets (whether as a result of fire and/or other causes), the business operations, financial condition and results of operations of the Enlarged Group will be materially and adversely affected.

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As at the Latest Practicable Date, the Target did not yet hold the intellectual property associated with the Veterinary Assets and Business

Please refer to Section 10 of **Appendix A** of this Circular on the intellectual property of the Animal Ark Group. As at the Latest Practicable Date, as Completion has not taken place, the Trademarks were not yet registered in the name of the Target.

By way of a Deed of Assignment dated 28 May 2018, the Animal Ark Group undertook, jointly and severally, irrevocably and unconditionally, upon Completion, to assign to the Target, its successors and assigns absolutely, all the right, title and interest in and to the Trademarks, and to assign the right to bring, make, oppose, defend or appeal proceedings, claims or actions and obtain relief (and to retain any damages recovered) in respect of any infringement or any other cause of action arising from ownership of any of the Trademarks whether occurring before, on or after Completion.

To the extent that any of the Trademarks cannot be assigned to the Target as envisaged above, the Animal Ark Group agree to hold them on trust for the Target and grant to the Target, its successors and assigns, free of charge, an exclusive, irrevocable and perpetual licence to use and exploit the Trademarks in any way whatsoever (including without limitation sub-licensing of such Trademarks) for the period commencing from Completion to the date of registration of the Trademarks in the name of the Target, its nominees, successors and assigns (as the case may be), or the date of expiry of the Trademarks, whichever is earlier.

After Completion, the Enlarged Group's failure to register and/or protect its intellectual property may have material adverse effects

If the Enlarged Group fails to effectively register its rights over the Trademarks or to protect the Trademarks upon and following Completion, resulting in any erosion of the goodwill associated with the "Animal Ark" brand, the reputation, prospects, business and results of operations of the Enlarged Group will be materially and adversely affected.

As at the Latest Practicable Date, the Target had not obtained HDB's approval for the change of operator for the premises of Tampines Vet Clinic and Tampines (TCM) Clinic

HDB had on 28 October 2016 granted its in-principle approval (1) to Dr Eugene Lin being owner of Blk 139 Tampines Street 11 #01-42, for the use of the premises as a veterinary clinic (namely, Tampines Vet Clinic), and (2) to the owner/landlord of Blk 139 Tampines Street 11 #01-62 for the use of the premises as a TCM veterinary clinic (namely, Tampines (TCM) Clinic), both for a period of three (3) years expiring on 28 October 2019.

HDB's approval must be obtained six (6) months prior to the expiry date, to continue with the use of the premises as a veterinary clinic and TCM veterinary clinic, respectively.

In anticipation of Completion, Dr Eugene Lin had, in respect of Blk 139 Tampines Street 11 #01-42, informed HDB that there will be a change in the operator of the veterinary clinic but no change in the operations of the clinic. Dr Eugene Lin had requested for HDB's approval that the veterinary clinic can continue at the unit after Completion, although this was not an express requirement under the terms of HDB's approval. Dr Eugene Lin had also informed HDB of the impending change of operator for Tampines (TCM) Clinic.

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As at the date of this Circular, the Tampines Vet Clinic and Tampines (TCM) Clinic are carrying out rectification works to the premises, following HDB's initial inspection, and will be arranging for HDB's re-inspection thereafter.

On the basis that there will be no change to the layout of the clinics and the clinics' operations and Tampines Vet Clinic and Tampines (TCM) Clinic hold valid licences from the AVA, our Directors do not foresee that it will be difficult to obtain HDB's approval for the change of operator.

In the event HDB's approval is not obtained and if either one or both of Tampines Vet Clinic and Tampines (TCM) Clinic have to relocate to other premises, the Enlarged Group faces the possibility of having to pay higher rental rates and additional costs of relocation. In addition, the relocation to other premises may cause either one or both of Tampines Vet Clinic and Tampines (TCM) Clinic to lose customers who live in proximity to these clinics. If these risks materialise, the business operations, financial condition and results of operations of the Enlarged Group will be materially and adversely affected.

The price of the Shares may fluctuate after Completion

The issue price of S\$0.25 for the Consideration Shares may not be indicative of the price of the Shares that will prevail in the trading market. Volatility in the market price of the Shares may be caused by factors beyond the control of the Enlarged Group and may be unrelated and disproportionate to the operating results of the Enlarged Group.

The market price of the Shares may fluctuate significantly and rapidly as a result of, amongst other things, the following factors, some of which are beyond the control of the Enlarged Group:

- (i) the success or failure of the Enlarged Group's management team in implementing business and growth strategies;
- (ii) changes in significant contracts, acquisitions, strategic alliances or capital commitments;
- (iii) loss of the Enlarged Group's major customers or failure to complete significant orders or contracts;
- (iv) variations in the operating results of the Enlarged Group;
- (v) the Enlarged Group's involvement in litigation;
- (vi) unforeseen contingent liabilities of the Enlarged Group;
- (vii) addition or departure of key personnel of the Enlarged Group;
- (viii) changes in securities analysts' estimates of the Enlarged Group's operating results and recommendations;
- (ix) differences between the Enlarged Group's actual operating results and those expected by investors and securities analysts; and
- (x) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors.

LETTER TO SHAREHOLDERS

Future acquisitions, joint ventures or investments may expose the Enlarged Group to increased risks

Following Completion, the Enlarged Group may, as a matter of business strategy, invest in or acquire other entities in the New Business, or enter into joint ventures or other investment structures in connection with the New Business. Acquisitions that the Enlarged Group may undertake, along with potential joint ventures and other investments, may expose the Enlarged Group to additional business and operating risks and uncertainties, including but not limited to the following:

- (i) the direct and indirect costs in connection with such transactions;
- (ii) the inability to effectively integrate and manage the acquired businesses;
- (iii) the inability of the Enlarged Group to exert control over the actions of its joint venture partners, including any non-performance, default or bankruptcy of the joint venture partners;
- (iv) the inability of the Enlarged Group to exert control over strategic decisions made by these companies;
- (v) the time and resources expended to coordinate internal systems, controls, procedures and policies;
- (vi) the disruption in ongoing business and diversion of management's time and attention from other business concerns;
- (vii) the risk of entering markets in which the Enlarged Group may have no or limited prior experience;
- (viii) the potential loss of key employees and customers of the acquired businesses;
- (ix) the risk that an investment or acquisition may reduce the Enlarged Group's future earnings; and
- (x) exposure to unknown liabilities.

If the Enlarged Group is unable to successfully implement its acquisition or expansion strategy or address the risks associated with such acquisitions or expansions, or if the Enlarged Group encounters unforeseen expenses, difficulties, complications or delays frequently encountered in connection with the integration of acquired entities and the expansion of operations, the Enlarged Group's growth and ability to compete may be impaired. The Enlarged Group may fail to achieve acquisition synergies and be required to focus resources on integration of operations, rather than on its business. This will have a negative impact on the financial performance of the Enlarged Group.

Activities to expand its operations may also bring the Enlarged Group into contact, directly or indirectly, with new entities or new markets. These business activities expose the Enlarged Group to the range of risks described in this Circular, and to new and enhanced risks including reputation risks arising from dealing with a range of new counterparties. If these risks materialise, the business operations, financial condition and results of operations of the Enlarged Group will be materially and adversely affected.

LETTER TO SHAREHOLDERS

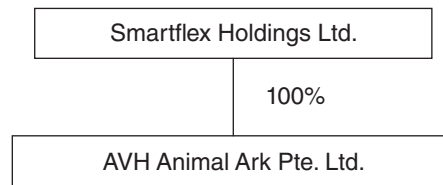
Negative publicity may adversely affect the price of the Shares

Negative publicity involving the Enlarged Group and Substantial Shareholders of the Company may materially and adversely affect the market perception or the price of the Shares. Some examples of the negative publicity are unsuccessful attempts in joint ventures and takeovers.

4.3 Structure of the Enlarged Group

As at the Latest Practicable Date, the Company had an issued and paid-up capital of S\$17,970,919, comprising 126,440,002 fully paid Shares, and the Company did not have any treasury shares and subsidiary holdings.

As at the Latest Practicable Date, the Target did not have any subsidiaries or associated companies. Following Completion, the Target will become a wholly-owned subsidiary of the Company, and the Enlarged Group structure will be as set out below.

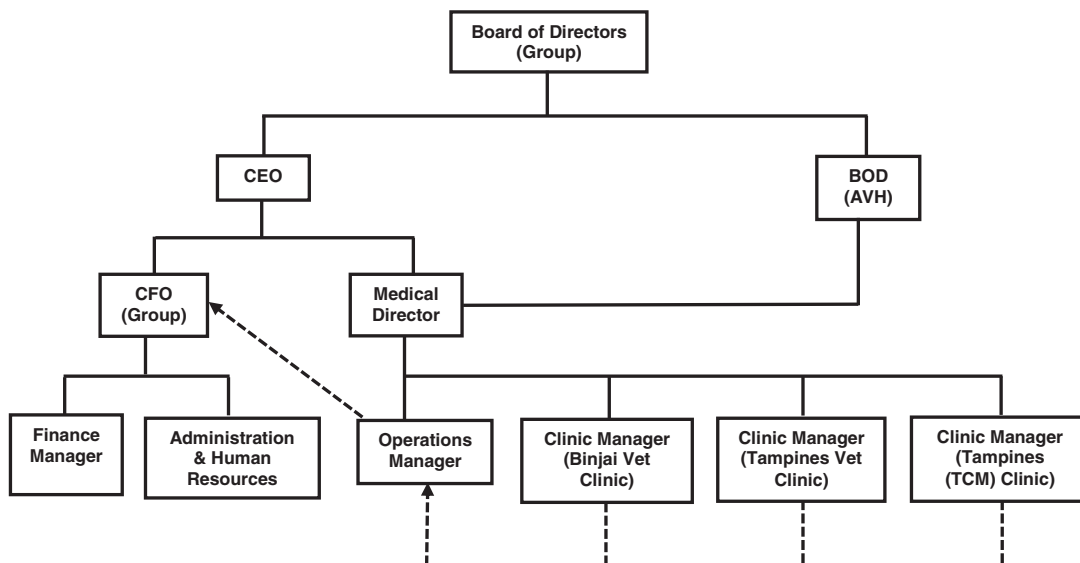


4.4 Directors and Management of the Enlarged Group

A summary of the information on the directors and management of the Enlarged Group is set out below. Please see **Appendix A** of this Circular for the detailed information in relation thereto.

(A) Management Reporting Structure

The management reporting structure is set out in the chart below:



LETTER TO SHAREHOLDERS

(B) Board of Directors

There will be no change to the Board of Directors of the Company following the completion of the Proposed Acquisition. The particulars of the members of the Board are set out below:

Name	Age	Address	Position
Tan Tong Guan	55	c/o 95 Amoy Street Singapore 069915	Executive Chairman and CEO
Tan Geok Moey	57	c/o 95 Amoy Street Singapore 069915	Non-Executive Director
Teo Yi-Dar	47	c/o 95 Amoy Street Singapore 069915	Lead Independent Director
Chan Kum Kit	65	c/o 95 Amoy Street Singapore 069915	Independent Director

Information on the business and working experience, educational and professional qualifications and areas of responsibilities of the Directors of the Company are set out below:

Tan Tong Guan is our Executive Chairman and CEO, and is responsible for the overall management of operations, and providing strategic planning, corporate direction and business strategy of our Company and the Enlarged Group. He is also the brother of Tan Geok Moey, our non-executive director. Mr Tan is one of the co-founders of the Company and was appointed to the Board on 17 February 2010. Pursuant to the Existing Constitution, Mr Tan is due to retire by rotation at the Company's annual general meeting for FY2018. Under the Existing Constitution and New Constitution, a retiring Director shall be eligible for re-election.

Mr Tan is currently an executive director, a position he has held since 1991, and controlling shareholder of Tan Gee Beng Private Limited, the Controlling Shareholder of our Company. Mr Tan was executive chairman of Smartflex Technology Pte. Ltd. from July 2003 to July 2016. In addition, Mr Tan currently serves as a non-executive, independent director on the board of Sing Holdings Limited and is the chairman of its audit committee.

Mr Tan began his career as an auditor at KPMG Peat Marwick in 1987 and left in 1991. In 1991, he joined Nanyang Finance Ltd (later known as Nanyang Seasons Ltd) and served as its executive director until his departure from the company in 2003. He graduated from the National University of Singapore with a Bachelor of Accountancy in 1987 and is a fellow of the Institute of Singapore Chartered Accountants.

Tan Geok Moey is our non-executive director and the sister of Tan Tong Guan, our Executive Chairman and CEO. Ms Tan was appointed to the Board on 15 March 2010. Pursuant to the Existing Constitution, Ms Tan is due to retire by rotation at the Company's annual general meeting for FY2019.

Ms Tan is currently a director and controlling shareholder of Tan Gee Beng Private Limited, the Controlling Shareholder of our Company.

LETTER TO SHAREHOLDERS

Ms Tan began her career as an auditor for Deloitte Haskins & Sells (Goh Tan & Co) from 1983 to 1988. Between 1990 to 2006, she served as the executive director of Regent Oil & Foodstuffs (1990) Pte Ltd where she was responsible for the overall finance and accounting, administration and human resources functions of the company. In October 2007, Ms Tan joined Tan Gee Beng Private Limited and has served as an executive director since. As a director of Tan Gee Beng Private Limited, she is responsible for the overall administration and financial matters of the company. Ms Tan graduated from the National University of Singapore with a Bachelor of Accountancy in 1983.

Teo Yi-Dar is our Lead Independent (Non-Executive) Director. He was appointed as Independent Director of the Company on 22 February 2013. He is also the Chairman of the Audit Committee. Pursuant to the Existing Constitution, Mr Teo is due to retire by rotation at the Company's annual general meeting for FY2018.

Mr Teo started his career in 1996 as an Engineer in SGS-Thomson Microelectronics Pte. Ltd. and moved on to Keppel Corporation Ltd in July 1997, where he was responsible for the business development activities for Keppel Corporation Ltd's offshore and marine businesses. After his departure from Keppel Corporation Ltd in September 1999, he joined Seavi Advent Corporation Ltd, a private equity firm based in Boston, as a partner where he was responsible for the conducting and managing the direct investments into Asian-based businesses. Mr Teo then joined Kenyon Group Limited as an executive director in June 2016 where he oversees and manages the investments of the company.

Mr Teo sits on the boards of several SGX-listed companies. He is currently the lead independent director and chairman of both remuneration committee and nominating committee for Yangzijiang Shipbuilding (Holdings) Ltd, the lead independent director and chairman of the audit committee for China YuanBang Property Holdings Ltd and a non-executive director for HG Metal Manufacturing Ltd.

Mr Teo graduated from the National University of Singapore with a Bachelor of Electrical Engineering (Honours) in 1996. He obtained a Master of Science in Industrial and Systems Engineering (1998) and a Master's Degree in Applied Finance (2000) from the National University of Singapore. He was accredited as a Chartered Financial Analyst by the CFA Institute in 2001.

Chan Kum Kit is our Independent (Non-Executive) Director. He was appointed to the Board on 15 March 2010. He is also the Chairman of the Nominating Committee and Remuneration Committee. Pursuant to the Existing Constitution, Mr Chan is due to retire by rotation at the Company's annual general meeting for FY2019.

Mr Chan started his career in Price Waterhouse & Co. in July 1976 and attained the position of Audit Senior before moving on to Lim, Tan, Tiew & Co as an audit supervisor from 1981 to 1983. Subsequently, he joined C.N. Tiew & Co in 1984 as an audit manager where he was responsible for the management of the audit assignments of the firm. In January 1985, he became a partner of the firm where he oversaw audit engagements and was involved in the professional training of the firm's staff until his departure in September 2009.

Mr Chan founded Verity Partners in September 2008 and has been a partner of the firm since.

LETTER TO SHAREHOLDERS

Mr Chan graduated with a Bachelor of Accountancy from the University of Singapore in 1974 and is a fellow of the Institute of Singapore Chartered Accountants.

(B)(i) Present and Past Directorships of our Directors

Save as disclosed below and excluding the directorship held in our Company, none of our Directors currently holds or has held any directorships in the past five (5) years preceding the date of this Circular.

Name	Present Directorships	Past Directorships
Tan Tong Guan	<u>Group Companies</u> Nil <u>Other Companies</u> <ul style="list-style-type: none"> • Cosmos Investment Pte Ltd, Singapore • NZ First Properties Pte Ltd, Singapore • Sing Holdings Ltd, Singapore • Tan Gee Beng Pte Ltd, Singapore • Teck Gee Investments (International) Pte Ltd, Singapore • TGB Properties Pte Ltd, Singapore • TGB Properties (NZ) Pte Ltd, Singapore • Tan Gee Beng (Hong Kong) Ltd, Hong Kong • Perusahaan TGB Sdn Bhd, Malaysia • Wellington First Properties (NZ) Pte Ltd, Singapore • Centrepont Tiara (M) Sdn Bhd, Malaysia • Red Blue Development Sdn Bhd, Malaysia • D.E. Cosmetic Ningbo Co., Ltd, China • Ningbo Shino Cosmetic Cotton Co., Ltd, China • Suzhou Hongchang Packing Materials Co., Ltd, China 	<u>Group Companies</u> <ul style="list-style-type: none"> • Smartflex Technology Pte. Ltd., Singapore • Smartflex Innovation Pte. Ltd., Singapore <u>Other Companies</u> <ul style="list-style-type: none"> • Gui Yang Teak Gee Zinc Co., Ltd, China • Orastream Pte Ltd, Singapore • Sing Investments & Finance Ltd, Singapore • TEC Developments Ltd, New Zealand

LETTER TO SHAREHOLDERS

Name	Present Directorships	Past Directorships
Tan Geok Moey	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	<ul style="list-style-type: none"> Smartflex Technology Pte. Ltd., Singapore
	<u>Other Companies</u> <ul style="list-style-type: none"> Cosmos Investment Pte Ltd, Singapore NZ First Properties Pte Ltd, Singapore Tan Gee Beng Pte Ltd, Singapore TGB Properties Pte Ltd, Singapore TGB Properties (NZ) Pte Ltd, Singapore Tan Gee Beng (Hong Kong) Ltd, Hong Kong Wellington First Properties (NZ) Pte Ltd, Singapore 	<u>Other Companies</u> Nil
Teo Yi-Dar	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u> <ul style="list-style-type: none"> Altair Capital Advisors Pte Ltd, Singapore Altair Capital (I) Ltd, BVI Altair Capital General Partner Ltd, Cayman Islands Aldersgate Holdings Limited, BVI Beijing Denox Environment & Technology Co., Ltd., China China Yuanbang Property Holdings Limited, Bermuda Ciena Enterprises Limited, BVI Clear Vision Ventures Limited, BVI Denox Environment & Technology Holdings Limited, Cayman Islands Fortune Knight International Limited, BVI Gold Future Investment Limited, BVI Guotaiqixing Biomedical International (Singapore) Pte. Ltd., Singapore 	<u>Other Companies</u> <ul style="list-style-type: none"> Baoling Investments Pte Ltd, Singapore Bayston Investments Ltd, BVI Hainan Shaungcheng Pharmaceuticals & Co., Ltd, China Net Pacific Financial Holdings Ltd, Singapore Pleasant Way Analyse Development Ltd, BVI SACLP Investments Ltd, Hong Kong SAP Investments Ltd, BVI TFSA Investments Ltd, BVI Value Plus Investment Ltd, Hong Kong Yitian Investments Pte Ltd, Singapore

LETTER TO SHAREHOLDERS

Name	Present Directorships	Past Directorships
	<ul style="list-style-type: none"> • HG Metal Pte Ltd, Singapore • HG Metal Distribution Sdn Bhd, Malaysia • HG Metal Manufacturing Sdn Bhd, Malaysia • HG Metal Investments Pte Ltd, Singapore • HG Construction Steel Pte Ltd, Singapore • HG Metal Manufacturing Ltd, Singapore • Hongyin Resources (HK) Co Limited, Hong Kong • Jin Heng Li Hardware Sdn Bhd, Malaysia • Kenyon Group (Asia) Pte Ltd, Singapore • Kenyon Group Limited, BVI • Myghty Holdings Pte Ltd, Singapore • Myghty (Yangon) Limited, Myanmar • Niho (Singapore) Pte Ltd, Singapore • Oriental Metals Pte Ltd, Singapore • PT HG Metal Distribution Indonesia, Indonesia • Penyao Environmental Protection Co., Ltd., China • Printlab Holdings Pte Ltd, Singapore • Seavi Advent Asia Investments (III) Ltd, BVI • Springhaven Holdings Limited, BVI • Top Rich Investment Ltd, Cayman Islands • TPSC Asia Pte Ltd, Singapore • TPSC Holdings Pte Ltd, Singapore • TPSC Asia Group Holding Limited, Cayman Islands • Yangzijiang Shipbuilding (Holdings) Ltd., Singapore 	

LETTER TO SHAREHOLDERS

Name	Present Directorships	Past Directorships
Chan Kum Kit	<u>Group Companies</u> Nil <u>Other Companies</u> <ul style="list-style-type: none"> FC Solution Pte Ltd, Singapore Healthserve Limited, Singapore K K Chan Pte Ltd, Singapore 	<u>Group Companies</u> Nil <u>Other Companies</u> <ul style="list-style-type: none"> Sing Holdings Ltd, Singapore

(C) Key Executive Officers

Save for the appointment of Dr Eugene Lin, there will be no change to the key executive officers following Completion. The particulars of the executive officers are as follows:

Name	Age	Address	Position
Xue Ru	43	c/o 95 Amoy Street Singapore 069915	CFO
Dr Eugene Lin	44	c/o 11 Binjai Park Singapore 589823	Medical Director and General Manager

Information on the business and working experience, educational and professional qualifications and areas of responsibilities of the executive officers are set out below:

Xue Ru is our Chief Financial Officer. She was appointed as CFO on 20 July 2016. She is responsible for all the financial matters for the Company, including financial reporting, internal controls and taxation, and human resource management.

In August 2000, Xue Ru started her career as a sales executive in Singapore Handicrafts Pte Ltd. From February 2002 to December 2009, she worked as a Finance and Administration Manager in Aztech Heat Exchangers Pte. Ltd.. In February 2010, she joined Hu An Cable Holdings Ltd. as finance manager. She was promoted to financial controller in June 2010 and re-designated as its CFO in February 2012 until her departure in September 2015. She subsequently joined Hyin Engineering Pte. Ltd. in October 2015 as its Finance Director where she oversaw the company's financial management, general administration, information technology and human resource functions.

Xue Ru graduated with a Bachelor of Economics from Nanjing University of Aeronautics and Astronautics in 1997 and obtained a Master of Business Administration from the National University of Singapore in 2008. She is a fellow member of the Association of Chartered Certified Accountant and a non-practicing member of the Institute of Singapore Chartered Accountants.

LETTER TO SHAREHOLDERS

Dr Eugene Lin will be appointed as the Medical Director and General Manager of the Target upon Completion. He will be responsible for overseeing the delivery of veterinary care and clinical services by the veterinary clinics. Dr Eugene Lin will be the principal veterinary surgeon who will lead and guide the Enlarged Group in the development of medical protocols and in the maintenance of quality service. He will also oversee the clinical staff.

Dr Eugene Lin has more than 17 years experience as a veterinary surgeon. He began his career in December 2001 as a veterinarian with Pet Care Centre & Clinic. In November 2002, he joined The Animal Recovery Centre Pte Ltd where he worked as a veterinary surgeon till August 2005. In September 2005, Dr Eugene Lin established The Animal Ark Pte. Ltd. and served as its executive director and veterinary surgeon till January 2014. In February 2014, Dr Eugene Lin was appointed executive director and veterinary surgeon at The Animal Ark (Binjai) Pte. Ltd.. At present, he is also an executive director for The Animal Ark Pte. Ltd., The Animal Ark (Tampines) Pte. Ltd., and The Animal Ark (TCM) Pte. Ltd..

Dr Eugene Lin graduated with a Bachelor of Veterinary Science from the Faculty of Veterinary Science, the University of Sydney in 2001, and he had obtained a General Practitioner Certificate in Endoscopy and Endosurgery from the European School of Veterinary Postgraduate Studies (ESVPS) in the United Kingdom in 2017.

(D) Service Agreement with Dr Eugene Lin

By way of a Service Agreement entered into by Dr Eugene Lin (the “**Employee**”) with the Target dated 28 May 2018, which shall take effect from Completion, Dr Eugene Lin will commit to an employment period of at least 30 months following Completion, with automatic renewals for successive periods of 36 months thereafter on the same terms unless otherwise agreed in writing between the Company and the Employee or terminated in accordance with the Service Agreement.

Dr Eugene Lin will be responsible for the overall operations of the Target, such as overseeing its strategic development and expansion in the veterinary business, and will act as the Target's principal veterinary surgeon developing the medical protocols, providing guidance and leadership on performance guidelines in relation to service excellence by all the clinics under the Target, and overseeing the activities of the veterinarians and clinical staff of the Target's clinics, including the recruiting and training processes.

Dr Eugene Lin will be paid a monthly remuneration of S\$22,000, to be reviewed from time to time by the Remuneration Committee, and a discretionary bonus of such amount and at such intervals as the Target may in its absolute discretion determine.

The Service Agreement also provides for, *inter alia*, use of intellectual property, certain restrictive covenants (including non-compete obligation), and grounds of termination.

LETTER TO SHAREHOLDERS

During his employment and without limit in time after the expiry or termination of the employment for whatever reason, the Employee shall not, and shall use reasonable endeavours to procure that his associates (namely, his family members and corporations and persons controlled by the Employee) shall not:

- (a) take or allow any other person to take, any action which would in any way abrogate, encumber, or restrict the Target's intellectual property rights; and
- (b) in relation to any trade, business or company, use (or cause to be used) any name in such a way as to be capable of or likely to be confused with the name of the Target.

Subject to substantiation by production of receipts or otherwise to the Target's reasonable satisfaction, the Target shall reimburse the Employee for those expenses reasonably incurred by the Employee in the course of the employment, including mobile telephone expenses, work-related travel and car park expenses, professional membership fees and relevant professional insurance premiums.

The Employee shall not, and shall procure to the best of his efforts that his associates shall not do or permit certain actions, including:

- (a) at any time during the period of the employment and for a period of two (2) years after the expiry or termination of the employment for whatever reason, either on his own account or for any other person, directly or indirectly, solicit, interfere with, or persuade any person who is or was a customer, distributor or agent of the Target or in the habit of dealing with the Target during the period of 24 months preceding the expiration or termination of the employment, to cease doing business with the Target or reduce the amount of business which the customer would normally do with the Target prior to the expiration or termination of the employment;
- (b) during the period of employment, either alone or jointly with or as a manager, agent for or employee of any person, directly or indirectly carry on or be engaged or concerned or interested (whether as a consultant, employee, director, partner, adviser, agent, trustee, shareholder or in any other capacity) in any business similar to the Target's business, and for a period of two (2) years after the expiry or termination of the employment for whatever reason, either alone or jointly with or as a manager, agent for or employee of any person, directly or indirectly carry on or be engaged or concerned or interested (whether as a consultant, employee, director, partner, adviser, agent, trustee, shareholder or in any other capacity) in any business similar to the Target's business within a 5 km radius of any of the clinics operated by the Target, save that the aforementioned restrictions shall not apply to (i) Dr Eugene Lin holding less than five per cent (5%) of the issued shares or debentures of any company listed on any recognised stock exchange that is in competition with the Target's business and (ii) Dr Eugene Lin conducting such commercial, academic, journalistic, charitable and/or other activities on an ad-hoc basis, as informed to and agreed to by the Company prior to such engagement; and
- (c) at any time during the period of the employment and for a period of two (2) years after the expiry or termination of the employment for whatever reason, solicit, encourage or entice away any employee of the Target,

unless the prior written approval of the Target is obtained.

LETTER TO SHAREHOLDERS

The Target has the right to terminate the Employee's employment with immediate effect (but without prejudice to the rights and remedies of the Target) by giving written notice to the Employee in certain events, including (1) the Employee commits a material breach of the provisions of the service agreement, (2) the Employee being proven to be medically unable to carry out his duties, (3) the Employee being guilty of any grave misconduct, gross negligence or other act which materially prejudices the business of the Target, and (4) the Employee is found guilty of unprofessional or unethical conduct by any board or organization (including the AVA).

Except where the Target has the right to terminate the Employee's employment with immediate effect, either party may terminate the employment by giving the other six (6) months' notice in writing, provided that the Employee shall not terminate the employment for the first 30 months following Completion, and shall not pay salary in lieu of the required period of notice.

Had the Service Agreement been in place for FY2017, the aggregate remuneration payable to Dr Eugene Lin would have been approximately S\$276,240 and the loss before tax of the Enlarged Group for FY2017 would have been approximately S\$2.39 million instead of S\$2.32 million.

Save as disclosed above, there are no existing or proposed service agreement between our Enlarged Group and any of our Directors or executive officers (including proposed executive officer). There are no existing or proposed service agreement entered into by our Directors or executive officers (including proposed executive officer) with our Enlarged Group which provides for benefits upon termination of employment.

(D)(i) Present and Past Directorships of our Executive Officers

Save as disclosed below and excluding the directorship held in our Company, none of our executive officers currently holds or has held any directorships in the past five years preceding the date of this Circular:

Name	Present Directorships	Past Directorships
Xue Ru	<u>Group companies</u>	<u>Group companies</u>
	Nil	Nil
	<u>Other companies</u>	<u>Other companies</u>
	<ul style="list-style-type: none">Hyin Engineering Pte. Ltd., Singapore	<ul style="list-style-type: none">Hu An Electric (Singapore) Pte. Ltd., SingaporeShenhuan Cable (Singapore) Pte. Ltd., Singapore

LETTER TO SHAREHOLDERS

Name	Present Directorships	Past Directorships
Dr Eugene Lin	<u>Group companies</u>	<u>Group companies</u>
	Nil	Nil
	<u>Other companies</u>	<u>Other companies</u>
	<ul style="list-style-type: none"> • The Animal Ark Pte. Ltd. • The Animal Ark (Binjai) Pte. Ltd. • The Animal Ark (Tampines) Pte. Ltd. • The Animal Ark (TCM) Pte. Ltd. 	Nil

(E) Related Employees

Save for Tan Tong Guan and Tan Geok Moey who are siblings, Tan Gee Beng Private Limited, which is a Controlling Shareholder and the family investment holding company of which Tan Tong Guan and Tan Geok Moey are two of the shareholders, and Dr Eugene Lin and Elaine Poh who are husband and wife, none of the Directors and executive officers are related to one another or to the Substantial Shareholders of the Enlarged Group.

Save as disclosed, as at the Latest Practicable Date, none of the Veterinary Assets and Business' full-time employees of a managerial position and above were related by blood or marriage to any of the Company's Directors, executive officers, Substantial Shareholders or their Associates.

To the best of the Directors' knowledge and belief, there are no arrangements or undertakings with any Substantial Shareholders, customers or suppliers of the Enlarged Group or other person, pursuant to which any of the Directors and executive officers were or are to be appointed.

(F) Suitability of the Enlarged Group's Chief Financial Officer

Xue Ru will continue to be our CFO after Completion. The Audit Committee has:

- (a) considered the qualifications and past working experience of Xue Ru, and assessed that she should be sufficiently qualified and equipped to handle the financial matters of the Target, taking into consideration the nature of the Target's business;
- (b) observed her abilities and diligence in the financial matters of the Company and in the preparation of the financial information of the Enlarged Group for purposes of the Circular; and
- (c) noted the absence of negative feedback from our Independent Auditors and Reporting Accountants.

After making all reasonable enquiries, and to the best of their knowledge and belief, nothing has come to the attention of the members of our Audit Committee to cause them to believe that Xue Ru does not have the competence, character and integrity expected of the CFO of the Enlarged Group.

LETTER TO SHAREHOLDERS

5. PROPOSED CHANGE OF NAME OF THE COMPANY TO “ASIA VETS HOLDINGS LTD.”

- 5.1 The Board considers that it would be appropriate for the Company to adopt a new name in order to reflect the nature of the Veterinary Assets and Business that the Company will undertake.
- 5.2 The Proposed Change of Name is subject to the Shareholder’s approval at the EGM. ACRA has approved the Company’s application to change its name to “Asia Vets Holdings Ltd.” (the “**Proposed Name**”). The Proposed Name is reserved for 120 days from 29 March 2018.
- 5.3 Subject to the approval of Shareholders and registration by ACRA, the Company shall change its name to the Proposed Name with effect from the issue of certificate confirming incorporation of the Company under the new name by ACRA to the Company and the name Smartflex Holdings Ltd. will be substituted with “Asia Vets Holdings Ltd.” wherever the latter name appears in the Constitution of the Company.
- 5.4 The Company will make an announcement once the Proposed Name takes effect. The Proposed Change of Name will not affect any of the rights of the Shareholders and the legal status of the Company. All existing share certificates of the Company in issue bearing the existing name of the Company will, after the Proposed Change of Name become effective, continue to be evidence of title to shares of the Company and will remain valid for trading, settlement, registration and delivery purposes.

6. LISTING AND QUOTATION NOTICE BY THE SGX-ST

- 6.1 A copy of this Circular has been lodged with the SGX-ST on 29 June 2018 for posting on the website of the SGX-ST.
- 6.2 Pursuant to the Catalist Rules, the SGX-ST is expected to issue a listing and quotation notice for the permission for the listing and quotation of the Consideration Shares, the Arranger Shares, the Financial Adviser Shares, the Bonus Issue Warrant Shares, the Referral Shares and the Referral Bonus Issue Warrant Shares further to the lodgment of this Circular with the SGX-ST.
- 6.3 It should be noted that the listing and quotation notice, if issued by the SGX-ST, is not to be taken as an indication of the merits of the Proposed Transactions, the Company, the Target, the Enlarged Group, the Shares, the Consideration Shares, the Arranger Shares, the Financial Adviser Shares, the Bonus Issue Warrant Shares, the Referral Shares and the Referral Bonus Issue Warrant Shares.
- 6.4 There is no limitation on the right of non-resident or foreign shareholders to hold or exercise voting rights on the Shares imposed by the laws of Singapore, by the Existing Constitution or by the New Constitution.

LETTER TO SHAREHOLDERS

7. FINANCIAL EFFECTS

- 7.1 The pro forma financial effects of the Proposed Acquisition on the Company presented below are strictly for illustrative purposes only and do not reflect the actual financial results or the future financial performance and condition of the Company and/or the Enlarged Group after Completion. The pro forma financial effects below were prepared on the basis of the audited financial statements of the Company for FY2017.

(a) Assumptions

The financial effects of the Proposed Acquisition on the loss per Share (“LPS”) and net tangible assets (“NTA”) of the Company have been prepared based on the latest announced audited financial statements of the Company for FY2017 and the unaudited pro forma financial information of the Target for FY2017 (which is based on the audited financial statements of the Animal Ark Group entities for FY2017 and the unaudited management accounts of the Target for FY2017).

Shareholders should note that the pro forma financial effects of the Proposed Acquisition as prepared by the management of the Company are purely for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Company following the Completion. In addition, the illustrative financial effects should not be construed to mean that the Company’s actual future results, financial position or achievements will be as expected, expressed or implied in such financial effects following the Completion.

For illustration purposes only, the financial effects of the Proposed Acquisition have been computed based on the following assumptions:

- (i) the financial effects on the NTA attributable to the owners of the Company and the NTA per Share have been computed assuming that the Proposed Acquisition was completed on 31 December 2017, being the end of the most recently completed financial year;
- (ii) the financial effects on the loss attributable to the owners of the Company and the LPS have been computed assuming that the Proposed Acquisition was completed on 1 January 2017, being the beginning of the most recently completed financial year;
- (iii) there is no change to the Consideration of S\$9,300,000 and no adjustment to the Initial Payout and Retention Sum payable by the Company to the Vendor for the Proposed Acquisition;
- (iv) for illustrative purpose, an aggregate of 2,595,348 Deferred Consideration Shares are issued at an issue price of S\$0.215 per Deferred Consideration Share, such issue price assumed to be based on the VWAP of S\$0.215 per Share as at 4 June 2018, the last day prior to the Latest Practicable Date in which the Shares were traded. There was no trading of Shares as at the Latest Practicable Date;

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- (v) after Completion and payment of the Retention Sum, but before the exercise of the Bonus Issue Warrants (as defined in Section 2.5(A)), an aggregate of 15,083,348 Shares are to be issued by the Company, such Shares comprising the following:

To be Issued and Allotted to	Type of Share	Issue Price per Share (S\$)	Number of Shares
The Vendor (or its nominee(s))	Consideration Shares	0.25	1,116,000
Dr Eugene Lin	Consideration Shares	0.25	3,906,000
Elaine Poh	Consideration Shares	0.25	3,906,000
Dr Eugene Lin	Deferred Consideration Shares	0.215	1,297,674
Elaine Poh	Deferred Consideration Shares	0.215	1,297,674
Tiger Equities (or its nominee(s))	Arranger Shares ⁽¹⁾	0.25	1,973,334
ZICO Capital (or its nominee(s))	Arranger Shares ⁽¹⁾ and Financial Adviser Shares ⁽²⁾	0.25	1,586,666
Total number of Shares			15,083,348

Notes:

- (1) The Shares to be issued to Tiger Equities and ZICO Capital pursuant to the Finders' Fee and Consultancy Agreement as consideration for the introducer and arranger services provided by Tiger Equities and financial advisory services provided by ZICO Capital to the Company.
- (2) The Shares to be issued to ZICO Capital as financial advisory fees upon the completion of the Proposed Acquisition.
- (vi) upon the exercise of the Bonus Issue Warrants, an additional 5,300,000 Shares are issued to Tiger Equities at an exercise price of S\$0.25 per Share; and
- (vii) the transaction costs in respect of the Proposed Acquisition is assumed to be S\$2.5 million.

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(b) Share Capital

	Before Completion of the Proposed Acquisition	After Completion of the Proposed Acquisition but before exercise of the Bonus Issue Warrants	After the Average EBIT Determination Period following Completion and exercise of the Bonus Issue Warrants
Number of Shares	126,440,002	138,928,002	146,823,350
Issued and paid-up share capital (S\$'000)	17,971	21,093	22,976

(c) NTA

	Before Completion of the Proposed Acquisition	After Completion of the Proposed Acquisition but before exercise of the Bonus Issue Warrants	After Average EBIT Determination Period following Completion and exercise of the Bonus Issue Warrants
NTA attributable to owners of the Company (S\$'000)	17,891	10,688	10,688
Number of Shares	126,440,002	138,928,002	146,823,350
NTA per Share attributable to owners of the Company (Singapore cents)	14.15	7.69	7.28

(d) Loss per Share

	Before Completion of the Proposed Acquisition	After Completion of the Proposed Acquisition but before exercise of the Bonus Issue Warrants	After Average EBIT Determination Period following Completion and exercise of the Bonus Issue Warrants
Net loss attributable to owners of the Company (S\$'000)	(924)	(2,301)	(2,301)
Number of Shares	126,440,002	138,928,002	146,823,350
Loss per Share (Singapore cents)	(0.73)	(1.66)	(1.57)

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7.2 Trend Information for the Enlarged Group

Following completion of the Proposed Acquisition, the Enlarged Group's revenue will be mainly driven by the Enlarged Group's ability to operate and grow the Veterinary Assets and Business.

For the current FY2018, barring unforeseen circumstances, our Directors believe that the projected losses for the Enlarged Group for FY2018 will be higher than the losses reported in the audited financial statements of the Company for FY2017, mainly due to transaction costs related to the Proposed Acquisition.

Please refer to "Trend Information" in Section 18.2 of **Appendix A** of this Circular for more information.

Save as discussed above and under the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Results of Operations and Financial Position of the Enlarged Group" in this Circular and in "Risk Factors relating to the Proposed Acquisition, the New Business and the Enlarged Group" and "Management's Discussion and Analysis of Results of Operations and Financial Position" in **Appendix A** of this Circular, and barring any unforeseen circumstances, our Directors are not aware of any significant recent trends, uncertainties, demands, commitments or events that are reasonably likely to have a material and adverse effect on our revenue, profitability, liquidity or capital resources, or may cause financial information disclosed in this Circular to be not necessarily indicative of our future operating results or financial condition.

7.3 Exchange Controls

Currently, there are no Singapore governmental laws, decrees, regulations and other legislation that may affect the following:

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by the Enlarged Group; and
- (b) the remittance of dividends, interest or other payments to non-resident holders of the Company's securities.

8. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

8.1 Appointment of the IFA

Notwithstanding that the appointment of an IFA is not required under the Catalist Rules, the Company appointed Xandar Capital Pte. Ltd. as the IFA to advise the Directors on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its Shareholders.

The IFA Letter is reproduced in full in **Appendix E** to this Circular. Shareholders are advised to read the IFA Letter in its entirety carefully and consider it in the context of this Circular before deciding on whether to approve the Proposed Transactions.

The IFA's opinion can be found in paragraph 5 of the IFA Letter. Unless otherwise defined or the context otherwise requires, all terms defined in the IFA Letter shall have the meanings therein.

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8.2 Recommendation

An extract from paragraph 5 of the IFA Letter in respect of its recommendation is set out in italics below, with capitalised terms being as defined in the IFA Letter:

“Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Acquisition, as summarised below:

- (a) the Target registered stable revenue of between S\$4.0 million and S\$4.2 million for the Period Under Review although its revenue for FY2017 was 5.2% lower than FY2016;*
- (b) based on the Valuation Letter, the fair market value range of 100% of the share capital of the Target is estimated to be between S\$9.7 million to S\$12.1 million. Accordingly, the Consideration of S\$9.3 million is at a discount of between 4.1% and 23.1% to the fair market value range of the Target;*
- (c) part of the Consideration relating to the Retention Sum will be determined based on the annualised average 30M EBIT of the Target in the future. Based on the Retention Sum of S\$1.86 million, the annualised average 30M EBIT to be achieved by the Target should not fall below the Agreed EBIT. The Target achieved an annual EBIT higher than the Agreed EBIT in FY2016. In the event that the Target annualised average 30M EBIT is higher than the Agreed EBIT, the P/EBIT ratio for the Proposed Acquisition will improve;*
- (d) the Issue Price represents premiums to the VWAP of the Shares for the periods prior to the Announcement Date and premium to the NAV per Share as at 31 May 2018;*
- (e) based on the lowest transacted price of S\$0.142 for the period between 1 January 2016 and the Latest Practicable Date, the number of Deferred Consideration Shares to be allotted and issued to the Vendor and its nominee(s) will represent only 2.8% of the enlarged share capital of the Company after the allotment and issue of the Consideration Shares, the Deferred Consideration Shares, the Arranger Shares and the Financial Adviser Shares;*
- (f) the EV/EBITDA ratio, P/E ratio and P/EBIT ratio of the Target are within the range and below the mean and median of the Selected Veterinarian Companies;*
- (g) the EV/EBITDA ratio, P/E ratio and P/EBIT ratio of the Target are below the range of the Selected SGX-ST-listed Medical Companies;*
- (h) the P/NAV ratio of the Target is above the range of both Selected Veterinarian Companies and the Selected SGX-ST-listed Medical Companies. However, the P/NAV ratio of the Target, if based on the fair market value range indicated in the Valuation Letter, will be below the range of the Selected Veterinarian Companies and the Selected SGX-ST-listed Medical Companies;*
- (i) the premium of the Issue Price to the last transacted price of the Shares prior to the Announcement Date as well as the P/NTA of the Shares is within the range of the Recent Transactions;*

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- (j) *the Company is a cash company and may be removed from the Official List if the Company is unable to meet the requirements for a new listing by 19 July 2018;*
- (k) *based on the pro forma financial effects, the loss per Share will increase due mainly to the transaction costs relating to the Proposed Acquisition while the NTA per Share will decrease upon completion of the Proposed Acquisition; and*
- (l) *other considerations as set out in paragraph 4.10 of this IFA Letter.*

Accordingly, after taking into account the above factors, we are of the opinion as of the date hereof that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its Shareholders.”

9. AUDIT COMMITTEE’S STATEMENT

The members of the Audit Committee do not have any interests in the Proposed Acquisition and are accordingly deemed to be independent for the purposes of the Proposed Acquisition.

The Audit Committee, having reviewed, among other things, the terms, rationale and benefits of the Proposed Acquisition and after considering the recommendation of the IFA as set out in **Appendix E**, is of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

10. CORPORATE GOVERNANCE

10.1 Board Practices

The Board recognises the importance of corporate governance to Shareholders, and will follow closely the best practices outlined in the best practices guide issued by the SGX-ST and continue to exert best efforts to implement the good practices recommended in the Code of Corporate Governance 2012.

Upon Completion, the compositions of the Audit Committee, Nominating Committee, and the Remuneration Committee will not be changed and shall remain as follows:

(a) Audit Committee

Teo Yi-Dar (Chairman)
Tan Geok Moey
Chan Kum Kit

(b) Nominating Committee

Chan Kum Kit (Chairman)
Teo Yi-Dar
Tan Geok Moey

(c) Remuneration Committee

Chan Kum Kit (Chairman)
Teo Yi-Dar
Tan Geok Moey

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10.2 Internal Controls

In preparation for the Proposed Acquisition, our Directors note that the Company's management and the Target's Director have held discussions with the management of the Animal Ark Group and the Company's independent auditors, and internal control reviewer.

Our Directors note that no material internal control weaknesses have been raised in the internal controls review that was conducted by the Company's internal control reviewer nor by the Company's independent auditors in the course of their audit of the financial statements of the Animal Ark Group for the Period Under Review.

Based on the foregoing, our Board, with the concurrence of the Audit Committee, after making all reasonable enquiries, is of the opinion that the Target's internal controls are adequate and effective to address the financial, operational, and compliance risks of the Target.

Following Completion, the Target will form part of the Enlarged Group. The Audit Committee shall commission an internal audit of the Enlarged Group within one year from Completion, and subsequently an annual internal control audit until such time as the Audit Committee is satisfied that the Enlarged Group's internal controls system is robust and effective enough to mitigate the Enlarged Group's internal control weaknesses (if any). Prior to the decommissioning of such an annual audit, the Board is required to report to the Sponsor and Financial Adviser on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal control audit. Thereafter, such audits may be initiated by the Audit Committee as and when it deems fit to satisfy itself that the Enlarged Group's internal controls system remains robust and effective. Upon completion of the internal control audit, appropriate disclosure will be made via SGXNET of any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by the Board.

11. MATERIAL BACKGROUND INFORMATION ON THE DIRECTORS, EXECUTIVE OFFICERS AND CONTROLLING SHAREHOLDERS OF THE COMPANY

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, executive officers (including proposed executive officer) or Controlling Shareholders of the Company:

- (a) has at any time during the last ten (10) years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two (2) years from the date he ceased to be a partner;
- (b) has at any time during the last ten (10) years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two (2) years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- (c) has any unsatisfied judgement against him;

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- (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
- (e) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
- (f) has at any time during the last ten (10) years, had judgement entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty been made on his part, or has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- (h) has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
- (i) has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;
- (j) has, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
 - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; and/or
- (k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory body, exchange, professional body or government agency, whether in Singapore or elsewhere.

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Following an inquiry by a Disciplinary Committee appointed by the Public Accountants Oversight Committee (“**PAOC**”) on two charges relating to the audit of a client’s financial statements, it was found, among others, that as the audit partner, Mr Chan did not exercise sufficient due care in accordance with the requisite professional standards under the Accountants Act. On 17 March 2017, the PAOC ordered that Mr Chan undertake that for a period of nine months starting from 17 April 2017, his work be reviewed by another public accountant before he signs off on any audit engagement. As of 18 January 2018, the order has been lifted.

12. SELECTED FINANCIAL INFORMATION

The following selected financial information of the Enlarged Group should be read in conjunction with the full text of this Circular, including **Appendix B** entitled “Unaudited Pro Forma Financial Information of the Target for the Financial Years Ended 31 December 2015, 2016 and 2017” and **Appendix C** entitled “Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group for the Financial Year Ended 31 December 2017” of this Circular.

Statement of Adjustments For The Unaudited Pro Forma Consolidated Statement Of Comprehensive Income For The Financial Year Ended 31 December 2017

	Audited Statement of Comprehensive Income 2017 \$	Pro Forma Adjustments Relating to the Target ⁽¹⁾ 2017 \$	Other Pro Forma Adjustments ⁽²⁾ 2017 \$	Unaudited Pro Forma Consolidated Statement of Comprehensive Income 2017 \$
Revenue	–	4,028,769	–	4,028,769
Cost of sales	–	(2,049,739)	–	(2,049,739)
Gross profit	–	1,979,030	–	1,979,030
Other operating income	123,794	16,488	–	140,282
Other operating expenses	(1,044,252)	(1,192,931)	(2,136,891)	(4,374,074)
Finance costs	–	(66,871)	–	(66,871)
(Loss)/profit before tax	(920,458)	735,716	(2,136,891)	(2,321,633)
Income tax expense	(3,263)	(42,533)	–	(45,796)
(Loss)/profit for the year, representing total comprehensive income for the year	(923,721)	693,183	(2,136,891)	(2,367,429)

Notes to the Pro Forma Adjustments:

- (1) Being the pro forma adjustments to effect the acquisition of the Target on 1 January 2017.
- (2) Being transaction costs relating to the proposed acquisition of AVH Animal Ark Pte. Ltd.. Total transaction costs for the proposed acquisition amount to \$2,516,891, of which, \$380,000 has been recorded by the Company in its audited statement of comprehensive income in 2017.

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Statement Of Adjustments For The Unaudited Pro Forma Consolidated Statement Of Financial Position As At 31 December 2017

	Audited Statement of Financial Position 2017 \$	Pro Forma Adjustments Relating to the Target ⁽¹⁾ 2017 \$	Other Pro Forma Adjustments ⁽²⁾ 2017 \$	Unaudited Pro Forma Consolidated Statement of Financial Position 2017 \$
ASSETS				
Non-current asset				
Plant and equipment	–	590,249	–	590,249
Goodwill	–	8,704,369	–	8,704,369
Current assets				
Cash and bank deposits	748,280	(5,130,760)	16,180,718	11,798,238
Restricted deposits	17,290,766	–	(17,290,766)	–
Other receivables	300,636	22,760	–	323,396
Prepayments	3,400	–	–	3,400
Inventories	–	54,876	–	54,876
Total current assets	18,343,082	(5,053,124)	(1,110,048)	12,179,910
Total assets	18,343,082	4,241,494	(1,110,048)	21,474,528
EQUITY AND LIABILITIES				
Current liabilities				
Other payables and accruals	452,214	–	(230,157)	222,057
Total current liabilities	452,214	–	(230,157)	222,057
Net current assets	17,890,868	(5,053,124)	(879,891)	11,957,853
Non-current liabilities				
Other payables and accruals	–	2,009,494	–	2,009,494
Net assets	17,890,868	2,232,000	(879,891)	19,242,977
Equity attributable to owners of the Company				
Share capital	17,970,919	2,232,000	890,000	21,092,919
Capital reserve	–	–	367,000	367,000
Accumulated losses	(80,051)	–	(2,136,891)	(2,216,942)
Total equity	17,890,868	2,232,000	(879,891)	19,242,977

Notes to the Pro Forma Adjustments:

- (1) Being the pro forma adjustments to effect the acquisition of the Target on 31 December 2017.
- (2) The other pro forma adjustments relate to (i) the reclassification of the restricted deposits to cash and bank deposits due to the release of the restricted deposits from the escrow account. Restricted deposits represent cash held in an escrow account which can be drawn down upon completion of the Proposed Acquisition; (ii) the transaction costs relating to the proposed acquisition of AVH Animal Ark Pte. Ltd; and (iii) the reversal of transaction costs accrued by the Company in 2017.

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Statement Of Adjustments For The Unaudited Pro Forma Consolidated Statement Of Cash Flows For The Financial Year Ended 31 December 2017

	Audited Financial Statement of Cash Flows 2017 \$	Pro Forma Adjustments Relating to the Target ⁽¹⁾ 2017 \$	Other Pro Forma Adjustments ⁽²⁾ 2017 \$	Unaudited Pro Forma Consolidated Statement of Cash Flows 2017 \$
Cash flows from operating activities:				
Loss before tax	(920,458)	735,716	(2,136,891)	(2,321,633)
Adjustment for:				
Interest income	(123,062)	–	–	(123,062)
Interest expense	–	66,871	–	66,871
Equity-settled share based payments	–	–	1,257,000	1,257,000
Unrealised exchange loss	1,102	–	–	1,102
Depreciation of plant and equipment	–	144,071	–	144,071
Operating loss before changes in working capital	(1,042,418)	946,658	(879,891)	(975,651)
Increase in trade receivables	–	(30,274)	–	(30,274)
Decrease in other receivables	892	46,022	–	46,914
Decrease in inventories	–	15,124	–	15,124
Increase in trade payables	–	183,241	–	183,241
Increase/(decrease) in other payables and accruals	275,440	47,448	(230,157)	92,731
Cash (used in)/generated from operations	(766,086)	1,208,219	(1,110,048)	(667,915)
Interest received	124,417	–	–	124,417
Income taxes paid	(3,263)	–	–	(3,263)
Net cash flows (used in)/generated from operating activities	(644,932)	1,208,219	(1,110,048)	(546,761)
Cash flows from investing activities				
Purchase of plant and equipment	–	(60,331)	–	(60,331)
Proceeds from consideration receivable from disposal of subsidiaries	1,655,479	–	–	1,655,479
(Placement)/release of restricted deposits	(1,719,603)	–	17,290,766	15,571,163
Acquisition of business assets (net of cash acquired)	–	(5,165,111)	–	(5,165,111)
Net cash flows (used in)/generated from investing activities	(64,124)	(5,225,442)	17,290,766	12,001,200
Cash flows from financing activity				
Dividends paid	(1,264,400)	–	–	(1,264,400)
Net cash flows used in financing activity	(1,264,400)	–	–	(1,264,400)
Net (decrease)/increase in cash and cash equivalents	(1,973,456)	(4,017,223)	16,180,718	10,190,039
Cash and cash equivalents at beginning of year	2,722,838	–	–	2,722,838
Effects of exchange rate changes on cash and cash equivalents	(1,102)	–	–	(1,102)
Cash and cash equivalents at end of year	748,280	(4,017,223)	16,180,718	12,911,775

Notes to the Pro Forma Adjustments:

- (1) Being the pro forma adjustments to effect the acquisition of the Target on 31 December 2017.
- (2) The other pro forma adjustments relate to (i) the reclassification of the restricted deposits to cash and bank deposits due to the release of the restricted deposits from the escrow account. Restricted deposits represent cash held in an escrow account which can be drawn down upon completion of the Proposed Acquisition; (ii) the transaction costs relating to the Proposed Acquisition; and (iii) reversal of transaction costs accrued by the Company in 2017.

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13. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION OF THE ENLARGED GROUP

The following discussion of the Enlarged Group's results of operations and financial position should be read in conjunction with the full text of this Circular, including the "Unaudited Pro Forma Financial Information of the Target for the Financial Years Ended 31 December 2015, 2016 and 2017" and the "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group For the Financial Year Ended 31 December 2017", as set out in **Appendix B** and **Appendix C** of this Circular, respectively.

The discussion in this section may contain forward-looking statements that involve risks and uncertainties. The Enlarged Group's actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Circular, particularly in sections entitled "Risk Factors" in this Circular and in **Appendix A**. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Company, the Enlarged Group, the Target, the Sponsor and Financial Adviser or any other person. Shareholders are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to section entitled "Cautionary Note On Forward-Looking Statements" of this Circular.

The unaudited pro forma consolidated financial information of the Enlarged Group for FY2017 has been prepared for illustrative purposes only, and is based on certain assumptions and after making certain adjustments to show:–

- (a) the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2017 had the Proposed Acquisition been completed on 31 December 2017; and
- (b) the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated cash flow statement of the Enlarged Group for the financial year ended 31 December 2017 had the Proposed Acquisition been completed on 1 January 2017.

Information about the Enlarged Group's financial position, financial performance and cash flows have been extracted by the management from the audited financial statements of the Company for FY2017 and unaudited pro forma financial information of the Target for FY2017.

Please refer to Note 2 to the financial statements of **Appendix C** of this Circular on "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group for the Financial Year Ended 31 December 2017" ("**FY2017 Pro Forma**") for the details and explanation of the basis of preparation of the unaudited pro forma consolidated financial information of the Enlarged Group.

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Overview

The financial information presented in Section 12 of this Circular on “Selected Financial Information” makes pro forma adjustments to the audited financial statements of the Company for FY2017 to derive the unaudited pro forma consolidated financial information of the Enlarged Group. The purpose of the discussion and analysis in this section is to explain the effects of these adjustments.

Our discussion henceforth will make reference to the results of the Target as they have been included in the Unaudited Pro Forma Financial Information for the Financial Year Ended 31 December 2017. Please refer to Section 16 of **Appendix A** of this Circular on “Management’s Discussion and Analysis of Results of Operations and Financial Position” of the Target for further details of the financial information of the Target.

Discussion and Analysis on the Unaudited Pro Forma Consolidated Statement of Comprehensive Income for FY2017

In preparing the Unaudited Pro Forma Consolidated Statement of Comprehensive Income for FY2017, it is assumed that the Proposed Acquisition is completed on 1 January 2017, being the beginning of the Company’s most recently completed financial year.

Revenue

Revenue is solely the revenue of the Target for FY2017 as the Company had disposed its subsidiaries in July 2016.

Cost of Sales

Cost of sales of S\$2.05 million is the cost of sales of the Target for FY2017.

Other Operating Income

Other operating income of S\$0.02 million had been included in the FY2017 Pro Forma to reflect the other operating income of the Target for FY2017.

Other Operating Expenses

Other operating expenses of S\$1.19 million had been included in the FY2017 Pro Forma to reflect the other operating expenses of the Target for FY2017.

A further S\$2.14 million was included to reflect the transaction costs for the Proposed Acquisition amounting to S\$2.52 million, of which, S\$0.38 million has been recorded by the Company in its audited statement of comprehensive income in FY2017.

Finance Costs

Finance costs of S\$0.07 million had been included in the FY2017 Pro Forma as this is the finance costs of the Target for FY2017, assuming that the Proposed Acquisition is completed as at 1 January 2017.

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Income Tax Expense

Income tax expense of S\$0.04 million had been included in the FY2017 Pro Forma as this is the income tax expense of the Target for FY2017.

Discussion and Analysis on the Unaudited Pro Forma Consolidated Statement of Financial Position as at 31 December 2017

In preparing the Unaudited Pro Forma Consolidated Statement of Financial Position as at 31 December 2017, it is assumed that the Proposed Acquisition is completed on 31 December 2017, being the end of the Company's most recently completed financial year.

Non-Current Asset

Plant and Equipment

Plant and equipment of S\$0.59 million had been included in the FY2017 Pro Forma as this is the plant and equipment of the Target as at 31 December 2017.

Goodwill

Goodwill of S\$8.70 million had been included in the FY2017 Pro Forma as this is the goodwill arising from the Proposed Acquisition of the Target computed based on the assets of the Target as at 31 December 2017.

Current Assets

Cash and Bank Deposits

Cash and bank deposits of S\$5.13 million had been excluded in FY2017 Pro Forma as this is the cash paid to the vendor of Target for the Proposed Acquisition (net of cash acquired).

Cash and bank deposits S\$16.2 million has been included in the FY2017 Pro Forma to reflect the reclassification of the restricted deposits to cash and bank deposits arising from the release of the restricted deposits from the escrow account, offset by the transaction costs relating to the Proposed Acquisition.

Restricted Deposits

Restricted deposits of S\$17.29 million had been excluded in the FY2017 Pro Forma to reflect the reclassification of the restricted deposits to cash and bank deposits as a result of releasing the restricted deposits from the escrow account.

Other Receivables

Other receivables consisting deposits of S\$0.02 million had been included in the FY2017 Pro Forma as this relates to the deposits of the Target as at 31 December 2017.

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Inventories

Inventories of S\$0.05 million had been included in FY2017 Pro Forma as this is the amount of inventories of the Target as at 31 December 2017.

Current Liabilities

Other Payables and Accruals

Other payables and accruals of S\$0.23 million had been excluded in the FY2017 Pro Forma to reflect transaction costs accrued by the Company as at 31 December 2017 that has been assumed to have been paid on the date of acquisition.

Non-Current Liabilities

Other Payables and Accruals

Other payables and accruals of S\$2.01 million had been included in the FY2017 Pro Forma as this is the deferred consideration payable to the vendors of the Animal Ark Group in connection with the Restructuring.

Total Equity

Share Capital

Share capital of S\$2.23 million had been included in the FY2017 Pro Forma to reflect the issuance of the Consideration Shares payable to vendor of Target and vendors of the Animal Ark Group in relation to the Proposed Acquisition and the Restructuring.

A further share capital of S\$0.89 million had been included in the FY2017 Pro Forma to reflect the issuance of the Arranger Shares to Tiger Equities and ZICO Capital and Financial Adviser Shares to ZICO Capital. The Arranger Shares and Financial Adviser Shares are issued to ZICO Capital as fees for their services as financial adviser and the Arranger Shares are issued to Tiger Equities as fees for their services as arranger/introducer in connection with the Proposed Acquisition.

Capital Reserve

Capital reserve of S\$0.37 million had been included in the FY2017 Pro Forma to reflect the value ascribed to the Bonus Issue Warrants.

Accumulated Losses

Accumulated losses of S\$2.14 million had been included in the FY2017 Pro Forma arising from the transaction costs for the Proposed Acquisition.

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Discussion and Analysis on the Unaudited Pro Forma Consolidated Statement of Cash Flows for the Financial Year Ended 31 December 2017

In preparing the Unaudited Pro Forma Consolidated Statement of Cash Flows for the Financial Year Ended 31 December 2017, it is assumed that the Proposed Acquisition is completed on 1 January 2017, being the beginning of the Company's most recently completed financial year.

On a pro forma basis, the Enlarged Group recorded a loss before tax of S\$2.32 million. Non-cash adjustments were mainly due to equity-settled share based payments of S\$1.26 million, depreciation of plant and equipment of S\$0.14 million and interest income of S\$0.12 million. Operating loss before changes in working capital amounted to S\$0.98 million for FY2017.

Cash used in operations after changes in working capital amounted to S\$0.67 million mainly due to increase in other payables and accruals of S\$0.09 million and increase in trade payables of S\$0.18 million. After accounting interest received of S\$0.12 million and income taxes paid of approximately S\$3,000, net cash flows used in operating activities for FY2017 amounted to S\$0.55 million.

Net cash generated from investing activities of S\$12.00 million was mainly due to release of restricted deposits of S\$15.57 million and proceeds from consideration receivable from disposal of subsidiaries of the Company of S\$1.66 million, partially offset by acquisition of business assets (net of cash acquired) of S\$5.17 million.

Net cash flows used in financing activity of S\$1.26 million was due to dividends paid in FY2017.

As at 31 December 2017, cash and cash equivalents on a pro forma basis was S\$12.91 million after taking into account effects of exchange rate changes on cash and cash equivalents of approximately S\$1,000.

Our Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flow generated from operations of the Enlarged Group and the existing cash and cash equivalents of the Enlarged Group, the working capital available to the Enlarged Group as at the date of lodgment of this Circular is sufficient for its present requirements and for the requirements of the Enlarged Group for at least 12 months from Completion.

The Sponsor and Financial Adviser is of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flow generated from operations of the Enlarged Group and the existing cash and cash equivalents of the Enlarged Group, the working capital available to the Enlarged Group as at the date of lodgment of this Circular is sufficient for its present requirements and for the requirements of the Enlarged Group for at least 12 months from Completion.

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14. REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

The compensation (which includes benefits-in-kind, directors' fees and bonuses) paid to the Directors and the two executive officers for services rendered to the Enlarged Group on an individual basis during FY2016, FY2017 and expected to be paid for the current financial year is set out in the following remuneration bands^{(1),(2)}:

Name	FY2016	FY2017	FY2018 (estimated)
Directors			
Tan Tong Guan	B	B	B
Tan Geok Moey	A	A	A
Teo Yi-Dar	A	A	A
Chan Kum Kit	A	A	A
Key executives⁽³⁾			
Xue Ru	A	A	A
Dr. Eugene Lin ⁽³⁾	A	A	A

Notes:

- (1) "Band A" refers to remuneration below S\$250,000.
- (2) "Band B" refers to remuneration from S\$250,000 to below S\$500,000
- (3) For the periods stipulated above, save for Xue Ru, the Company did not have key executives (not being directors), and before Completion, Dr Eugene Lin's remuneration is based on his salary drawn from the Animal Ark Group.

The remuneration of the Directors of the Enlarged Group and Xue Ru will remain unchanged after Completion. Dr Eugene Lin's remuneration will be as agreed in the Service Agreement, as described in Section 4.4(D) of this Circular.

Other than in respect of contributions which are mandated by the relevant laws, no amounts have been set aside or accrued to provide for pension, retirement or similar benefits to the Directors and executive officers of the Enlarged Group.

There is no arrangement which involves the Directors, executive officers or employees of the Enlarged Group in the capital of the Company, including any arrangement that involves the issue or grant of options or shares or any other securities of the Company.

No remuneration was paid or is to be paid in the form of share options to any of our Directors, executive officers or employees of the Enlarged Group.

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15. INTERESTED PERSON TRANSACTIONS

15.1 Interested Person Transactions

In general, transactions between the Enlarged Group and any of its Interested Persons constitute an Interested Person Transaction pursuant to Chapter 9 of the Catalist Rules.

The interested persons in relation to the Enlarged Group include:

- (a) its directors and its CEO, comprising Tan Tong Guan, Tan Geok Moey, Teo Yi-Dar, and Chan Kum Kit;
- (b) Associates of its directors and its CEO;
- (c) its Controlling Shareholder, being Tan Gee Beng Private Limited; and
- (d) Associates of its Controlling Shareholder.

For the Relevant Period, there were no Interested Person Transactions requiring disclosure.

15.2 Other Transactions

We set out below transactions involving persons connected to the Enlarged Group but which do not fall within the definition of an Interested Person under Chapter 9 of the Catalist Rules.

Past Transactions

Dr Eugene Lin, who will be appointed as the Target's Medical Director and General Manager upon Completion, and his spouse Elaine Poh, who will be appointed as the Target's Senior Operations Manager upon Completion, had each extended leases to Tampines Vet Clinic and Binjai Vet Clinic, respectively. Dr Eugene Lin and Elaine Poh will, on Completion, each hold 3,906,000 Shares, each representing 2.81% of our Company's enlarged share capital upon Completion (assuming the Bonus Issue Warrants are not exercised) or 2.71% of our Company's enlarged share capital upon Completion (assuming the Bonus Issue Warrants are exercised).

The amounts paid by Binjai Vet Clinic and Tampines Vet Clinic for the leases at 11 Binjai Park Singapore 589823 and Blk 139 Tampines Street 11 #01-42 Singapore 521139, respectively, for the Relevant Period were:

S\$'000	FY2015	FY2016	FY2017	1 January 2018 to Latest Practicable Date	Relevant Period
Lease of 11 Binjai Park	120	120	120	67	427
Lease of Blk 139 Tampines Street 11 #01-42	84	84	84	39	291

The rental and other terms and conditions of the above leases were not on an arm's length basis and not based on normal commercial terms.

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Other Transactions after Completion

Dr Eugene Lin and Elaine Poh have each, on 28 May 2018, executed undertakings in favour of the Target, upon Completion, to execute the lease agreements on agreed terms for the premises at Blk 139 Tampines Street 11 #01-42 Singapore 521139 and 11 Binjai Park Singapore 589823 for the monthly rental rate of S\$7,000 and S\$6,000 respectively.

Further, under the agreed terms of the leases:

1. the Target shall be given one (1) successive right of renewal for a period of up to three (3) years, such renewal to be on the basis that there is no existing breach or non-observance of the lease terms and on the then prevailing market rent to be agreed by the parties. Failing agreement between the parties, an independent valuer shall be appointed to determine such market rental; and
2. upon receiving a bona fide offer to purchase the premises by a third party, Dr Eugene Lin and/or Elaine Poh (as the case may be) shall notify the Target in writing and offer the Target a right of first refusal to acquire the relevant premises on the terms, including the price, deposit required and proposed settlement date, within a specified period of time. If Dr Eugene Lin and/or Elaine Poh (as the case may be) intends to sell the premises to any third party at a price which is less than the price specified in their initial offer notice, or on more materially favourable terms than those previously offered to the Target, Dr Eugene Lin and/or Elaine Poh (as the case may be) must re-offer the sale of the premises to the Target in accordance with the agreed procedures.

The agreed tenancy terms were negotiated on an arm's length basis, on normal commercial terms and is not prejudicial to the Enlarged Group and its Shareholders. While no independent valuation was carried out on the rent value of the premises, the rates to be charged as agreed are relatively comparable to the rates charged for the rental of similar properties in the Tampines and Binjai areas.

16. GUIDELINES AND REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

The Enlarged Group has established procedures to ensure that transactions with interested persons are undertaken on normal commercial terms and will not be prejudicial to the interests of the Enlarged Group and the minority Shareholders, and to ensure that Interested Person Transactions are properly identified and reviewed for compliance with the Catalist Rules and consistent with the Enlarged Group's usual business practices and policies.

(a) Sale of products or services to the Interested Persons

In relation to sale of products or services to Interested Persons, the price and terms of two (2) other completed transactions of the same or substantially the same type of transactions with unrelated third parties are to be used as comparison wherever possible. The Interested Persons shall not be charged at rates lower than that charged to unrelated third parties.

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(b) Procurement of products or services from the Interested Persons

In relation to purchases of products or services from Interested Persons, quotes from at least two unrelated third parties in respect of the same and substantially the same type of transactions will be used for comparison wherever possible. The purchase price shall not be higher than the most competitive price of the two comparative prices taking into account, the suitability, quality of the product or service and the experience of the supplier.

- (c) where it is not possible to compare against the terms of other transactions with unrelated third parties and given that the products or services may be purchased only from an Interested Person, the CFO will evaluate the terms offered to or by Interested Persons considering factors such as, but not limited to, size of transaction, specifications, duration of contract, track record and credit terms, and profit margin that can be earned from the relevant contract or transaction after considering the prices quoted to or by the Interested Persons. The Interested Person Transaction will be approved by either the CEO and Executive Director or the Lead Independent Director or the Chairman of the Audit Committee, who has no interest in the transaction, in accordance with the Enlarged Group's usual business practices and policies.
- (d) in addition, the Enlarged Group shall monitor all Interested Person Transactions entered into by it and categorise these transactions as follows: (i) a Category 1 Interested Person Transaction is one where the value thereof is equal to or in excess of 3.0% of the NTA of the Enlarged Group; and (ii) a Category 2 Interested Person Transaction is one where the value thereof is below 3.0% of the NTA of the Enlarged Group.

All Category 1 Interested Person Transactions must be approved by the Audit Committee prior to entry whereas Category 2 Interested Person Transactions need not be approved by the Audit Committee prior to entry but shall be reviewed on a half-yearly basis by the Audit Committee.

The Audit Committee will review all Interested Person Transactions, if any, on a half-yearly basis to ensure that they are carried out on an arm's length basis and in accordance with the procedures outlined above, and it will take into account all relevant non-quantitative factors. In the event that a member of the Audit Committee is interested in any such transaction, he will abstain from participating in the review and approval process in relation to that particular transaction.

The Company's finance team shall prepare all the relevant information to assist the Audit Committee in its review and will keep a register recording all Interested Person Transactions. The register shall also record the basis for entry into the transactions, including the quotations and other evidence obtained to support such basis.

In addition, the Audit Committee and the Board will also ensure that all disclosures, approvals and other requirements on Interested Person Transactions, including those required by prevailing legislation, and the Catalist Rules (in particular, Chapter 9) are complied with.

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The annual internal audit plan shall incorporate a review of all Interested Person Transactions. Such transactions will also be subject to the approval of Shareholders if required by the Catalist Rules. The Enlarged Group will also endeavour to comply with the recommendations set out in the Code of Corporate Governance.

These internal audit reports will be reviewed by the Audit Committee to ascertain whether the guidelines and procedures established to monitor interested person transactions have been complied with. The Audit Committee shall also review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that interested person transactions are conducted on normal commercial terms, on an arm's length basis and do not prejudice the Enlarged Group's interests and the interests of minority Shareholders. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the opinion that the guidelines and procedures as stated above are not sufficient to ensure that interested person transactions will be on normal commercial terms, on an arm's length basis and not prejudicial to the Enlarged Group's interests and the interests of Shareholders, the Audit Committee will adopt such new guidelines and review procedures for future interested person transactions as may be appropriate. Disclosure will be made in the Enlarged Group's annual report of the aggregate value of interested person transactions during the relevant financial year under review.

17. CONFLICTS OF INTEREST

None of the Enlarged Group's Directors, executive officers, Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any material transactions to which the Target was or is a party.

None of the Enlarged Group's Directors, executive officers, Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any entity carrying on the same business or dealing in similar products and/or services which competes materially and directly with the existing business of the Target, including the entities listed in Section 4.1 on "Competition" in **Appendix A** of this Circular.

None of the Enlarged Group's Directors, executive officers, Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any enterprise or company that is a customer or supplier of goods and/or services of the Target.

18. DIVIDEND POLICY

For FY2015, the Company had, on 29 February 2016, declared and had, on 19 May 2016, paid a final cash dividend of S\$0.0085 per Share.

For FY2016, following the disposal of Smartflex Technology Pte. Ltd. and Smartflex Innovation Pte. Ltd., the Company had, on 23 September 2016, declared a special dividend of S\$0.085 per Share, and paid the dividends on 10 October 2016. On 24 February 2017, the Company declared a final cash dividend of S\$0.01 per Share, and paid the dividends on 12 May 2017.

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The Company does not have a fixed dividend policy and this will remain unchanged upon Completion. It should be noted that the declaration and payment of final dividends will be determined at the sole discretion of the Board, subject to the approval of Shareholders. There can be no assurance that dividends will be paid in the future or on the amount or timing of any dividends that may be paid in the future. The declaration and payment of any future dividends will depend upon factors such as operating results, financial position, cash requirements, expansion plans as well as any other factors deemed relevant by the Board.

The Company may, by ordinary resolution of its Shareholders at a general meeting, declare dividends but the amount of such dividends shall not exceed the amount recommended by the Board. The Board may also declare interim dividends without seeking Shareholders' approval.

For information relating to taxes payable on dividends and on a description of Singapore law relating to taxation, please refer to **Appendix G** "Description of Singapore Law Relating to Taxation" of this Circular.

19. MATERIAL LITIGATION

The Enlarged Group is not engaged, in the last 12 months before the date of this Circular, in any litigation or arbitration proceedings, either as plaintiff or defendant, which may have a material effect on the financial position or profitability of the Enlarged Group.

Having made all enquiries as are reasonable under the circumstances, our Directors have no knowledge of any proceedings pending or known to be contemplated against the Enlarged Group or any information likely to give rise to any litigation, claims or proceedings which may have or which have had in the 12 months immediately preceding the date of this Circular, a material effect on the financial position or the profitability of the Enlarged Group.

20. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- 20.1** Save for their respective shareholding interests in the Company, none of the Directors, Controlling Shareholders, or their associates, has any interest, direct or indirect, in the Proposed Acquisition, or the Sale and Purchase Agreement.
- 20.2** Save for Lee Wan Ling who, upon acquisition of 500,000 Shares on 3 April 2018, became a Substantial Shareholder, and Goh Hun Keng and his spouse who, upon sale of their aggregate 8.49% interest in the Company on 31 October 2017, ceased to be Shareholders, there was no significant change in the percentage ownership of the Directors and Substantial Shareholders of the Company in the last three (3) years prior to the Latest Practicable Date. The Shares held, directly and indirectly, by the Directors and Substantial Shareholders do not carry different voting rights.

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20.3 The interests of the Directors and Substantial Shareholders of the Company (i) as at the Latest Practicable Date, (ii) upon Completion and before the exercise of the Bonus Issue Warrants, (iii) upon Completion and after the exercise of the Bonus Issue Warrants, and (iv) after the issuance of the Deferred Consideration Shares following the Average EBIT Determination Period and after the exercise of the Bonus Issue Warrants (assuming there is no other changes to the issued share capital of the Company), and the dilution effect of the issue of the Consideration Shares, the Deferred Consideration Shares and the exercise of the Bonus Issue Warrants, are set out below:

	As at the Latest Practicable Date				As at Completion assuming Bonus Issue Warrants are not exercised				As at Completion assuming Bonus Issue Warrants are exercised				Upon Issuance of Deferred Consideration Shares following Average EBIT Determination Period assuming Bonus Issue Warrants are exercised			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽⁴⁾	No. of Shares	% ⁽⁴⁾
Directors																
Tan Tong Guan ⁽¹⁾	565,001	0.45	57,139,331	45.19	0.41	57,139,331	41.13	565,001	0.39	57,139,331	39.62	565,001	0.38	57,139,331	38.92	
Tan Geok Moey ⁽¹⁾	–	–	57,139,331	45.19	–	57,139,331	41.13	–	–	57,139,331	39.62	–	–	57,139,331	38.92	
Teo Yi-Dar	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Chan Kum Kit	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Substantial Shareholders (other than the Directors)																
Tan Gee Beng Private Limited	57,139,331	45.19	–	–	41.13	–	–	57,139,331	39.62	–	–	57,139,331	38.92	–	–	–
Tan Yoke Hong ⁽¹⁾	–	–	57,139,331	45.19	–	57,139,331	41.13	–	–	57,139,331	39.62	–	–	57,139,331	38.92	
Tan Ah Chew ⁽²⁾	8,845,000	7.00	290,000	0.23	6.37	290,000	0.21	8,845,000	6.13	290,000	0.20	8,845,000	6.02	290,000	0.20	
Lee Wan Ling	–	–	6,820,471	5.39	–	6,820,471	4.91 ⁽³⁾	–	–	6,820,471	4.73 ⁽³⁾	–	–	6,820,471	4.65	
Other Shareholders																
Dr Eugene Lin ⁽⁴⁾	–	–	–	–	2.81	3,906,000	2.81	3,906,000	2.71	3,906,000	2.71	5,203,674	3.54	5,203,674	3.54	
Elaine Poh ⁽⁴⁾	–	–	–	–	2.81	3,906,000	2.81	3,906,000	2.71	3,906,000	2.71	5,203,674	3.54	5,203,674	3.54	
The Vendor	–	–	–	–	0.80	1,116,000	–	1,116,000	0.77	–	–	1,116,000	0.76	–	–	
Tiger Equities Pte Ltd and/or its nominee(s)	–	–	–	–	1.42	1,973,334	–	7,273,334	5.04	–	–	7,273,334	4.95	–	–	
ZICO Capital	–	–	–	–	1.14	1,586,666	–	1,586,666	1.10	–	–	1,586,666	1.08	–	–	
Public	–	41.97	–	–	43.11 ⁽³⁾	–	–	–	41.53 ⁽³⁾	–	–	–	40.81 ⁽³⁾	–	–	
Total	–	100.00 ⁽⁵⁾	–	–	100.00	–	–	–	100.00	–	–	–	100.00	–	–	

Notes:

- (1) Mr Tan Tong Guan, Ms Tan Geok Moey and Ms Tan Yoke Hong are deemed to have an interest in the shares held by Tan Gee Beng Private Limited by virtue of Section 7 of the Companies Act.
- (2) Mr Tan Ah Chew is deemed to have an interest in the 290,000 shares held by his spouse.
- (3) Lee Wan Ling is deemed to have an interest in 6,820,471 shares held by UOB Kay Hian Private Limited. Upon Completion, Lee Wan Ling will cease to be a Substantial Shareholder and her shareholdings will be considered part of the public float. The figures shown under “Public” include Lee Wan Ling’s shareholdings.
- (4) Dr Eugene Lin and Elaine Poh are husband and wife. Each is deemed to be interested in the Shares held by the other.
- (5) Includes the deemed interest of Lee Wan Ling, a Substantial Shareholder.

Save as disclosed above, to the best of the knowledge of our Directors, we are not directly or indirectly owned or controlled, whether severally or jointly, by any other corporation, any government or other natural or legal person.

Our Directors are not aware of any arrangement the operation of which may, at a subsequent date, result in a change in control of our Company.

21. PROPOSED ADOPTION OF A NEW CONSTITUTION

The Directors propose to convene an EGM to seek Shareholders’ approval for the Proposed Adoption of a New Constitution. Please refer to **Appendix H** of this Circular for a summary of the provisions in the New Constitution.

This section is to explain the rationale for, and provide Shareholders with the relevant information relating to the Proposed Adoption of a New Constitution, and to seek Shareholders’ approval for the special resolution thereof to be tabled at the EGM, notice of which is set out on pages N-1 to N-4 of this Circular.

21.1 Rationale

The 2014 Amendment Act, which was passed in Parliament on 8 October 2014, took effect in two (2) phases on 1 July 2015 and 3 January 2016 respectively. The 2014 Amendment Act introduced wide-ranging changes to the Companies Act with the aim of reducing the regulatory burden on companies, providing greater business flexibility and improving the corporate governance landscape in Singapore. The key changes include the introduction of the multiple proxies regime to allow indirect investors and CPF investors to attend and vote at shareholders’ meetings as proxies, provisions to facilitate the electronic transmission of notices and documents, and the merging of the memorandum and articles of association of a company into a single document called the “constitution”. The 2017 Amendment Act, which was passed in Parliament on 10 March 2017 and has taken effect in phases starting from 31 March 2017, introduced further changes to the Companies Act which aim to ensure that Singapore’s corporate regulatory regime continues to stay robust. One of the key changes includes the removal of the requirement for a company to have a common seal.

The Company is accordingly proposing to adopt a New Constitution which will consist of the memorandum and articles of association of the Company which were in force immediately before 3 January 2016 (the “**Existing Constitution**”), and incorporate amendments to take into account the changes to the Companies Act introduced pursuant to the 2014 Amendment Act and 2017 Amendment Act. At the same time, the existing objects clauses will be replaced with a general provision giving the Company full capacity to carry on or undertake any business or activity, do any act or enter into any transaction. The New Constitution also contains updated provisions which are consistent with the listing rules of the SGX-ST prevailing as at the Latest Practicable Date, in compliance with Rule 730 of the Catalist Rules. In addition, the Company is taking this opportunity to include provisions in

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the New Constitution to address the personal data protection regime in Singapore, and also to streamline and rationalise certain other provisions through the adoption of the New Constitution.

21.2 Summary of Key Provisions

A summary of the key differences between the proposed New Constitution and the Existing Constitution are set out below, and should be read in conjunction with the New Constitution. **Appendix F** of this Circular contains the text of the principal regulations in the New Constitution which are significantly different from the equivalent articles in the Existing Constitution, or which have been included in the New Constitution as new regulations.

In the paragraphs below, for convenience, the expression “**Regulation**” will refer to the provisions under the New Constitution, and the expression “**Article**” will be used for the relevant cross-references to the equivalent provisions of the Existing Constitution.

21.3 Changes due to amendments to the Companies Act

The following Regulations include provisions which are in line with the Companies Act, as amended pursuant to the Amendment Acts:

- (a) **Regulation 6 (Article 2 of the Existing Constitution).** Regulation 6, which is the interpretation section of the New Constitution, includes, *inter alia*, the following additional or revised provisions:
- (i) new definitions of “registered address” and “address” to make it clear that these expressions mean, in relation to any Shareholder, his physical address for the service or delivery of notices or documents personally or by post, except where otherwise expressly specified;
 - (ii) new definitions of “current address”, “electronic communication” and “relevant intermediary” have been added and these terms contain the meanings ascribed to them respectively in the Companies Act. This follows the introduction of new provisions facilitating electronic communication and the multiple proxies regime pursuant to the 2014 Amendment Act;
 - (iii) a new definition of “CEO” has been added and contains the meaning ascribed to “chief executive officer” in the Companies Act. This is in line with the new provisions in the 2014 Amendment Act relating to chief executive officers, e.g. disclosure requirements in Section 156 of the Companies Act;
 - (iv) the definitions of “book-entry securities”, “Depositor”, “Depository”, “Depository Agent” and “Depository Register” have the meanings ascribed to them respectively in Section 81SF of the SFA. This follows the migration of the definitions of these terms from the Companies Act to the Securities and Futures Act pursuant to the 2014 Amendment Act;
 - (v) a new definition of “writing” and “written” to make it clear that these terms include any representation or reproduction of words, symbols or other information which may be displayed in a visible form, whether physical or electronic. This would facilitate, for example, a proxy instrument being filled in and submitted in either physical or electronic form.

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- (b) **Regulation 18 (Article 12 of the Existing Constitution).** Regulation 18, which relates to the Company's power to pay commission and brokerage has been amended to clarify that such payment will not be taken as a reduction of the Company's share capital. This is in line with Section 67 of the Companies Act, as amended pursuant to the 2014 Amendment Act.
- (c) **Regulation 20 (Article 16 of the Existing Constitution).** Regulation 16 has been amended to remove the requirement to disclose the amount paid on the shares in the share certificate relating to those shares. A share certificate need only state (among other things) the number and class of the shares, whether the shares are fully paid or partly paid up, and the amount (if any) unpaid on the shares. This follows the amendments to Section 123(2) of the Companies Act pursuant to the 2014 Amendment Act. Regulation 20 has also been amended to provide that every share certificate to be issued under the common seal of the Company may also be issued under the signatures of authorised persons in the manner as set out under the Act as an alternative to sealing.
- (d) **Regulation 13 (Article 9 of the Existing Constitution).** Regulation 13 has been amended to empower the Company, by ordinary resolution, to convert its share capital or any class of shares from one currency to another currency. This is in line with the new Section 73 of the Companies Act, which sets out the procedure for such re-denominations.
- (e) **Regulation 13A.** Regulation 14A is a new provision which provides that the Company may by Special Resolution, subject to and in accordance with the Statutes, convert one class of shares into another class of shares. This is in line with the new Section 74A of the Companies Act, which sets out the procedure for such conversions.
- (f) **Regulations 65(c) and (d) (Articles 61(c) and (d) of the Existing Constitution).** Regulations 65(c) and (d) which relates to the method of voting at a general meeting where mandatory polling is not required, has been revised to reduce the threshold of eligibility to demand a poll from 10% to 5% of the total voting rights of the members having the right to vote at the meeting, or of the total sum paid up on all the shares conferring that right. This is in line with Section 178 of the Companies Act, as amended pursuant to the 2014 Amendment Act.
- (g) **Regulations 69, 75 and 77 (Articles 65, 71 and 73 of the Existing Constitution).** These Regulations, which relate to the voting rights of Shareholders, contain new provisions that cater to the multiple proxies regime introduced by the 2014 Amendment Act. The multiple proxies regime allows "relevant intermediaries" such as banks, capital markets services licence holders that provide custodial services for securities, and the CPF Board, to appoint more than two (2) proxies to attend, speak and vote at general meetings. In particular:
 - (i) Regulation 75(A)(b) provides that in a case of a Shareholder who is a "relevant intermediary" and who is represented at a General Meeting by two (2) or more proxies, each proxy shall be entitled to vote on a show of hands. This is in line with the new Section 181(1D) of the Companies Act;

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- (ii) Regulation 75(A)(b) provides that save as otherwise provided in the Companies Act, a Shareholder who is a “relevant intermediary” may appoint more than two (2) proxies to attend, speak and vote at the same general meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Shareholder, and where such Shareholder’s form of proxy appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed must be specified in the form of proxy. This is in line with the new Section 181(1C) of the Companies Act;
 - (iii) Regulation 75(B) also provides that the Company will be entitled and bound to reject an instrument of proxy lodged by a Depositor if he is not shown to have any shares entered against his name in the Depository Register as at seventy-two hours before the time of the relevant general meeting. Consequential changes have also been made to make it clear that the number of votes which a Depositor or his proxy can cast on a poll is the number of shares entered against his name in the Depository Register as at seventy-two hours before the time of the relevant general meeting. This is in line with the new Section 81SJ(4) of the SFA; and
 - (iv) The cut-off time for the deposit of instruments appointing proxies has also been extended from forty-eight to seventy-two hours before the time appointed for holding the General Meeting. This is in line with Section 178(1)(c) of the Companies Act, as amended pursuant to the 2014 Amendment Act.
- (h) **Regulation 87 (Article 83 of the Existing Constitution).** Regulation 87, which relates to the power of directors to contract with the Company, has been updated to extend the obligation of a Director to disclose interests in transactions or proposed transactions with the Company, or any office or property held that might create duties or interests in conflict with those as a Director, to also apply to a chief executive officer of the Company. This is in line with Section 156 of the Companies Act, as amended pursuant to the 2014 Amendment Act.
- (i) **Regulation 97 (Article 93 of the Existing Constitution).** Regulation 97, which relates to the exceptions to a deemed re-election to office for directors, has been amended to remove the event of a director attaining any applicable retiring age as an exception to a deemed re-election to office. This is in line with the repeal of Section 153 of the Companies Act and removal of the 70-year age limit for directors of public companies and subsidiaries of public companies.
- (j) **Regulations 123, 144 and 145 (Articles 119, 137 and 138 of the Existing Constitution).** Regulation 145, which relates to the sending of copies of financial statements to every Shareholder, additionally provides that such documents may, subject to the Listing Manual of the SGX-ST, be sent less than fourteen days before the date of the general meeting, with the agreement of all persons entitled to receive notices of general meetings from the Company. This is in line with the new Section 203(2) of the Companies Act. Notwithstanding this proviso, the Company is currently required to comply with Rule 707(2) of the Catalist Rules, which provides that an issuer must issue its annual report to shareholders and the SGX-ST at least fourteen days before the date of its annual general meeting.

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In addition, references to the Company's "profit and loss account" has also been updated in Regulations 123, 144 and 145 to substitute them with references to the "financial statements" as appropriate, for consistency with the updated terminology as used in the Companies Act.

- (k) **Regulations 140 and 141.** Regulations 140 and 141 are new provisions which clarify the Directors' duty to keep proper records and register and to make lodgments to the relevant Registrars where necessary. These amendments are in line with Section 173 of the Companies Act.
- (l) **Regulation 142.** Regulation 142 relates to when and how minutes are to be kept has been updated to provide that the Company's records may be kept in either hard copy form or in electronic form as the directors think fit. If the records are kept otherwise than in hard copy form, the directors shall take reasonable precautions for ensuring the proper maintenance and authenticity of such records. This is in line with the new Sections 395 and 396 of the Companies Act.
- (m) **Regulations 148 and 148A (Article 141 of the Existing Constitution).** Regulation 148(B), which relates to the service of notices to Shareholders, has new provisions to facilitate the electronic transmission of notices and documents following the introduction of simplified procedures for the sending of notices and documents electronically pursuant to the new Section 387C of the Companies Act. Companies can, subject to certain statutory safeguards, make use of these simplified procedures where a Shareholder has given express, implied or deemed consent for the company to do so in accordance with the constitution of the Company. The Company must also comply with the Listing Manual requirements relating to electronic communications. Regulation 148(B) to 148(D) provides that, subject otherwise to any applicable laws relating to electronic communications and the listing rules of the SGX-ST relating to electronic communications:
 - (i) notices and documents may be sent to Shareholder using electronic communications to a Shareholder's current address (which may be an email address) or by making it available on a website;
 - (ii) for these purposes, a Shareholder is implied to have agreed to receive such notice or document by way of electronic communications and shall not have a right to elect to receive a physical copy of such notice or document; and
 - (iii) notwithstanding sub-paragraph (ii) above, the directors may decide to give Shareholders an opportunity to elect to opt out of receiving such notice or document by way of electronic communications, and a Shareholder is deemed to have consented to receive such notice or document by way of electronic communications if he was given such an opportunity but failed to opt out within the specified time.

Regulation 148A, which relates to when service is effected in the case of notices or documents has been inserted to provide that, where a notice or document is sent to the current address of a person by electronic communications, service is deemed to have taken place at the time such notice or document was transmitted (notwithstanding any error message that the communication was delayed or unsuccessful), and where a notice or document is made available on a website, it is deemed served on the date on which the notice or document is first made available on the website, unless otherwise provided under the Companies Act and/or such other applicable regulations or procedures.

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Regulation 148(A)(2) provides for certain safeguards for the use of electronic communications. Where a notice or document is made available on a website, the Company shall give separate notice to the Shareholder of the publication of such notice or document on the website through one or more other means, including by sending such separate notice to the member personally, through the post, by electronic communication to the Shareholder's current address, by way of advertisement in the daily press, and/or by way of announcement on the SGX-ST.

Under the new Section 387C of the Companies Act, regulations may be made, amongst others, to exclude any notice or document or any class of notices or documents from the application of Section 387C of the Companies Act. As at the Latest Practicable Date, notices or documents relating to (1) any take-over offer of the Company; and (2) any rights issue by the Company, were excluded from the application of Section 387C of the Companies Act, and therefore cannot be transmitted by electronic means pursuant to Section 387C.

The SGX-ST has also recently introduced changes to the Listing Manual to allow for the electronic transmission of documents to shareholders, in alignment with the Companies Act. These new Regulations are in line with the amendments to Chapter 12 of the Listing Manual which took effect on 31 March 2017. For so long as the Company is listed on the SGX-ST, the Company will also comply with the Companies Act and the Listing Manual on the subject.

- (n) **Regulation 155 (Article 148 of the Existing Constitution).** Regulation 155, which relates to directors' indemnification, has been expanded to permit the Company, subject to the provisions of, and insofar as may be permitted by the Companies Act, to indemnify a director or other officer of the Company against losses "to be incurred" by him in the execution of his duties unless the same shall happen through his own intelligence, wilful default, breach of duty and breach of trust. This is in line with the new Sections 163A and 163B of the Companies Act, which permit a company to lend, on specified terms, funds to a director for meeting expenditure incurred or to be incurred by him in defending court proceedings or regulatory investigations. Regulation 155(c) permits a company to purchase and maintain for any director or other officer of the Company or its subsidiaries insurance against any liabilities incurred by the person in the execution and discharge of his duties or in relation thereto. This is in line with the new Section 172A of the Companies Act.

21.4 Changes due to the Catalist Rules

Rule 730 of the Catalist Rules provides that if an issuer amends its articles of association or other constituent documents, they must be made consistent with all the listing rules prevailing at the time of amendment. The following Regulations have been updated for consistency with the listing rules of the SGX-ST prevailing as at the Latest Practicable Date, in compliance with Rule 730 of the Catalist Rules:

- (a) **Regulation 53 (Article 49 of the Existing Constitution).** Regulation 53, which relates to general meetings, now contains an additional provision to make it clear that if required by the Catalist Rules, all general meetings shall be held in Singapore, unless prohibited by the relevant laws and regulations of the jurisdiction of the Company's incorporation. This is in line with Rule 730A(1) and Practice Note 7E of the Catalist Rules.

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- (b) **Regulation 65 (Article 61 of the Existing Constitution).** Regulation 65, which relates to the method of voting, has been amended to clarify that, if required by the Catalist Rules, all resolutions must be voted on poll, unless such requirement is waived by the SGX-ST. This is in line with Rule 730A(2) of the Catalist Rules.
- (c) **Regulation 66 (Article 62 of the Existing Constitution).** Regulation 66, which relates to the Chairman's direction as to the taking of a poll has been amended to provide that the Chairman shall appoint at least one scrutineer. Rule 730A(3) of the Catalist Rules provides, among others, that at least one scrutineer shall be appointed for each general meeting.
- (d) **Regulations 94 and 97 (Articles 90 and 93 of the Existing Constitution).** Regulation 94, which relates to the vacation of office of a director in certain events, now additionally provides that a director shall cease to hold office if he is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds. Consequential amendments have been made to Regulation 97, which contains an additional prohibition on the deemed re-election of a retiring director where such director is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds. These amendments are in line with paragraph 9(m) of Appendix 4C of the Catalist Rules.

21.5 Changes due to the Personal Data Protection Act

In general, under the Personal Data Protection Act 2012, an organisation can only collect, use or disclose the personal data of an individual with the individual's consent, and for a reasonable purpose which the organisation has made known to the individual. The new Regulation 167 as added in the New Constitution:

- (a) specifies, among other things, the purposes for which the Company and/or its agents and service providers would collect, use and disclose personal data of Shareholders and their appointed proxies or representatives; and
- (b) provides that a Shareholder who appoints a proxy and/or representative for any meeting of the Company is deemed to have:
 - (i) warranted that, where such Shareholder discloses the personal data of such proxy or representative to the Company, such Shareholder has obtained the necessary consents of such proxy or representative for the purposes specified in the new Regulation 167; and
 - (ii) agreed to indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of such Shareholder's breach of warranty.

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21.6 General Amendments to the Existing Constitution

The following Regulations have been updated, streamlined and rationalised generally:

- (a) **Regulations 76 and 77 (Articles 72 and 73 of the Existing Constitution).** Regulation 76, which relates to the instrument appointing a proxy, has provisions to facilitate the appointment of a proxy through electronic means. In particular, it provides that a Shareholder may appoint a proxy via electronic communication through such method and in such manner as may be approved by the Directors, in lieu of the present requirement of signing, or where applicable, the affixation of the corporate Shareholder's common seal, or the proxy form.

To accommodate the deposit by Shareholders who elect to use the electronic appointment process, Regulation 76 also authorises the directors to prescribe and determine the manner of receipt by the Company of the instrument appointing a proxy through electronic means.

- (b) **Regulation 94 (Article 90 of the Existing Constitution).** Regulation 94 has been updated to substitute the references to insane persons and persons of unsound mind with references to persons who are mentally disordered and incapable of managing himself or his affairs, following the enactment of the Mental Health (Care and Treatment) Act, Chapter 178A, which repealed and replaced the Mental Disorders and Treatment Act.

22. DIRECTORS' RECOMMENDATIONS

Proposed Transactions

Shareholders should read and consider carefully the recommendation of the Directors and the advice of the IFA in its entirety before giving their approvals pertaining to the Proposed Transactions. Independent Shareholders are also urged to read carefully the terms and conditions of, rationale for and financial effects of the Proposed Transactions, as set out in this Circular.

The Directors, having considered and reviewed, among other things, the terms of, rationale for and financial effects of the Proposed Transactions, the opinion of the IFA contained in the IFA Letter, and all the other relevant information set out in this Circular, are of the opinion that the Proposed Transactions are in the interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the resolutions relating to the Proposed Transactions at the EGM.

In giving the above recommendations, the Directors have not had regard to the specific investment objectives and profiles, financial situation, tax position or unique needs or constraints of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Please refer to Section 8 of this Circular and the IFA Letter reproduced in **Appendix E** of this Circular for the IFA's opinion.

LETTER TO SHAREHOLDERS

Proposed Adoption of New Constitution

The Directors, having considered the rationale and the terms of the Proposed Adoption of a New Constitution, are of the opinion that the Proposed Adoption of a New Constitution is in the interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the Special Resolution in respect of the Proposed Adoption of a New Constitution set out in the EGM notice.

23. EXTRAORDINARY GENERAL MEETING

23.1 Extraordinary General Meeting

The EGM will be held at Maxwell Chambers, 32 Maxwell Road, #03-01, Singapore 069115 on 26 July 2018 at 10.00 a.m., for the purpose of considering and, if thought fit, passing with or without modifications the resolutions in respect of the Proposed Transactions and the Proposed Adoption of a New Constitution, as set out in the Notice of EGM.

23.2 Inter-Conditionality of Resolutions to be Passed

In voting for the resolutions set out in the Notice of EGM, Shareholders should note that each of Resolutions 1 to 6 are inter-conditional, and none of these resolutions will be proceeded with in the event any such resolution is not passed.

24. ABSTENTION FROM VOTING

Tan Tong Guan and Tan Gee Beng Private Limited have undertaken that they will abstain, and will ensure that their Associates will abstain, from voting on Resolution 1 in respect of the Proposed Acquisition, nor accept any nominations to act as proxy for any Shareholder in approving Resolution 1 in respect of the Proposed Acquisition at the EGM unless specific instructions as to voting are given by such Shareholder in the proxy form. The abstention from voting is to leave the decision to approve the Proposed Acquisition in the hands of the minority Shareholders.

25. ACTION TO BE TAKEN BY SHAREHOLDERS

25.1 If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company's registered address at 95 Amoy Street, Singapore 069915 by not later than 48 hours before the time fixed for the EGM. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes.

25.2 A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by the CDP as at 72 hours before the time fixed for the EGM.

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26. RESPONSIBILITY STATEMENT

26.1 Directors' Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular (save for the information on the Vendor and the Target and the information set out in **Appendices A, B, D and E** of this Circular) and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular (save for the information on the Vendor and the Target and the information set out in **Appendices A, B, D and E** of this Circular) constitutes full and true disclosure of all material facts about the Proposed Transactions, the Enlarged Group and the Proposed Adoption of New Constitution, and the Directors are not aware of any facts the omission of which would make any statement in this Circular (save for the information on the Vendor and the Target and the information set out in **Appendices A, B, D and E** of this Circular) misleading.

Where information in this Circular 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 Circular in its proper form and context.

26.2 Sponsor and Financial Adviser's Responsibility Statement

To the best of the Sponsor and Financial Adviser's knowledge and belief, this Circular (save for the information set out in **Appendices B to H** to this Circular) constitutes full and true disclosure of all material facts about the Proposed Transactions, the Enlarged Group and the Proposed Adoption of a New Constitution, and the Sponsor and Financial Adviser is not aware of any facts the omission of which would make any statement in this Circular (save for the information set out in **Appendices B to H** of this Circular) misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Sponsor and Financial Adviser has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

27. CONSENTS

27.1 ZICO Capital Pte. Ltd., the Sponsor and Financial Adviser to the Company in respect of the Proposed Acquisition, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

27.2 Ernst & Young LLP, the Independent Auditors to the Company and Reporting Accountants in respect of the Proposed Acquisition, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name, the "Unaudited Pro Forma Financial Information of the Target for the Financial Years ended 31 December 2015, 31 December 2016 and 31 December 2017" set out in **Appendix B** of this Circular, the "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group for the Financial Year ended 31 December 2017" set out in **Appendix C** of this Circular, and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

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- 27.3** RSM Corporate Advisory Pte. Ltd., the Independent Valuer, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name, the Valuation Letter as set out in **Appendix D** of this Circular and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 27.4** Xandar Capital Pte. Ltd., the IFA has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name and the IFA Letter as set out in **Appendix E** of this Circular and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 27.5** RHTLaw Taylor Wessing LLP, the legal adviser to the Company, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name and all references thereto and its views set out in Section 4.2 of this Circular, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 27.6** Virtus Law LLP, the legal adviser to the Financial Adviser, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

28. INTERESTS OF FINANCIAL ADVISER AND IFA

In the reasonable opinion of our Directors, ZICO Capital does not have any material relationship with the Company save as disclosed in Section 2.5 of the Circular, and save for (a) ZICO Capital is the Sponsor and Financial Adviser in relation to the Proposed Acquisition, and (b) ZICO Capital will be the continuing sponsor of the Company for a period of 3 years after the Company's cash status is lifted upon completion of the Proposed Acquisition.

In the reasonable opinion of the Directors, Xandar Capital Pte. Ltd. does not have any material relationship with the Company save for Xandar Capital Pte. Ltd. is the IFA to the Company in respect of the Proposed Acquisition.

29. INTERESTS OF EXPERTS

No expert named in this Circular is employed on a contingent basis by the Enlarged Group, or has a material interest, whether direct or indirect, in the shares of the Target or the Company, or has a material economic interest, whether direct or indirect, in the Target or the Company, including an interest in the success of the Proposed Acquisition.

30. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the two (2) years preceding the Latest Practicable Date and is or may be material:

- (a) the Sale and Purchase Agreement; and

LETTER TO SHAREHOLDERS

- (b) the supplemental letter agreement in relation to the sale and purchase agreement on the sale of Smartflex Technology Pte. Ltd. and Smartflex Innovation Pte. Ltd. signed by the Company and Novoflex Pte. Ltd. dated 19 January 2017.

31. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 95 Amoy Street, Singapore 069915, during normal business hours for a period of at least six (6) months from the date of this Circular:

- (a) the material contracts referred to in Section 30 of this Circular;
- (b) the letters of consent referred to in Section 27 of this Circular;
- (c) the Existing Constitution of the Company;
- (d) the proposed New Constitution of the Company;
- (e) the Valuation Letter as set out in **Appendix D** of this Circular and the valuation report for the Target;
- (f) the IFA Letter as set out in **Appendix E** of this Circular;
- (g) the Unaudited Pro Forma Financial Information of the Target for the Financial Years ended 31 December 2015, 31 December 2016 and 31 December 2017 as set out in **Appendix B** of this Circular;
- (h) the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group for the Financial Year ended 31 December 2017 as set out in **Appendix C** of this Circular; and
- (i) the audited financial statements of each of the companies in the Animal Ark Group for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017.

Yours faithfully,
For and on behalf of the Board of Directors of
SMARTFLEX HOLDINGS LTD.

Tan Tong Guan
Executive Chairman & CEO

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APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF AVH ANIMAL ARK PTE. LTD.

AVH ANIMAL ARK PTE. LTD.

(Company Registration No.201627905C)
(Incorporated in the Republic of Singapore)

Director

David Wendyl Karl Jenkins

Registered Office

4 Robinson Road
#07-01 The House of Eden
Singapore 048543

29 June 2018

To: The Shareholders of Smartflex Holdings Ltd.

Dear Sir/Madam

1. BACKGROUND AND HISTORY

The Target, AVH Animal Ark Pte. Ltd., was incorporated on 11 October 2016 under the name “Asian Vets Holdings Pte. Ltd.” and had changed its name to “Asia Vets Holdings Pte. Ltd.” on 5 May 2017 before changing its name to its current name on 15 March 2018. The Target was incorporated, as a holding company for the purpose of the Restructuring, with an issued and paid-up share capital of S\$100 comprising 100 ordinary shares wholly owned by the Vendor. Its principal activity is to own and operate veterinary clinics.

As at the Latest Practicable Date, the board of directors of AVH Animal Ark Pte. Ltd. comprises David Wendyl Karl Jenkins. Tan Tong Guan and Teo Yi-Dar are proposed to be appointed to the board of AVH Animal Ark Pte. Ltd. upon Completion.

2. BUSINESS OVERVIEW

The Animal Ark Group is based in Singapore and provides veterinary services to small animals and is currently owned by Dr. Eugene Lin and Elaine Poh, the wife of Dr. Eugene Lin.

Upon Restructuring having taken place, the Target will hold and operate the Veterinary Assets and Business which are currently held by the Animal Ark Group. Details of the Animal Ark Group are as follows:

- (a) The Animal Ark (TCM) Pte. Ltd. (Company Registration No. 201330315Z), which operates Tampines (TCM) Clinic;
- (b) The Animal Ark (Tampines) Pte. Ltd. (Company Registration No. 201100230N), which operates Tampines Vet Clinic;
- (c) The Animal Ark (Binjai) Pte. Ltd. (Company Registration No. 201326595K), which operates Binjai Vet Clinic; and
- (d) The Animal Ark Pte. Ltd. (Company Registration No. 200512502C).

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The Veterinary Assets and Business comprise contracts, books and records, intellectual property, movable assets, goodwill and all other properties, rights and assets that are necessary in order to carry on the business of providing veterinary services as carried on by the Animal Ark Group.

Dr Eugene Lin previously worked at a veterinary clinic under the name “Animal Recovery Centre” at 3 Greendale Avenue Singapore 289498. After acquiring it from its previous owner in 2005, The Animal Ark Pte. Ltd. was incorporated for the purpose of running the veterinary clinic. Post-acquisition, Dr Eugene Lin continued to manage the operations of the clinic. In 2009, Dr Eugene Lin, together with a partner, set up a clinic at Blk 139 Tampines Street 11 #01-62 Singapore 521139, also under the “Animal Recovery Centre” branding. At the end of 2010, Dr Eugene Lin bought over his partner’s share, and incorporated “The Animal Ark (Tampines) Pte. Ltd.” in January 2011 to continue the operations of the clinic. In October 2013, the Tampines clinic moved its operations to Blk 139 Tampines Street 11 #01-42 Singapore 521139 and commenced operations as Tampines Vet Clinic under the “Animal Ark” branding. In 2013, the Tampines (TCM) Clinic was set up to provide complementary medicine to pets. In addition, The Animal Ark (Binjai) Pte. Ltd. was incorporated when the Binjai Vet Clinic was set up in 2013 and operations started in early 2014 with Dr Eugene Lin as its resident veterinarian. Since early 2014, all the clinics have been using the “Animal Ark” branding.

In August 2017, due to the proximity of the veterinary clinic at 3 Greendale Avenue Singapore 289498 and Binjai Vet Clinic, operations at the former location were ceased and the assets were transferred to the other veterinary clinics under the Animal Ark Group.

The Target’s Veterinary Clinics provide the full range of general veterinary services involving medical, surgical and dental care for dogs, cats, rabbits, hamsters, guinea pigs and chinchillas and after hours emergency services, with a focus on using advanced diagnostic and surgical techniques and providing alternative remedies and treatments. The following paragraphs detail the more salient and unique aspects of the operations and business of the Target’s Veterinary Clinics.

Endoscopy & Laparoscopy/Interventional Radiology/Open Clinic Concept

Since 2012, the Target’s Veterinary Clinics have incorporated endoscopy and laparoscopy as part of the suite of the diagnostic and surgical procedures available for their patients. We believe that Dr Eugene Lin was among the first veterinarians to offer these minimally invasive diagnostic and surgical procedures in Singapore. As laparoscopy is more precise and uses smaller incisions on animals as compared to traditional open surgery methods, less pain is experienced by the animals and chances for complications are minimised (e.g. wound dehiscence and infections). Smaller wounds also mean that a faster rate of recovery can be expected; in many cases, the animal is able to return home the same day. The employment of endoscopy also allows for excellent visualisation of the animal’s internal organs, and gives veterinarians the ability to access parts of the body that are difficult to reach.

Minimally invasive surgical methods incorporating the use of endoscopy/laparoscopy can be used in, but not limited to the following procedures:

- Sterilisations via ovariectomy, cryptorchidectomy (abdominal testicles);
- Laparoscopic biopsies;

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- Laparoscopy-assisted procedures (e.g. gastropexy, kidney and bladder stone removal);
- Urinary tract visualisation and biopsy (vestibulovaginoscopy);
- Gastrointestinal tract visualisation, biopsy and foreign body removal (esophagoscopy, gastroscopy, duodenoscopy and colonoscopy);
- Respiratory tract visualization, biopsy and mass/foreign body removal (rhinoscopy, tracheoscopy and bronchoscopy); and
- Ear canal visualisation, biopsy, mass/foreign body removal and deep ear cleaning (otoscopy).

Since 2016, the Target's Veterinary Clinics have incorporated interventional radiology and interventional endoscopy into their suite of diagnostic and surgical procedures. Interventional radiology/interventional endoscopy, which combines the use of fluoroscopy and minimally invasive surgery techniques like endoscopy and laparoscopy, allows for real-time imaging of the internal body structure of small animals during surgery and can be applied towards procedures such as tracheal and urethral stenting.

The Target's Veterinary Clinics operate on an open clinic concept, where customers have the option to observe any medical and surgical procedure being done on their pets.

TCM and Alternative Medicine/Remedies

Another part of the Target's business is the provision of TCM for animals. The Tampines (TCM) Clinic administers acupuncture on animals and prescribes Chinese herbs for common illnesses, including but not limited to abdominal pain, anemia, arthritis, common cold, constipation, hepatitis, hip dysplasia, loose bowels, and pneumonia.

Animal acupuncture is the process in which fine, sterile needles are inserted to the acu-points of the animal to send a signal through the meridian to the respective organ, stimulating it to adjust and resume its normal function. Chinese herbs are also prescribed to supplement the treatment process. Often employed in conjunction, acupuncture and prescription herbal medicine have been used by the Tampines (TCM) Clinic to alleviate the symptoms of conditions such as urinary incontinence, joint pain and muscular atrophy.

TCM treatments are generally non-invasive, do not involve the risks, complications and side effects associated with anaesthesia as compared to surgical procedures and may be used as a complementary form of palliative care. Dr. Oh Soon Hock oversees the TCM practice and we believe that he is one of the few TCM veterinary doctors who prescribes Chinese herbal medications in his treatment of animals in Singapore.

Prescription pet foods

Other than veterinary and pet healthcare services, the Target's Veterinary Clinics make available for purchase at their clinics prescription pet diets from reputable brands such as Hill's Prescription Diet and Royal Canin, which are typically purchased by customers to aid in their pet's recovery process.

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3. SHARE CAPITAL AND SHAREHOLDERS

3.1 Share Capital

As at the Latest Practicable Date, the share capital of the Target comprises 100 ordinary shares. Following the Restructuring and immediately prior to Completion, the share capital of the Target will comprise 170,000 ordinary shares. Save for the ordinary shares in the share capital of the Target, there are no other classes of shares in the share capital of the Target. As at the Latest Practicable Date, all of the issued shares in the capital of the Target are fully paid-up and held by the Vendor.

As at the Latest Practicable Date, save for the Company's rights under the Sale and Purchase Agreement, no person has, or has the right to be given, an option to subscribe for any securities of the Target.

There were no changes in the share capital of the Target since the date of incorporation of the Target to the Latest Practicable Date:

Date of issue	Number of ordinary shares issued	Consideration (\$)	Purpose of Issue	Resultant issued share capital
11 October 2016	100	100	Subscription on incorporation	S\$100

3.2 Shareholders

As at the Latest Practicable Date, the Vendor had 100 shares in the capital of the Target, representing 100% of the issued shares. Following the Restructuring and immediately prior to Completion, the Vendor will hold 170,000 shares in the capital of the Target, representing 100% of the issued shares.

4. COMPETITION AND COMPETITIVE STRENGTHS

4.1 Competition

The veterinary services industry in Singapore is highly competitive, with various small clinics to medium-sized clinics and clinic chains. The Animal Ark Group competes for customers primarily based on the quality of our service, reputation for endoscopy and laparoscopy procedures and the use of advanced medical equipment.

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We believe that some of our main competitors of the Animal Ark Group for each of our business segments are as follow:

Business Segment	Competitors
Veterinary Healthcare Services	<ul style="list-style-type: none"> • Advanced Vetcare • The Animal Clinic Pte Ltd • Animal Recovery Veterinary Referral Center Pte. Ltd. • Companion Animal Surgery Pte Ltd • Mount Pleasant Veterinary Group • Stars Veterinary Clinic Pte. Ltd. • VES Hospital Pte. Ltd.
Acupuncture/Traditional Chinese Medicine Veterinary Healthcare Services	<ul style="list-style-type: none"> • Frankel Veterinary Centre Pte. Ltd. • Island Veterinary Clinic Pte. Ltd. • Nam Sang Veterinary Clinic Pte. Ltd. • Passion Veterinary Clinic Pte. Ltd. • Stars Veterinary Clinic Pte. Ltd. • United Veterinary Clinic Pte. Ltd. • West Coast Vetcare Pte. Ltd.

We are of the view that these companies are our competitors as they provide similar services, in particular endoscopy and laparoscopy, and compete with us for the same pool of customers.

None of the Target's Director or any of his Associates has any interest, direct or indirect, in any of the competitors listed above. Having made all enquiries as are reasonable under the circumstances (including having obtained written confirmation from the present owners of the Animal Ark Group), to the best of our Director's knowledge, none of the present owners of the Animal Ark Group nor their Associates has any interest, direct or indirect, in any of the competitors listed above.

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4.2 Competitive Strengths

The Target believes that the main competitive advantages of the Veterinary Assets and Business are as follows:

(a) The Target's Veterinary Clinics are well established within the veterinary services industry

The Target's Veterinary Clinics, which initially consisted only of the veterinary clinic at 3 Greendale Avenue Singapore 289498, has been managed by Dr Eugene Lin since he acquired the business from the previous owner in 2005 and began operating the business under the name "The Animal Ark Pte. Ltd." Under his management, the Target's Veterinary Clinics have further expanded with the establishment of the Tampines Vet Clinic, the Tampines (TCM) Clinic and Binjai Vet Clinic in 2011, 2013 and 2014, respectively. Further, the "Animal Ark" brand is associated with quality service care and an established track record in endoscopy and laparoscopy procedures, and is known in the veterinary industry in Singapore. Dr Eugene Lin has gained a good reputation in the industry. He regularly conducts endoscopy and laparoscopy lectures and workshops for other veterinary professionals. He also conducts courses on endoscopy and laparoscopy overseas. These lectures and workshops conducted by Dr Eugene Lin help to raise awareness of the availability of these diagnostic/surgical procedures at the Target's Veterinary Clinics, leading to increased referrals from other veterinary clinics accordingly.

(b) Experienced management team

The current management team, Dr Eugene Lin and Elaine Poh, are a husband and wife team who have a combined 25 years of experience in the veterinary services industry. Other than his management experience, Dr Eugene Lin has more than 17 years of experience in veterinary practice and contributes his technical expertise to the Animal Ark Group by introducing new treatment techniques and on other matters such as the hiring and training of veterinarians, the purchase of drugs and medical equipment. He has received training in interventional and minimally invasive surgeries in the United States and the United Kingdom. We believe Dr Eugene Lin is one of the first veterinarians in Singapore to incorporate minimally invasive techniques into routine surgeries. Under their watch, Dr Eugene Lin and Elaine Poh have expanded the group's business and have increased the staff count under the group from two veterinarians and three support staff to six veterinarians and eight support staff as at the Latest Practicable Date.

(c) Diversification of customer base through strategically located clinics

The Binjai Vet Clinic, being located in the private property estates of the Bukit Timah area, has an established customer base from upper and middle income families in or around the Bukit Timah area due to its accessibility. The other clinics (being Tampines Vet Clinic and Tampines (TCM) Clinic), are located in Tampines, which has a high population and household density and a significant actual and potential customer base. Most of the customers of the Target's Veterinary Clinics visit the Target's clinics due to the proximity of the clinics to their residences.

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(d) Qualified and experienced staff utilising modern techniques and advanced medical equipment and diagnostic tools, with emergency services being available after hours

The Target's Veterinary Clinics are staffed with veterinarians with at least five years of experience. The Target's Veterinary Clinics also employ skilled veterinary technicians who have received veterinary training overseas and, while not qualified to practice in Singapore, are qualified to practice as veterinarians in those foreign countries. The Target's Veterinary Clinics' employees are trained in the usage of the various equipment in the clinics by the equipment distributors.

We believe that the Target's Veterinary Clinics form one of the few groups of veterinary clinics that have the capability to perform flexible endoscopy and rigid laparoscopy procedures, which are relatively new procedures in Singapore's veterinary industry. The Binjai Vet Clinic also has the necessary fluoroscopy equipment (interventional radiology/interventional endoscopy), which allows for minimally invasive diagnostics and surgeries to be performed on the patient.

The Animal Ark Group is equipped with the following high-end equipment, which are commonly found in more advanced human hospitals:

Equipment	Description of use
KARL STORZ Endoscopy Tower along with various rigid and flexible scopes and instruments	For performing minimally invasive procedures through natural body orifices or through one or more small incisions
Siemens C-Arm Machine	Radiology machine used primarily for fluoroscopic intra-operative and real-time motion imaging during surgical procedures
Medtronic Electro-surgery (ForceTriad) machines	Used to seal and divide tissues during traditional open surgeries and laparoscopic procedures
Draeger Anaesthetic machines	Used to administer general anaesthetics and maintain patients on artificial (mechanical) ventilation

Other equipment at the clinics of the Animal Ark Group include blood test machines, X-ray machines, ultrasound machines and dental machines.

Due to the availability of advanced diagnostic and surgery techniques, facilities and after-hours emergency medical services (with an emergency hotline that operates from 8 p.m. to 9 a.m. the following day and throughout public holidays) on top of its full service practice, the Target's Veterinary Clinics often receive referrals from other veterinary service providers for complex medical procedures such as traditional surgeries or procedures involving endoscopy and laparoscopy.

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(e) Expansion of potential customer base through the offering of alternative treatment/remedies such as TCM

The establishment of the Tampines (TCM) Clinic allows for customers to pursue complementary therapies for their pets in the form of TCM remedies/treatments. As there are not many clinics in Singapore offering Chinese herbal medicine for its TCM treatment for pets, Animal Ark Group's TCM treatments may be particularly attractive to owners of geriatric pets, given that these treatments may be less invasive than conventional surgery. Further, TCM treatments/remedies may be appropriate for the provision of treatment to pets which are critically or terminally ill (i.e. end-of-life care) or which are too frail for conventional surgery.

5. MAJOR CUSTOMERS AND SUPPLIERS

5.1 Major Customers

The customers of the Animal Ark Group comprise individuals and there is no customer who contributed 5.0% or more of the Target's revenue for the Period Under Review⁽¹⁾.

5.2 Major Suppliers

The suppliers who account for 5.0% or more of the Target's total purchases during the Period Under Review are set out below⁽¹⁾.

Entity	Services/Product provided	As a percentage of total purchases (%)		
		FY2015	FY2016	FY2017
Age D'or Pte. Ltd.	Injectables and medications e.g. antibiotics, vaccines, anti-inflammatories, pain killers	10	9	10
Biomed Diagnostics Pte. Ltd.	Blood test kits	12	14	13
DTEM Pte. Ltd.	Royal Canin Prescription Diet	12	12	12
KC & Watson (FE) Pte. Ltd.	Hills Prescription Diet	13	14	13
Lee Guan Chuan Pte. Ltd.	Injectables and medications e.g. antibiotics, vaccines, anti-inflammatories, pain killers	15	15	14

Note:

- (1) The figures in these sections are on the basis that the Restructuring is completed and that the Target owns the Veterinary Assets and Business during the Period Under Review.

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The year-on-year fluctuations in the Target's purchases were mainly due to the amount of injectables, medications, blood tests and prescription diets prescribed by the veterinarians. The Target does not enter into long-term agreements with any of its major suppliers.

Having made all enquiries as are reasonable under the circumstances (including having obtained written confirmation from the present owners of the Animal Ark Group), to the best of our Director's knowledge, we are not aware of any information or arrangements which would lead to a cessation or termination of the Target's current relationship with any of its major suppliers or pursuant to which any of its directors or key executives of the Animal Ark Group was respectively selected as a director or key executive of the Target or the Enlarged Group. The Target's business and profitability are currently not dependent on any particular industrial, commercial or financial contract with any supplier.

As at the Latest Practicable Date, none of the Target's Director or his Associates has any interest, direct or indirect, in any of the major suppliers. Having made all enquiries as are reasonable under the circumstances (including having obtained written confirmation from the present owners of the Animal Ark Group), to the best of our Director's knowledge, none of the present owners of the Animal Ark Group nor their Associates has any interest, direct or indirect, in any of the major suppliers.

6. INVENTORY MANAGEMENT

The inventory of the Animal Ark Group comprises mainly pharmaceuticals (pills, tablets, syrups, prescription diets, suppositories, injectables), consumables used in surgical procedures and other treatments (facial masks, disposable gloves, hypodermic needles, syringes, underpads, alcohol swabs, cotton wool, cotton balls, plastic containers and gauze), and nutraceuticals (anti-oxidants, vitamins, anti-cancer supplements, behavior modification supplements).

The Animal Ark Group maintains a reasonable level of inventories, taking into account, *inter alia*, orders placed by customers, the shelf life of the products and estimated future sales.

The Animal Ark Group generally accounts for its inventories on a first-in-first-out basis and inventories are stated at the lower of cost and net realisable value.

There had been no write-offs and no provision for stock obsolescence during the Period Under Review.

The inventory turnover days during the Period Under Review were as follows⁽¹⁾:

	FY2015	FY2016	FY2017
Inventory turnover days ⁽²⁾	30	30	23

Notes:

- (1) The figures in this section are on the basis that the Restructuring is completed and that the Target owns the Veterinary Assets and Business during the Period Under Review.
- (2) The inventory turnover days = (inventory balances at the end of the year/cost of inventories recognised in cost of sales) x number of calendar days, being 365 days.

Inventory turnover days decreased from 30 days in FY2016 to 23 days in FY2017 due to tighter controls over inventory purchases.

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7. CREDIT MANAGEMENT

7.1 Credit Terms Offered to Customers of the Animal Ark Group

The customers of the Target's Veterinary Clinics are charged on a cash basis for treatments and services rendered. The Target's Veterinary Clinics accept various modes of payment, namely, cash (including electronic payments), cheques or credit cards. The electronic payments and credit card payments usually take two (2) working days to settle.

The Animal Ark Group has not recorded any significant write-off of bad debt or allowance for doubtful debt during the Period Under Review. Bad debts relate to customers who were unable to immediately satisfy the entire bill after the surgical services were rendered on their pets. These customers who did not have sufficient cash would offer to return to satisfy the outstanding balance and some of these customers did not return, thereby giving rise to the bad debt which had to be written off.

As the Animal Ark Group operates primarily on a cash basis, it is not meaningful to calculate the trade receivables turnover days.

7.2 Credit Terms Granted by Suppliers of the Animal Ark Group

The Animal Ark Group generally has 30 days' to 60 days' credit terms with its suppliers.

The trade payables turnover days for the Period Under Review were as follows⁽¹⁾:

	FY2015	FY2016	FY2017
Trade payables turnover days ⁽²⁾	79	72	78

Notes:

(1) The figures in this section are on the basis that the Restructuring is completed and that the Target owns the Veterinary Assets and Business during the Period Under Review.

(2) The trade payables turnover days = (trade payables at the end of the year/cost of inventories recognised in cost of sales) x number of calendar days, being 365 days.

8. SEASONALITY

Generally, our business does not experience any significant seasonal fluctuations that will affect the demand for our veterinary services.

9. RESEARCH AND DEVELOPMENT


The Target and the Animal Ark Group do not conduct any research and development activities.

10. INTELLECTUAL PROPERTY

Save as disclosed below, the business of the Animal Ark Group is not materially dependent on any intellectual property such as patents, patent rights, process or other intangible assets. The Animal Ark Group has not paid or received royalties for any licence or use of intellectual property.

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As at the Latest Practicable Date, The Animal Ark (Binjai) Pte Ltd is the proprietor of the following registered trademarks:

Trademark	Registration Number	Place of Registration	Proprietor as at the Latest Practicable Date	Class	Registration Date	Expiry Date
	40201610450R	Singapore	The Animal Ark (Binjai) Pte Ltd	5, 35 and 44 ⁽¹⁾	30 June 2016	30 June 2026
THE ANIMAL ARK	40201610451U					
ARK VET	40201610452X					

Note:

- (1) Class 5: Veterinary preparations; Pharmaceutical preparations for animals; Pharmaceutical preparations for veterinary use; Medicated food additives for animals; Medicated foodstuffs for animals; Dietary supplements for animals; Animal care products for veterinary use; Disinfectants for veterinary use; Cultures of microorganisms for veterinary use; Veterinary vaccines; Veterinary products; Animal flea collars; Medicines for veterinary use; Lotions for veterinary use; Dressings (medical and surgical) for veterinary use; Diagnostic preparations for veterinary use; Biological preparations for veterinary use; Chemical preparations for veterinary use; Enzyme preparations for veterinary use; Stem cells for veterinary use; Reagents (for laboratory and diagnostic purposes) for veterinary use; Flea repellents for animals; Mite repellents for animals.

Class 35: Retail or wholesale services for pharmaceutical, veterinary and sanitary preparations and medical supplies; Retailing and/or wholesaling of medicated food additives for animals, medicated foodstuffs for animals, dietary supplements for animals, animal care products, veterinary vaccines, veterinary products, flea repellents for animals, mite repellent for animals, animal flea collars.

Class 44: Veterinary services; Veterinary assistance; Veterinary dentistry; Veterinary surgery; Sterilising of animals; Hygienic and beauty care for animals; Veterinary clinic services; Medical examination and screening of animals; Medical diagnostic testing and analysis for veterinary purposes; Genetic testing for veterinary purposes; Medical imaging services for veterinary purposes; X-ray services for veterinary purposes; Rental of veterinary apparatus and instruments; Animal health and wellness assessment; Physiotherapy services for animals; Providing animal health, wellness, medical and nutrition information; Consultancy, advisory and information services relating to the foregoing.

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By way of a Deed of Assignment dated 28 May 2018, the Animal Ark Group undertook, jointly and severally, irrevocably and unconditionally, upon Completion, to assign to the Target, its successors and assigns absolutely, all the right, title and interest in and to the Trademarks, and to assign the right to bring, make, oppose, defend or appeal proceedings, claims or actions and obtain relief (and to retain any damages recovered) in respect of any infringement or any other cause of action arising from ownership of any of the Trademarks whether occurring before, on or after Completion.

To the extent that any of the Trademarks cannot be assigned to the Target as envisaged above, the Animal Ark Group agrees to hold them on trust for the Target and grant to the Target, its successors and assigns, free of charge, an exclusive, irrevocable and perpetual licence to use and exploit the Trademarks in any way whatsoever (including without limitation sub-licensing of such Trademarks) for the period commencing from Completion to the date of registration of the Trademarks in the name of the Target, its successors and assigns (as the case may be), or the date of expiry of the Trademarks, whichever is earlier.

Having made all enquiries as are reasonable under the circumstances, our Director is not aware of:

- (i) any reason which would cause or lead to non-registration of the Trademarks,
- (ii) any third party that is currently using a trademark that is similar to the Trademarks.

11. HEALTH, SAFETY, ENVIRONMENT AND QUALITY ASSURANCE

We believe that service quality is vital to the veterinary industry.

All new hires undergo a probation period of three months, during which their skills and experience are assessed. During this period, the new hires are given on-the-job training and are made to shadow another senior employee to familiarise themselves with our operations. Following this period, veterinary professionals and staff who are retained are given regular and continual training and development. Please refer to the Section 12.2 entitled “Staff Training and Development” of this **Appendix A**.

Regular checks are conducted to ensure that pharmaceutical products have not expired and that the diagnostic and surgical equipment are functioning to manufacturers’ standards. Such checks are also necessary, as part of the clinics’ preparation for the annual inspection by AVA as part of the clinic licence renewal process every year.

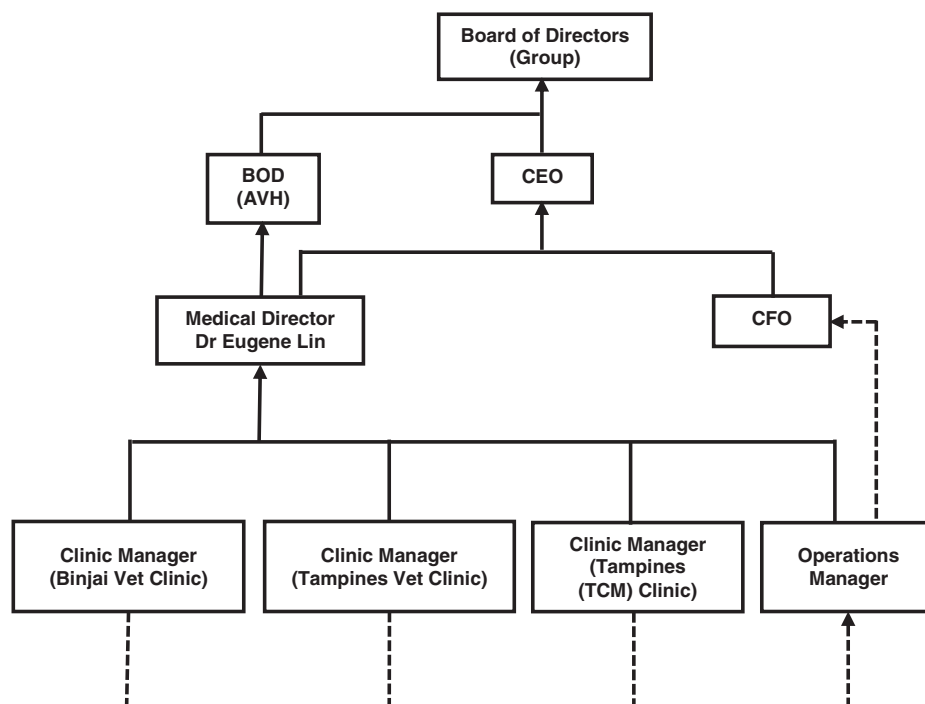
The Animal Ark Group is committed to operational health and safety in the workplace. All staff and workers are briefed on hazards and risks associated with the work and trained to carry out their work in accordance with established safe work procedures. Internal staff trainings and demonstrations are conducted regularly to keep employees abreast of the safety regulations and protocols. Regular inspections and maintenance of machinery are also conducted routinely by the equipment vendors to ensure a safe working environment.

The operations of the Animal Ark Group are governed by various laws and regulations relating to, amongst others, environmental, health and safety and workplace safety. Please refer to Section 14.2 of this **Appendix A** entitled “Summary of Relevant Laws and Regulations” for more information.

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12. EMPLOYEES

12.1 Employees



As at the Latest Practicable Date, excluding our Director, the Target has a total of 15 employees who are based in Singapore, and the Target does not employ a significant number of temporary employees. The Target does not experience any significant seasonal fluctuations in the number of its employees. The following table sets forth the Target's employees by function as at the dates indicated:

Function	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at the Latest Practicable Date
Veterinarians	8	8	7	6
Veterinary Nurses/ Receptionist	8	9	6	6
Veterinary Technicians	2	2	2	2
Administration	1	1	1	1
Total	19	20	16	15

As at the Latest Practicable Date, save for Dr Eugene Lin and Elaine Poh who are husband and wife, none of the Veterinary Assets and Business' full-time employees of a managerial position and above are related by blood or marriage to any of the Company's Directors, executive officers, Substantial Shareholders or their Associates. Upon Completion, Dr Eugene Lin will be appointed Medical Director and General Manager of the Target and Elaine Poh will be appointed Senior Operations Manager of the Target.

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The number of employees related to the Veterinary Assets and Business has remained relatively stable as at 31 December 2015 and 2016. The decrease in headcount as at 31 December 2017 was due to the closure of the clinic at 3 Greendale Avenue Singapore 289498 at the end of August 2017.

The employees are not unionised. There has not been any incidence of work stoppages or labour disputes that materially affected our business.

Save for amounts set aside or accrued in respect of CPF contributions in Singapore (as required under relevant laws and regulations), no amounts have been set aside or accrued by the Animal Ark Group in respect of the Veterinary Assets and Business to provide for pension, retirement or similar benefits for any of its employees.

12.2 Staff Training and Development

We believe that service quality is vital to the veterinary industry. In this regard, we are of the view that training enhances staff competence in their work and consequently quality assurance in the services provided.

As highlighted above, new hires generally undergo a probation period of three months, during which their skills and experience are assessed. During this period, the new hires are given on-the-job training and are made to shadow another senior employee to familiarise themselves with our operations. Following this period, veterinary professionals and staff who are retained are given regular and continuous training and development. For example, internal discussions are held as and when required to discuss various veterinary cases which the employees have encountered and how the case was handled by the staff responsible.

The conduct and practice of veterinarians are governed by AVA. As veterinarians have an ethical responsibility, and are expected by the public, to keep abreast of veterinary knowledge and to provide professional services in a competent manner, veterinarians are required to meet the requirements of continuing professional education, for every two years of practice, before they are able to renew their licence.

Veterinarians, veterinary technicians and nurses within the employment of the Animal Ark Group are encouraged to attend courses to update their skills and familiarise themselves with technological advancements in veterinary healthcare as well as new veterinary equipment. Some of these courses may be conducted by external parties either locally or overseas. In encouraging the participation of its veterinarians, the Animal Ark Group provides subsidies for the attendance of relevant courses on a case-by-case basis.

13. INSURANCE

As at the Latest Practicable Date, the Animal Ark Group maintains the following insurance policies to cover, amongst others, risks relating to its business operations and fixed assets:

- (a) property all risks insurance;
- (b) public liability insurance;
- (c) work injury compensation insurance; and
- (d) foreign workers medical insurance.

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There has not been any material insurance claims made by the Animal Ark Group in the Period Under Review and up to the Latest Practicable Date.

Our Director is of the opinion that the above insurance policies are adequate for the Veterinary Assets and Business and barring unforeseen circumstances, will remain adequate upon Completion when the Target or the Company will procure that the necessary insurance policies are registered in the name of the Target.

Further, most veterinarians under the Animal Ark Group are members of the Singapore Veterinary Association, a professional society representing the interests of veterinary surgeons and the veterinary community in Singapore, and are covered by professional liability insurance as part of their membership benefits.

We will review and procure any necessary additional insurance coverage as and when the need arises. However, significant disruption to our operations or damage to our properties or assets, whether as a result of fire and/or other causes, may still have a material and adverse effect on our business operations, financial condition and results of operations. There is no assurance that any claims made or decided against us will be covered by insurance, or if covered, will not exceed the limits of our coverage. For further details, please refer to the section entitled “Risk Factors” of this Letter.

Having made all enquiries as are reasonable under the circumstances (including having obtained written confirmation from the present owners of the Animal Ark Group), to the best of our Director’s knowledge, as at the Latest Practicable Date, there has been no disciplinary action or legal proceedings taken against the Animal Ark Group nor its veterinarians in relation to the provision of veterinary services.

14. GOVERNMENT REGULATIONS, PERMITS AND LICENCES

14.1 Permits and Licences

As at the Latest Practicable Date, the Animal Ark Group has the following licences, permits and approvals which are material to its business operations as follows:

Type of Approval	Purpose	Licence Holder	Issuing/ Licensing Body	Validity Period
Licence for Veterinary Centre	To operate a veterinary clinic (Binjai Vet Clinic)	The Animal Ark (Binjai) Pte. Ltd.	AVA	1 January 2018 to 31 December 2018
Licence for Veterinary Centre	To operate a veterinary clinic (Tampines (TCM) Clinic)	The Animal Ark (TCM) Pte. Ltd.	AVA	1 March 2018 to 28 February 2019

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Type of Approval	Purpose	Licence Holder	Issuing/ Licensing Body	Validity Period
Licence for Veterinary Centre	To operate a veterinary clinic (Tampines Vet Clinic)	The Animal Ark (Tampines) Pte. Ltd.	AVA	1 October 2017 to 30 September 2018
Licence issued under the Radiation Protection Act (No. L3/04642/0001)	To possess or keep ionising irradiating apparatus at Binjai Vet Clinic	The Animal Ark (Binjai) Pte. Ltd.	NEA	1 July 2018 to 30 September 2018
Licence issued under the Radiation Protection Act (No. L3/04642/0002)	To possess or keep ionising irradiating apparatus at Binjai Vet Clinic	The Animal Ark (Binjai) Pte. Ltd.	NEA	1 June 2018 to 31 August 2018
Licence issued under the Radiation Protection Act (No. L3/04024/0006)	To possess or keep ionising irradiating apparatus at Tampines Vet Clinic	The Animal Ark (Tampines) Pte. Ltd.	NEA	1 June 2018 to 31 August 2018

Having made all enquiries as are reasonable under the circumstances (including having obtained written confirmation from the present owners of the Animal Ark Group), our Director believes, to the best of his knowledge, that:

- (i) the Animal Ark Group has obtained all necessary approvals, permits and licences which are material to its business operations and that it is in compliance with all applicable laws and regulations that are material to its business operations;
- (ii) as at the Latest Practicable Date, none of the relevant permits and licences had been suspended, revoked or cancelled, as the case may be, and no applications for or renewal of, any of these permits, approvals and licences had been rejected by the relevant authorities; and
- (iii) there is no fact or circumstance which would cause the suspension, or revocation or cancellation or affect the renewal of the licences prior to Completion, or the registration of the licences in the name of the Target upon Completion.

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14.2 Summary of Relevant Laws and Regulations

The following description is a summary of the material laws and regulations applicable to the Veterinary Assets and Business under Singapore law. The regulations and policies set out below are not exhaustive and are only intended to provide some general information to the investors and are neither designed nor intended to be a substitute for professional advice. Shareholders and prospective investors should consult their own advisers regarding the implication of Singapore laws and regulations on the Enlarged Group.

Animals and Birds Act (Chapter 7 of Singapore) (“Animals and Birds Act”), Animals and Birds (Veterinary Centres) Rules (“Animals and Birds Rules”) and Code of Ethics

The Animal and Birds Act provides that, *inter alia*, no person shall use or permit any premises to be used as a veterinary centre except under and in accordance with the conditions of a licence issued by the AVA Director-General for Agri-Food & Veterinary Services (“**Director-General**”). Accordingly, all our operating clinics hold licences issued by AVA which are subject to the provisions of the Animals and Birds Act, Animals and Birds Rules and any directions or guidelines as may be given or issued from time to time by the Director-General.

The Animals and Birds Rules provide for, *inter alia*, the factors that determine when a license may be issued or refused, persons who may manage a licensed veterinary centre, facilities for isolating and confining diseased animals and the power of the Director-General to issue directives.

In determining whether to issue or refuse to issue a license, the Director-General shall have regard to the following:

- (a) the character and fitness of the applicant to be issued with a license or, where the applicant is a body corporate, the character and fitness of the members of the board of directors or committee or board of trustees or other governing body of the body corporate;
- (b) the ability of the applicant to operate and maintain a veterinary centre in accordance with the requisite conditions and standards; and
- (c) the suitability of the premises (including the facilities and equipment therein) to be licensed for use as a veterinary centre.

Further, the Animals and Birds Act provides for the registration of veterinarians in Singapore. Subject to any exemptions granted by the Director-General in the exercise of his powers under the Animals and Birds Act, no person other than an authorised officer shall treat, vaccinate or inoculate any animal or bird except under and in accordance with the conditions of a licence issued by the Director-General. Any person who contravenes the above shall be guilty of an offence.

The veterinary licence is issued subject to certain conditions, including that the veterinarian must comply fully with the Code of Ethics. The purpose of the Code of Ethics is to assure the community the best service of which veterinarians are capable and to promote co-operation within the ranks of the profession. It sets out appropriate standards for

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professional conduct to establish and maintain the highest standards of integrity, skill and practice in the profession of veterinary medicine. Some of the rules of conduct are imperatives, cast in the terms “shall” or “must”. (For example, a veterinarian must not practice without being licensed by the relevant veterinary authority of Singapore and must be familiar with and abide by all relevant legislation and guidelines affecting his professional activity and behaviour.) Veterinarians who fail to adhere to such rules may be subject to professional discipline.

The Code of Ethics also provides for the requirements of any publicity of veterinary services, including:

- (a) the information contained in the advertisement must be factual, accurate, verifiable, and must not be exaggerated, misleading, sensational, persuasive, laudatory, comparative or disparaging;
- (b) the publicity must not consist of advertising of personal superiority over other veterinarians, secret remedies or exclusive methods, or medical case reports; and
- (c) restrictions against distributing printed materials to publicise the services of a veterinarian or a veterinary centre.

Our publicity activities are in accordance with such guidelines prescribed pursuant to the Code of Ethics.

The Animals and Birds Act also provides for the prevention of spread of disease. Any person who knowingly casts or causes or permits to be cast into any drain, ditch, water channel, street or open space, or otherwise exposes any animal or bird or the carcass of any animal or bird which is or has been infected with disease or any fodder, litter, dung or thing which has been used in connection with any infected animal or bird, shall be guilty of an offence and liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both.

Medicines Act (Chapter 176 of Singapore) (“Medicines Act”)

The Medicines Act stipulates general provisions for the manufacturing of and dealing in medicinal products, the considerations of the licensing authority for granting licenses, including wholesale dealer’s licenses, regulation of pharmacies, the labelling of medicines, the packaging of medicines and the content of materials advertising and/or promoting the sale of medical products.

Save as provided for in the Medicines Act, all persons and corporations must obtain licenses to sell, supply, export, procure the sale of, procure the supply or exportation of, procure the manufacture or assembly for sale, supply or exportation of, or import any medicinal products.

Any person who contravenes the aforesaid provisions in relation to, the dealing, manufacture and wholesale dealing of medicinal products shall be guilty of an offence. The licensing authority also has the right to revoke a license as it deems apt.

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All licences issued to the clinics by AVA are subject to the condition that the licensee shall ensure the proper use and audit of all controlled medication and drugs. In addition, AVA's general conditions for licensing specifies that the prescription and dispensation of medication and drugs shall be in accordance with the Medicines Act and Poisons Act.

Poisons Act (Chapter 234 of Singapore) (“**Poisons Act**”)

The Poisons Act stipulates general provisions for the importation and sale of poisons, the possession of poisons, and the grant of licenses by the licensing authority.

Save as provided for in the Poisons Act, no person shall without a licence from a licensing officer import, possess for sale, sell or offer for sale any poison. AVA's conditions of licensing for veterinary clinics sets out a list of controlled drugs. This list of controlled drugs covers anaesthetics (e.g. Ketamine and Alphaxalone), narcotics (e.g. Acepromazine and Buprenorphine), sedatives and tranquilisers (e.g. Diazepam, Xylazine, and Acepromazine) and Euthanasia solutions (e.g. Pentobarbitone) which are listed in Schedule 1 of the Poisons Act. Licences issued to veterinary clinics by AVA are subject to the condition that the licensee shall ensure the proper use and audit of all controlled medication and drugs including compliance with prescription and dispensation of medicine and drugs in accordance with the Poisons Act.

Any person who contravenes the Poisons Act in relation to the import, possession for sale, sale or offer for sale of any poison shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$10,000 or to imprisonment for a term not exceeding 2 years or to both.

Radiation Protection Act (Chapter 262 of Singapore) (“**Radiation Protection Act**”) and the Radiation Protection (Ionising Radiation) Regulations (“**Radiation Protection Regulations**”)

The Radiation Protection Act regulates, *inter alia*, the import, export, manufacture, sale, disposal, transport, storage, possession and use of radioactive materials and irradiating apparatus. The Radiation Protection Act provides that no person shall, except under and in accordance with a licence:

- (i) import into, or export out of, Singapore any radioactive material;
- (ii) keep, have in his possession or under his control, or use of any radioactive material;
- (iii) manufacture, sell or otherwise deal in any radioactive material;
- (iv) transport any radioactive material;
- (v) import into, or export out of, Singapore any irradiating apparatus;
- (vi) keep, have in his possession or under his control, or use any irradiating apparatus;
- (vii) manufacture, or otherwise produce, any irradiating apparatus; or
- (viii) sell, deal with or otherwise deal in any irradiating apparatus.

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Any person who contravenes (i) to (viii) above shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$100,000 or to imprisonment for a term not exceeding two years or to both.

The Radiation Protection Act also provides that:

- (1) every person who sells any irradiating apparatus shall immediately give notice of the sale to the Director-General of Environmental Protection, together with the name, address and prescribed particulars of the person to whom it was sold, in such form and manner as may be prescribed;
- (2) every person who purchases any irradiating apparatus shall immediately give notice of the purchase to the Director-General of Environmental Protection, together with the name, address and prescribed particulars of the person from whom it was purchased, in such form and manner as may be prescribed; and
- (3) no person shall dispose of any irradiating apparatus, whether in a working condition or otherwise, without the prior approval in writing of the Director-General of Environmental Protection.

Any person who contravenes subsections (1) to (3) above shall be guilty of an offence and shall be liable on conviction to a fine not exceeding 12 months or to both.

The Radiation Protection Regulations provide for, the various purposes a licence may be granted for such as, the control of radiation exposure, medical and radiological supervision, labelling of irradiating apparatus and radioactive materials, storage of radioactive materials and the use of irradiating apparatus for medical, dental and veterinary diagnostic purposes.

All our clinics that utilise irradiating apparatus (such as X-ray machines and fluoroscopic equipment) hold licences issued by the Director-General of Environmental Protection pursuant to the Radiation Protection Act and the Radiation Protection Regulations.

Workplace Safety and Health Act (Chapter 354A of Singapore) ("WSHA") and Workplace Safety and Health (General Provisions) Regulations

The WSHA imposes general duties on various persons, including employers, principals, occupiers of workplaces as well as persons who erect, install or modify machinery or equipment specified in Part I of the Fifth Schedule of the WSHA and persons in control of any machinery moved by mechanical power at work to ensure the safety, health and welfare of employees in the workplace and the general public.

The WSHA applies to all workplaces and any person who fails to comply with the provisions of the WSHA shall be guilty of an offence. Any person guilty of an offence under the WSHA (but not including the relevant regulations) for which no penalty is expressly provided by the WSHA shall be liable on conviction:

- (a) in the case of a natural person, to a fine not exceeding \$200,000 or to imprisonment for a term not exceeding 2 years or to both; and
- (b) in the case of a body corporate, to a fine not exceeding \$500,000,

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and, if the contravention in respect of which he was so convicted continues after the conviction, he shall (subject to Section 52 of the WSHA) be guilty of a further offence and shall be liable to a fine –

- (i) in the case of a natural person, not exceeding \$2,000 for every day or part thereof during which the offence continues after conviction; or
- (ii) in the case of a body corporate, not exceeding \$5,000 for every day or part thereof during which the offence continues after conviction.

Subject to certain exceptions provided in the Workplace Safety and Health (General Provisions) Regulations, it shall be the duty of the owner of any steam boiler, steam receiver, air receiver or refrigerating plant pressure receiver (referred to in this regulation as relevant equipment) who intends to put the relevant equipment into use in a workplace to –

- (a) obtain, in such form and manner as may be determined by the Commissioner for Workplace Safety and Health to use the relevant equipment;
- (b) ensure that such examination and test by an authorised examiner as may be specified by the Commissioner for Workplace Safety and Health has been satisfactorily carried out;
- (c) obtain from the authorised examiner a report of the examination and test referred to in sub-paragraph (b) above, specifying the safe working pressure of the relevant equipment and stating the nature of the tests to which the relevant equipment and its fittings have been submitted;
- (d) keep the report referred to in sub-paragraph (c) above available for inspection; and
- (e) mark the relevant equipment so as to enable it to be identified as the relevant equipment to which the report refers.

All our clinics that own steam boilers have obtained reports of examination from authorised examiners for each of these boilers.

Work Injury Compensation Act (Chapter 354 of Singapore) (“WICA”)

The WICA is a legislation relating to the payment of compensation to employees for injury suffered in the course of their employment. It provides that if in any employment personal injury by accident arising out of and in the course of the employment is caused to an employee, his employer shall be liable to pay compensation in accordance with the provisions of the WICA.

Further, if any employee who is employed in any occupation specified in the WICA contracts an occupational disease or if an employee who has been employed in such occupation and who contracts the disease within the period stipulated in the WICA, and the incapacity or death of the employee results from that disease, compensation shall be payable as if the disease were a personal injury by accident arising out of and in the course of employment. Under the WICA, such employee includes an employee who has frequent or prolonged exposure to X-ray radiation and who contracts cataracts; an employee who is exposed to

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ionising particles from irradiation apparatus and who contracts diseases caused by ionising radiation; and an employee who is exposed to animals or tissues of animals or any material or substance containing the *Burkholderia mallei* bacterium and who consequently contracts glanders (an infectious disease that occurs primarily in horses, mules and donkeys but can also be contracted by dogs, cats and humans).

The WICA imposes obligations on employers to compensate employees for personal injuries suffered in the course of their employment. In particular, the WICA provides that every employer shall insure and maintain insurance under one or more approved policies with an insurer against all liabilities he may incur under the provisions of the WICA in respect of any employee employed by him. The Work Injury Compensation (Waiver from Insurance Requirement Notification) waives the requirement to maintain insurance under the WICA in respect of the Government and employers of all persons with monthly earnings of more than \$1,600 and who are employed otherwise than by way of manual labour.

Accordingly, in the event that an employee suffers any personal injury in the course of their employment, the Company would be liable to make compensation in accordance with the WICA.

The employees of the Animal Ark Group are insured under the WICA.

15. SELECTED FINANCIAL INFORMATION

*The following selected financial information should be read in conjunction with the full text of this **Appendix A** and the Circular, including the “Unaudited Pro Forma Financial Information of the Target for Financial Years ended 31 December 2015, 31 December 2016 and 31 December 2017 as set out in **Appendix B** and the “Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group for Financial Year ended 31 December 2017” as set out in **Appendix C** of the Circular, where the selected Target financial information has been derived from, and Section 16 of this **Appendix A** entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position”.*

Unaudited Pro Forma Statements of Comprehensive Income

	2015 \$	2016 \$	2017 \$
Revenue	4,248,682	4,238,380	4,028,769
Cost of sales	(2,132,582)	(2,187,876)	(2,049,739)
Gross profit	2,116,100	2,050,504	1,979,030
Other operating income	85,539	326,728	16,488
Other operating expenses	(1,213,854)	(1,253,428)	(1,192,931)
Finance costs	(66,871)	(76,729)	(39,906)
Profit before tax	920,914	1,047,075	762,681
Income tax expense	(33,989)	(19,546)	(42,533)
Profit for the year representing total comprehensive income for the year	886,925	1,027,529	720,148

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Unaudited Pro Forma Statement of Financial Position

	2015 \$	2016 \$	2017 \$
ASSETS			
Non-current asset			
Plant and equipment	454,985	673,991	590,249
Goodwill	7,889,171	7,889,171	7,889,171
Current assets			
Cash and cash equivalents	1,302,898	2,110,490	783,529
Trade receivables	35,753	30,157	30,274
Other receivables	52,147	116,699	105,076
Prepayments	26,591	19,341	–
Inventories	74,613	77,300	54,876
Total current assets	1,492,002	2,353,987	973,755
Total assets	9,836,158	10,917,149	9,453,175
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables	200,482	182,070	183,241
Other payables and accruals	124,630	2,291,079	81,790
Income tax payable	37,757	19,546	43,542
	362,869	2,492,695	308,573
Net current assets/(liabilities)	1,129,133	(138,708)	665,182
Non-current liabilities			
Other payables and accruals	2,076,364	–	–
Loans and borrowings	6,340,000	6,340,000	6,340,000
Net assets	1,056,925	2,084,454	2,804,602
Equity attributable to equity holders of the Company			
Share capital	170,000	170,000	170,000
Retained earnings	886,925	1,914,454	2,634,602
Total equity	1,056,925	2,084,454	2,804,602

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16. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following discussion of the Target's results of operations and financial condition should be read in conjunction with the full text of this Circular, including the "Unaudited Pro Forma Financial Information of the Target for the Financial Years Ended 31 December 2015, 31 December 2016 and 31 December 2017", as set out in **Appendix B** of this Circular.

The discussion in this section may contain forward-looking statements that involve risks and uncertainties. The Target's actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Circular, particularly in section entitled "Risk Factors" of this Circular. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Target, the Sponsor and Financial Adviser or any other person. Shareholders are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to Section entitled "Cautionary Note On Forward-Looking Statements" of this Circular.

The pro forma financial information of the Target for FY2015, FY2016 and FY2017 has been prepared for illustrative purposes only and is based on the following bases and assumptions:

- (a) The Target had been incorporated on 1 January 2015 as a private company limited by shares with an initial issued and paid-up capital of S\$100 comprising 100 ordinary shares. 169,900 additional ordinary shares had been issued on 1 January 2015 for cash of S\$169,900;
- (b) The acquisition of business of the Animal Ark Group had been completed on 1 January 2015; and
- (c) The Target obtained a loan of S\$6.34 million from the Company to finance the acquisition.

Information about the Target's financial position, financial performance and cash flows have been extracted by management from the financial statements of the Target for FY2015, FY2016 and FY2017 on which no audit reports have been published, and financial statements of the business acquired for FY2015, FY2016 and FY2017, on which audit reports have been published; to show what the financial position, financial performance and cash flows of the Target would have been had the pro forma events been completed on 1 January 2015.

Overview

The Target is a company incorporated in Singapore. As at the Latest Practicable Date, the Target does not have any business operations and holds no other subsidiaries or associated companies. The Vendor is the sole shareholder of the Target while the Warrantor is the sole director of the Target.

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The Animal Ark Group is based in Singapore and provides veterinary services to small animals and is currently owned by Dr Eugene Lin and Elaine Poh, the wife of Dr. Eugene Lin. Upon the completion of the Restructuring, the Target will hold and operate the Veterinary Assets and Business which were formerly under the Animal Ark Group. The Veterinary Assets and Business will be acquired from the following entities and there are currently three (3) clinics under the Animal Ark Group as below:

- (a) Binjai Vet Clinic;
- (b) Tampines Vet Clinic; and
- (c) Tampines (TCM) Clinic.

In August 2017, due to the proximity of the veterinary clinic at 3 Greendale Avenue Singapore 289498 (which had been operated under The Animal Ark Pte. Ltd.) and Binjai Vet Clinic, operations at the former location were ceased and the assets were transferred to the other veterinary clinics under the Animal Ark Group.

The Target's Veterinary Clinics provide the full range of general veterinary services involving medical, surgical and dental care for dogs, cats, rabbits, hamsters, guinea pigs and chinchillas and after hours emergency services, with a focus on using advanced diagnostic and surgical techniques and providing alternative remedies and treatments.

Revenue

The Target derived its revenue from the rendering of services and sales of veterinary medicine.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Target and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

- (a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

- (b) Rendering of services

Revenue from rendering of services are recognised when services are rendered.

The Target's revenue is mainly dependent on the following factors:

- (i) the general affluence of pet owners and their decision to seek medical treatment for their pets;
- (ii) ability to retain our existing patients;

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- (iii) ability to maintain a good reputation as a veterinary medical services provider;
- (iv) changes in the political, economic, social and legal environment in Singapore where the Target has a business presence;
- (v) ability to maintain the relevant licenses, registrations, permits, or approvals necessary for the Target's business;
- (vi) ability to keep abreast of advances in medical technology; and
- (vii) ability to attract and retain skilled and qualified veterinary clinic professionals and other management personnel to support and/or grow the Target's services.

Cost of Sales

Cost of sales comprise (i) employee benefits expenses; and (ii) cost of inventories.

A breakdown of cost of sales for the Period Under Review is as follows:

Cost of sales	FY2015		FY2016		FY2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Employee benefits expense	1,211	56.8	1,261	57.6	1,193	58.2
Cost of inventories	922	43.2	927	42.4	857	41.8
Total	2,133	100.00	2,188	100.00	2,050	100.0

(i) Employee Benefits Expense

Employee benefits expense comprised mainly wages and salaries and the Central Provident Fund contributions paid to veterinarians and accounted for 56.8%, 57.6% and 58.2% of the Target's cost of sales for FY2015, FY2016 and FY2017 respectively.

(ii) Cost of inventories

Cost of inventories accounted for 43.2%, 42.4% and 41.8% of the Target's cost of sales for FY2015, FY2016 and FY2017 respectively.

Gross Profit and Gross Profit Margin

The Target's overall gross profit margin was 49.8%, 48.4% and 49.1% for FY2015, FY2016 and FY2017 respectively.

Other Operating Income

Other operating income comprised mainly (i) productivity and innovation credit ("PIC") cash payout; (ii) employment credits; and (iii) SME rebate. Other operating income accounted for approximately 2.0%, 7.7% and 0.4% of revenue in FY2015, FY2016 and FY2017 respectively.

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Other Operating Expenses

Other operating expenses comprised mainly (i) employee benefits expenses to administrative staff; (ii) rental expense; and (iii) depreciation of plant and equipment. Other operating expenses were 28.6%, 29.6% and 29.6% of revenue in FY2015, FY2016 and FY2017 respectively. Employee benefits expenses for administrative staff accounted for approximately 34.4%, 33.5% and 35.5% of other operating expenses in FY2015, FY2016 and FY2017 respectively. Employee benefits expenses for administrative staff comprise mainly employees' remuneration and staff training costs. Rental expense accounted for 30.6%, 29.7% and 28.7% of other operating expenses in FY2015, FY2016 and FY2017 respectively. Depreciation of plant and equipment accounted for 7.3%, 10.3% and 12.1% of other operating expenses in FY2015, FY2016 and FY2017 respectively.

Finance Costs

Finance costs relate to accretion of interest expenses in relation to deferred consideration payable for the Proposed Acquisition. Finance costs accounted for 1.6%, 1.8% and 1.0% of revenue in FY2015, FY2016 and FY2017 respectively.

Income Tax Expense

The Target's effective income tax rate was 3.7%, 1.9% and 5.6% for FY2015, FY2016 and FY2017 respectively. Effective income tax rate for the Period Under Review was lower than the statutory tax rate of 17% mainly due to PIC claims, qualifying new company exemptions for the Binjai Vet Clinic, corporate income tax rebates and/or partial tax exemption.

REVIEW OF RESULTS OF OPERATIONS

FY2016 vs FY2015

Revenue

The Target's revenue decreased by approximately S\$0.01 million, or 0.2%, from S\$4.25 million in FY2015 to S\$4.24 million in FY2016.

Cost of Sales and Gross Profit Margin

The Target's cost of sales increased by approximately S\$0.06 million, or 2.6%, from S\$2.13 million in FY2015 to S\$2.19 million in FY2016. The increase in cost of sales was mainly due to an increase in employee benefits expenses as a result of increment to staff salaries and increase in CPF contribution arising from increase in rate and income ceiling for CPF contribution.

The Target's gross profit margin decreased from 49.8% in FY2015 to 48.4% in FY2016 mainly due to the increase in employee benefits expenses in FY2016.

Other Operating Income

Other operating income increased by approximately S\$0.24 million, or 282.0%, from S\$0.09 million in FY2015 to S\$0.33 million in FY2016. The increase in other operating income was mainly due to increase in PIC cash payout of S\$0.23 million in FY2016 in relation to the purchase of veterinary and medical equipment and training courses.

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Other Operating Expenses

Other operating expenses increased by approximately S\$0.04 million, or 3.3%, from S\$1.21 million in FY2015 to S\$1.25 million in FY2016. The increase in other operating expenses was mainly due to (i) increase in depreciation of S\$0.04 million as a result of additional veterinary and medical equipment purchased in FY2016 and (ii) increase in branding and marketing expenses of S\$0.02 million, partially offset by (i) decrease in employee development and training expenses of S\$0.01 million; and (ii) decrease in insurance premium of approximately S\$0.01 million.

Finance Costs

Finance costs increased by approximately S\$0.01 million, or 14.7%, from S\$0.07 million in FY2015 to S\$0.08 million in FY2016. The increase in finance costs was due to accretion of interest expenses relating to deferred consideration payable.

Profit before tax

Profit before tax increased by approximately S\$0.13 million, or 13.7%, from S\$0.92 million in FY2015 to S\$1.05 million in FY2016. This was attributable to increase in other operating income of S\$0.24 million, partially offset by (i) decrease in gross profit of S\$0.07 million; (ii) increase in other operating expenses of S\$0.04 million; and (iii) increase in finance costs of S\$0.01 million.

FY2017 vs FY2016

Revenue

The Target's revenue decreased by approximately S\$0.21 million, or 4.9%, from S\$4.24 million in FY2016 to S\$4.03 million in FY2017. This was mainly attributable to decrease in revenue of S\$0.28 million due to the ceasing of operations of Greendale clinic in August 2017 and partially offset by increase in revenue of S\$0.12 million from Binjai Vet Clinic.

Cost of Sales and Gross Profit Margin

The Target's cost of sales decreased by approximately S\$0.14 million, or 6.3%, from S\$2.19 million in FY2016 to S\$2.05 million in FY2017. The decrease in cost of sales was mainly due to decrease in cost of inventories of S\$0.07 million due to tighter controls over inventory purchases, and decrease in employee benefits expenses of approximately S\$0.07 million due to reduction in one veterinarian headcount and replacement for another veterinarian at a lower salary.

The Target's gross profit margin increased from 48.4% in FY2016 to 49.1% in FY2017 mainly due to decrease in cost of inventories recognised in cost of sales and employee benefits expenses.

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Other Operating Income

Other operating income decreased by approximately S\$0.31 million, or 95.0%, from S\$0.33 million in FY2016 to S\$0.02 million in FY2017. The decrease in other operating income was mainly due to an absence of PIC cash payout of S\$0.27 million in FY2017.

Other Operating Expenses

Other operating expenses decreased by approximately S\$0.06 million, or 4.8%, from S\$1.25 million in FY2016 to S\$1.19 million in FY2017. The decrease in other operating expenses was mainly due to (i) decrease in rental expense of S\$0.03 million arising from the closure of Greendale clinic in August 2017; (ii) decrease in employee development and training expenses of S\$0.02 million; (iii) decrease in repair and maintenance expenses of S\$0.02 million; (iv) decrease in branding and marketing expenses of S\$0.01 million, and partially offset by increase in depreciation of S\$0.02 million.

Finance Costs

Finance costs decreased by approximately S\$0.04 million, or 48.0%, from S\$0.08 million in FY2016 to S\$0.04 million in FY2017. The decrease in finance costs was due to payment of deferred consideration payable in June 2017.

Profit before Tax

Profit before tax decreased by approximately S\$0.29 million, or 27.2%, from S\$1.05 million in FY2016 to S\$0.76 million in FY2017. This was mainly attributable to decrease in (i) other operating income of S\$0.31 million; and (ii) gross profit of S\$0.07 million, and partially offset by decrease in (i) other operating expenses of S\$0.06 million; and (ii) finance costs of S\$0.04 million.

REVIEW OF FINANCIAL POSITION

Non-Current Assets

Non-current assets comprise plant and equipment, and goodwill. As at 31 December 2017, the Target's non-current assets amounted to approximately S\$8.48 million or 89.7% of the total assets. Plant and equipment decreased by S\$0.08 million from S\$0.67 million as at 31 December 2016 to S\$0.59 million as at 31 December 2017, mainly due to depreciation of S\$0.14 million, partially offset by purchases of veterinary and medical equipment, and computer of S\$0.06 million. Goodwill amounted to S\$7.89 million as at 31 December 2016 and 31 December 2017.

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Current Assets

Current assets mainly comprise (i) cash and cash equivalents; (ii) trade receivables; (iii) other receivables; and (iv) inventories. As at 31 December 2017, the Target's current assets amounted to approximately S\$0.97 million or 10.3% of the total assets. The decrease in current assets of S\$1.38 million from S\$2.35 million as at 31 December 2016 to S\$0.97 million as at 31 December 2017, was mainly due to decrease in cash and cash equivalents of S\$1.33 million, inventories of S\$0.02 million, prepayments of S\$0.02 million and other receivables of S\$0.01 million.

Current Liabilities

Current liabilities comprise (i) trade payables; (ii) other payables and accruals; and (iii) income tax payable. As at 31 December 2017, the Target's current liabilities amounted to approximately S\$0.31 million or 4.6% of the total liabilities. The decrease in current liabilities of S\$2.18 million from S\$2.49 million as at 31 December 2016 to S\$0.31 million as at 31 December 2017, was mainly due to decrease in other payables and accruals of S\$2.21 million attributable to payment of deferred consideration payable to the vendors of the Animal Ark Group for the Restructuring.

Non-Current Liabilities

Non-current liabilities comprise loans and borrowings. As at 31 December 2017, the Target's non-current liabilities amounted to approximately S\$6.34 million, or 95.4% of the total liabilities. The loans and borrowings amounted S\$6.34 million as at 31 December 2016 and 31 December 2017. Loans and borrowings pertain to an advance from the Company of S\$6.34 million as part of the Consideration, to finance the Restructuring.

Total Equity

As at 31 December 2017, equity attributable to equity holders of the Target amounted to S\$2.80 million which comprised share capital of S\$0.17 million and retained earnings of S\$2.63 million.

LIQUIDITY AND CAPITAL RESOURCES

During the Period Under Review, the Target's operations have been funded by funds generated from operations and shareholders' equity (including retained earnings). The principal uses of funds are for working capital purposes and for the acquisition of plant and equipment.

The Target generated cash flow from operating activities of S\$0.93 million in FY2017. As at 31 December 2017, the Target's cash and cash equivalents amounted to S\$0.78 million and its working capital amounted to S\$0.67 million.

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As at the Latest Practicable Date, the Target's pro forma cash and cash equivalents amounted to S\$1.26 million. The Target did not have any borrowings, other than the loan from the Company as at Completion to finance the acquisition of Animal Ark Group's business and assets. The loan is unsecured, interest-free and repayable on demand. The Company is not expected to recall the loan and be settled within 12 months from 31 December 2017.

The Target's Director is of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flow generated from the Target's operations and the existing cash and cash equivalents, the working capital available to the Target as at the date of this Circular is sufficient for its present requirements and for at least 12 months from Completion.

The following table sets forth a summary of the cash flows of the Target for FY2015, FY2016 and FY2017.

(S\$'000)	FY2015	FY2016	FY2017
Net cash flows generated from operating activities	1,385	1,156	926
Net cash flows used in investing activities	(6,592)	(349)	(2,253)
Net cash flows from financing activities	6,510	–	–
Net increase/(decrease) in cash and cash equivalents	1,303	807	(1,327)
Cash and cash equivalents at beginning of the year	–	1,303	2,110
Cash and cash equivalents at end of the year	1,303	2,110	784

FY2015

In FY2015, the Target recorded net cash flows generated from operating activities of approximately S\$1.39 million, which comprised operating profit before changes in working capital of S\$1.08 million and net working capital inflow of S\$0.31 million. The net working capital inflow was mainly due to increase in trade payables of S\$0.20 million and increase in other payables and accruals of S\$0.13 million. The increase in trade payables and other payables and accruals was a result of the Target not having assumed any of the liabilities of the Animal Ark Group at the date of acquisition.

In FY2015, the Target recorded net cash flows used in investing activities of approximately S\$6.59 million. This was mainly due to acquisition of business assets (net of cash acquired) of the Animal Ark Group of S\$6.51 million.

In FY2015, the Target recorded net cash flows from financing activity of approximately S\$6.51 million. This was due to (i) proceeds from loans from the Company to finance the Restructuring of S\$6.34 million; and (ii) proceeds from issuance of shares of S\$0.17 million.

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As a result of the above, the Target's cash and cash equivalents amounted to approximately S\$1.30 million as at 31 December 2015.

FY2016

In FY2016, the Target recorded net cash flows generated from operating activities of approximately S\$1.16 million, which comprised operating profit before changes in working capital of S\$1.25 million, net working capital outflow of S\$0.06 million and income taxes paid of S\$0.04 million. The net working capital outflow was mainly due to increase in other receivables of S\$0.06 million in relation to advances to directors for business purposes.

In FY2016, the Target recorded net cash flows used in investing activities of approximately S\$0.35 million, attributable to purchase of plant and equipment of S\$0.35 million.

As a result of the above, there was an increase in the Target's cash and cash equivalents from S\$1.30 million as at 31 December 2015 to S\$2.11 million as at 31 December 2016.

FY2017

In FY2017, the Target recorded net cash flows generated from operating activities of approximately S\$0.93 million, which comprised operating profit before changes in working capital of S\$0.95 million, net working capital outflow of approximately S\$1,800 and income taxes paid of S\$0.02 million. The net working capital outflow was mainly due to (i) decrease in other payables and accruals of S\$0.06 million as a result of payments for amount due to directors and decrease in staff salary accruals arising from lesser staff attributable to the closure of Greendale clinic in August 2017; partially offset by decrease in (i) other receivables of S\$0.03 million due to repayment of advances to directors of the Animal Ark Group and (ii) inventories of S\$0.02 million as a result of closure of Greendale clinic in August 2017.

In FY2017, the Target recorded net cash flows used in investing activities of approximately S\$2.25 million, mainly due to payment of deferred consideration for the Restructuring.

As a result of the above, there was a decrease in the Target's cash and cash equivalents from S\$2.11 million as at 31 December 2016 to S\$0.78 million as at 31 December 2017.

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CAPITAL EXPENDITURE, DIVESTMENTS, COMMITMENTS, AND CONTINGENT LIABILITIES

Capital Expenditures and Divestments

The Target's capital expenditures during the Period Under Review and for the period from 1 January 2018 to the Latest Practicable Date are as follows:

S\$'000	FY2015	FY2016	FY2017	1 January 2018 to the Latest Practicable Date
Capital Expenditures				
Veterinary and medical equipment	18	293	59	10
Office and other equipment	61	— ⁽¹⁾	—	—
Furniture and fixtures	2	25	—	—
Computer	3	30	1	—
Total	84	349	60	10

Note (1): Capital expenditures for office and other equipment amounted to S\$289 in FY2016.

The above capital expenditures were primarily financed by internally generated funds.

The Target has no material divestments for the Period Under Review and for the period from 1 January 2018 up to the Latest Practicable Date.

Commitments

Capital Commitments

As at the Latest Practicable Date, the Target does not have any capital commitments.

Operating Lease Payment Commitments

As at the Latest Practicable Date, the Target has operating lease commitments as follows:

	S\$'000
Within one (1) year	198
In the second to fifth year inclusive	72
	270

The Target's operating lease commitments comprise rent payable by the Target for the leased properties as disclosed in Section 22 entitled "Properties and Fixed Assets" of this Letter.

The Target intends to finance the above operating lease commitments by internally generated funds.

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Finance Lease Commitments

As at the Latest Practicable Date, the Target did not have any finance lease commitments.

Contingent Liabilities

As at the Latest Practicable Date, the Target did not have any material contingent liabilities.

INFLATION OR DEFLATION

The Target's financial performance for the Period Under Review was not materially affected by inflation or deflation.

FOREIGN EXCHANGE MANAGEMENT

As at the Latest Practicable Date, the Target's business operations are wholly based in Singapore. Revenue and operating expenses are primarily denominated and transacted in Singapore Dollars, and the Target occasionally purchases inventories in foreign currencies such as the United States Dollar, the British Pound and the Japanese Yen but these purchases are not material.

Since the Target's foreign currency exposure is not material, the Target currently does not have a formal foreign currency hedging policy with respect to any possible foreign currency exposure. The Target will continue to monitor any foreign exchange exposure in the future and will consider formalising a hedging policy to manage the foreign exchange exposure should the need arise. Such policies will be reviewed and approved by the Audit Committee and the Board.

SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

The accounting policies have been consistently applied by the Target during the Period Under Review. There has been no significant change in the accounting policies of the Target during the Period Under Review. Please refer to the section entitled "Summary of Significant Accounting Policies" as set out in **Appendix B** of this Circular, for details on the Target's accounting policies.

WAIVER OF REQUIREMENT FOR INCLUSION OF THE AUDITED FINANCIAL STATEMENTS OF THE TARGET FOR FY2015, FY2016 AND FY2017

The Financial Adviser, on behalf of the Company, sought a waiver from SGX-ST from compliance with Catalist Rule 1015(4)(a) read together with Rule 407(1) on paragraph 2(b) of Part IX of the Fifth Schedule of the SFR which requires the Company to present the audited annual financial statements of the Target and/or the Enlarged Group for the three (3) most recent completed financial years. The Company was of the view that the preparation of the financial statements in respect of the Target or the Enlarged Group prior to the completion of the Proposed Acquisition and Restructuring was not a meaningful exercise as the Company is presently a cash company and the Target is a special purpose vehicle company incorporated for the purposes of the Proposed Acquisition, and the Target will only acquire the business and assets of the Animal Ark Group upon completion of the Restructuring.

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In lieu of the audited financial statements of the Target and/or Enlarged Group, the Company will present the unaudited pro forma financial information of the Target for FY2015, FY2016 and FY2017 on the basis that the Restructuring was completed on 1 January 2015. The unaudited financial information of the Target will be more reflective of the new business to be acquired by the Target on completion of the Restructuring, and this financial information would accordingly be a more accurate reflection of the track record of the Animal Ark Group for the past 3 financial years ended 31 December 2017. Further, the Company will also be presenting the unaudited pro forma consolidated financial information of the Enlarged Group for FY2017 in the Circular.

On 14 May 2018, the SGX-ST confirmed that it had no objection to granting the waiver conditional upon, among others, the Company presenting the unaudited pro forma financial information of the Target for FY2015, FY2016 and FY2017, working on the basis that the Restructuring was completed on 1 January 2015.

17. CAPITALISATION AND INDEBTEDNESS

*The following information should be read in conjunction with the full text of this **Appendix A** and the Circular, including the “Unaudited Pro Forma Financial Information of the Target for the Financial Years ended 31 December 2015, 31 December 2016 and 31 December 2017 set out in **Appendix B** and the “Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group for the Financial Year ended 31 December 2017” set out in **Appendix C** to the Circular, where the selected financial information of the Target has been derived from, and Section 16 of this **Appendix A** entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position”.*

For the purpose of this section, financial information relating to the “**Target**” is on the basis that the Restructuring is completed and that the Target owns the Veterinary Assets and Business at the relevant times.

Cash and cash equivalents

The table below shows cash and cash equivalents, capitalisation and indebtedness of the Target as at 31 December 2017 and as at 30 April 2018, being a date no earlier than 60 days before the date of this Circular, based on the combined management accounts of the Animal Ark Group as at 31 December 2017 and 30 April 2018.

	As at 31 December 2017	As at 30 April 2018
	Actual (S\$'000)	Actual (S\$'000)
Cash and cash equivalents	784	1,036
Indebtedness		
Current	—	—
Non-current	6,340	6,340
Total indebtedness	6,340	6,340
Total shareholders’ equity	2,805	2,996
Total capitalisation and indebtedness	9,145	9,336

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The non-current indebtedness of S\$6.34 million as at 30 April 2018 is non-guaranteed, unsecured, interest-free and repayable on demand. The Company is not expected to recall the loan and be settled within 12 months from 31 December 2017.

There were no material changes to the Target's capitalisation and indebtedness from 1 May 2018 to the Latest Practicable Date, save for changes in our working capital and reserves arising from our day-to-day operations in the ordinary course of business.

As at the Latest Practicable Date, the Target does not have any credit facilities or bank loans.

18. PROSPECTS, TRENDS AND FUTURE PLANS

18.1 Prospects

The following discussion about the prospects of the Target includes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those that may be projected or implied in these forward-looking statements. Please refer to the section entitled "Cautionary Note on Forward-Looking Statements" of this Circular.

According to The Veterinary Services Global Market Report 2017¹, the global market for veterinary services will gain momentum to reach US\$200 billion in 2020, which will be a US\$46 billion growth from 2016. Global per capita average veterinary services expenditure grew from US\$17 in 2012 to US\$21 in 2016, and it is expected to grow to US\$25 in 2019.

In recent years, the global veterinary services industry has also seen many mergers and acquisitions. Based on an IBISWorld report in 2014², the global veterinary services industry is a fragmented one, which is consolidating due to the purchasing, marketing and administrative cost advantages that can be realised by a large, multiple location, multidocor veterinary provider. Multidocor veterinary providers appeal to veterinarians due to the benefits and flexible work schedule that is typically not available to sole practitioners or single-site providers.

At the 2018 BSAVA Congress, one of the world's largest pet vet conferences, several trends were identified³. Our Director is of the view that, although some of the trends were specific to the local market in the United Kingdom, others were of wider relevance and relevant to the market in Singapore:

1. Clients' expectations will continue to rise – an "always on" culture means clients expect to get prompt service, and customers will increasingly review veterinary services using online review sites and social media platforms. Practices that are not consumer-led will fall behind the competition. Practices that offer a high quality and personalised service with different payment options, competitive prices, continuity of care and quick access will do well.

1 "4 major trends to follow in the veterinary services industry"; The Veterinary Services Global market Report 2017; <https://blog.marketresearch.com/4-major-trends-to-follow-in-the-veterinary-services-industry> (accessed on 20 April 2018)

2 "Bright future forecast for Veterinary Services"; Veterinary Practice News, November 2014; <https://www.veterinarypracticenews.com/bright-future-forecast-for-veterinary-services/> (accessed on 20 April 2018)

3 "What will the future bring?"; Veterinary Record, 8 April 2018; <http://veterinaryrecord.bmj.com/content/vetrec/180/14/340.full.pdf> (accessed on 20 April 2018); and "Ten ways the veterinary profession is changing"; The Telegraph; 8 May 2017; <https://www.telegraph.co.uk/pets/news/features/ten-ways-veterinary-profession-changing/> (accessed on 20 April 2018)

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2. Standards of care and service will rise – Rising client expectations will continue to drive up higher service standards.
3. Greater use of technology – Technology will be an important driver of change in the next 10 years, with advances not only in monitoring platforms, diagnostic equipment and therapeutics, but also digital applications to improve the sector's processes, from managing workload, referring patients and releasing efficiencies. It is also likely that there will be greater use of telemedicine, of more wearable devices that monitor pet health and symptom control, and of technologies that generate real-time data that will create new solutions.
4. Cost pressures will grow – Advances in treatments, greater specialisation and technical expertise may lead to more expensive treatments and higher costs.
5. Increasing specialisation – From soft tissue surgeons to ophthalmologists, more veterinarians are building expertise in niche areas. More veterinarians see the attraction of gaining a postgraduate diploma or pursuing a specialisation.
6. Veterinary businesses will grow in size – Recent years have seen consolidation in the veterinary businesses in Australia and Europe:

Australia: Greencross Limited ("**Greencross**") (ASX:GXL) and National Vets Limited ("**National Vets**") (AU:NVL) are pet care service providers and veterinary service providers, respectively, listed on the Australian Securities Exchange ("**ASX**"). These companies have been active in acquisitions and growing their respective network of associated veterinary service businesses, veterinary clinics and specialist centres.

Greencross listed on the ASX in 2007, having contracted to acquire 30 veterinary businesses located in Queensland and Victoria and a 70% interest in a veterinary specialist center located in South Australia prior to the listing.⁴ Greencross grew after the listing and owned 147 GP clinics and over 30 specialty and emergency hospitals by 2017.⁵

National Vets listed on the ASX in 2015 with 35 veterinary clinics including 32 general practice veterinary clinics and 3 associated veterinary service businesses.⁶ National Vets grew after the listing and owned 60 veterinary Clinics (50 in Australia and 10 in New Zealand) by December 2017.⁷

4 Greencross Limited's prospectus dated 3 May 2007, Chairman's Letter, page 4; <http://www.greencrosslimited.com.au/Docs/5-prospectus.pdf> (accessed on 11 May 2018)

5 Greencross Limited's annual report 2017, page 1; http://www.greencrosslimited.com.au/Docs/3049-Greencross_Annual_Report_2017.pdf (accessed on 11 May 2018)

6 National Veterinary Care Ltd's prospectus dated 23 July 2015, Letter from the Chair, page 3; <http://nvcld.com.au/Downloads/13-Replacement-Prospectus.pdf> (accessed on 11 May 2018)

7 National Veterinary Care Ltd's Interim Results – Half Year ending 31 December 2017, page 5; <http://www.nvcld.com.au/Downloads/201-Half-Year-Results-Investor-Presentation.pdf> (accessed on 11 May 2018)

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The Australasian pet care sector is said to continue to be an attractive and growing market, worth over A\$9.5 billion as at 2017⁸. The veterinary care sector in Australia remains highly fragmented thereby creating a pipeline of potential acquisitions.⁹

Europe: CVS Group (“**CVS**”) (CVSG:LN), one of the largest veterinary group in the United Kingdom, is also acquiring veterinary practices in Europe including the United Kingdom. CVS Group plc, which was established as CVS (UK) Limited in 1999 now owns over 460 veterinary surgeries and associated businesses throughout England, Northern Ireland, Scotland, Wales and the Netherlands. This includes four (4) laboratories performing diagnostics services for the veterinary industry and seven (7) pet crematoria¹⁰.

Our Director is of the view that the Target’s focus on minimally invasive diagnostic and surgical procedures, established track record for quality service care and usage of advanced medical equipment bodes well with the above-mentioned trends.

Our Director also believes that the prospects of the Target’s business will remain positive in the near future considering the following:

(a) Increased affluence

Singapore’s GDP is forecasted to grow from S\$422.68 billion in 2017 to S\$495.67 billion in 2023¹¹, and the median monthly household income from work increased from S\$5,362 in 2007 to S\$9,023 in 2017, representing a compounded annual growth rate of 5.3% in nominal terms¹².

Our Director has observed that as society becomes more affluent, the number of households owning pets will increase.

Our Director is also of the view that the optimism in the veterinary services industry will be driven by a growing pet population and client willingness to pay for more advanced treatments.

(b) Potential increase in sales of pet care

Our Director has observed that pet owners in Singapore are increasingly treating their pets as members of family and are becoming more willing to spend on pampering their pets. This will likely lead to an increase in sales of pet care (including veterinary services) in Singapore.

8 Chairman’s Report, Greencross Limited Annual Report 2017, page 2; http://greencrosslimited.com.au/Docs/3049-Greencross_Annual_Report_2017.pdf (accessed on 23 April 2018)

9 National Veterinary Care Ltd’s Business Update and Placement Presentation dated 16 June 2017, page 7; <http://www.nvcltd.com.au/Downloads/127-Business-Update-and-Placement-Presentation.pdf> (accessed on 23 April 2018)

10 <https://www.cvsukltd.co.uk/about-us/history/> (accessed on 11 May 2018)

11 World Economic Outlook Database, International Monetary Fund, April 2018; <https://www.imf.org/external/pubs/ft/weo/2018/01/weodata/weorept.aspx?sy=2017> (accessed on 22 May 2018)

12 Key Household Income Trends, 2017 by the Department of Statistics Singapore, page 30; <https://www.singstat.gov.sg/-/media/files/publications/households/pp-s24.pdf> (accessed on 22 May 2018)

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In addition, from academic year commencing 2018/2019, the National University of Singapore (“NUS”) will offer undergraduates a new concurrent degree programme combining NUS’ B.Sc. in Life Sciences and the Doctor of Veterinary Medicine offered by the Faculty of Veterinary and Agricultural Sciences, University of Melbourne¹³.

(c) Trend of consolidation in the veterinary services industry

Our Director is also of the view that the global trend of consolidation of veterinary business, evidenced by the aggregator model for business growth undertaken by companies such as Greencross and National Vets in Australia and CVS in Europe, may bode well for the prospects of the Enlarged Group. Upon the completion of the Proposed Acquisition, the Enlarged Group will be the first listed veterinary services group to be publicly listed in Singapore. With the relatively fragmented nature of the veterinary services industry in Singapore and beyond, our Director believes that there are growth opportunities through targeted acquisitions, streamlining of and efficiencies in operations which should ultimately lead to better patient care and experience.

All the information presented in this section are extracted, where relevant, from sources believed by our Director to be accurate and relevant. Information from external sources, including various government publications and industry reports, have not been independently verified by our Director, the Directors of the Company, the Sponsor and Financial Adviser or any other party, and each of their respective officers, agents and employees.

The Target has not received consent to the inclusion of the information extracted from the sources cited in this section. The sources are thereby not liable for the information under section 253 and 254 of the SFA. While the Target has taken reasonable action to ensure that the relevant information has been reproduced in its proper form and context, the Target has not verified the accuracy of such information.

18.2 Trend Information

Following completion of the Proposed Acquisition, the Enlarged Group’s revenue will be mainly driven by the Enlarged Group’s ability to operate and grow the Veterinary Assets and Business.

For the current FY2018, barring unforeseen circumstances, the Director observes the following trends based on the revenue and operations of the Animal Ark Group as at the Latest Practicable Date:

- (1) the revenue from the provision of veterinary services will be relatively stable; and
- (2) the operating costs and expenses are expected to increase mainly attributable to the increase in the number of employees and employee remuneration, and business expansion costs.

13 “NUS to offer three new degrees in 2018, including a first in veterinary medicine”; TODAYonline 28 February 2018 – <https://www.todayonline.com/singapore/nus-offer-three-new-degrees-2018-including-first-veterinary-medicine> (accessed on 20 April 2018)

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Save as discussed above and under the sections entitled “Risk Factors relating to the Proposed Acquisition, the New Business and the Enlarged Group” and “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Letter, and barring any unforeseen circumstances, our Director is not aware of any significant recent trends, uncertainties, demands, commitments or events that are reasonably likely to have a material and adverse effect on our revenue, profitability, liquidity or capital resources, or may cause financial information disclosed in this Letter to be not necessarily indicative of our future operating results or financial condition. Please also refer to the section entitled “Cautionary Note on Forward-Looking Statements” of the Circular.

18.3 Future Plans

The future plans for growth and expansion of the Target’s business are set out below:

(a) Expansion of the Target’s service offerings

The Target intends to expand its service offerings by providing overnight ward services to monitor pets after surgery or for pets requiring treatment overnight. The Target also plans to extend the operating hours of a clinic to cater to pet owners who work during the day and are only able to bring their pets for consultation after office hours.

(b) Expansion of business operations locally and regionally through organic growth and acquisitions

The Target intends to develop and expand its existing business operations by opening more clinics in areas where the Target is currently unrepresented in Singapore, and/or acquiring more clinics in Singapore or regionally.

Given that the veterinary services landscape in Singapore is largely fragmented in nature with a bulk of veterinary practices being set up by sole practitioners, the Target foresees potential for financially viable practices to be aggregated under the Target. The attendant benefits of such an expanded group are increased presence and outreach in the various residential areas of Singapore and economies of scale (for instance, in terms of human resource and administrative roles).

Through such aggregation, the Target is in a good position to promulgate advanced techniques (such as endoscopy, laparoscopy and interventional radiology) to the Singapore veterinary community at large. This will improve the standard of care and quality of life for pets in Singapore and may enhance the reputation of Target’s Veterinary Clinics amongst pet owners as one of the leading providers of veterinary services in Singapore.

Our Director contemplates that funding of the development of the veterinary business will depend on the then prevailing circumstances and can take the form of equity fund raising, internal cash flow or financing by way of bank borrowings or other forms of financing or a combination of the aforesaid modes of funding.

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19. ORDER BOOK

Due to the nature of the veterinary services, the Animal Ark Group does not maintain an order book. While the Target's Veterinary Clinics each maintains a register for advance patient appointments, these appointments may be cancelled or postponed and thus do not constitute orders on hand.

20. CORPORATE SOCIAL RESPONSIBILITY

The Animal Ark Group is committed to being a responsible corporate citizen and endeavours to have a positive impact on the communities in the areas where it operates. It supports the community in the following ways:

Dr Eugene Lin and the veterinarians of the Animal Ark Group frequently give free talks to pet owners at pet care events such as Pet Expo on issues such as the importance of regular health checks and dental hygiene for pets. They also frequently participate in pet carnivals in the heartlands and give free health checks for pets at such events.

In addition, the Animal Ark Group offers preferential rates for health checks, blood tests and sterilisations of dogs adopted from SoSD ("Save Our Street Dogs"), a Singapore volunteer-run organisation dedicated to the welfare of Singapore's street dogs.

In efforts to train and develop the next generation of veterinary service providers, the Animal Ark Group has also collaborated with Temasek and Ngee Ann polytechnics, to take in interns as part of these polytechnics' course and on-the-job training requirements.

Following Completion, the Target will implement sustainability guidelines and standards in accordance with the policies of the Enlarged Group and the Catalist Rules.

21. BRANDING AND MARKETING

In Singapore, the marketing of veterinary services is regulated by the Code of Ethics. The Animal Ark Group is restricted by the regulations on the type and scope of its marketing activities.

The marketing strategies of the Animal Ark Group are as follows:

Common group branding

The Animal Ark Group has been operating under the "Animal Ark" brand since 2013. As part of an on-going effort to bolster its corporate image, the "Animal Ark" brand is applied in printed materials on veterinary care made available to its customers at its veterinary clinics.

Corporate Website

The Animal Ark Group's corporate website (www.arkvet.com.sg) is an important marketing channel and contains information on the corporate profile, contact details, location of the clinics and range of veterinary services provided. Customers are also able to make online requests for appointments through the website.

Information contained in the corporate website does not constitute part of this Circular.

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Personal and professional referrals

Through the development of the “Animal Ark” brand since 2013, the Animal Ark Group has cultivated much loyalty and goodwill. As a result, from time to time, the Binjai Vet Clinic receives referrals for endoscopy and laparoscopy procedures, and the Tampines Vet Clinic receives referrals for ultrasound scans, from other veterinary clinics in Singapore. In addition, the “Animal Ark” brand continues to grow through “word of mouth” referrals by our customers.

Public and professional seminars and conferences

The veterinarians of the Animal Ark Group actively participate in workshops, trade exhibitions, conferences, and events relating to pet healthcare. In addition, Dr. Eugene Lin conducts workshops for other veterinarians. These forums provide opportunities for the Animal Ark Group to establish awareness of its services and the suite of diagnostic and surgical procedures available at its clinics.

22. PROPERTIES AND FIXED ASSETS

22.1 Properties

As at the Latest Practicable Date, the Target does not own any property. As at the Latest Practicable Date, the Animal Ark Group leased the following properties:

Lessor	Location	Approximate area	Use	Tenure	Rental per month
Mr Lim Kee Guan	Blk 139 Tampines Street 11 #01-62 Singapore 521139	800 sq ft	Veterinary Services	1 November 2016 to 31 October 2018	S\$6,500
Dr Eugene Lin	Blk 139 Tampines Street 11 #01-42 Singapore 521139	800 sq ft	Veterinary Services	1 November 2016 to 31 October 2018	S\$7,000
Elaine Poh	11 Binjai Park Singapore 589823	1,270 sq ft	Veterinary Services	1 January 2018 to 31 December 2019	S\$12,000

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By way of a letter of undertaking dated 28 May 2018, Mr Lim Kee Guan, The Animal Ark (TCM) Pte. Ltd. and the Target, the parties mutually undertook to execute a deed of novation to novate the lease agreement for Blk 139 Tampines Street 11 #01-62 Singapore 521139 to the Target with effect from Completion.

Dr Eugene Lin and Elaine Poh have each, on 28 May 2018, executed undertakings in favour of the Target, upon Completion, to execute the lease agreements for Blk 139 Tampines Street 11 #01-42 Singapore 521139 and 11 Binjai Park Singapore 589823 on terms that have been agreed between the parties. For more details of these leases, please refer to the Section 15.2 “Interested Person Transactions – Other Transactions” of the Circular.

22.2 Fixed Assets

As at 31 December 2017, the fixed assets of the Target comprised, amongst others, veterinary and medical equipment, office and other equipment, furniture and fittings, and computers, which amounted to an aggregate net carrying amount of S\$0.6 million.

Having made all enquiries as are reasonable under the circumstances (including having obtained written confirmation from the present owners of the Animal Ark Group), to the best of our Director’s knowledge, there are no regulatory requirements or environmental issues that may materially affect the utilisation of the above fixed assets (including the above-mentioned properties) as at the Latest Practicable Date, and none of the fixed assets of the Veterinary Assets and Business was subject to any mortgage, pledge or any other encumbrances, or otherwise used as security for any bank borrowings.

23. RISK FACTORS

The following describes some of the significant risks known to the Target now that could directly or indirectly affect it and the value of the Shares. The following does not state risks unknown to the Target now but which could occur in the future and risks which the Target currently believes to be immaterial, which could turn out to be material. Shareholders should note that certain of the statements set forth below constitute “forward-looking statements” that involve risks and uncertainties. Please refer to the section entitled “Cautionary Note On Forward-Looking Statements” of this Circular. If any of the following risk factors and uncertainties develops into actual events or turn out to be material, the Target’s business, results of operations and financial condition may be materially and adversely affected. In such circumstances, the value of the Shares could decline.

Having made all enquiries as are reasonable in the circumstances (including having obtained written confirmation from the present owners of the Animal Ark Group), to the best of the belief and knowledge of the Target’s Director, all the risk factors that are material to Shareholders in making an informed judgement about the Target, the Restructuring, and the Proposed Acquisition have been set out below. Following Completion, the risks and uncertainties that may have a material and adverse effect on the Target’s business, results of operations and financial condition may similarly have a material and adverse effect on the Enlarged Group’s business, results of operations and financial condition. Shareholders should carefully consider and evaluate the following risk factors in respect of the Target as well as the Enlarged Group, and all other information contained in this Circular before deciding whether to vote in favour of the Proposed Acquisition.

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23.1 Risks relating to the Target

As at the Latest Practicable Date, the Target is an investment holding company incorporated in Singapore, with no business operations, subsidiaries or associated companies.

As at the Latest Practicable Date, the Target did not yet hold the permits and licences necessary for the business and operations of the veterinary clinics

Please refer to Section 14 of this Letter on the licences granted to the Animal Ark Group and which are essential for the business and operations of the veterinary clinics (apart from those pertaining to general business requirements). As at the Latest Practicable Date, as Completion had not taken place, the Target did not yet hold these licences. The Vendor will procure that the licences shall be issued to the Target upon Completion. These licences cannot be transferred to the Target by Animal Ark Group. The Target is required to apply for new licences.

In respect of the licences issued by AVA for the operation of the Target's Veterinary Clinics, our Directors understand that in the past, the annual renewals of these licences had been obtained without difficulty, as there was no change to the clinics' operations, premises' layout and staff and the said clinics had passed the AVA inspections accordingly. Under the Proposed Acquisition, there will also be no change to the clinics' operations, premises' layout and staff after the Target takes control of the Target's Veterinary Clinics from Completion.

In respect of the licences issued by NEA for the Target's Veterinary Clinics to possess or keep ionising irradiating apparatus, our Directors understand that in the past, the annual or quarterly renewals of these licences had been obtained without difficulty, as there was no change to the location of the ionising irradiating apparatus at the clinics. Under the Proposed Acquisition, there will also be no change to the location of the ionising irradiating apparatus at the clinics after the Target takes control of the Target's Veterinary Clinics from Completion.

Our Director notes that RHTLaw Taylor Wessing LLP, the Legal Adviser to the Company, had enquired with AVA and NEA and is of the view that, barring unforeseen circumstances, upon Completion, the Target will be able to obtain the licences for the operations of the Target's Veterinary Clinics and the licences for these clinics to possess or keep irradiating apparatus.

Based on the above, our Director does not foresee that the Target will not be able to successfully apply for and obtain these licences for the operations of the Target's Veterinary Clinics upon Completion.

In the event that the Target does not obtain the licences upon Completion and/or if the Company does not proceed with Proposed Acquisition, the escrow monies in the Company's accounts will be distributed to Shareholders and the Company will be delisted.

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As at the Latest Practicable Date, the Target did not yet hold the insurances for the Veterinary Assets and Business

Please refer to Section 13 of this Letter on the insurance policies maintained by the Animal Ark Group as at the Latest Practicable Date. As at the Latest Practicable Date, as Completion has not taken place, these insurance policies were not yet issued in the name of the Target. The Vendor will procure that the Target will have the necessary insurance policies upon Completion.

After making all due enquiries as are reasonable in the circumstances, our Director is not aware of anything that will hinder or prevent the Target or the Company from obtaining the insurance coverage for the Veterinary Assets and Business upon Completion.

The Company or the Target will, prior to Completion, engage with the insurance companies (including those that currently provide such insurance coverage to the Animal Ark Group), and ensure that the necessary insurance policies under its name would be in place upon Completion.

Further, if there is a break in the insurance coverage between Completion and the date on which the Target obtains insurance coverage for the Veterinary Assets and Business, and if there is significant disruption to the business and operations or if there is damage to the properties and assets, whether as a result of fire and/or other causes, the business operations, financial condition and results of operations of the Target, and hence the Enlarged Group, will be materially and adversely affected.

As at the Latest Practicable Date, the Target did not yet hold the intellectual property associated with the Veterinary Assets and Business

Please refer to Section 10 of this Letter on the intellectual property of the Animal Ark Group. As at the Latest Practicable Date, as Completion has not taken place, the Trademarks were not yet registered in the name of the Target.

By way of a Deed of Assignment dated 28 May 2018, the Animal Ark Group undertook, jointly and severally, irrevocably and unconditionally, upon Completion, to assign to the Target, its successors and assigns absolutely, all the right, title and interest in and to the Trademarks, and to assign the right to bring, make, oppose, defend or appeal proceedings, claims or actions and obtain relief (and to retain any damages recovered) in respect of any infringement or any other cause of action arising from ownership of any of the Trademarks whether occurring before, on or after Completion.

To the extent that any of the Trademarks cannot be assigned to the Target as envisaged above, the Animal Ark Group agrees to hold them on trust for the Target and grant to the Target, its successors and assigns, free of charge, an exclusive, irrevocable and perpetual licence to use and exploit the Trademarks in any way whatsoever (including without limitation sub-licensing of such Trademarks) for the period commencing from Completion to the date of registration of the Trademarks in the name of the Target, its successors and assigns (as the case may be), or the date of expiry of the Trademarks, whichever is earlier.

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If the Enlarged Group fails to effectively register its rights over the Trademarks or obtain a licence in the alternative, or fails to protect the Trademarks upon and following Completion, resulting in any erosion of the goodwill associated with the Animal Ark brand, the reputation, prospects, business and results of operations of the Target, and hence the Enlarged Group, will be materially and adversely affected.

Risks relating to completion of the Restructuring

Completion of the Sale and Purchase Agreement is conditional on completion of the Restructuring. In particular, clause 4.6 of the Sale and Purchase Agreement provides that none of the parties to the Sale and Purchase Agreement shall be obliged to complete the sale and purchase of the shares of the Target unless the sale and purchase of the Veterinary Assets and Business of the Animal Ark Group is completed simultaneously.

Completion of the Restructuring is in turn dependent on several conditions, including, *inter alia*, that all identified contracts and intellectual property rights of the Animal Ark Group are assigned to the Target, and that all identified employees and key personnel are transferred to the Target.

In the event the conditions for the Restructuring are not fulfilled, satisfied or waived such that the Restructuring cannot take place before or simultaneously with the completion of the Sale and Purchase Agreement, the Restructuring will not occur and the Proposed Acquisition will not proceed. If the Company does not proceed with Proposed Acquisition, the escrow monies in the Company's accounts will be distributed to Shareholders and the Company will be delisted.

23.2 Risks relating to the Veterinary Assets and Business

The Animal Ark Group is dependent on our veterinarians and veterinary professionals such as veterinary technicians and nurses

The performance and growth of the Animal Ark Group depends substantially on its ability to attract and retain veterinarians with the requisite experience and other professionals in the veterinary services industry. The demand for experienced veterinarians is highly competitive and the supply in this field is limited. If any of our veterinarians choose to leave the Target after Completion, the customers who are loyal to these veterinarians may also choose to leave and follow them to their new vet clinics. The Target may also not be able to successfully attract and retain suitably qualified veterinarians and veterinary professionals in the future in line with its expansion plans.

These will all have a material adverse effect on the business, financial condition, results of operations and prospects of the Veterinary Assets and Business.

The Target may not be able to successfully compete for customers

The veterinarian services industry is highly competitive, and competition for customers among veterinarian service providers has intensified in recent times. The Animal Ark Group competes, and upon Completion, the Target will compete with small to medium-sized veterinarian clinics and clinic chains. Some of these competitors may have longer operating histories, are more established, and have greater financial, personnel and other resources.

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Competitors may price their services at a lower quantum and thereby exert pricing pressures on the Target. Some competitors may also have plans to expand their facilities, which may exert further pricing and recruitment pressures. Increased competition may result in a loss of market share, and may compel the Target to reduce its charges, thereby lowering its profit margins.

If the Target is compelled to reduce the charges for its services or if it is unable to attract and retain customers, veterinarians, and other veterinary professionals to its clinics, the business, financial condition, results of operations and prospects of the Veterinary Assets and Business will be materially and adversely affected.

The Animal Ark Group is dependent on Dr Eugene Lin

The growth and development of the Animal Ark Group has been and is being spearheaded by Dr Eugene Lin. Dr Eugene Lin plays an instrumental role in developing and delivering the veterinary services of the Animal Ark Group, training the veterinarians, and providing his technical and professional insights in the management of the Animal Ark Group. Dr Eugene Lin has also been pivotal in developing the Animal Ark branding and reputation with his expertise in minimally invasive surgeries.

Although Dr Eugene Lin helps the other veterinarians in the Animal Ark Group to develop their skill sets, and there are succession plans in place to continue to recruit, retain and develop our talent pool in order to ensure management continuity, the loss of Dr Eugene Lin's services may have a material adverse effect on the business, financial condition, results of operations and prospects of the Veterinary Assets and Business.

The Animal Ark Group's business is dependent on customer satisfaction and loyalty and will be affected by any adverse impact on the "Animal Ark" brand

Over the past years, the Animal Ark Group has established its reputation in the veterinary services industry in Singapore as a provider of advanced surgical procedures and quality pet healthcare services, and has built goodwill in the "Animal Ark" brand and thus customer satisfaction and loyalty. Hence, if there are any major lapses in our services such as malpractices or negligence by the veterinarians, whether actual or perceived, or due to circumstances beyond the control of the Animal Ark Group resulting in adverse publicity on the Veterinary Assets and Business, the reputation of, and customer confidence in, the Veterinary Assets and Business will be affected. This will adversely affect our revenue, and hence our business and results of operations of the Veterinary Assets and Business.

The Animal Ark Group's competitive edge will be affected by its ability to keep abreast with advances in pet healthcare technology

The Animal Ark Group needs to continually keep up with advances in pet healthcare technology which are relevant to our business. Rapid changes in the pet healthcare industry would require sourcing for and investing in new medical equipment, technology and pharmaceuticals. From time to time, we would also need to upgrade our existing equipment and facilities, which may require significant capital expenditure.

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If we are unable to adapt to and to acquire such advances in pet healthcare technology, demand for our veterinary services may decline. There is also no assurance that we will be able to recover the financial outlay for these new equipment and technology. As a result, the business operations and results of operations of the Veterinary Asset and Business may be adversely affected.

Potential increase in operating costs will affect the Target's results of operations

Generally, the costs of doing business in Singapore are increasing. The operating costs relating to the Veterinary Assets and Business comprise mainly staff costs, rental and cost of inventories. Staff costs consist of staff remuneration and bonuses. While the quantum of increments and bonuses largely depends on each staff's performance, the Target may nevertheless be compelled to give increments and bonuses in order to incentivise and to retain its staff.

The details of the leases related to the Veterinary Assets and Business are set out in Section 22 entitled "Properties and Fixed Assets" of this Letter. Upon the expiry of the respective lease tenure, the landlords have the right to review and revise the terms and conditions of the lease agreements. The Target faces the possibility of an increase in rental by the landlords or of not being able to renew the leases on terms and conditions favourable to it. If any of the clinics has to relocate to other premises, the Target will also incur additional costs. In this regard, the lease for the premises currently occupied by Tampines (TCM) Clinic at Blk 139 Tampines Street 11 #01-62 Singapore 521139 expires on 31 October 2018. If the Target is unable to renew the lease on terms and conditions favourable or acceptable to it, the Target will consider other options, including moving the operations of Tampines (TCM) Clinic to the second floor unit of the Tampines Vet Clinic, which is owned by Dr Eugene Lin, on terms and conditions acceptable to the Target. Tampines (TCM) Clinic had contributed 13.6% of the Target's revenue and 13.7% of the Target's profit before tax in FY2017.

Any increase in rentals and staff costs will increase the operating costs and will have a material adverse effect on the business, financial condition, results of operations and prospects of the Veterinary Assets and Business.

There is no assurance that the future plans of the Target will be successful

After Completion, should the Target wish to expand its business of providing veterinary services, such as through the expansion of existing clinics, the acquisition of assets, the setting up new subsidiaries, or the establishment of joint ventures businesses and acquisition of companies complementary to its existing business operations, the Target may not be able to effectively manage such a large enterprise or achieve the desired profitability from their expansion.

Significant funding may also be required for such expansion plans. In the event that the Target does not have sufficient internal funds and is unable to secure third party financing on acceptable terms, or at all, to fund such expansion plans, it may not be able to proceed with these expansion plans.

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Future ventures which the Target undertakes may be subject to new risks, including but not limited to (i) difficulties arising from operating a larger and more complex organisation and expanding into new regions; (ii) difficulties in the integration of the assets and business operations of new clinics, strategic alliances and joint ventures; (iii) the failure to realise expected profitability or growth; and (iv) the failure to realise expected synergies and cost savings. In the event that the Target is unable to effectively or successfully manage such expansion plans, the business, financial condition, results of operations and prospects of the Veterinary Assets and Business may be materially and adversely affected.

The Animal Ark Group is exposed to risks of infringement of its intellectual property rights and the unauthorised use of its trademarks by third parties and it may face litigation suits for intellectual property infringement

The Animal Ark Group has registered several trademarks in Singapore. Please refer to Section 10 entitled “Intellectual Property” of this Letter for further details. We believe the trademarks are recognised by customers and in the veterinary services industry, and reflects the reliable and quality services that have contributed to the success of the clinics.

It is possible that the competitors of the Animal Ark Group or other third parties may adopt similar trademarks, which may lead to brand confusion among our existing and potential customers. While the Animal Ark Group has registered the various trademarks in Singapore, there is no assurance that upon Completion, the Target will be able to register, renew, maintain, protect and/or enforce our rights in other jurisdictions for which we have not registered our trademarks, or that other unrelated third parties will not use the “Animal Ark” brand in these jurisdictions without our consent.

If the Animal Ark Group fails to effectively protect the trademarks, or if we fail to effectively register the Trademarks under the Target’s name upon Completion and to protect the trademarks, resulting in third parties using the trademarks in the course of providing similar services which do not meet the customers’ requirements, the goodwill associated with the “Animal Ark” brand will be affected. This in turn may have an adverse impact on the reputation, prospects, business and results of operations relating to the Veterinary Assets and Business.

There is also no assurance that we will not infringe any intellectual property rights of third parties in the future. In the event of any claims or litigation involving infringement of the intellectual property rights of third parties, whether with or without merit, we may be required to divert a significant amount of our time and resources to defend or attend to any possible litigation or legal proceedings. These legal proceedings may result in monetary losses or may prevent us from further using such intellectual property. As a result, the reputation, business and results of operations of the Veterinary Assets and Business may be adversely affected.

The Animal Ark Group may not have adequate insurance coverage

Most of the veterinarians with the Animal Ark Group are ordinary members of the Singapore Veterinary Association and are covered by professional liability insurance as part of their membership benefits.

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Although the Animal Ark Group has purchased insurance including, amongst others, property all risks insurance, public liability insurance, work injury compensation insurance and foreign workers medical insurance, it does not currently maintain insurance coverage for medical malpractice indemnity, as malpractice claims against veterinarians and veterinary clinics are not common in Singapore.

However, there is no assurance that the present insurance coverage of the Animal Ark Group will be sufficient to cover all potential liabilities and risks that the Target may face. If the arrangements for insurance or indemnity are insufficient, including coverage for any claims which exceed aggregate policy limits or resources of the indemnifying party, the Target may be required to make substantial payments, which may have a material adverse effect on their business, financial condition, results of operations and prospects.

Insurance premiums may also increase if the Animal Ark Group makes any claims on its policies and this will lead to increased operating costs. The insurance coverage will also be lost if the Animal Ark Group is unable to pay the increased premiums. These events will materially and adversely affect the Veterinary Assets and Business.

As at the Latest Practicable Date, as Completion has not taken place, the insurance policies currently maintained by the Animal Ark Group were not yet issued in the name of the Target. The Vendor will procure that the Target will have the necessary insurance policies upon Completion.

There is no assurance that any claims made or decided against the Target will be covered by insurance, or if covered, will not exceed the limits of our coverage. Further, if there is a break in the insurance coverage between Completion and the date on which the Target obtains insurance coverage for the Veterinary Assets and Business, and if there is significant disruption to the business and operations or if there is damage to the properties and assets, whether as a result of fire and/or other causes, the business operations, financial condition and results of operations of the Veterinary Assets and Business will be materially and adversely affected.

The Animal Ark Group may be exposed to risks in relation to the disposal of sharps (e.g. needles and scalpels), animal remains and biomedical wastes

The Animal Ark Group is required to dispose the sharps (e.g. needles and scalpels), animal remains and biomedical wastes in accordance with procedures prescribed under the law. Failure to comply with these procedures may expose the Target to fines or suspension by the relevant authorities. In addition, any injury or damage caused by the wrongful disposal of sharps, animal remains and biomedical wastes may expose the Target to civil claims from injured parties. If the above were to occur, the business, professional standing, market reputation and results of operations of the Veterinary Assets and Business may be adversely affected.

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23.3 Risks Related to the Veterinary Services Industry in Singapore

The Target's performance is dependent on the general economic condition in Singapore

The revenue from the Veterinary Assets and Business is derived from Singapore. The nature of the veterinary services business is that there is no significant contracts with any individual or corporate client. The demand for pet healthcare services is largely dependent on the financial ability of and willingness by customers to adopt and keep pets. General negative market sentiment or slowdown in the economy may affect the growth of the pet population in Singapore and lead to a decrease in demand for pet healthcare services. Accordingly, any adverse change in the general economic condition of Singapore will affect the revenue and results of operations of the Veterinary Assets and Business.

The Target is subject to regulations and licensing requirements governing the veterinary services industry

The provision of veterinary services in Singapore is subject to various laws and regulations issued by various governmental agencies, such as the AVA, NEA and the Ministry of Manpower.

Such laws and regulations relate to, *inter alia*, the licensing and operation of veterinary clinics, the possession, use and operations of irradiating apparatus such as X-ray machines. Please refer to the Section 14.2 of this Letter on "Summary of Relevant Laws and Regulations".

The failure of the Target, to comply with such applicable laws and regulations could result in the loss of the licences material to its business operations, suspension or cessation of operations, the imposition of penalties or the requirement to make significant changes to its business and operations.

Any changes in government regulations or the introduction of new applicable laws and regulations may have a negative impact on the Veterinary Assets and Business due to an increase in compliance costs. If the Target fails to obtain, maintain or renew governmental licences, permits, qualifications and approvals, the business, financial condition, results of operations and prospects of the Veterinary Assets and Business will be adversely affected.

The Target is subject to risks of complaints, legal claims and regulatory actions arising from the provision of its veterinary services

The provision of veterinary services entails inherent risks of liability. The Animal Ark Group and its veterinarians may be subject to complaints or legal action arising out of the conduct of its business and the performance of its services. Complaints, allegations and legal actions, with or without merit, may be made or taken against the Animal Ark Group and/or its veterinarians in relation to, *inter alia*, their services, marketing activities, negligence or malpractice. Such complaints, allegations and legal actions may lead to negative publicity, which may affect the number of customers visiting the Animal Ark clinics.

The results of operations attributable to the Veterinary Assets and Business will be materially and adversely affected if (a) the damages assessed and the legal costs incurred in connection with any legal action are substantial and (b) judgment is made against the Target or any veterinarians under its employment which may harm its professional standing and market reputation. There is no assurance that the claims that may be made against the Animal Ark Group will not be in excess of the amount covered by its insurance policies or that such insurance policies are comprehensive and cover all types of claims.

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If medical malpractice litigation or disciplinary actions from governing professional bodies are brought against the veterinarians and are not decided in the favour of the veterinarians, the reputation, the financial condition, results of operations and prospects of the Veterinary Assets and Business will be adversely affected.

The Target may be involved from time to time in material disputes with various parties in the course of its business. These disputes may lead to legal or other proceedings, and may result in damage to its reputation, substantial costs and diversion of its resources and management's attention. Any negative outcome of such proceedings may materially and adversely affect the business, financial condition and results of operations of the Veterinary Assets and Business.

Challenges faced by the veterinary services industry may have an adverse effect on the Target

The business, financial condition, results of operations and prospects of the Animal Ark Group, and after Completion, the Target, may be affected by the challenges faced by the veterinary services industry, including but not limited to:

- (i) economic and business conditions in Singapore and beyond;
- (ii) rising costs of labour;
- (iii) stricter laws and regulations relating to the protection of personal data and customer information from unauthorised disclosure;
- (iv) stricter licensing requirements; and
- (v) change in regulations relating to employment of foreign employees.

The Animal Ark Group's or the Target's (as the case may be) inability to effectively address the above mentioned challenges, may have a material adverse effect on the business, financial condition, results of operations and prospects of the Veterinary Assets and Business.

24. GENERAL AND STATUTORY INFORMATION

24.1 Financial Condition and Operations of the Target

Our Director is not aware of any event which has occurred since 1 January 2018 to the Latest Practicable Date which may have a material effect on the financial position and results of operations of the Target.

Save as disclosed in this Circular, the Target's financial condition and operations are not likely to be affected by any of the following:

- (a) known trends, uncertainties, demands, commitments or events that will result or are reasonably likely to result in the Target's liquidity increasing or decreasing in any material way;

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- (b) material commitments for capital expenditure;
- (c) unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from operations; and
- (d) known trends, uncertainties, demands, commitments or events that have had or that the Target expects to have a material favourable or unfavourable impact on its revenues or operating income.

24.2 Material Contracts

The following contract, not being a contract entered into in the ordinary course of business, have been entered into by the Target within the two (2) years preceding the Latest Practicable Date and is or may be material:

- (a) The sale and purchase agreement relating to the Veterinary Assets and Business dated 8 September 2017 and entered into amongst (i) The Animal Ark Pte. Ltd, (ii) The Animal Ark (TCM) Pte. Ltd., (iii) The Animal Ark (Tampines) Pte. Ltd., (iv) The Animal Ark (Binjai) Pte. Ltd. as vendors, (v) the Target as the purchaser, and (vi) the Vendor, as supplemented by a supplemental agreement dated 28 May 2018.

24.3 Litigation

As at the Latest Practicable Date, to the best of the knowledge and belief of our Director, having made all reasonable enquiries (including having obtained written confirmation from the present owners of the Animal Ark Group), the Target was not engaged in any legal or arbitration proceedings as plaintiff or defendant including those which are pending or known to be contemplated, in the last 12 months immediately before the date of this Circular, which might materially affect the financial position or the profitability of the Target.

24.4 Interest of Experts

No expert is employed on a contingent basis by the Target, has a material interest, whether direct or indirect, in the shares of the Target, or has a material economic interest, whether direct or indirect in the Target.

24.5 Miscellaneous

- (a) Save as disclosed in this Circular, as at the Latest Practicable Date, there have been no material changes since the effective date of the Valuation Letter. Please refer to **Appendix D** of this Circular for more information.
- (b) There has not been any public take-over offer by a third party in respect of the Shares or the Target's shares, or by the Company or Target in respect of shares of another corporation or units of a business trust, which has occurred between 1 January 2017 and the Latest Practicable Date.

**APPENDIX A – LETTER TO SHAREHOLDERS FROM
THE BOARD OF DIRECTORS OF AVH ANIMAL ARK PTE. LTD.**

25. RESPONSIBILITY STATEMENT OF THE DIRECTOR OF THE TARGET

Our Director accepts full responsibility for the accuracy of the information given in **Appendix A** and **Appendix B** of this Circular and any information in the Circular relating to the Target, the Vendor and the Animal Ark Group in connection with the Proposed Transactions, and confirms, after making all reasonable enquiries that, to the best of his knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Target, the Vendor and the Animal Ark Group, and our Director is not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information given in **Appendix A** and **Appendix B** of this Circular and any information in the Circular relating to the Target, the Vendor and the Animal Ark Group in connection with the Proposed Transactions has been extracted from or published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the director of the Target has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

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APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 31 DECEMBER 2016 AND 31 DECEMBER 2017

AVH Animal Ark Pte. Ltd.

Independent Practitioner's Assurance Report on the Compilation of Pro Forma Financial Information included in the Circular

The Board of Directors
AVH Animal Ark Pte. Ltd.
4 Robinson Road #07-01
Singapore 048543

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of AVH Animal Ark Pte. Ltd. (the "Company") by management. The pro forma financial information consists of the pro forma statements of financial position as at 31 December 2015, 2016 and 2017, the pro forma statements of comprehensive income and pro forma statements of cash flow for each of the financial years ended 31 December 2015, 2016 and 2017, and related notes as set out on pages B-5 to B-44 of the Circular. The applicable criteria on the basis of which management has compiled the pro forma financial information are described in Note 3.

The pro forma financial information has been compiled by management to illustrate the impact of the events set out in Note 2 on:

- (i) the unaudited pro forma financial position of the Company as at 31 December 2015, 2016 and 2017 as if the events had occurred on 1 January 2015;
- (ii) the unaudited pro forma financial performance and unaudited pro forma cash flows of the Company for the financial years ended 31 December 2015, 2016 and 2017 as if the events had occurred on 1 January 2015; and

As part of this process, information about the Company's financial position, financial performance and cash flows have been extracted by management from the following:

- (i) financial statements of the Company for the financial years ended 31 December 2015, 2016 and 2017, on which no audit reports have been published; and
- (ii) financial statements of the businesses acquired (as set out in Note 2), for the financial years ended 31 December 2015, 2016 and 2017, on which audit reports have been published.

Management's Responsibility for the Pro Forma Financial Information

Management is responsible for compiling the pro forma financial information on the basis as described in Note 3.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the pro forma financial information has been compiled, in all material respects, by management on the basis as described in Note 3.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Independent Practitioner's Assurance Report on the Compilation of Pro Forma Financial
Information included in the Circular**

We conducted our engagement in accordance with Singapore Standard on Assurance Engagements (SSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Institute of Singapore Chartered Accountants. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the pro forma financial information on the basis as described in Note 3.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at the respective dates would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by management in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- (i) the related pro forma adjustments give appropriate effect to those criteria; and
- (ii) the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Independent Practitioner's Assurance Report on the Compilation of Pro Forma Financial
Information included in the Circular**

Opinion

In our opinion,

- (a) the pro forma financial information has been compiled:
 - (i) in a manner consistent with the accounting policies adopted by the Company, which are in accordance with Singapore Financial Reporting Standards;
 - (ii) on the basis stated in Note 3 to the pro forma financial information; and
- (b) each material adjustment made to the information used in the preparation of the pro forma financial information is appropriate for the purpose of preparing such unaudited pro forma financial information.

Restriction on distribution and use

This report is made solely to you as a body and for the inclusion in the Circular to be issued in relation to the proposed acquisition by Smartflex Holdings Ltd. of the entire issued and paid-up share capital of AVH Animal Ark Pte. Ltd..

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
29 June 2018

Partner-in-charge: Yeow Hui Cheng

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Unaudited Pro Forma Statements of Comprehensive Income
For the financial years ended 31 December 2015, 2016 and 2017**

	Note	2015 \$	2016 \$	2017 \$
Revenue	6	4,248,682	4,238,380	4,028,769
Cost of sales		(2,132,582)	(2,187,876)	(2,049,739)
Gross profit		2,116,100	2,050,504	1,979,030
Other operating income	7	85,539	326,728	16,488
Other operating expenses		(1,213,854)	(1,253,428)	(1,192,931)
Finance costs		(66,871)	(76,729)	(39,906)
Profit before tax	8	920,914	1,047,075	762,681
Income tax expense	9	(33,989)	(19,546)	(42,533)
Profit for the year, representing total comprehensive income for the year		886,925	1,027,529	720,148

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma financial information.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Unaudited Pro Forma Statements of Financial Position
As at 31 December 2015, 2016 and 2017**

	Note	2015	2016	2017
		\$	\$	\$
ASSETS				
Non-current asset				
Plant and equipment	10	454,985	673,991	590,249
Goodwill	11	7,889,171	7,889,171	7,889,171
Current assets				
Cash and cash equivalents	12	1,302,898	2,110,490	783,529
Trade receivables	13	35,753	30,157	30,274
Other receivables	14	52,147	116,699	105,076
Prepayments		26,591	19,341	–
Inventories	15	74,613	77,300	54,876
Total current assets		1,492,002	2,353,987	973,755
Total assets		9,836,158	10,917,149	9,453,175
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	16	200,482	182,070	183,241
Other payables and accruals	17	124,630	2,291,079	81,790
Income tax payable		37,757	19,546	43,542
		362,869	2,492,695	308,573
Net current assets/(liabilities)		1,129,133	(138,708)	665,182
Non-current liabilities				
Other payables and accruals	17	2,076,364	–	–
Loans and borrowings	18	6,340,000	6,340,000	6,340,000
Net assets		1,056,925	2,084,454	2,804,602
Equity attributable to equity holders of the Company				
Share capital	19	170,000	170,000	170,000
Retained earnings		886,925	1,914,454	2,634,602
Total equity		1,056,925	2,084,454	2,804,602

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma financial information.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Unaudited Pro Forma Cash Flow Statements
For the financial years ended 31 December 2015, 2016 and 2017**

	2015	2016	2017
	\$	\$	\$
Cash flows from operating activities:			
Profit before tax	920,914	1,047,075	762,681
Adjustment for:			
Interest expense	66,871	76,729	39,906
Depreciation of plant and equipment	89,023	129,623	144,071
Operating profit before changes in working capital	1,076,808	1,253,427	946,658
(Increase)/decrease in trade receivables	(35,753)	5,596	(117)
Decrease/(increase) in other receivables	19,811	(57,302)	30,964
(Increase)/decrease in inventories	(4,613)	(2,687)	22,424
Increase/(decrease) in trade payables	200,482	(18,412)	1,171
Increase/(decrease) in other payables and accruals	128,398	13,356	(56,195)
Cash generated from operations	1,385,133	1,193,978	944,905
Income taxes paid	–	(37,757)	(18,537)
Net cash flows generated from operating activities	1,385,133	1,156,221	926,368
Cash flows from investing activities			
Purchase of plant and equipment	(83,686)	(348,629)	(60,329)
Acquisition of business assets (net of cash acquired)	(6,508,549)	–	–
Payment of deferred consideration	–	–	(2,193,000)
Net cash flows used in investing activities	(6,592,235)	(348,629)	(2,253,329)
Cash flows from financing activities			
Proceeds from loans and borrowings	6,340,000	–	–
Proceeds from issuance of shares	170,000	–	–
Net cash flows from financing activities	6,510,000	–	–
Net increase/(decrease) in cash and cash equivalents	1,302,898	807,592	(1,326,961)
Cash and cash equivalents at beginning of year	–	1,302,898	2,110,490
Cash and cash equivalents at end of year (Note 12)	1,302,898	2,110,490	783,529

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma financial information.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Statement of Adjustments for the Unaudited Pro Forma Statement of
Comprehensive Income
For the financial year ended 31 December 2015**

	Unaudited Statement of Comprehensive Income 2015 \$	Pro Forma Adjustment Relating to the Acquisition⁽¹⁾ 2015 \$	Unaudited Pro Forma Statement of Comprehensive Income 2015 \$
Revenue	–	4,248,682	4,248,682
Cost of sales	–	(2,132,582)	(2,132,582)
Gross profit	–	2,116,100	2,116,100
Other operating income	–	85,539	85,539
Other operating expenses	–	(1,213,854)	(1,213,854)
Finance costs	–	(66,871)	(66,871)
Profit before tax	–	920,914	920,914
Income tax expense	–	(33,989)	(33,989)
Profit for the year, representing total comprehensive income for the year	–	886,925	886,925

Note to the Pro Forma Adjustment:

(1) Being the pro forma adjustment to effect the acquisition of The Animal Ark Group's Business on 1 January 2015.

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma financial information.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Statement of Adjustments for the Unaudited Pro Forma Statement of
Comprehensive Income
For the financial year ended 31 December 2016**

	Unaudited Statement of Comprehensive Income 2016 \$	Pro Forma Adjustment Relating to the Acquisition⁽¹⁾ 2016 \$	Unaudited Pro Forma Statement of Comprehensive Income 2016 \$
Revenue	–	4,238,380	4,238,380
Cost of sales	–	(2,187,876)	(2,187,876)
Gross profit	–	2,050,504	2,050,504
Other operating income	–	326,728	326,728
Other operating expenses	–	(1,253,428)	(1,253,428)
Finance costs	–	(76,729)	(76,729)
Profit before tax	–	1,047,075	1,047,075
Income tax expense	–	(19,546)	(19,546)
Profit for the year, representing total comprehensive income for the year	–	1,027,529	1,027,529

Note to the Pro Forma Adjustment:

(1) Being the pro forma adjustment to effect the acquisition of The Animal Ark Group's Business on 1 January 2015.

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma financial information.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Statement of Adjustments for the Unaudited Pro Forma Statement of
Comprehensive Income
For the financial year ended 31 December 2017**

	Unaudited Statement of Comprehensive Income 2017 \$	Pro Forma Adjustment Relating to the Acquisition⁽¹⁾ 2017 \$	Unaudited Pro Forma Statement of Comprehensive Income 2017 \$
Revenue	–	4,028,769	4,028,769
Cost of sales	–	(2,049,739)	(2,049,739)
Gross profit	–	1,979,030	1,979,030
Other operating income	–	16,488	16,488
Other operating expenses	–	(1,192,931)	(1,192,931)
Finance costs	–	(39,906)	(39,906)
Profit before tax	–	762,681	762,681
Income tax expense	–	(42,533)	(42,533)
Profit for the year, representing total comprehensive income for the year	–	720,148	720,148

Note to the Pro Forma Adjustment:

(1) Being the pro forma adjustment to effect the acquisition of The Animal Ark Group's Business on 1 January 2015.

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma financial information.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Statement of Adjustments for the Unaudited Pro Forma Statement of Financial Position
As at 31 December 2015**

	Unaudited Statement of Financial Position 2015 \$	Pro Forma Adjustment Relating to the Acquisition ⁽¹⁾ 2015 \$	Pro Forma Adjustment Relating to the Loan ⁽²⁾ 2015 \$	Pro Forma Adjustment Relating to the Increase in Share Capital ⁽³⁾ 2015 \$	Unaudited Pro Forma Statement of Financial Position 2015 \$
Non-current asset					
Plant and equipment	–	454,985	–	–	454,985
Goodwill	–	7,889,171	–	–	7,889,171
Current assets					
Cash and cash equivalents	–	(5,207,002)	6,340,000	169,900	1,302,898
Trade receivables	–	35,753	–	–	35,753
Other receivables	–	52,147	–	–	52,147
Prepayments	–	26,591	–	–	26,591
Inventories	–	74,613	–	–	74,613
Total current assets	–	(5,017,898)	6,340,000	169,900	1,492,002
Total assets	–	3,326,258	6,340,000	169,900	9,836,158
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	–	200,482	–	–	200,482
Other payables and accruals	–	124,630	–	–	124,630
Income tax payable	–	37,757	–	–	37,757
	–	362,869	–	–	362,869
Net current (liabilities)/assets	–	(5,380,767)	6,340,000	169,900	1,129,133
Non-current liabilities					
Other payables and accruals	–	2,076,364	–	–	2,076,364
Loans and borrowings	–	–	6,340,000	–	6,340,000
Net assets	–	887,025	–	169,900	1,056,925
Equity attributable to equity holders of the Company					
Share capital	–	100	–	169,900	170,000
Retained earnings	–	886,925	–	–	886,925
Total equity	–	887,025	–	169,900	1,056,925

Note to the Pro Forma Adjustment:

- (1) Being the pro forma adjustment to effect the acquisition of The Animal Ark Group's Business on 1 January 2015.
- (2) Being the pro forma adjustment to effect the loan of \$6,340,000 from Smartflex Holdings Ltd. to finance the acquisition.
- (3) Being the pro forma adjustment to effect the issue of 169,900 additional ordinary shares on 1 January 2015 for cash of \$169,900.

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma financial information.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Statement of Adjustments for the Unaudited Pro Forma Statement of Financial Position
As at 31 December 2016**

	Unaudited Statement of Financial Position	Pro Forma Adjustment Relating to the Acquisition ⁽¹⁾	Pro Forma Adjustment Relating to the Loan ⁽²⁾	Pro Forma Adjustment Relating to the Increase in Share Capital ⁽³⁾	Unaudited Pro Forma Statement of Financial Position
	2016	2016	2016	2016	2016
	\$	\$	\$	\$	\$
Non-current asset					
Plant and equipment	–	673,991	–	–	673,991
Goodwill	–	7,889,171	–	–	7,889,171
Current assets					
Cash and cash equivalents	100	(4,399,510)	6,340,000	169,900	2,110,490
Trade receivables	–	30,157	–	–	30,157
Other receivables	–	116,699	–	–	116,699
Prepayments	–	19,341	–	–	19,341
Inventories	–	77,300	–	–	77,300
Total current assets	100	(4,156,013)	6,340,000	169,900	2,353,987
Total assets	100	4,407,149	6,340,000	169,900	10,917,149
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	–	182,070	–	–	182,070
Other payables and accruals	–	2,291,079	–	–	2,291,079
Income tax payable	–	19,546	–	–	19,546
	–	2,492,695	–	–	2,492,695
Net current assets/(liabilities)	100	(6,648,708)	6,340,000	169,900	(138,708)
Non-current liabilities					
Loans and borrowings	–	–	6,340,000	–	6,340,000
Net assets	100	1,914,454	–	169,900	2,084,454
Equity attributable to equity holders of the Company					
Share capital	100	–	–	169,900	170,000
Retained earnings	–	1,914,454	–	–	1,914,454
Total equity	100	1,914,454	–	169,900	2,084,454

Note to the Pro Forma Adjustment:

- (1) Being the pro forma adjustment to effect the acquisition of The Animal Ark Group's Business on 1 January 2015.
- (2) Being the pro forma adjustment to effect the loan of \$6,340,000 from Smartflex Holdings Ltd. to finance the acquisition.
- (3) Being the pro forma adjustment to effect the issue of 169,900 additional ordinary shares on 1 January 2015 for cash of \$169,900.

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma financial information.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Statement of Adjustments for the Unaudited Pro Forma Statement of Financial Position
As at 31 December 2017**

	Unaudited Statement of Financial Position 2017 \$	Pro Forma Adjustment Relating to the Acquisition ⁽¹⁾ 2017 \$	Pro Forma Adjustment Relating to the Loan ⁽²⁾ 2017 \$	Pro Forma Adjustment Relating to the Increase in Share Capital ⁽³⁾ 2017 \$	Unaudited Pro Forma Statement of Financial Position 2017 \$
Non-current asset					
Plant and equipment	–	590,249	–	–	590,249
Goodwill	–	7,889,171	–	–	7,889,171
Current assets					
Cash and cash equivalents	100	(5,726,471)	6,340,000	169,900	783,529
Trade receivables	–	30,274	–	–	30,274
Other receivables	–	105,076	–	–	105,076
Prepayments	–	–	–	–	–
Inventories	–	54,876	–	–	54,876
Total current assets	100	(5,536,245)	6,340,000	169,900	973,755
Total assets	100	2,943,175	6,340,000	169,900	9,453,175
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	–	183,241	–	–	183,241
Other payables and accruals	–	81,790	–	–	81,790
Income tax payable	–	43,542	–	–	43,542
	–	308,573	–	–	308,573
Net current (liabilities)/assets	100	(5,844,818)	6,340,000	169,900	665,182
Non-current liabilities					
Loans and borrowings	–	–	6,340,000	–	6,340,000
Net assets	100	2,634,602	–	169,900	2,804,602
Equity attributable to equity holders of the Company					
Share capital	100	–	–	169,900	170,000
Retained earnings	–	2,634,602	–	–	2,634,602
Total equity	100	2,634,602	–	169,900	2,804,602

Note to the Pro Forma Adjustment:

- (1) Being the pro forma adjustment to effect the acquisition of The Animal Ark Group's Business on 1 January 2015.
- (2) Being the pro forma adjustment to effect the loan of \$6,340,000 from Smartflex Holdings Ltd. to finance the acquisition.
- (3) Being the pro forma adjustment to effect the issue of 169,900 additional ordinary shares on 1 January 2015 for cash of \$169,900.

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma financial information.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Statement of Adjustments for the Unaudited Pro Forma Statement of Cash Flows
For the financial year ended 31 December 2015**

	Unaudited Statement of Cash Flows 2015 \$	Pro Forma Adjustment Relating to the Acquisition⁽¹⁾ 2015 \$	Pro Forma Adjustment Relating to the Loan⁽²⁾ 2015 \$	Pro Forma Adjustment Relating to the Increase in Share Capital⁽³⁾ 2015 \$	Unaudited Pro Forma Statement of Cash Flows 2015 \$
Cash flows from operating activities:					
Profit before tax	–	920,914	–	–	920,914
Adjustment for:					
Interest expense	–	66,871	–	–	66,871
Depreciation of plant and equipment	–	89,023	–	–	89,023
Operating profit before changes in working capital	–	1,076,808	–	–	1,076,808
Increase in trade receivables	–	(35,753)	–	–	(35,753)
Decrease in other receivables	–	19,811	–	–	19,811
Increase in inventories	–	(4,613)	–	–	(4,613)
Increase in trade payables	–	200,482	–	–	200,482
Increase in other payables and accruals	–	128,398	–	–	128,398
Net cash flows generated from operating activities	–	1,385,133	–	–	1,385,133
Cash flows from investing activities					
Purchase of plant and equipment	–	(83,686)	–	–	(83,686)
Acquisition of business assets (net of cash acquired)	–	(6,508,549)	–	–	(6,508,549)
Net cash flows used in investing activities	–	(6,592,235)	–	–	(6,592,235)
Cash flows from financing activities					
Proceeds from loans and borrowings	–	–	6,340,000	–	6,340,000
Proceeds from issuance of shares	–	100	–	169,900	170,000
Net cash flows from financing activities	–	100	6,340,000	169,900	6,510,000
Net increase in cash and cash equivalents	–	(5,207,002)	6,340,000	169,900	1,302,898
Cash and cash equivalents at beginning of year	–	–	–	–	–
Cash and cash equivalents at end of year	–	(5,207,002)	6,340,000	169,900	1,302,898

Note to the Pro Forma Adjustment:

- (1) Being the pro forma adjustment to effect the acquisition of The Animal Ark Group's Business on 1 January 2015.
- (2) Being the pro forma adjustment to effect the loan of \$6,340,000 from Smartflex Holdings Ltd. to finance the acquisition.
- (3) Being the pro forma adjustment to effect the issue of 169,900 additional ordinary shares on 1 January 2015 for cash of \$169,900.

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma financial information.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Statement of Adjustments for the Unaudited Pro Forma Statement of Cash Flows
For the financial year ended 31 December 2016**

	Unaudited Statement of Cash Flows 2016 \$	Pro Forma Adjustment⁽¹⁾ 2016 \$	Unaudited Pro Forma Statement of Cash Flows 2016 \$
Cash flows from operating activities:			
Profit before tax	–	1,047,075	1,047,075
Adjustment for:			
Interest expense	–	76,729	76,729
Depreciation of plant and equipment	–	129,623	129,623
Operating profit before changes in working capital	–	1,253,427	1,253,427
Decrease in trade receivables	–	5,596	5,596
Increase in other receivables	–	(57,302)	(57,302)
Increase in inventories	–	(2,687)	(2,687)
Decrease in trade payables	–	(18,412)	(18,412)
Increase in other payables and accruals	–	13,356	13,356
Cash generated from operations	–	1,193,978	1,193,978
Income taxes paid	–	(37,757)	(37,757)
Net cash flows generated from operating activities	–	1,156,221	1,156,221
Cash flows from investing activity			
Purchase of plant and equipment	–	(348,629)	(348,629)
Net cash flows used in investing activity	–	(348,629)	(348,629)
Cash flows from financing activity			
Proceeds from issuance of shares	100	(100)	–
Net cash flows from financing activity	100	(100)	–
Net increase in cash and cash equivalents	100	807,492	807,592
Cash and cash equivalents at beginning of year	–	1,302,898	1,302,898
Cash and cash equivalents at end of year	100	2,110,390	2,110,490

Note to the Pro Forma Adjustment:

(1) Being the pro forma adjustment to effect the acquisition of The Animal Ark Group's Business on 1 January 2015.

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma financial information.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Statement of Adjustments for the Unaudited Pro Forma Statement of Cash Flows
For the financial year ended 31 December 2017**

	Unaudited Statement of Cash Flows	Pro Forma Adjustment ⁽¹⁾	Unaudited Pro Forma Statement of Cash Flows
	2017	2017	2017
	\$	\$	\$
Cash flows from operating activities:			
Profit before tax	–	762,681	762,681
Adjustment for:			
Interest expense	–	39,906	39,906
Depreciation of plant and equipment	–	144,071	144,071
Operating profit before changes in working capital	–	946,658	946,658
Increase in trade receivables	–	(117)	(117)
Decrease in other receivables	–	30,964	30,964
Decrease in inventories	–	22,424	22,424
Increase in trade payables	–	1,171	1,171
Decrease in other payables and accruals	–	(56,195)	(56,195)
Cash generated from operations	–	944,905	944,905
Income taxes paid	–	(18,537)	(18,537)
Net cash flows generated from operating activities	–	926,368	926,368
Cash flows from investing activities			
Purchase of plant and equipment	–	(60,329)	(60,329)
Payment of deferred consideration	–	(2,193,000)	(2,193,000)
Net cash flows used in investing activities	–	(2,253,329)	(2,253,329)
Net decrease in cash and cash equivalents	–	(1,326,961)	(1,326,961)
Cash and cash equivalents at beginning of year	100	2,110,390	2,110,490
Cash and cash equivalents at end of year	100	783,429	783,529

Note to the Pro Forma Adjustment:

- (1) Being the pro forma adjustment to effect the acquisition of The Animal Ark Group's Business on 1 January 2015 and payment of the deferred consideration 30 months from the date of completion.

The accompanying accounting policies and explanatory notes form an integral part of the unaudited pro forma financial information.

APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 31 DECEMBER 2016 AND 31 DECEMBER 2017

AVH Animal Ark Pte. Ltd.

Notes to the Unaudited Pro Forma Financial Information For the financial years ended 31 December 2015, 2016 and 2017

1. Corporate information

AVH Animal Ark Pte. Ltd. (the “Company”) is incorporated and domiciled in Singapore with its principal place of business and registered office at 4 Robinson Road #07-01, Singapore 048543.

The Company was incorporated on 11 October 2016 under the name “Asia Vets Holdings Pte. Ltd.” and changed its name on 15 March 2018. The Company was incorporated, as a holding company for the purpose of the restructuring, with an issued and paid-up share capital of S\$100 comprising 100 ordinary shares wholly owned by Hu Zhi Investments Limited (formerly known as Tiger Equities Consulting Limited).

The principal activity of the Company is to own and operate veterinary clinics.

2. Proposed acquisition

Pursuant to the conditional sale and purchase agreement dated 8 September 2017 between the Smartflex Holdings Ltd. (“SFH”), Hu Zhi Investments Limited and David Wendyl Karl Jenkins, the Company will acquire the relevant businesses and assets (consisting of moveable plant and equipment, inventories, cash and cash equivalents, prepayments and deposits) of the following entities:

- The Animal Ark (TCM) Pte. Ltd.;
- The Animal Ark (Tampines) Pte. Ltd.;
- The Animal Ark (Binjai) Pte. Ltd.; and
- The Animal Ark Pte. Ltd.

(collectively, the “Animal Ark Group”).

3. Basis of preparation of the unaudited pro forma financial information

The unaudited pro forma financial information of the Company in this report is expressed in Singapore Dollars (SGD or \$). The financial information has been prepared for illustrative purposes only. It has been prepared based on certain assumptions and after making certain adjustments to show the unaudited pro forma statements of financial position, unaudited pro forma statements of comprehensive income and the unaudited pro forma cash flow statements of the Company for the financial years ended 31 December 2015, 2016 and 2017 had the proposed acquisition, as described in Note 2, been completed since 1 January 2015.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Notes to the Unaudited Pro Forma Financial Information
For the financial years ended 31 December 2015, 2016 and 2017**

3. Basis of preparation of the unaudited pro forma financial information (cont'd)

The pro forma financial information take into account the following bases and assumptions:

(a) Increase in share capital

The Company had been incorporated on 1 January 2015 as a private company limited by shares with an initial issued and paid-up capital of \$100 comprising 100 ordinary shares. 169,900 additional ordinary shares had been issued on 1 January 2015 for cash of \$169,900.

(b) Acquisition of business

The acquisition of business (as set out in Note 2) had been completed on 1 January 2015.

(c) Loan from SFH

The Company obtained a loan of \$6,340,000 from SFH to finance the acquisition.

As part of this process, information about the Company's financial position, financial performance and cash flows have been extracted by management from the following:

- (i) Financial statements of the Company for the financial years ended 31 December 2015, 2016 and 2017, on which no audit reports have been published; and
- (ii) Financial statements of the businesses acquired (as set out in Note 2), for the financial years ended 31 December 2015, 2016 and 2017, on which audit reports have been published.

The objective of the unaudited pro forma financial information of the Company is to show what the financial positions, financial performances and cash flows of the Company would have been had the pro forma events been completed on 1 January 2015.

APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 31 DECEMBER 2016 AND 31 DECEMBER 2017

AVH Animal Ark Pte. Ltd.

Notes to the Unaudited Pro Forma Financial Information For the financial years ended 31 December 2015, 2016 and 2017

4. Summary of significant accounting policies

4.1 *Basis of preparation*

The unaudited pro forma financial information of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The unaudited pro forma financial information have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The unaudited pro forma financial information are presented in Singapore Dollars (SGD or \$), which is the functional currency of the Company.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) (“SFRS(I)”), a new financial reporting framework identical to the International Financial Reporting Standards. The Company will adopt SFRS(I) on 1 January 2018.

The Company has performed an assessment of the impact of adopting SFRS(I). The Company expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application.

4.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Company.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Notes to the Unaudited Pro Forma Financial Information
For the financial years ended 31 December 2015, 2016 and 2017**

4. Summary of significant accounting policies (cont'd)

4.3 *Standards issued but not yet effective*

The Company has not adopted the following standards and interpretations applicable to the Company that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 40 Transfers of Investment Property	1 January 2018
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116 Leases	1 January 2019
Improvements to FRSs (December 2016)	
– Amendments to FRS 28 Investments in Associates and Joint Ventures	1 January 2018
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 109 Prepayment Features with Negative Compensation	1 January 2019
Amendments to FRS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Improvements to FRSs (March 2018)	
– Amendments to FRS 103 Business Combinations	1 January 2019
– Amendments to FRS 111 Joint Arrangements	1 January 2019
– Amendments to FRS 12 Income Taxes	1 January 2019
– Amendments to FRS 23 Borrowing Costs	1 January 2019
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The directors expect that the adoption of the standards and interpretations above will have no material impact on the unaudited pro forma financial information in the period of initial application.

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4. Summary of significant accounting policies (cont'd)

4.4 *Basis of consolidation and business combinations*

Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, and the fair value of the Company's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Company's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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4. Summary of significant accounting policies (cont'd)

4.5 *Functional and foreign currency*

(a) *Functional currency*

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

(b) *Transactions and balances*

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the end of the financial period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the financial period are recognised in profit or loss.

4.6 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Rendering of services*

Revenue from rendering of services are recognised when services are rendered.

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4. Summary of significant accounting policies (cont'd)

4.7 *Plant and equipment*

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

When significant parts of plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Veterinary and medical equipment	–	7 years
Office and other equipment	–	7 years
Furniture and fixtures	–	7 years
Computer	–	3 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

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4. Summary of significant accounting policies (cont'd)

4.8 *Impairment of non-financial assets*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

4.9 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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Notes to the Unaudited Pro Forma Financial Information For the financial years ended 31 December 2015, 2016 and 2017

4. Summary of significant accounting policies (cont'd)

4.9 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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Notes to the Unaudited Pro Forma Financial Information For the financial years ended 31 December 2015, 2016 and 2017

4. Summary of significant accounting policies (cont'd)

4.9 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

4.10 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.11 *Impairment of financial assets*

The Company assesses at the end of each financial period whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

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4. Summary of significant accounting policies (cont'd)

4.11 *Impairment of financial assets (cont'd)*

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

4.12 *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4.13 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for on a first in first out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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4. Summary of significant accounting policies (cont'd)

4.14 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

4.15 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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4. Summary of significant accounting policies (cont'd)

4.15 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

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4. Summary of significant accounting policies (cont'd)

4.16 *Employee benefits*

(a) Defined contribution plans

The Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

4.17 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

4.18 *Leases – as lessee*

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

5. Significant accounting judgements and estimates

The preparation of the Company's unaudited pro forma financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

5.1 *Judgements made in applying accounting policies*

In the process of applying the Company's accounting policies, management is of the opinion that there are no critical judgements involved that have a significant effect on amounts recognised in the unaudited pro forma financial information.

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5. Significant accounting judgements and estimates (cont'd)

5.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the unaudited pro forma financial information were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) Accounting for business combination

In accounting for the business combination, estimation is required in assessing the fair value measurement of the purchase consideration and the acquired assets. The carrying value of the goodwill and deferred consideration payable on date of acquisition is described in Note 11 to the unaudited pro forma financial information.

(b) Useful lives of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 7 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets, therefore future depreciation changes could be revised. The carrying amount of the Company's plant and equipment at the end of the reporting period is disclosed in Note 10 to the unaudited pro forma financial information.

6. Revenue

This represents revenue from rendering of services and sales of veterinary medicine.

7. Other operating income

	2015	2016	2017
	\$	\$	\$
Employment credits	34,741	34,490	11,742
SME rebate	5,000	—	—
PIC cash payout	41,936	269,476	—
Others	3,862	22,762	4,746
	<u>85,539</u>	<u>326,728</u>	<u>16,488</u>

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8. Profit before tax

The following items have been included in arriving at profit before tax:

	2015	2016	2017
	\$	\$	\$
Employee benefits expense	1,629,250	1,680,714	1,616,534
Rental expense	372,000	372,000	342,000
Depreciation of plant and equipment	89,023	129,623	144,071
Cost of inventories recognised as in cost of sales	921,501	926,932	857,204

Employee benefits expense:

– Salaries and bonuses	1,465,353	1,515,545	1,466,161
– Cost of defined contribution plans	116,470	132,708	128,234
– Other benefits	47,427	32,461	22,139
	<u>1,629,250</u>	<u>1,680,714</u>	<u>1,616,534</u>

The employee benefits expense is charged under:

– Cost of sales	1,211,082	1,260,945	1,192,535
– Other operating expenses	418,168	419,769	423,999
	<u>1,629,250</u>	<u>1,680,714</u>	<u>1,616,534</u>

Compensation to key management personnel

	2015	2016	2017
	\$	\$	\$
Salaries and bonuses	492,000	492,000	492,000
Central Provident Fund contributions	19,200	20,040	24,480
	<u>511,200</u>	<u>512,040</u>	<u>516,480</u>

Included in the compensation to key management personnel is the remuneration to one key management personnel who is a veterinarian and his remuneration has been taken up in cost of sales.

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9. Income tax expense

The major components of income tax expense for the years ended 31 December 2015, 2016 and 2017 are:

	2015	2016	2017
	\$	\$	\$
Current income tax:			
– Current taxation	33,989	19,546	42,533

Relationship between tax expense and accounting profit

The reconciliation between the tax expense and product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015, 2016 and 2017 are as follows:

	2015	2016	2017
	\$	\$	\$
Profit before taxation	920,914	1,047,075	762,681
Tax charge at statutory rate of 17% (2015 and 2016: 17%)	156,555	178,003	129,656
Adjustments:			
Non-deductible expenses	23,696	31,458	35,515
Income not subject to taxation	(7,129)	(37,707)	–
Effect of partial tax exemption and tax relief	(141,546)	(155,828)	(119,942)
Others	2,413	3,620	(2,696)
Income tax expense recognised in profit or loss	33,989	19,546	42,533

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10. Plant and equipment

	Veterinary and medical equipment	Office and other equipment	Furniture and fixtures	Computer	Total
	\$	\$	\$	\$	\$
Cost:					
At 1 January 2015	–	–	–	–	–
Acquisition of business	389,836	3,194	51,827	15,465	460,322
Additions	17,759	60,807	2,209	2,911	83,686
At 31 December 2015 and 1 January 2016	407,595	64,001	54,036	18,376	544,008
Additions	293,018	289	24,864	30,458	348,629
At 31 December 2016 and 1 January 2017	700,613	64,290	78,900	48,834	892,637
Additions	59,135	–	–	1,194	60,329
At 31 December 2017	759,748	64,290	78,900	50,028	952,966
Accumulated depreciation:					
At 1 January 2015	–	–	–	–	–
Depreciation charge	65,435	4,945	8,854	9,789	89,023
At 31 December 2015 and 1 January 2016	65,435	4,945	8,854	9,789	89,023
Depreciation charge	95,919	9,264	11,819	12,621	129,623
At 31 December 2016 and 1 January 2017	161,354	14,209	20,673	22,410	218,646
Depreciation charge	110,349	9,280	12,666	11,776	144,071
At 31 December 2017	271,703	23,489	33,339	34,186	362,717
Net carrying amount:					
At 31 December 2015	342,160	59,056	45,182	8,587	454,985
At 31 December 2016	539,259	50,081	58,227	26,424	673,991
At 31 December 2017	488,045	40,801	45,561	15,842	590,249

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11. Goodwill

Acquisition of The Animal Ark Group's business

Pursuant to the conditional sale and purchase agreement dated 8 September 2017 between the Smartflex Holdings Ltd. ("SFH"), Hu Zhi Investments Limited and David Wendyl Karl Jenkins in relation to the proposed acquisition of all the issued and fully-paid shares in the capital of AVH Animal Ark Pte. Ltd. (the "Proposed Acquisition"), the completion of the Proposed Acquisition is subject to among others, the completion of the restructuring of the Company in respect of the transfer of the relevant businesses and assets (consisting of moveable plant and equipment, inventories, cash and cash equivalents, prepayments and deposits) of the following entities to the Company having taken place, or taking place simultaneously:

- (a) The Animal Ark (TCM) Pte. Ltd.;
- (b) The Animal Ark (Tampines) Pte. Ltd.;
- (c) The Animal Ark (Binjai) Pte. Ltd.; and
- (d) The Animal Ark Pte. Ltd.

(collectively, the "Animal Ark Group").

In consideration of the acquisition of the businesses and assets, the Company shall pay to the vendor, an aggregate purchase consideration of \$8,370,000. The purchase consideration consists of initial payout (80%) and retention sum (20%). The purchase consideration shall be fully satisfied by 70% in cash and 30% via shares of SFH. The initial payout and retention sum of the purchase consideration is as follows:

- (a) Initial payout
 - (i) 56% of the purchase consideration to be settled via cash immediately upon completion; and
 - (ii) 24% of the purchase consideration to be paid via shares of SFH, issued and allotted by SFH at an issue price of \$0.25 per share. For the purpose of the purchase price allocation, the Company has assumed \$0.25 per share approximates the fair value of the shares of SFH at date of completion.

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11. Goodwill (cont'd)

Acquisition of The Animal Ark Group's business (cont'd)

(b) Retention sum

- (i) 14% of the purchase consideration to be paid in cash and which shall be held in escrow for the retention period of 30 months after the completion date (the "Retention Period") and the average EBIT determination period being 20 days after the expiry of the Retention Period (the "Average EBIT Determination Period"); and
- (ii) 6% of the purchase consideration to be paid via shares of SFH, issued and allotted by SFH at an issue price based on the 10-day volume-weighted average price of SFH's shares prior to the 30-month anniversary of the completion date.

The retention sum will be adjusted based on the following adjustment mechanism:

- (a) If the average earnings before interest and tax ("EBIT") (on an annualised basis) derived from the business and assets of the Company over the Retention Period (the "Average EBIT") is less than the agreed EBIT as specified in the Sales and Purchase Agreement (the "Agreed EBIT"), the vendor shall fully indemnify the Company for the difference between the Average EBIT and the Agreed EBIT by way of adjustment of the retention sum to be paid by the Company to the vendor at the end of the Average EBIT Determination Period. The retention sum shall be adjusted downwards proportionately in accordance with the mechanism specified in the Sales and Purchase Agreement to reflect the lower EBIT, provided that in all circumstances, the amount to be adjusted shall be capped at the retention sum.
- (b) If the Average EBIT is more than 105% of the Agreed EBIT, the retention sum to be paid at the end of the Average EBIT Determination Period shall be increased proportionally in accordance with the mechanism specified in the Sales and Purchase Agreement to account for any additional average EBIT (on an annualised basis) exceeding 105% of the Agreed EBIT.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Notes to the Unaudited Pro Forma Financial Information
For the financial years ended 31 December 2015, 2016 and 2017**

11. Goodwill (cont'd)

Acquisition of The Animal Ark Group's business (cont'd)

For the purpose of pro forma financial information, the goodwill amount has been computed based on the assets of The Animal Ark business as at 1 January 2015, as follows:

	2015
	\$
<u>Fair values of identifiable assets and liabilities</u>	
Plant and equipment	460,322
Cash and cash equivalents	1,451
Prepayments	57,279
Deposits	41,270
Inventories	70,000
	<hr/>
Total identifiable net assets at fair value	630,322
Goodwill arising from acquisition	7,889,171
	<hr/>
Total fair value of purchase consideration	8,519,493
	<hr/>
<u>Consideration transferred for the acquisition of business</u>	
Consideration transferred on acquisition date	6,510,000
Deferred consideration payable*	2,009,493
	<hr/>
Total fair value of purchase consideration	8,519,493
	<hr/>

* Deferred consideration payable is derived based on management's estimate of the Average EBIT (in accordance with the adjustment mechanism detailed above) and discounted to net present value.

	2015
	\$
<u>Effect of the acquisition on cash flows</u>	
Total purchase consideration	8,519,493
Less: Deferred consideration payable	(2,009,493)
Less: Cash and cash equivalents of subsidiary acquired	(1,451)
	<hr/>
Net cash outflow on acquisition	6,508,549
	<hr/>

Consequently, the Company recorded a goodwill amount of \$7,889,171 arising from the acquisition. The pro forma goodwill amount above will differ from the actual goodwill amount recorded due to different basis of preparation.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Notes to the Unaudited Pro Forma Financial Information
For the financial years ended 31 December 2015, 2016 and 2017**

12. Cash and cash equivalents

	2015	2016	2017
	\$	\$	\$
Cash on hand	8,448	19,904	16,302
Cash at bank	1,294,450	2,090,586	767,227
	<u>1,302,898</u>	<u>2,110,490</u>	<u>783,529</u>

13. Trade receivables

	2015	2016	2017
	\$	\$	\$
Trade receivables	35,753	30,157	30,274

Trade receivables are non-interest bearing and are generally payable on receipt of invoice. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Company has trade receivables amounting to \$30,274 (2016: \$30,157; 2015: \$35,753) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Overdue less than 30 days		
	2015	2016	2017
	\$	\$	\$
Trade receivables past due but not impaired	35,753	30,157	30,274

Receivables that are impaired

There are no trade receivables that are impaired (2016: nil; 2015: nil) at the end of the reporting period.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Notes to the Unaudited Pro Forma Financial Information
For the financial years ended 31 December 2015, 2016 and 2017**

14. Other receivables

	2015	2016	2017
	\$	\$	\$
Deposits	41,270	37,770	22,760
Other receivables	7,394	78,929	82,316
Sundry receivables	3,483	–	–
	<u>52,147</u>	<u>116,699</u>	<u>105,076</u>

Other receivables are denominated in Singapore Dollars.

15. Inventories

	2015	2016	2017
	\$	\$	\$
Veterinarian supplies	<u>74,613</u>	<u>77,300</u>	<u>54,876</u>

16. Trade payables

	2015	2016	2017
	\$	\$	\$
Third parties	<u>200,482</u>	<u>182,070</u>	<u>183,241</u>

These amounts are non-interest bearing. Trade payables are normally settled on 30-day terms.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Notes to the Unaudited Pro Forma Financial Information
For the financial years ended 31 December 2015, 2016 and 2017**

17. Other payables and accruals

	2015	2016	2017
	\$	\$	\$
Current:			
Other payables	36,143	46,314	12,331
GST payable	56,026	53,978	45,549
Accruals	32,461	37,693	23,910
Deferred consideration payable	–	2,153,094	–
	124,630	2,291,079	81,790
Non-current:			
Deferred consideration payable	2,076,364	–	–
	2,200,994	2,291,079	81,790

Deferred consideration payable pertains to the Final Payment due to the vendors for the acquisition of The Animal Ark business. The amount is payable to the vendor on or before 30 months from the completion date. Information regarding the Final Payment is disclosed in Note 11.

18. Loans and borrowings

	2015	2016	2017
	\$	\$	\$
Loans and borrowings	6,340,000	6,340,000	6,340,000

Loans and borrowings pertain to a loan from Smartflex Holdings Ltd. to finance the acquisition of The Animal Ark Group's business. The loan is unsecured, interest-free and repayable on demand. Smartflex Holdings Ltd. is not expected to recall the loan and as such the loan is not expected to be settled within 12 months of each statement of financial position date.

A reconciliation of liabilities arising from financing activities is as follows:

	2014	Cash	2015	Cash	2016	Cash	2017
	\$	flows	\$	flows	\$	flows	\$
Loans and borrowings							
– non-current	6,340,000	6,340,000	6,340,000	–	6,340,000	–	6,340,000
Total	6,340,000	6,340,000	6,340,000	–	6,340,000	–	6,340,000

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Notes to the Unaudited Pro Forma Financial Information
For the financial years ended 31 December 2015, 2016 and 2017**

19. Share capital

	2015		2016		2017	
	No. of shares	\$	No. of shares	\$	No. of shares	\$
Issued and fully paid ordinary shares:						
At beginning and end of the financial year	170,000	170,000	170,000	170,000	170,000	170,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

20. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations. The key financial risks include credit risk, liquidity risk and interest rate risk. The Board of directors reviews and agrees policies and procedures for the management of these risks.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis by the Company.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Company. Cash and cash equivalents are placed with or entered into a reputable financial institution with a high credit rating and no history of default.

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Notes to the Unaudited Pro Forma Financial Information
For the financial years ended 31 December 2015, 2016 and 2017**

20. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding through the use of working capital.

The table below summarises the maturity profile of the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less \$	One to five years \$	Over five years \$	Total \$
2015				
<i>Financial assets:</i>				
Cash and cash equivalents	1,302,898	–	–	1,302,898
Trade receivables	35,753	–	–	35,753
Other receivables	52,147	–	–	52,147
Total undiscounted financial assets	1,390,798	–	–	1,390,798
<i>Financial liabilities:</i>				
Trade payables	200,482	–	–	200,482
Other payables and accruals	68,604	2,193,000	–	2,261,604
Loans and borrowings	–	–	6,340,000	6,340,000
Total undiscounted financial liabilities	269,086	2,193,000	6,340,000	8,802,086
Total net undiscounted financial assets/(liabilities)	1,121,712	(2,193,000)	(6,340,000)	(7,411,288)

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Notes to the Unaudited Pro Forma Financial Information
For the financial years ended 31 December 2015, 2016 and 2017**

20. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	One year or less \$	One to five years \$	Over five years \$	Total \$
2016				
Financial assets:				
Cash and cash equivalents	2,110,490	–	–	2,110,490
Trade receivables	30,157	–	–	30,157
Other receivables	116,699	–	–	116,699
Total undiscounted financial assets	2,257,346	–	–	2,257,346
Financial liabilities:				
Trade payables	182,070	–	–	182,070
Other payables and accruals	2,277,007	–	–	2,277,007
Loans and borrowings	–	–	6,340,000	6,340,000
Total undiscounted financial liabilities	2,459,077	–	6,340,000	8,799,077
Total net undiscounted financial liabilities	(201,731)	–	(6,340,000)	(6,541,731)
2017				
Financial assets:				
Cash and cash equivalents	783,529	–	–	783,529
Trade receivables	30,274	–	–	30,274
Other receivables	105,076	–	–	105,076
Total undiscounted financial assets	918,879	–	–	918,879
Financial liabilities:				
Trade payables	183,241	–	–	183,241
Other payables and accruals	36,241	–	–	36,241
Loans and borrowings	–	–	6,340,000	6,340,000
Total undiscounted financial liabilities	219,482	–	6,340,000	6,559,482
Total net undiscounted financial assets/(liabilities)	699,397	–	(6,340,000)	(5,640,603)

**APPENDIX B – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE TARGET FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015,
31 DECEMBER 2016 AND 31 DECEMBER 2017**

AVH Animal Ark Pte. Ltd.

**Notes to the Unaudited Pro Forma Financial Information
For the financial years ended 31 December 2015, 2016 and 2017**

20. Financial risk management objectives and policies (cont'd)

(c) *Interest rate risk*

The Company has minimal exposure to interest rate risk as it does not have significant interest bearing financial assets and liabilities at the end of the reporting period.

21. Fair values of financial instruments

The fair values of financial instruments is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amounts approximate fair value

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables and accruals approximate their fair values because these are relatively short-term in nature.

22. Capital management

The Company reviews its capital structure at least annually to ensure that the Company will be able to continue as a going concern. The capital structure of the Company comprises only of share capital and retained earnings. The Company's overall strategy remains unchanged.

Management reviews the capital structure on an annual basis to balance its overall capital structure through the issue of new capital and new distribution of dividend.

The Company is not subject to any externally imposed capital requirements for the financial year ended 31 December 2015, 2016 and 2017.

23. Authorisation of the pro forma financial information

The unaudited pro forma financial information for the years ended 31 December 2015, 2016 and 2017 were authorised for issue in accordance with a resolution of the directors on 29 June 2018.

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**INDEPENDENT AUDITOR’S REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED
FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2017**

The Board of Directors
Smartflex Holdings Ltd.
95 Amoy Street
Singapore 069915

Dear Sirs,

**Report on the compilation of unaudited pro forma consolidated financial information
included in the Circular to shareholders of Smartflex Holdings Ltd.**

We have completed our assurance engagement to report on the compilation of pro forma consolidated financial information of Smartflex Holdings Ltd. (the “Company”) and AVH Animal Ark Pte. Ltd. (the “Target”) (collectively, the “Enlarged Group”) by management. The pro forma consolidated financial information consists of the pro forma consolidated statement of financial position as at 31 December 2017, the pro forma consolidated statement of comprehensive income for the financial year ended 31 December 2017, the pro forma consolidated statement of cash flows for the financial year ended 31 December 2017, and related notes as set out in pages C-5 to C-34 of the Circular issued by the Company. The applicable criteria on the basis of which management has compiled the pro forma consolidated financial information are described in Note 2.

The pro forma consolidated financial information has been compiled by management to illustrate the impact of the events set out in Note 2 on the Enlarged Group’s financial position as at 31 December 2017 as if the events had taken place on 31 December 2017; and its financial performance and cash flows for the financial year ended 31 December 2017 as if the events had taken place on 1 January 2017. As part of this process, information about the Enlarged Group’s financial position, financial performance and cash flows has been extracted by management from the Company’s financial statements for the financial year ended 31 December 2017, on which an audit report has been published; and the unaudited pro forma financial information of the Target for the financial years ended 31 December 2017.

Management’s Responsibility for the Pro Forma Consolidated Financial Information

Management is responsible for compiling the pro forma consolidated financial information on the basis as described in Note 2.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply *Singapore Standard on Quality Control 1* and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**INDEPENDENT AUDITOR’S REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED
FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2017 (CONT’D)**

Auditor’s Responsibilities

Our responsibility is to express an opinion about whether the pro forma consolidated financial information has been compiled, in all material respects, by management on the basis as described in Note 2.

We conducted our engagement in accordance with Singapore Standard on Assurance Engagements (SSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Institute of Singapore Chartered Accountants. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the pro forma consolidated financial information on the basis as described in Note 2.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of pro forma consolidated financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at the respective dates would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria, involves performing procedures to assess whether the applicable criteria used by management in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- (i) The related pro forma adjustments give appropriate effect to those criteria; and
- (ii) The pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner’s judgment, having regard to the practitioner’s understanding of the nature of the Enlarged Group, the event or transaction in respect of which the pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**INDEPENDENT AUDITOR’S REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED
FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2017 (CONT’D)**

Opinion

In our opinion,

- (a) The unaudited pro forma consolidated financial information has been compiled:
 - (i) in a manner consistent with the accounting policies adopted by the Enlarged Group, which are in accordance with Singapore Financial Reporting Standards;
 - (ii) on the basis of the applicable criteria stated in Note 2 to the pro forma consolidated financial information; and
- (b) each material adjustment made to the information used in the preparation of the pro forma consolidated financial information is appropriate for the purpose of preparing such unaudited pro forma consolidated financial information.

Restriction on Distribution and Use

This report is made solely to you as a body and for the inclusion in the Circular to be issued in relation to the proposed acquisition by the Company of the entire issued and paid-up share capital of AVH Animal Ark Pte. Ltd..

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
29 June 2018

Partner-in-charge: Yeow Hui Cheng

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Note	2017 \$
Revenue	5	4,028,769
Cost of sales		(2,049,739)
Gross profit		1,979,030
Other operating income	6	140,282
Other operating expenses		(4,374,074)
Finance costs		(66,871)
Loss before tax	7	(2,321,633)
Income tax expense	9	(45,796)
Loss for the year, representing total comprehensive income for the year		(2,367,429)
Loss per share attributable to owners of the Company (in S\$ cents)		
Basic and diluted		(1.7)

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	2017 \$
ASSETS		
Non-current asset		
Plant and equipment	11	590,249
Goodwill	12	8,704,369
Current assets		
Cash and cash equivalents	13	11,798,238
Other receivables		323,396
Prepayments		3,400
Inventories	14	54,876
Total current assets		12,179,910
Total assets		21,474,528
EQUITY AND LIABILITIES		
Current liabilities		
Other payables and accruals	15	222,057
Total current liabilities		222,057
Net current assets		11,957,853
Non-current liabilities		
Other payables and accruals	15	2,009,494
Net assets		19,242,977
Equity attributable to equity holders of the Company		
Share capital	16	21,092,919
Capital reserve	17	367,000
Accumulated losses		(2,216,942)
Total equity		19,242,977

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	2017 \$
Cash flows from operating activities:	
Loss before tax	(2,321,633)
Adjustment for:	
Interest income	(123,062)
Interest expense	66,871
Equity-settled share based payments	1,257,000
Unrealised exchange loss	1,102
Depreciation of plant and equipment	144,071
Operating loss before changes in working capital	(975,651)
Increase in trade receivables	(30,274)
Decrease in other receivables	46,914
Decrease in inventories	15,124
Increase in trade payables	183,241
Increase in other payables and accruals	92,731
Cash used in operations	(667,915)
Interest received	124,417
Income taxes paid	(3,263)
Net cash flows used in operating activities	(546,761)
Cash flows from investing activities	
Purchase of plant and equipment	(60,331)
Proceeds from consideration receivable from disposal of subsidiaries	1,655,479
Release of restricted deposits	15,571,163
Acquisition of business assets (net of cash acquired)	(5,165,111)
Net cash flows from investing activities	12,001,200
Cash flows from financing activity	
Dividends paid	(1,264,400)
Net cash flows used in financing activity	(1,264,400)
Net increase in cash and cash equivalents	10,190,039
Cash and cash equivalents at beginning of year	2,722,838
Effects of exchange rate changes on cash and cash equivalents	(1,102)
Cash and cash equivalents at end of year	12,911,775

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Audited Statement of Comprehensive Income 2017 \$	Pro Forma Adjustments Relating to the Target⁽¹⁾ 2017 \$	Other Pro Forma Adjustments⁽²⁾ 2017 \$	Unaudited Pro Forma Consolidated Statement of Comprehensive Income 2017 \$
Revenue	–	4,028,769	–	4,028,769
Cost of sales	–	(2,049,739)	–	(2,049,739)
Gross profit	–	1,979,030	–	1,979,030
Other operating income	123,794	16,488	–	140,282
Other operating expenses	(1,044,252)	(1,192,931)	(2,136,891)	(4,374,074)
Finance costs	–	(66,871)	–	(66,871)
(Loss)/profit before tax	(920,458)	735,716	(2,136,891)	(2,321,633)
Income tax expense	(3,263)	(42,533)	–	(45,796)
(Loss)/profit for the year, representing total comprehensive income for the year	(923,721)	693,183	(2,136,891)	(2,367,429)

Note to the Pro Forma Adjustments:

- (1) Being the pro forma adjustments to effect the acquisition of the Target on 1 January 2017.
- (2) Being transaction costs relating to the proposed acquisition of AVH Animal Ark Pte. Ltd.. Total transaction costs for the proposed acquisition amount to \$2,516,891, of which, \$380,000 has been recorded by the Company in its audited statement of comprehensive income in 2017.

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Audited Statement of Financial Position 2017 \$	Pro Forma Adjustments Relating to the Target⁽¹⁾ 2017 \$	Other Pro Forma Adjustments⁽²⁾ 2017 \$	Unaudited Pro Forma Consolidated Statement of Financial Position 2017 \$
ASSETS				
Non-current asset				
Plant and equipment	–	590,249	–	590,249
Goodwill	–	8,704,369	–	8,704,369
Current assets				
Cash and bank deposits	748,280	(5,130,760)	16,180,718	11,798,238
Restricted deposits	17,290,766	–	(17,290,766)	–
Other receivables	300,636	22,760	–	323,396
Prepayments	3,400	–	–	3,400
Inventories	–	54,876	–	54,876
Total current assets	18,343,082	(5,053,124)	(1,110,048)	12,179,910
Total assets	18,343,082	4,241,494	(1,110,048)	21,474,528
EQUITY AND LIABILITIES				
Current liabilities				
Other payables and accruals	452,214	–	(230,157)	222,057
Total current liabilities	452,214	–	(230,157)	222,057
Net current assets	17,890,868	(5,053,124)	(879,891)	11,957,853
Non-current liabilities				
Other payables and accruals	–	2,009,494	–	2,009,494
Net assets	17,890,868	2,232,000	(879,891)	19,242,977
Equity attributable to owners of the Company				
Share capital	17,970,919	2,232,000	890,000	21,092,919
Capital reserve	–	–	367,000	367,000
Accumulated losses	(80,051)	–	(2,136,891)	(2,216,942)
Total equity	17,890,868	2,232,000	(879,891)	19,242,977

Note to the Pro Forma Adjustments:

- (1) Being the pro forma adjustments to effect the acquisition of the Target on 31 December 2017.
- (2) The other pro forma adjustments relate to (i) the reclassification of the restricted deposits to cash and bank deposits due to the release of the restricted deposits from the escrow account. Restricted deposits represents cash held in an escrow account which can be drawn down upon completion of the Proposed Acquisition, (ii) the transaction costs relating to the proposed acquisition of AVH Animal Ark Pte. Ltd., and (iii) reversal of transaction costs accrued by the Company in 2017.

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONSOLIDATED
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Audited Financial Statement of Cash Flows 2017 \$	Pro Forma Adjustments Relating to the Target⁽¹⁾ 2017 \$	Other Pro Forma Adjustments⁽²⁾ 2017 \$	Unaudited Pro Forma Consolidated Statement of Cash Flows 2017 \$
Cash flows from operating activities:				
Loss before tax	(920,458)	735,716	(2,136,891)	(2,321,633)
Adjustment for:				
Interest income	(123,062)	–	–	(123,062)
Interest expense	–	66,871	–	66,871
Equity-settled share based payments	–	–	1,257,000	1,257,000
Unrealised exchange loss	1,102	–	–	1,102
Depreciation of plant and equipment	–	144,071	–	144,071
Operating loss before changes in working capital	(1,042,418)	946,658	(879,891)	(975,651)
Increase in trade receivables	–	(30,274)	–	(30,274)
Decrease in other receivables	892	46,022	–	46,914
Decrease in inventories	–	15,124	–	15,124
Increase in trade payables	–	183,241	–	183,241
Increase/(decrease) in other payables and accruals	275,440	47,448	(230,157)	92,731
Cash (used in)/generated from operations	(766,086)	1,208,219	(1,110,048)	(667,915)
Interest received	124,417	–	–	124,417
Income taxes paid	(3,263)	–	–	(3,263)
Net cash flows (used in)/generated from operating activities	(644,932)	1,208,219	(1,110,048)	(546,761)
Cash flows from investing activities				
Purchase of plant and equipment	–	(60,331)	–	(60,331)
Proceeds from consideration receivable from disposal of subsidiaries	1,655,479	–	–	1,655,479
(Placement)/release of restricted deposits	(1,719,603)	–	17,290,766	15,571,163
Acquisition of business assets (net of cash acquired)	–	(5,165,111)	–	(5,165,111)
Net cash flows (used in)/from investing activities	(64,124)	(5,225,442)	17,290,766	12,001,200
Cash flows from financing activity				
Dividends paid	(1,264,400)	–	–	(1,264,400)
Net cash flows used in financing activity	(1,264,400)	–	–	(1,264,400)
Net (decrease)/increase in cash and cash equivalents	(1,973,456)	(4,017,223)	16,180,718	10,190,039
Cash and cash equivalents at beginning of year	2,722,838	–	–	2,722,838
Effects of exchange rate changes on cash and cash equivalents	(1,102)	–	–	(1,102)
Cash and cash equivalents at end of year	748,280	(4,017,223)	16,180,718	12,911,775

Note to the Pro Forma Adjustments:

- (1) Being the pro forma adjustments to effect the acquisition of the Target on 1 January 2017.
- (2) The other pro forma adjustments relate to (i) the reclassification of the restricted deposits to cash and bank deposits due to the release of the restricted deposits from the escrow account. Restricted deposits represents cash held in an escrow account which can be drawn down upon completion of the Proposed Acquisition, (ii) the transaction costs relating to the proposed acquisition of AVH Animal Ark Pte. Ltd., and (iii) reversal of transaction costs accrued by the Company in 2017.

APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Smartflex Holdings Ltd.

Notes to the Unaudited Pro Forma Consolidated Financial Information For the financial year ended 31 December 2017

1. Corporate information

Smartflex Holdings Ltd. (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The Company is considered to be a de facto subsidiary of Tan Gee Beng Pte Ltd. In this connection, the immediate and ultimate holding company of the Company is Tan Gee Beng Pte Ltd, which is incorporated in Singapore.

The registered office and principal place of business of the Company is located at 95 Amoy Street, Singapore 069915. The principal activity of the Company is that of investment holding.

2. Basis of preparation of the unaudited pro forma consolidated financial information

The unaudited pro forma consolidated financial information of the Enlarged Group in this report is expressed in Singapore Dollars (SGD or \$). The financial information has been prepared for illustrative purposes only. It has been prepared based on certain assumptions and after making certain adjustments to show:

- (a) the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2017 had the proposed acquisition, as described below, been completed on 31 December 2017; and
- (b) the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the financial year ended 31 December 2017 had the proposed acquisition, as described below, been completed on 1 January 2017.

The pro forma consolidated financial information take into account the following bases and assumptions:

Proposed acquisition

On 8 September 2017, the Company entered into a conditional sale and purchase agreement with Hu Zhi Investments Limited (the “Vendor”) and David Wendyl Karl Jenkins for the entire issued share capital of AVH Animal Ark Pte. Ltd. (the “Target”) for a purchase consideration of S\$9,300,000 (the “Proposed Acquisition”). Upon completion of the Proposed Acquisition, the Target will be a wholly-owned subsidiary of the Company.

As part of this process, information about the Enlarged Group’s financial position, financial performance and cash flows have been extracted by management from the following:

- (a) Audited financial statements of the Company for the financial year ended 31 December 2017 as audited by Ernst & Young LLP, Singapore. These financial statements are prepared in accordance with Singapore Financial Reporting Standards (“SFRS”) and are presented in SGD; and
- (b) Unaudited pro forma consolidated financial information of the Target for the financial year ended 31 December 2017 which is prepared in accordance with Singapore Financial Reporting Standards (“SFRS”) and is presented in SGD.

APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Smartflex Holdings Ltd.

Notes to the Unaudited Pro Forma Consolidated Financial Information For the financial year ended 31 December 2017

2. Basis of preparation of the unaudited pro forma consolidated financial information (cont'd)

The objective of the unaudited pro forma consolidated financial information of the Enlarged Group is to show what the financial performances and cash flows of the Enlarged Group would have been had the Proposed Acquisition been completed on 1 January 2017 and what the financial position of the Enlarged Group would have been had the Proposed Acquisition been completed on 31 December 2017.

3 Summary of significant accounting policies

3.1 *Basis of preparation*

The unaudited pro forma consolidated financial information of the Enlarged Group has been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The unaudited pro forma consolidated financial information has been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The unaudited pro forma consolidated financial information is presented in Singapore Dollars (SGD or \$), which is the functional currency of the Company.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Enlarged Group will adopt SFRS(I) on 1 January 2018.

The Enlarged Group has performed an assessment of the impact of adopting SFRS(I). The Enlarged Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application.

3.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Enlarged Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Enlarged Group.

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Smartflex Holdings Ltd.

**Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017**

3 Summary of significant accounting policies (cont'd)

3.3 *Standards issued but not yet effective*

The Enlarged Group has not adopted the following standards and interpretations applicable to the Enlarged Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 40 Transfers of Investment Property	1 January 2018
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116 Leases	1 January 2019
Improvements to FRSs (December 2016)	
– Amendments to FRS 28 Investments in Associates and Joint Ventures	1 January 2018
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 109 Prepayment Features with Negative Compensation	1 January 2019
Amendments to FRS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Improvements to FRSs (March 2018)	
– Amendments to FRS 103 Business Combinations	1 January 2019
– Amendments to FRS 111 Joint Arrangements	1 January 2019
– Amendments to FRS 12 Income Taxes	1 January 2019
– Amendments to FRS 23 Borrowing Costs	1 January 2019
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The directors expect that the adoption of the standards and interpretations above will have no material impact on the unaudited pro forma consolidated financial information in the period of initial application.

APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Smartflex Holdings Ltd.

Notes to the Unaudited Pro Forma Consolidated Financial Information For the financial year ended 31 December 2017

3 Summary of significant accounting policies (cont'd)

3.4 *Basis of consolidation and business combinations*

Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, and the fair value of the Enlarged Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Enlarged Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

3.5 *Functional and foreign currency*

(a) *Functional currency*

The management has determined the currency of the primary economic environment in which the Company and the Target operate i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Smartflex Holdings Ltd.

Notes to the Unaudited Pro Forma Consolidated Financial Information For the financial year ended 31 December 2017

3 Summary of significant accounting policies (cont'd)

3.5 *Functional and foreign currency (cont'd)*

(b) *Transactions and balances*

Transactions in foreign currencies are measured in the functional currency of the respective entity and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the end of the financial period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the financial period are recognised in profit or loss.

3.6 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Enlarged Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) *Rendering of services*

Revenue from rendering of services are recognised when services are rendered.

3.7 *Plant and equipment*

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

When significant parts of plant and equipment are required to be replaced in intervals, the Enlarged Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Smartflex Holdings Ltd.

Notes to the Unaudited Pro Forma Consolidated Financial Information For the financial year ended 31 December 2017

3 Summary of significant accounting policies (cont'd)

3.7 *Plant and equipment (cont'd)*

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Veterinary and medical equipment	–	7 years
Office and other equipment	–	7 years
Furniture and fixtures	–	7 years
Computer	–	3 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

3.8 *Impairment of non-financial assets*

The Enlarged Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Enlarged Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Smartflex Holdings Ltd.

Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017

3 Summary of significant accounting policies (cont'd)

3.9 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Enlarged Group becomes a party to the contractual provisions of the financial instrument. The Enlarged Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Enlarged Group becomes a party to the contractual provisions of the financial instrument. The Enlarged Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Smartflex Holdings Ltd.

Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017

3 Summary of significant accounting policies (cont'd)

3.9 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.10 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.11 *Impairment of financial assets*

The Enlarged Group assesses at the end of each financial period whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Enlarged Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Enlarged Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Smartflex Holdings Ltd.

Notes to the Unaudited Pro Forma Consolidated Financial Information For the financial year ended 31 December 2017

3 Summary of significant accounting policies (cont'd)

3.11 *Impairment of financial assets (cont'd)*

Financial assets carried at amortised cost (cont'd)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Enlarged Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3.12 *Provisions*

Provisions are recognised when the Enlarged Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Smartflex Holdings Ltd.

Notes to the Unaudited Pro Forma Consolidated Financial Information For the financial year ended 31 December 2017

3 Summary of significant accounting policies (cont'd)

3.13 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for on a first in first out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.14 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

3.15 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Enlarged Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Smartflex Holdings Ltd.

**Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017**

3 Summary of significant accounting policies (cont'd)

3.15 Taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Smartflex Holdings Ltd.

**Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017**

3 Summary of significant accounting policies (cont'd)

3.16 *Employee benefits*

(a) Defined contribution plans

The Enlarged Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

3.17 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3.18 *Leases*

As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. Significant accounting judgements and estimates

The preparation of the Enlarged Group's unaudited pro forma consolidated financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Smartflex Holdings Ltd.

Notes to the Unaudited Pro Forma Consolidated Financial Information For the financial year ended 31 December 2017

4. Significant accounting judgements and estimates (cont'd)

4.1 *Judgements made in applying accounting policies*

In the process of applying the Enlarged Group's accounting policies, management is of the opinion that there are no critical judgements involved that have a significant effect on amounts recognised in the unaudited pro forma consolidated financial information.

4.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Enlarged Group based its assumptions and estimates on parameters available when the unaudited pro forma consolidated financial information were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Enlarged Group. Such changes are reflected in the assumptions when they occur.

(a) Accounting for business combination

In accounting for the business combination, estimation is required in assessing the fair value measurement of the purchase consideration and the acquired assets. The carrying value of the goodwill and deferred consideration payable on date of acquisition is described in Note 12 to the unaudited pro forma consolidated financial information.

(b) Useful lives of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 7 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets, therefore future depreciation changes could be revised. The carrying amount of the Enlarged Group's plant and equipment at the end of the reporting period is disclosed in Note 11 to the unaudited pro forma consolidated financial information.

5. Revenue

This represents revenue from rendering of services and sales of veterinary medicine.

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Smartflex Holdings Ltd.

**Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017**

6. Other operating income

	2017
	\$
Interest income from financial institutions	123,062
Government grants – Employment credit	12,474
PIC cash payout	4,746
	<hr/>
	140,282
	<hr/>

7. Loss before tax

The following items have been included in arriving at loss before tax:

	2017
	\$
Employee benefits expense	1,971,766
Directors' fee	109,500
Cost of inventories recognised in cost of sales	857,204
Professional fees	94,446
Transaction costs relating to Proposed Acquisition (Note 8)	2,516,891
Foreign exchange loss	1,401
Rental expense	342,000
Depreciation of plant and equipment	144,071
	<hr/>

Employee benefits expense:

– Salaries and bonuses	1,798,111
– Cost of defined contribution plans	151,516
– Other benefits	22,139
	<hr/>
	1,971,766
	<hr/>

The employee benefits expense is charged under:

– Cost of sales	1,192,535
– Other operating expenses	779,231
	<hr/>
	1,971,766
	<hr/>

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Smartflex Holdings Ltd.

**Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017**

7. Loss before tax (cont'd)

Compensation to key management personnel

	2017
	\$
Salaries and bonuses	1,155,900
Central Provident Fund contributions	66,604
	<hr/> 1,222,504 <hr/>
Comprise amounts paid to:	
Director of the Company	314,340
Other key management personnel	908,164
	<hr/> 1,222,504 <hr/>

Included in the compensation to key management personnel is the remuneration to one key management personnel who is a veterinarian and his remuneration has been taken up in cost of sales.

8. Transaction costs

	2017
	\$
Cash-settled payment for professional services rendered	1,259,891
Equity-settled share based payment:	
– Arranger shares	740,000
– Bonus issue warrants (Note 17)	367,000
– Financial adviser shares	150,000
	<hr/> 2,516,891 <hr/>

On 8 September 2017, the Company entered into a Finders Fee Arrangement and Consultancy Agreement (the “FEA”) with Tiger Equities Pte Ltd (“Tiger”) and ZICO Capital Pte Ltd (“Zico”). Tiger shall (a) introduce the business of the Animal Ark Group to the Company; and/or (b) if required by the Company, arrange for the restructuring of the transaction to be entered to be entered into by the Company for the acquisition of the business of the Animal Ark Group and if required by the Company, Zico shall provide the Company financial advisory services in connection with the Proposed Acquisition (collectively known as the “Services”).

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Smartflex Holdings Ltd.

**Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017**

8. Transaction costs (cont'd)

In consideration for Tiger and Zico providing the Services, Tiger and Zico shall be entitled to certain number of the Arranger Shares (as defined below) and Tiger shall be entitled to certain number of the Bonus Issue Warrants (as defined below).

Arranger Shares

Immediately upon completion of the Proposed Acquisition, the Company shall issue 2,960,000 new ordinary shares in the capital of the Company (the "Arranger Shares") equivalent to the amount of \$740,000, at an issue price of \$0.25 per Arranger Share to Tiger and Zico. The Company has assumed \$0.25 per ordinary share approximates the fair value of the shares at the date of completion.

Bonus Issue Warrants

Immediately upon completion of the Proposed Acquisition, the Company shall issue 5,300,000 bonus issue warrants (the "Bonus Issue Warrants") to Tiger and/or its nominees at an issue price of \$0.0001 per Bonus Issue Warrant, each Bonus Issue Warrant carrying the right to subscribe for one new share at an exercise price of \$0.25 and having an expiry date of 30 June 2020. The Company applied the Black-Scholes option valuation model to estimate the fair value of the Bonus Issue Warrants. The Company has assumed \$0.25 per ordinary share approximates the fair value of the shares at the date of completion.

Financial Adviser Shares

The Company will issue 600,000 new ordinary shares in the capital of the Company (the "Financial Adviser Shares") to Zico equivalent to the amount of \$150,000, at the issue price of S\$0.25 per Financial Adviser Share pursuant to the mandate letter between Zico and the Company and as part of the settlement of the financial advisory fee due to Zico as sponsor and financial adviser. The Company has assumed \$0.25 per ordinary share approximates the fair value of the shares at the date of completion.

9. Income tax expense

The major components of income tax expense for the year ended 31 December 2017 are:

	2017
	\$
Current income tax:	
– Current taxation	42,533
– Under provision in respect of previous year	3,263
	<hr/>
	45,796
	<hr/>

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Smartflex Holdings Ltd.

**Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017**

9. Income tax expense (cont'd)

Relationship between tax expense and accounting loss

The reconciliation between the tax expense and product of accounting loss multiplied by the applicable corporate tax rate for the year ended 31 December 2017 is as follows:

	2017
	\$
Loss before tax	(2,321,633)
Tax charge at statutory rate of 17%	(394,678)
Adjustments:	
Non-deductible expenses	551,423
Effect of partial tax exemption and tax relief	(119,942)
Under provision in respect of previous years	3,263
Others	5,730
Income tax expense recognised in profit or loss	45,796

10. Loss per share

Basic earnings per share are calculated by dividing loss for the year, net of tax, attributable to the owners of the Company by share capital of 138,928,002 shares.

Diluted earnings per share are the same as basic earnings per share as there were no potential dilutive shares existing during the financial year.

	2017
	\$
Loss for the year attributable to owners of the Company	(2,367,429)

11. Plant and equipment

	Cost	Accumulated depreciation	Net carrying amount
	\$	\$	\$
As at 31 December 2017			
Veterinary and medical equipment	759,748	271,703	488,045
Office and other equipment	64,290	23,489	40,801
Furniture and fixtures	78,900	33,339	45,561
Computer	50,028	34,186	15,842
	952,966	362,717	590,249

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
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Smartflex Holdings Ltd.

**Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017**

12. Goodwill

Acquisition of AVH Animal Ark Pte. Ltd.

On 8 September 2017, the Company entered into a conditional sale and purchase agreement with Hu Zhi Investments Limited (the “Vendor”) and David Wendyl Karl Jenkins in relation to the proposed acquisition of all the issued and fully-paid shares in the capital of AVH Animal Ark Pte. Ltd. (the “Target”) (the “Proposed Acquisition”).

In consideration of the acquisition of the Target, the Company shall pay to the Vendor, an aggregate purchase consideration of \$9,300,000. The purchase consideration consists of initial payout (80%) and retention sum (20%). The purchase consideration shall be fully satisfied by 70% in cash and 30% via the issuance and allotment of the Company’s shares. The initial payout and retention sum of the purchase consideration is as follows:

(a) Initial payout

- (i) 56% of the purchase consideration to be settled via cash immediately upon completion; and
- (ii) 24% of the purchase consideration to be paid via the issuance and allotment of the new shares of the Company, at an issue price of \$0.25 per share. For the purpose of the purchase price allocation, the Company has assumed \$0.25 per share approximates the fair value of the shares at date of completion.

(b) Retention sum

- (i) 14% of the purchase consideration to be paid in cash and which shall be held in escrow by the Company for the retention period of 30 months after the completion date (the “Retention Period”) and the average EBIT determination period being 20 days after the expiry of the Retention Period (the “Average EBIT Determination Period”); and
- (ii) 6% of the purchase consideration to be paid via the issuance and allotment of the new shares of the Company at an issue price based on the 10-day volume-weighted average price of SFH’s shares prior to the 30-month anniversary of the completion date.

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
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Smartflex Holdings Ltd.

**Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017**

12. Goodwill (cont'd)

Acquisition of AVH Animal Ark Pte. Ltd. (cont'd)

The retention sum will be adjusted based on the following adjustment mechanism:

- (a) If the average earnings before interest and tax ("EBIT") (on an annualised basis) derived from the business and assets of the Company over the Retention Period (the "Average EBIT") is less than the agreed EBIT as specified in the Sales and Purchase Agreement (the "Agreed EBIT"), the vendor shall fully indemnify the Company for the difference between the Average EBIT and the Agreed EBIT by way of adjustment of the retention sum to be paid by the Company to the vendor at the end of the Average EBIT Determination Period. The retention sum shall be adjusted downwards proportionately in accordance with the mechanism specified in the Sales and Purchase Agreement to reflect the lower EBIT, provided that in all circumstances, the amount to be adjusted shall be capped at the retention sum.
- (b) If the Average EBIT is more than 105% of the Agreed EBIT, the retention sum to be paid at the end of the Average EBIT Determination Period shall be increased proportionally in accordance with the mechanism specified in the Sales and Purchase Agreement to account for any additional average EBIT (on an annualised basis) exceeding 105% of the Agreed EBIT.

For the purpose of the pro forma consolidated statement of financial position, the goodwill amount has been computed based on the assets of AVH Animal Ark Pte. Ltd. as at 31 December 2017, as follows:

	2017
	\$
<u>Fair values of identifiable assets and liabilities</u>	
Plant and equipment	590,249
Cash and cash equivalents	77,240
Deposits	22,760
Inventories	54,876
	<hr/>
Total identifiable net assets at fair value	745,125
Goodwill arising from acquisition	8,704,369
	<hr/>
Total fair value of purchase consideration	<u><u>9,449,494</u></u>

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Smartflex Holdings Ltd.

**Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017**

12. Goodwill (cont'd)

Acquisition of AVH Animal Ark Pte. Ltd. (cont'd)

	2017
	\$
<u>Consideration transferred for the acquisition of business</u>	
Consideration transferred on acquisition date	7,440,000
Deferred consideration payable*	2,009,494
	<hr/>
Total fair value of purchase consideration	9,449,494
	<hr/> <hr/>

Consequently, the Enlarged Group recorded a goodwill amount of \$8,704,369 arising from the acquisition. The pro forma goodwill amount above will differ from the actual goodwill amount recorded due to different basis of preparation.

* Deferred consideration payable is derived based on management's estimate of the Average EBIT (in accordance with the adjustment mechanism detailed above) and discounted to net present value.

For the purpose of the pro forma consolidated statement of cash flows, the effects of the acquisition on cash flows has been computed as follows:

	2017
	\$
<u>Effect of the acquisition on cash flows</u>	
Total fair value of purchase consideration	9,449,494
Less: Non-cash consideration	(2,232,000)
Less: Deferred consideration payable	(2,009,494)
Less: Cash and cash equivalents of subsidiary acquired	(42,889)
	<hr/>
Net cash outflow on acquisition	5,165,111
	<hr/> <hr/>

13. Cash and bank deposits

	2017
	\$
Cash on hand	16,302
Cash at bank	11,781,936
	<hr/>
	11,798,238
	<hr/> <hr/>

Cash at banks

Cash at banks earns interest at floating rates based on daily bank deposit rates.

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Smartflex Holdings Ltd.

Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017

14. Inventories

	2017
	\$
Veterinarian supplies	54,876

15. Other payables and accruals

	2017
	S\$
Current:	
Accruals	221,924
Other payables	133
	<u>222,057</u>
Non-current:	
Deferred consideration payable	2,009,494
	<u>2,231,551</u>

Deferred consideration payable pertains to the Final Payment due to the Vendor for the acquisition of the Target. The amount is payable to the vendor on or before 30 months from the completion date. Information regarding the Final Payment is disclosed in Note 12.

16. Share capital

	2017	
	No. of shares	\$
Issued and fully paid ordinary shares:	138,928,002	21,092,919

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Smartflex Holdings Ltd.

Notes to the Unaudited Pro Forma Consolidated Financial Information For the financial year ended 31 December 2017

17. Capital reserve

Upon completion of the Proposed Acquisition, the Company shall issue 5,300,000 bonus issue warrants (the “Bonus Issue Warrants”) to Tiger Equities Pte. Ltd. (“Tiger”) and/or its nominees at an issue price of \$0.0001 per Bonus Issue Warrant. Each Bonus Issue Warrant carries the right to subscribe for one new share at an exercise price of \$0.25 and have an expiry date of 30 June 2020. The Bonus Issue Warrants are issued for services rendered by Tiger in relation to the introduction of the business of The Animal Ark Group to the Company and/or the arrangement for the restructuring of the transaction to be entered into by the Company for the acquisition of the business of The Animal Ark Group.

The value ascribed to the Bonus Issue Warrants is credited as a reserve in equity under capital reserve and an appropriate amount will be transferred to the share capital account as and when the Bonus Issue Warrants are exercised.

18. Financial risk management objectives and policies

The Enlarged Group is exposed to financial risks arising from its operations. The key financial risks include credit risk, liquidity risk and interest rate risk. The Board of directors reviews and agrees policies and procedures for the management of these risks.

The following sections provide details regarding the Enlarged Group’s exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Enlarged Group’s exposure to credit risk arises primarily from other receivables. For other financial assets (including cash and bank balances), the Enlarged Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Enlarged Group’s objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Enlarged Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis by the Enlarged Group.

Financial assets that are neither past due nor impaired

Other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Enlarged Group. Cash and cash equivalents are placed with or entered into a reputable financial institution with a high credit rating and no history of default.

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
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Smartflex Holdings Ltd.

**Notes to the Unaudited Pro Forma Consolidated Financial Information
For the financial year ended 31 December 2017**

18. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Financial assets that are either past due or impaired

As at 31 December 2017, the Enlarged Group does not have any financial assets that are either past due or impaired.

(b) Liquidity risk

Liquidity risk is the risk that the Enlarged Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Enlarged Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Enlarged Group's objective is to maintain a balance between continuity of funding through the use of working capital.

The table below summarises the maturity profile of the Enlarged Group's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

2017	One year or less \$	One to five years \$	Total \$
Financial assets:			
Cash and cash equivalents	11,798,238	–	11,798,238
Other receivables	323,396	–	323,396
Total undiscounted financial assets	12,121,634	–	12,121,634
Financial liabilities:			
Other payables and accruals	222,057	2,193,000	2,415,057
Total undiscounted financial liabilities	222,057	2,193,000	2,415,057
Total net undiscounted financial assets/(liabilities)	11,899,577	(2,193,000)	9,706,577

(c) Interest rate risk

The Enlarged Group has minimal exposure to interest rate risk as it does not have significant interest bearing financial assets and liabilities at the end of the reporting period.

**APPENDIX C – UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Smartflex Holdings Ltd.

**Notes to the Unaudited Pro Forma Consolidated Financial Information
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19. Capital management

The primary objective of the Enlarged Group's capital management is to safeguard the Enlarged Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to maximise shareholder value.

The Enlarged Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Enlarged Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2017.

20. Authorisation of the pro forma consolidated financial information

The unaudited pro forma consolidated financial information for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 29 June 2018.

APPENDIX D – VALUATION LETTER

INDEPENDENT VALUATION SUMMARY LETTER FROM RSMCA

23 May 2018

The Board of Directors
Smartflex Holdings Ltd.
95 Amoy Street
Singapore 069915

Dear Sirs,

1. INTRODUCTION

RSM Corporate Advisory Pte Ltd. ("RSMCA") has been engaged by the Board of Directors (the "Board") of Smartflex Holdings Ltd. ("Smartflex" or the "Company") to conduct an independent valuation and estimate the fair market value ("Fair Market Value" or "FMV") of 100% of the share capital of AVH Animal Ark Pte. Ltd., (formerly known as Asia Vets Holdings Pte. Ltd.) ("AVH" or the "Target") as at 31 December 2017 (the "Valuation Date"), the latest date on which proforma financial information of the Target are available.

This letter has been prepared for the purpose of incorporation in the circular ("Circular") to be issued in relation to the proposed acquisition by Smartflex, of all the issued and fully-paid shares in the capital of the Target ("Proposed Acquisition"). The completion of the Proposed Acquisition is subject to the transfer of the relevant business and assets of the Animal Ark Group (being The Animal Ark (TCM) Pte. Ltd., The Animal Ark (Tampines) Pte. Ltd., The Animal Ark (Binjai) Pte. Ltd., and The Animal Ark Pte. Ltd.) to the Target.

This letter indicates our conclusion in relation to the Fair Market Value of the Target as at 31 December 2017 that is contained in our report dated 23 May 2018 (the "Valuation Report"). Accordingly, this letter should be read in conjunction with the full text of the Valuation Report.

Unless otherwise stated, words and expressions defined in the Circular for the purpose of obtaining shareholder's approval for the Proposed Acquisition have the same meaning in this letter.

2. TERMS OF REFERENCE

Scope of Work

RSMCA has been appointed by Smartflex to conduct an independent valuation and estimate a Fair Market Value of 100% of the share capital of AVH as at 31 December 2017.

Fair Market Value is defined as "the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts" as set out in the International Glossary of Business Valuation Terms by the National Association of Certified Valuators and Analysts.

We have used the Income Approach to estimate the Fair Market Value of 100% of the share capital of AVH. Under the Income Approach, the Fair Market Value has been estimated as the sum of the future free operating cash flows expected to be generated by AVH discounted to its present value as at 31 December 2017, using the Weighted Average Cost of Capital ("WACC") on a stand-alone going concern basis. The expected future free operating cash flows are defined as the cash generated from operations taking into account requirements for capital expenditure and incremental working capital.

We have also considered the Market Approach as a cross-check. The Market Approach involves comparison of the subject company with other public companies operating in similar businesses. Considerations such as the historical performance of the business, the expected level of future operating performance, significant changes occurring in the operating environment, the underlying

APPENDIX D – VALUATION LETTER

The Board of Directors
Smartflex Holdings Ltd

cyclical nature of the business and other relevant factors are analysed for comparable companies, and adjustments to the prices observed are made, if appropriate, to indicate a FMV for the subject company

RSMCA's compensation is not contingent upon the reporting of a value or direction in value that favours anyone, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

Limitations of our Valuation Report and this letter

This letter and the Valuation Report are addressed strictly to the Board of Smartflex and for the intended purpose as set out above and accordingly neither the Valuation Report nor this letter may be used or relied upon in any other connection by, and is not intended to confer any benefit on, any person (including without limitation the respective shareholders of Smartflex).

Our terms of reference do not require us to evaluate or comment on the rationale, or the strategic or long term perspective of the Proposed Acquisition or future financial performance of the Target. We are not required to express any view on the growth prospects or potential of the Target.

The Valuation Report, which is not intended to be and is not included in the Circular, does not purport to contain all the information that may be necessary or desirable from the date of the Circular up to and including the date of the EGM to approve amongst others, the Proposed Acquisition to fully evaluate the Proposed Acquisition. The Valuation Report however, is a document of inspection.

We are not required to conduct a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Target and such remain the sole responsibility of the Board and the management of Smartflex ("Management"). We will not be expressing any opinion on the commercial merits and structure of the Proposed Acquisition, nor are we providing any opinion, expressed or implied, as to the price of the shares or the financial condition or performance of Smartflex upon the completion of the Proposed Acquisition.

Our estimate of the Fair Market Value of the Target is based upon prevailing market, economic, industry, monetary and other conditions and on the information made available to us as of the date of the Valuation Report. Such conditions may change significantly over a relative short period of time and we assume no responsibility and are not required to update, revise or reaffirm our conclusion set out in this letter to reflect events or developments subsequent to the date of this letter and the Valuation Report.

We understand that the independent financial advisor ("IFA") will refer to our Valuation Report as part of their assessment of the Proposed Acquisition. Our work and Valuation Report are not meant to substitute their own procedures to substantiate the opinion they are required to render.

Reliance on information

In conducting our work, we have held discussions with Management, as well as the management of the Animal Ark Group, and we have relied on the information (including representations, opinions, facts and statements) provided to us by the Board, Management and employees of the Company, the director of the Target, and the management and the directors of the Animal Ark Group, as well as other publicly available information, upon which analysis is based. Management and the Board, the director of the Target and management and directors of the Animal Ark Group have confirmed to us, that all material information available to them with respect to the Target that is relevant for the purpose of our terms of reference, has been disclosed to us and that such information is fair and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us to be inaccurate or misleading in any material respect on the Target.

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us as described above, whether written or verbal, and no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

APPENDIX D – VALUATION LETTER

The Board of Directors
Smartflex Holdings Ltd

3. KEY ASSUMPTIONS

The Fair Market Value of 100% of the share capital of the Target is based on the information provided by and representations made by Management, the Board of Smartflex, the director of the Target, as well as the management and the directors of the Animal Ark Group. The assumptions used reflect current expectations and views regarding future events and therefore, necessarily involve known and unknown risks and uncertainties affecting the Target.

We have relied on the following general assumptions in arriving at the Fair Market Value of 100% of the share capital of the Target as at 31 December 2017:

- 1) Information provided by Management and the Board of Smartflex, the director of the Target, and the management and directors of the Animal Ark Group, up to the date of the Valuation Report fairly reflects the Target's financial and operating position;
- 2) The Target continues to operate as a going concern and has sufficient capital to support future expenditure and working capital and the capability to achieve its financial forecast;
- 3) The forecast is prepared based on the business of the three existing clinics, namely the clinics at Binjai Park, Tampines and the Traditional Chinese Medicine clinic at Tampines, on the assumption that 1) the business and assets of the Animal Ark Group have been transferred to AVH as at 1 January 2015; and 2) the Proposed Acquisition takes place as at the Valuation Date;
- 4) The business forecast, including but not limited to the projected capital expenditure, revenue and profitability that AVH is expecting from the existing three clinics is assumed to be achievable. We note that if the actual earnings of the Target is significantly different from the projections, the valuation might be significantly different. In particular, if the expected sales from the overnight wards and extended operating hours of the Binjai clinic, and/or the fees charged to pet owners over the forecast period (FY2018 to FY2022) is not achieved, the valuation range may reduce significantly;
- 5) AVH is able to retain the six veterinarians, in particular Dr Eugene Lin ("Dr Lin"), founder and key manager, and Dr Oh Soon Hock ("Dr Oh"), a vet who specialises in Traditional Chinese Medicine ("TCM") for pets;
- 6) There are no restrictions on the distribution of cash flows to the shareholders;
- 7) The WACC (i.e. the discount rate) is estimated at 15.0% and we have applied a range of discount rates ranging from 14.0% to 16.0%; and
- 8) We have applied a terminal growth of 0% to 2% beyond the explicit forecast period (i.e FY2023 onwards).

4. CONCLUSION

In accordance with the terms of reference, limitations, key assumptions and factors set out herein, RSMCA has arrived at the Fair Market Value range of 100% of the share capital of AVH to be **S\$9.7 million to S\$12.1 million**, based on the Income Approach, as at 31 December 2017.

Yours sincerely,

For and on behalf of RSM Corporate Advisory Pte Ltd



Terence Ang
Executive Director
Chartered Valuer and Appraiser, Singapore
Practicing Member, Institute of Singapore Chartered Accountants

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APPENDIX E – IFA LETTER

29 June 2018

Smartflex Holdings Ltd.

95 Amoy Street
Singapore 069915

Attention: The Board of Directors

Dear Sirs

LETTER FROM XANDAR CAPITAL PTE. LTD. TO THE BOARD OF DIRECTORS OF SMARTFLEX HOLDINGS LTD. IN RESPECT OF THE PROPOSED ACQUISITION OF ALL THE ISSUED AND FULLY-PAID SHARES IN THE CAPITAL OF AVH ANIMAL ARK PTE. LTD., BEING A VERY SUBSTANTIAL ACQUISITION UNDER THE CATALIST RULES

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to Shareholders of Smartflex Holdings Ltd. (the “**Company**”) dated 29 June 2018 (the “**Circular**”).*

1. INTRODUCTION

On 8 September 2017, Smartflex Holdings Ltd. (the “**Company**”) entered into a conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) with Hu Zhi Investments Limited (the “**Vendor**”) for the acquisition of all the issued and fully-paid shares in the capital of AVH Animal Ark Pte. Ltd. (the “**Target**”) for a purchase consideration of S\$9,750,000 in accordance with the terms of the Sale and Purchase Agreement (the “**Proposed Acquisition**”). Upon completion of the Proposed Acquisition (“**Completion**”), the Target will be a wholly-owned subsidiary of the Company.

On 25 April 2018, the Company announced that, following the completion of the audit of the Animal Ark Group (being the group of companies which currently holds and operates the relevant veterinary operational assets and businesses (the “**Veterinary Assets and Business**”) to be acquired by the Target immediately prior to Completion (the “**Restructuring**”)) for the financial year 2016, the purchase consideration for the Proposed Acquisition has been adjusted from S\$9,750,000 to S\$9,300,000 (the “**Consideration**”).

The Consideration shall be fully satisfied 70% in cash and 30% by way of the issuance and allotment of new ordinary shares in the capital of the Company in two tranches. The first tranche of S\$7.44 million (representing 80% of the Consideration and comprising cash of S\$5,208,000 and 8,928,000 new ordinary shares in the capital of the Company (the “**Consideration Shares**”) at an issue price of S\$0.25 for each Consideration Share) shall be payable immediately upon Completion (the “**Initial Payout**”). The second tranche of S\$1.86 million (representing the balance of the Consideration and comprising part cash and part new ordinary shares in the capital of the Company, the “**Deferred Consideration Shares**”) shall be payable after it is determined that the Target achieves an annualised average earnings before interest and tax (“**EBIT**”) which is equivalent to the Agreed EBIT (as defined in the Circular) for the 30 months following Completion (the “**Retention Sum**”). Further details of the Consideration can be found in Section 2.3(b) of the Circular.

Xandar Capital Pte. Ltd. (“**Xandar Capital**”) has been appointed as the IFA to opine on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its Shareholders.

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This letter (this “**IFA Letter**”) sets out our evaluation of the terms of the Proposed Acquisition and our opinion thereon. This IFA Letter forms part of the Circular issued by the Company in connection with, *inter-alia*, the Proposed Acquisition.

2. TERMS OF REFERENCE

Xandar Capital has been appointed as the IFA to opine on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its Shareholders.

We are not and were not involved in any aspect of the negotiations entered into by the Company or in the deliberations leading up to the decision of the Directors to, *inter alia*, undertake the Proposed Acquisition. Accordingly, we do not, by this IFA Letter, warrant the merits of the Proposed Acquisition, other than to express an opinion on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its Shareholders.

We have not conducted a comprehensive review of the business, operations or financial condition of the Company. We also have not conducted a comprehensive review of the of the business, operations or financial conditions of the Animal Ark Group or the Veterinary Assets and Business.

We have also not evaluated the strategic or commercial merits or risks of the Proposed Acquisition or the future growth prospects, financial position or earnings potential of the Enlarged Group. Accordingly, we do not express any view as to the prices at which the Shares may trade upon Completion or on the future growth prospects, financial position and earnings potential of the Enlarged Group after the Completion.

We are also not addressing the relative merits of the Proposed Acquisition as compared to any alternative transaction previously considered by the Company or that may otherwise become available to the Company in the future. Such evaluation shall remain the sole responsibility of the Directors, although we may draw upon their views (to the extent deemed necessary or appropriate by us) in arriving at our opinion.

In the course of our evaluation and for the purpose of our opinion in relation to the Proposed Acquisition, we have held discussions with the Directors and the management of the Company (the “**Management**”), the director and management of the Target (the “**Target’s Director and Management**”) and their respective professional advisers, and have examined and relied on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management, Target’s Director and Management, and their respective professional advisers, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. We have nevertheless made reasonable enquiries and used our judgment as we deemed necessary or appropriate in assessing such information and are not aware of any reason to doubt the accuracy or reliability of the information.

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We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular (save for the information on the Vendor and the Target and the information set out in Appendices A, B, D and E of the Circular) and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, the Circular (save for the information on the Vendor and the Target and the information set out in Appendices A, B, D and E of the Circular) constitutes full and true disclosure of all material facts about the Proposed Transactions, the Enlarged Group and the Proposed Adoption of New Constitution, and the Directors are not aware of any facts the omission of which would make any statement in the Circular (save for the information on the Vendor and the Target and the information set out in Appendices A, B, D and E of the Circular) misleading.

We have similarly relied upon the responsibility statement of the sole director of the Target (the “**Target Director**”) as set out in Section 25 of Appendix A to the Circular that the Target Director accepts full responsibility for the accuracy of the information given in Appendix A, Appendix B and any information in the Circular relating to the Target, the Vendor and the Animal Ark Group in connection with the Proposed Transactions, and confirms, after making all reasonable enquiries that, to the best of his knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Target, the Vendor and the Animal Ark Group, and the Target Director is not aware of any facts the omission of which would make any statement in the Circular misleading.

Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors and the Target Director has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

In relation to this IFA Letter, the Directors and the Target Director have confirmed that the facts relating to the Proposed Acquisition as set out herein, are to the best of their knowledge and belief, fair and accurate in all material aspects.

We have not made any independent evaluation or appraisal of the assets or liabilities of the Target, the Animal Ark Group or the Veterinary Assets and Business. However, the Company has appointed RSM Corporate Advisory Pte Ltd to conduct an independent valuation in respect of the entire equity interest of the Target (on the assumption that the Restructuring is completed). The Valuation Letter issued by RSM Corporate Advisory Pte Ltd which sets out the summary of the valuation is appended as Appendix D to the Circular while the full business valuation report is available for inspection at the principal place of business of the Company. We have placed sole reliance on the information and valuation contained in the Valuation Letter (and its underlying business valuation report). We are not involved and assume no responsibility for the Valuation Letter (and its underlying business valuation report). We have not made any independent verification of the matters and bases set out in the Valuation Letter (and its underlying business valuation report). Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of the Valuation Letter (and its underlying business valuation report).

Our opinion is based upon prevailing market, economic, industry, monetary and other conditions (where applicable) and the information made available to us as of the Latest Practicable Date and the date of the Circular for the Company’s net assets. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent

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development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Proposed Acquisition which may be released by the Company after the Latest Practicable Date.

In arriving at our opinion, we did not consider the specific investment objectives, financial situation, tax consequences, risk profile or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment objectives or portfolios should consult his or their legal, financial, tax or other professional advisers immediately.

The Company has been separately advised by its own advisors in the preparation of the Circular (other than this IFA Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this IFA Letter).

Our opinion is for the use and benefit of the Directors of the Company in their deliberation of the terms of the Proposed Acquisition, and the recommendation made by the Directors to the Shareholders shall remain the responsibility of the Directors.

Our opinion in relation to the Proposed Acquisition should be considered in the context of the entirety of this IFA Letter and the Circular.

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purposes other than the Proposed Acquisition at any time and in any manner without our prior written consent.

We recommend that the Directors advise Shareholders to read these pages carefully.

3. THE PROPOSED ACQUISITION

The Proposed Acquisition involves the Company acquiring all the issued and fully-paid shares in the capital of the Target for a purchase consideration of S\$9,300,000 in accordance with the terms of the Sale and Purchase Agreement.

Please also see further discussion on the composition of the Consideration of S\$9.3 million in paragraph 3.3 of this IFA Letter.

3.1 INFORMATION ON THE TARGET, THE ANIMAL ARK GROUP AND THE VETERINARY ASSETS AND BUSINESS

(a) Information on the Target

The Target is a company incorporated in Singapore. As at the date of the Circular, the Target does not have any business operations, subsidiaries or associated companies. The Vendor is the sole shareholder of the Target while the Warrantor is the sole director of the Target.

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The Target will undertake a Restructuring pursuant to which the Target will hold the Veterinary Assets and Business to carry out the operations currently performed by the Animal Ark Group.

(b) The Animal Ark Group

The Animal Ark Group comprises the following four (4) entities which will be selling the Veterinary Assets and Business to the Target pursuant to the Restructuring:

- (i) The Animal Ark (TCM) Pte. Ltd.;
- (ii) The Animal Ark (Tampines) Pte. Ltd.;
- (iii) The Animal Ark (Binjai) Pte. Ltd.; and
- (iv) The Animal Ark Pte. Ltd..

The Animal Ark Group provides the full range of general veterinary services involving medical, surgical and dental care for dogs, cats, rabbits, hamsters, guinea pigs and chinchillas and after hours emergency services, with a focus on using advanced diagnostic and surgical techniques and providing alternative remedies and treatments.

The Animal Ark Group is currently managed by Dr Eugene Lin and Elaine Poh, a husband and wife team. Dr Eugene Lin has more than 17 years of experience in veterinary practice. Dr Eugene Lin has received training in interventional and minimally invasive surgeries in the United States and the United Kingdom. We note that the Target believes that Dr Eugene Lin was among the first veterinarians to offer these minimally invasive diagnostic and surgical procedures in Singapore. Dr Eugene Lin established The Animal Ark Pte. Ltd. in September 2005.

(c) The Veterinary Assets and Business

The Veterinary Assets and Business comprise contracts, books and records, intellectual property, movable assets, goodwill and all other properties, rights and assets that are necessary in order to carry on the business of providing veterinary services as carried on by the Animal Ark Group.

Upon completion of the Restructuring:

- (1) the Target will hold the Veterinary Assets and Business and operate the Target's Veterinary Clinics; and
- (2) Dr Eugene Lin and Elaine Poh will each enter into an employment contract with the Target commencing from the date of Completion, with Dr Eugene Lin committing to an employment period of at least 30 months.

Pursuant to the employment contract, Dr Eugene Lin will be appointed as the medical director and general manager of the Target and will be responsible for overseeing the delivery of veterinary care and clinical services by the Target's Veterinary Clinics, and overseeing the activities of the veterinarians to be employed by the Target to work at such existing clinics, including the recruiting process.

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Please refer to Section 2.2 and Appendix A to the Circular for additional information on the Animal Ark Group and the Veterinary Assets and Business.

3.2 HISTORICAL PRO FORMA FINANCIALS OF THE TARGET

The following pro forma results of operations and financial position of the Target for FY2015, FY2016 and FY2017, should be read together with the “Independent Practitioner’s Assurance Report on the Compilation of Pro Forma Financial Information and the Unaudited Pro Forma Financial Information of the Target for the financial years ended 31 December 2015, 2016 and 2017” set out as Appendix B to the Circular.

(a) Results of Operations of the Target

A summary of the unaudited pro forma statement of comprehensive income of the Target for the financial year ended 31 December (“FY”) 2015, FY2016 and FY2017 (the “**Period Under Review**”) is set out below:

S\$	FY2015	FY2016	FY2017
Revenue	4,248,682	4,238,380	4,028,769
Gross profit	2,116,100	2,050,504	1,979,030
Earnings before interests, tax, depreciation and amortisation (“ EBITDA ”)	1,076,808	1,253,427	946,658
EBIT	987,785	1,123,804	802,587
Profit before tax	920,914	1,047,075	762,681
Profit after tax	886,925	1,027,529	720,148

The Target derived its revenue from the rendering of veterinary services and sales of veterinary medicine.

As set out above, the Target’s revenue ranged from S\$4.0 million to S\$4.2 million during the Period Under Review. Its revenue was relatively stable for FY2015 and FY2016, then decreased by 5.2% to S\$4.0 million for FY2017. We understand that the lower revenue in FY2017 was due mainly to the closure of a clinic at 3 Greendale Avenue Singapore 289498 at the end of August 2017. The gross profit margin of the Target ranged from 48.4% to 49.8% during the Period Under Review. The Target also had higher other operating income in FY2016 mainly due to increase in PIC cash payout of S\$0.23 million in FY2016 in relation to the purchase of veterinary and medical equipment and training courses.

Further discussion on the pro forma results of operations of the Target for FY2015, FY2016 and FY2017 can be found in Section 16 of Appendix A to the Circular.

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(b) Financial Position of the Target

A summary of the unaudited pro forma statement of financial position of the Target as at 31 December 2017 is set out below:

S\$	As at 31 December 2017
Non-current assets	8,479,420
Current assets	973,755
Total assets	9,453,175
Current liabilities	308,573
Non-current liabilities	6,340,000
Total liabilities	6,648,573
Total equity	2,804,602

The assets of the Target comprised mainly goodwill of S\$7.9 million arising from the acquisition of the Veterinary Assets and Business from Dr Eugene Lim and Elaine Poh, cash and cash equivalent of S\$0.8 million, and plant and equipment of S\$0.6 million. Collectively, the above accounted for about 98.0% of the total assets of the Target as at 31 December 2017.

The liabilities of the Target comprised payables and accruals of S\$0.3 million and loan of S\$6.34 million obtained by the Target for the acquisition of the Veterinary Assets and Business.

Based on the above, the Target had net asset value (“NAV”) of S\$2.8 million.

After deducting goodwill of S\$7.9 million, the Target would have a negative net tangible assets (“NTA”) of S\$5.1 million.

Further discussion on the pro forma financial position of the Target as at 31 December 2015, 2016 and 2017 can be found in Section 16 of Appendix A to the Circular.

(c) Cash flow statements of the Target

A summary of the unaudited pro forma statement of cash flow statements of the Target for FY2015, FY2016 and FY2017 are set out below:

S\$	FY2015	FY2016	FY2017
Net cash flows generated from operating activities	1,385,133	1,156,221	926,368
Net cash flows used in investing activities	(6,592,235)	(348,629)	(2,253,329)
Net cash flows from financing activities	6,510,000	–	–

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We understand that the pro forma cash flow statements assumed a S\$6.51 million net cash flows from financing activities in FY2015 comprising share capital of S\$170,000 and loan of S\$6.34 million obtained by the Target to fund the acquisition of the Veterinary Assets and Business, and the net cash flows used in investing activities in FY2015 and FY2017 were payment of the initial payout and the retention sum respectively by the Target for the acquisition of the Veterinary Assets and Business.

Further discussion on the pro forma cash flow of the Target for FY2015, FY2016 and FY2017 can be found in Section 16 of Appendix A to the Circular.

3.3 THE CONSIDERATION

The Consideration for the Proposed Acquisition comprises the following:

	Payable in cash	Payable in new ordinary shares in the capital of the Company	Total	Payment timing
Initial Payout	S\$5,208,000	S\$2,232,000	S\$7,440,000	Upon Completion
Retention Sum	S\$1,302,000	S\$558,000	S\$1,860,000	On the date immediately falling after the expiry of the Average EBIT Determination Period ⁽¹⁾
Total	S\$6,510,000	S\$2,790,000	S\$9,300,000	

Note:

- (1) "Average EBIT Determination Period" is defined as "twenty (20) business days commencing from the expiry of the Retention Period" while "Retention Period" is defined as "A period of 30 months commencing from the Completion Date".

(a) The Initial Payout

The Initial Payout totalling S\$7,440,000 represents 80% of the Consideration of S\$9,300,000 and is the minimum purchase consideration payable by the Company for the Proposed Acquisition.

70% of the Initial Payout, or S\$5,208,000, is payable in cash while the remainder 30% of the Initial Payment, or S\$2,232,000, is payable in new ordinary shares in the capital of the Company at an issue price of S\$0.25. Accordingly, 8,928,000 Consideration Shares will be allotted and issued to the Vendor and its nominee(s) to satisfy the payment for S\$2,232,000.

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(b) The Retention Sum

The Retention Sum of S\$1,860,000 is adjustable.

In the event that the Target's annualised average EBIT for the 30 months period commencing from the Completion Date ("**30M EBIT**") is:

- (i) more than 105% of the Agreed EBIT, for every additional S\$0.01 EBIT, the Retention Sum shall increase by S\$0.015; and
- (ii) below the Agreed EBIT, for every S\$0.01 below the Agreed EBIT, the Retention Sum shall decrease by S\$0.075, subject to a maximum deduction of S\$1,860,000 (being the Retention Sum).

There is no change to the Retention Sum if the Target's 30M EBIT ranged between the Agreed EBIT and 105% of the Agreed EBIT.

We note that the annualised average 30M EBIT is defined as "the average EBIT (on an annualised basis) derived from the business and assets of the Target (post-Restructuring) over the Retention Period". Hence, the annualised average 30M EBIT to be applied to determine the Retention Sum payable refers to only earnings generated by the Target with its acquired Veterinary Assets and Business.

Similar to the Initial Payout, 70% of the Retention Sum shall be payable in cash and the remainder 30% of the Retention Sum shall be payable by the allotment and issue of the Deferred Consideration Shares to the Vendor and its nominee(s).

The issue price for the Deferred Consideration Shares shall be the 10-day volume-weighted average price ("**VWAP**") of the Shares prior to the 30-month anniversary of the Completion Date.

We note that there is no minimum or maximum issue price for the Deferred Consideration Shares and accordingly, the Company is unable to determine the number of Deferred Consideration Shares, if any, to be allotted and issue as partial settlement of the Retention Sum currently. Therefore, the Company will be relying on its general mandate in force at the relevant time, or seek specific shareholders' approval for the issuance of such Deferred Consideration Shares as required by the Catalist Rules.

(c) The Consideration

Based on the above, the minimum consideration (being the sum of the Initial Payout and the Retention Sum) payable to the Vendor and its nominee(s) shall be S\$7,440,000 (the "**Minimum Consideration**") while there is no cap to the maximum consideration payable to the Vendor and its nominee(s).

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3.4 CONDITIONS PRECEDENT TO THE PROPOSED ACQUISITION

The conditions precedent to the Proposed Acquisition are set out in Section 2.3(d) of the Circular. We extract the key conditions precedent as follows:

“ ...

- (v) *the receipt and non-withdrawal of the listing and quotation notice from the SGX-ST for, among others, the listing of and quotation for the Consideration Shares, Deferred Consideration Shares and Arranger Shares, on terms acceptable to the Company and the Vendor;*
- (vi) *completion of the Restructuring having taken place, or taking place simultaneously, including receipt of all third-party consents and where any consent or approval is subject to conditions, such conditions being reasonably satisfactory to the Company;*
- (vii) *the Company being satisfied with the results of the due diligence investigations in relation to the Target, the Veterinary Assets and Business of the Animal Ark Group, including the legal, financial and tax positions of the Target, and the Veterinary Assets and Business of the Animal Ark Group;*
- (viii) *the Company receiving a legal opinion from the Vendor's solicitors in such form satisfactory to the Company confirming that the Restructuring and Acquisition are (a) legal, valid and binding under the relevant laws and regulations in Singapore; and (b) do not breach any relevant laws and regulations in Singapore;*
- (ix) *the Company and the Vendor being satisfied that there is no material adverse change or any development that is likely to result in a material adverse change to, among others, the value, operations, financial position or profitability of the Veterinary Assets and Business, the ability of the Vendor to comply with its obligations under the Sale and Purchase Agreement, and change in law adversely affecting the veterinary industry in Singapore on or before Completion; and*

...”

We note that Condition Precedent (v) in respect of the listing and quotation notice from the SGX-ST for the Deferred Consideration Shares has been waived by the Vendor in favour of the Company on 23 May 2018.

3.5 THE VENDOR, THE WARRANTOR AND ITS NOMINEES

(a) The Vendor and the Warrantor

The Vendor, Hu Zhi Investments Limited, is the sole shareholder of the Target.

The Vendor is a company incorporated in Hong Kong. As at the date of the Circular, the Vendor is wholly-owned by the Warrantor, namely, Mr David Wendyl Karl Jenkins, who is also the sole director of the Vendor and the Target. Mr David Wendyl Karl Jenkins will remain as a non-executive director of the Target after Completion.

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As the Proposed Acquisition is subject to the completion of the Restructuring, Mr David Wendyl Karl Jenkins, as the sole shareholder and director of the Vendor, shall be the Warrantor, and (i) represents, warrants and undertakes with the Target that he shall procure the Animal Ark Group to comply with the terms and perform all the Animal Ark Group's obligations under the sale and purchase agreement for the Veterinary Assets and Business; and (ii) agrees that in the event of any non-performance by the Animal Ark Group of any term of the said sale and purchase agreement, the Target shall be entitled to claim from the Warrantor for any losses incurred by the Target and its successors-in-title arising from such non-performance by the Animal Ark Group of any term of the said sale and purchase agreement.

We note that Mr David Wendyl Karl Jenkins is also the sole shareholder and director of Tiger Equities Pte. Ltd. ("**Tiger Equities**"), a Singapore-incorporated company which will be allotted and issued 1,973,334 Arranger Shares (equivalent to S\$493,333.50 based on the Issue Price) as fees for its services as introducer in connection with the Proposed Acquisition upon Completion.

In addition to the Arranger Shares, the Company shall, immediately upon Completion, allot and issue 5,300,000 bonus issue warrants (the "**Bonus Issue Warrants**") to Tiger Equities and/or its nominee(s) at an issue price of S\$0.0001 for each Bonus Issue Warrant. Each Bonus Issue Warrant carries the right to subscribe for one new Share at an exercise price of S\$0.25 and having an expiry date of 30 June 2020. We understand that the Bonus Issue Warrants may be exercised, in whole or in part, at the discretion of Tiger Equities and/or its nominee(s) any time before the expiry date.

Tiger Equities shall also be appointed as the exclusive consultant to the Company for a period of one year from Completion (the "**First Consultancy Term**"), the appointment of which will be automatically renewed annually for such annual period after the First Consultancy Term up to a maximum period of three years from Completion, subject to, among others, Tiger Equities successfully referring and/or introducing to the Company at least one potential target for acquisition by the Company (each a "**Successive Target**") within each successive period of one year from the First Consultancy Term, such Successive Target to be deemed satisfactory to the Company. The Company will be allotting and issuing up to 2,693,334 new Shares and up to 7,200,000 similar bonus issue warrants (on the same terms as the Bonus Issue Warrants) to Tiger Equities in respect of such Successive Target. Save for the new Shares and new bonus issue warrants, there are no fixed consultancy fees payable by the Company to Tiger Equities during its appointment as exclusive consultant to the Company.

As at the Latest Practicable Date, the Vendor and the Warrantor does not directly or indirectly hold any Shares.

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(b) The nominees of the Consideration Shares and the Deferred Consideration Shares

We note that Dr Eugene Lin and Elaine Poh will be receiving part of the Consideration Shares and the entire Deferred Consideration Shares. The Consideration Shares and Deferred Consideration Shares to be allotted and issued to Dr Eugene Lin and Elaine Poh are as follows:

	Upon Completion	On the date immediately falling after the expiry of the Average EBIT Determination Period
Allotment and issue to Dr Eugene Lin and Elaine Poh	7,812,000 Consideration Shares	2,536,362 Deferred Consideration Shares ⁽¹⁾
Value (in S\$)	S\$1,953,000 based on the Issue Price of S\$0.25 for each Consideration Share	S\$558,000 ⁽¹⁾ based on an indicative issue price of S\$0.22 for each Deferred Consideration Share
As a percentage of the Vendor's consideration	87.5% of the Consideration Shares	100.0% of the Deferred Consideration Shares ⁽¹⁾
As a percentage of the then enlarged share capital of the Company	5.6% ⁽²⁾	1.8% ⁽¹⁾⁽³⁾

Notes:

- (1) Assuming no adjustment to the Retention Sum of S\$1,860,000.
- (2) Based on the enlarged share capital of 138,928,002 Shares upon Completion but before the allotment and issue of the Deferred Consideration Shares and the Bonus Issue Warrant Shares.
- (3) Based on the enlarged share capital of 141,464,364 Shares after the allotment and issue of the Consideration Shares, the Arranger Shares, the Financial Adviser Shares and the Deferred Consideration Shares but before the allotment and issue of the 5,300,000 Bonus Issue Warrant Shares.

Dr Eugene Lin and Elaine Poh will also be receiving 87.5% of the cash portion of the Initial Payout and 100.0% of the cash portion of the Retention Sum.

As mentioned in the Circular and previous paragraphs of this IFA Letter, the Animal Ark Group is currently managed by Dr Eugene Lin and Elaine Poh, who are husband and wife. Dr Eugene Lin and Elaine Poh also own the Animal Ark Group.

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4. EVALUATION OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition, we have taken into account the following factors which we consider to be pertinent and to have a significant bearing on our evaluation:

- (a) the historical pro forma financials of the Target;
- (b) the independent valuation of the Target;
- (c) the Consideration;
- (d) the Issue Price of the Consideration Shares;
- (e) the Deferred Consideration Shares;
- (f) comparison of the valuation ratios implied by the Consideration with selected comparable companies;
- (g) comparison with recent very substantial acquisition transactions;
- (h) the rationale for and benefits of the Proposed Acquisition;
- (i) the proforma financial effects of the Proposed Acquisition; and
- (j) other considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

4.1 THE HISTORICAL PRO FORMA FINANCIALS OF THE TARGET

(a) Historical pro forma financial performance

As set out in the Circular and in paragraph 3.3 of this IFA Letter, we noted the following in respect of the Target's results of operations:

- (i) the Target's pro forma revenue remained consistently above S\$4.0 million annually for FY2015, FY2016 and FY2017 but was lower in FY2017 as compared to FY2015 and FY2016. The lower revenue in FY2017 was due to the closure of a clinic in August 2017;
- (ii) the Target's pro forma gross profit margin was stable at 49.8%, 49.0% and 51.0% for FY2015, FY2016 and FY2017 respectively;
- (iii) the Target had other operating income of S\$85,539, S\$326,728 and S\$16,488 for FY2015, FY2016 and FY2017 respectively. The other operating income arose from mainly from PIC cash payout. Excluding these other operating income, the Target would have reported pro forma profit before tax of S\$835,375, S\$720,347 and S\$746,193 for FY2015, FY2016 and FY2017 respectively. The profit before tax (excluding other operating income) margin of the Target would have been 19.7%, 17.0% and 18.5% for FY2015, FY2016 and FY2017 respectively;

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- (iv) after adding back interest expenses, the Target would have reported EBIT of S\$987,785, S\$1,123,804 and S\$802,587 for FY2015, FY2016 and FY2017 respectively;
- (v) after adding back interest expenses and depreciation expenses, the Target had EBITDA of S\$1,076,808, S\$1,253,427 and S\$946,658 for FY2015, FY2016 and FY2017 respectively; and
- (v) the Target's profit for the year amounted to S\$886,925, S\$1,027,529 and S\$720,148 for FY2015, FY2016 and FY2017 respectively.

(b) Historical pro forma financial position

We note the following items in the historical pro forma financial position of the Target as at 31 December 2017:

- (i) the Target has outstanding amount due to the Company amounting to S\$6.34 million; and
- (ii) the Target has goodwill amounting to S\$7.9 million.

We understand that the pro forma financial statements of the Target are prepared based on the following assumptions:

- (1) *the acquisition of the Veterinary Assets and Business by the Target for S\$8.37 million from the Animal Ark Group had been completed on 1 January 2015;*
- (2) *the Target obtained a loan of S\$6.34 million from the Company to finance the initial payout of S\$6.51 million;*
- (3) *the Target achieved the annualised average 30M EBIT required for the payment of the full retention sum to the Animal Ark Group;*
- (4) *the full retention sum payable to the Animal Ark Group in FY2017 was discounted to net present value amounting to S\$2.0 million and accrued in FY2015; and*
- (5) *after deducting the value of the Veterinary Assets and Business, the Target would record a goodwill of S\$7.9 million from the Restructuring.*

However, we understand that:

- (I) the Company (and the Target) will pay the Vendor and its nominee(s) an aggregate consideration of S\$9.3 million (subject to adjustments to the Retention Sum as set out in paragraph 3.3(b) above); and
- (II) the Company will record its own goodwill arising from the Proposed Acquisition.

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Accordingly, the pro forma financial position of the Target as at 31 December 2017 is only an illustration of the financial position of the Target had the Restructuring been completed on 1 January 2015 and is not reflective of the assets to be taken over by the Company upon the completion of the Proposed Acquisition.

Hence, we have referred to the Enlarged Group's pro forma statement of financial position set out in Appendix C to the Circular, which sets out the identified assets of the Target to be taken over by the Company pursuant to the Proposed Acquisition as follows:

S\$	As at 31 December 2017
Plant and equipment	590,249
Cash and cash equivalents	77,240
Deposits	22,760
Inventories	54,876
Total identified NAV	745,125

There is no intangible asset or liabilities as set out in the table above. Therefore, the identified NAV of the Target is the same as its NTA.

(c) Financial ratios implied by the Consideration

- (i) Based on the pro forma EBIT of the Target of S\$802,587 for FY2017 and the minimum Consideration of S\$7.44 million (as the EBIT for FY2017 was below the Agreed EBIT), the price-to-EBIT ("**P/EBIT**") ratio of the Target is 9.3 times.
- (ii) Based on the EBITDA of the Target of S\$946,658 for FY2017 and the enterprise value ("**EV**") for the Target (being the Consideration of S\$9.3 million less cash and cash equivalents and deposits aggregating S\$100,000 as set out in the identified NAV table above), the EV/EBITDA of the Target is 9.7 times.
- (iii) Based on the profit after tax of the Target of S\$720,148 for FY2017, the price-to-earnings ("**P/E**") ratio of the Target as implied by the Consideration of S\$9,300,000 is 12.9 times.
- (iv) Based on the identified NAV of the Target of S\$745,125 as at 31 December 2017, the price-to-NAV ("**P/NAV**") ratio of the Target as implied by the Consideration of S\$9,300,000 is 12.5 times. As the Company will not be taking over the relevant goodwill, there is no intangible assets and the price-to-NTA ("**P/NTA**") of the Target will be the same as its P/NAV ratio.

4.2 THE INDEPENDENT VALUATION ON THE TARGET

The Company has appointed RSM Corporate Advisory Pte Ltd to conduct an independent valuation in respect of the entire equity interest of the Target (on the assumption that the Restructuring is completed). The Valuation Letter issued by RSM Corporate Advisory Pte Ltd which sets out the summary of the valuation is appended as Appendix D to the Circular while the full business valuation report is available for inspection at the principal place of business of the Company.

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We noted from the business valuation report that the Independent Valuer has applied the following valuation approaches:

- (i) the income approach as a primary approach to estimate the fair market value range of the Target as it considers the future economic profits arising from the business; and
- (ii) the market approach as a secondary cross-check to the valuation derived from the income approach.

We noted that the Independent Valuer's conclusion was primarily dependent on several assumptions, including the following:

- (i) *(the Target) will continue to have sufficient capital to support future expenditure and working capital and the capability to achieve the financial forecast;*
- (ii) *(the Target) is able to retain the six veterinarians, in particular Dr Eugene Lin; and*
- (iii) *the business forecast, including but not limited to the projected capital expenditure, revenue and profitability that (the Target) is expecting from its existing three clinics is assumed to be achievable.*

We also note that the Target's management expects revenue of one of the clinic for FY2018 to FY2022 to increase because:

- (i) overnight wards services can be offered to monitor pets that have had surgery and for pets on intravenous fluid therapy treatment; and
- (ii) the operating hours may be extended by 4.5 hours a day so that pet owners who work during the day can bring their pets for consultation after office hours.

Based on the Valuation Letter, the fair market value range of 100% of the share capital of the Target is estimated to be between S\$9.7 million and S\$12.1 million.

Accordingly, the Consideration of S\$9.3 million is at a discount of between S\$0.4 million (or 4.1%) and S\$2.8 million (or 23.1%) to the fair market value range of 100% of the share capital of the Target.

Shareholders are advised to read the Valuation Letter carefully, in particular, the terms of engagement and limitations, valuation methodology and assumptions.

4.3 THE CONSIDERATION

As discussed in paragraph 3.3 of this IFA Letter, the Consideration for the Proposed Acquisition comprises an Initial Payout and a Retention Sum, which is adjustable based on the annualised average 30M EBIT of the Target after the Completion.

As set out in paragraph 3.2(a) of this IFA Letter, the pro forma annual EBIT of the Target for the Period Under Review ranges from S\$802,587 to S\$987,785. The average annual EBIT of the Target for the Period Under Review was S\$971,392.

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We calculate the potential Retention Sum payable by the Company as follows:

(a) In the event that the Target's annualised average 30M EBIT is more than 105% of the Agreed EBIT

As set out in paragraph 3.3 of this IFA Letter, for every S\$0.01 above 105% of the Agreed EBIT, the Retention Sum shall increase by S\$0.015. The following table illustrates the Consideration payable by the Company in the event the Target achieves an annualised average 30M EBIT of up to S\$2.0 million:

If annualised average 30M EBIT equals	Retention Sum	Consideration	P/EBIT ratio
S\$1,500,000	S\$2,157,000	S\$9,597,000	6.4
S\$1,800,000	S\$2,607,000	S\$10,047,000	5.6
S\$2,000,000 ⁽¹⁾	S\$2,907,000	S\$10,347,000	5.2

Note:

(1) For illustration only. There is no assurance that the Target will be able to achieve an annualised average 30M EBIT of up to S\$2.0 million during the Retention Period.

As set out above, although the Consideration for the Proposed Acquisition will increase if the Target achieves an annualised average 30M EBIT of more than 105% of the Agreed EBIT, the P/EBIT ratio for the Proposed Acquisition will decrease correspondingly which is in the favour of the Company and its Shareholders.

(b) In the event that the Target's annualised average 30M EBIT is less than the Agreed EBIT

As set out in paragraph 3.3 of this IFA Letter, for every S\$0.01 below the Agreed EBIT, the Retention Sum shall decrease by S\$0.075. The following table illustrates the Consideration payable by the Company in the event the Target is unable to achieve an annualised average 30M EBIT equivalent to the Agreed EBIT:

If annualised average 30M EBIT equals	Retention Sum	Consideration	P/EBIT ratio
S\$1,200,000	S\$1,560,000	S\$9,000,000	7.5
S\$1,100,000	S\$810,000	S\$8,250,000	7.5
S\$1,000,000	S\$60,000	S\$7,500,000	7.5
S\$900,000	—	S\$7,440,000	8.3
S\$802,587 ⁽¹⁾	—	S\$7,440,000	9.3

Note:

(1) Being the lowest annual pro forma EBIT reported by the Target in the Period Under Review.

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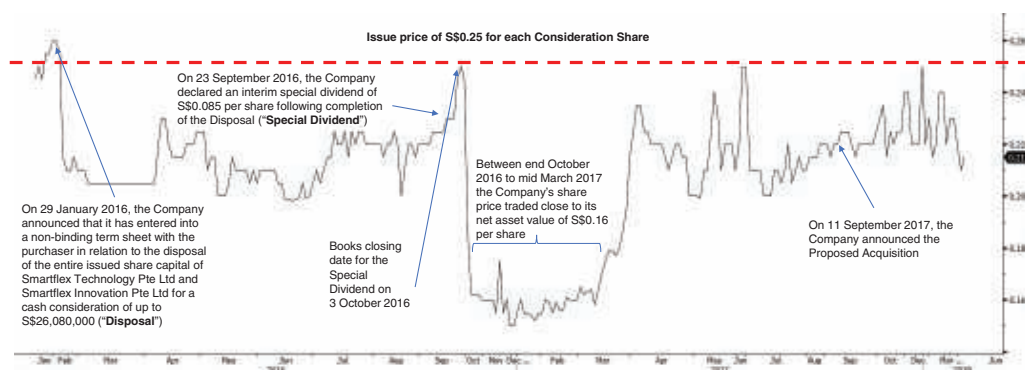
As set out above:

- (a) in the event that the Target achieves an annualised average 30M EBIT which is lower than the Agreed EBIT, the Retention Sum will be fully deducted and no Retention Sum will be payable by the Company;
- (b) however, the Initial Payout of S\$7,440,000 is not affected. Hence, the Consideration will remain at S\$7,440,000 if the Target achieves an annualised average 30M EBIT which is equals to or lower than the Agreed EBIT; and
- (c) the P/EBIT ratio for the Proposed Acquisition will increase accordingly if the Target's annualised average 30M EBIT is lower than the Agreed EBIT.

4.4 THE ISSUE PRICE OF THE CONSIDERATION SHARES

(a) The Issue Price and the Market Performance of the Shares

The historical price chart (based on closing prices) for the Shares since 4 January 2016, being the first day of trading in 2016 to the Latest Practicable Date is set out below:



Source: Bloomberg L.P.

A summary of the salient announcements and key events relating to the Company during the aforesaid period is set out below:

Date	Event
29 January 2016	The Company announced that it has entered into a non-binding term sheet with the purchaser in relation to the Disposal
26 February 2016	The Company announced its unaudited financial results for FY2015 and reported a profit after tax of US\$5.2 million
29 February 2016	The Company declared a final cash dividend of S\$0.0085 per Share
18 April 2016	The Company announced that it has granted an extension of the exclusivity period for the execution of the definitive agreement(s) relating to the Disposal

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Date	Event
6 May 2016	The Company announced that it has entered into a conditional sale and purchase agreement with the purchaser for the Disposal
20 July 2016	The Company announced that it ceased to have any operating subsidiaries or businesses and became a cash company following completion of the Disposal
12 August 2016	The Company announced its unaudited financial results for the half year ended 30 June 2016 and reported a profit after tax of US\$1.1 million (of which US\$1.0 million was profit from discontinued operations after tax)
23 September 2016	The Company declared the Special Dividend following completion of the Disposal
24 February 2017	The Company announced its unaudited financial results for FY2016 and reported a profit after tax of US\$2.6 million (of which, US\$1.1 million loss from continuing operations, net of tax and US\$3.7 million profit from discontinued operations, net of tax)
24 February 2017	The Company declared a final cash dividend of S\$0.01 per Share
8 August 2017	The Company announced its unaudited financial results for the half year ended 30 June 2017 and reported a profit after tax of US\$507,000
11 September 2017	The Company announced the Proposed Acquisition
27 February 2018	The Company announced its unaudited financial results for the FY2017 and reported a loss after tax of S\$924,000
25 April 2018	<p>The Company announced the following, amongst others:</p> <ul style="list-style-type: none"> (i) in relation to the Proposed Acquisition, the Company, the Vendor and the Warrantor had on 19 April 2018 agreed to extend the long stop date to 31 August 2018; and (ii) following the completion of the audit of the Animal Ark Group for FY2016, the Consideration for the Proposed Acquisition has been adjusted from S\$9,750,000 to S\$9,300,000

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We have also tabulated below selected statistical information on the share price performance and trading liquidity of the Shares from 4 January 2016 up to the Latest Practicable Date:

	Highest trading price (S\$)	Lowest trading price (S\$)	VWAP ⁽¹⁾ (S\$)	Premium of Issue Price over VWAP (%)	Average daily trading volume ⁽¹⁾	Average daily trading volume as a percentage of free float ⁽²⁾ (%)
<u>Prior to the Announcement Date</u>						
From 4 January 2016	0.260	0.142	0.205	22.0	195,632	0.37
Last 12 months	0.255	0.142	0.199	25.6	199,226	0.38
Last 6 months	0.250	0.156	0.204	22.5	253,350	0.48
Last 3 months	0.250	0.200	0.211	18.5	105,900	0.20
Last 1 month	0.220	0.210	0.219	14.2	32,020	0.06
7 September 2017, being the last traded day prior to the Announcement Date	0.220	0.220	0.220	13.6	50,000	0.09
<u>After the Announcement Date</u>						
From 12 September 2017 to the Latest Practicable Date	0.250	0.210	0.222	12.6	189,843	0.38

Source: Bloomberg L.P.

Notes:

- (1) Excluded trades of 750,000 Shares on 23 February 2017, 10,681,500 Shares on 31 October 2017, 400,000 Shares on 9 November 2017 and 100,000 Shares on 13 November 2017 as the transacted prices of these Shares were not listed on Bloomberg.
- (2) Free float refers to the Shares other than those directly and deemed held by the Directors and the substantial shareholders of the Company as at the Latest Practicable Date. We calculated the free float as at the Latest Practicable Date to be 52,780,199 Shares.

We noted that:

- (i) Since 4 January 2016 up to the Announcement Date, the Shares have traded between a high of S\$0.26 and a low of S\$0.142;
- (ii) the Issue Price represents premiums to the VWAP of the Shares for the periods prior to the Announcement Date;
- (iii) following the Announcement Date and up to the Latest Practicable Date, the Shares have transacted between S\$0.21 and S\$0.25. The Issue Price represents a premium of 12.6% to the VWAP for the aforesaid period; and
- (iv) the average daily trading volume of the Shares for the periods prior to the Announcement Date represented less than 0.50% of the free float. The average daily trading volume of the Shares for the period after the Announcement Date to the Latest Practicable Date represented 0.38% of the free float.

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(b) The Issue Price versus the NAV per Share

Based on the Company's latest announcement on its monthly valuation of assets dated 20 June 2018, the Company had net assets attributable to owners of the Company of S\$17,306,000 as at 31 May 2018.

Based on the total issued share capital of 126,440,002 Shares, the NAV per Share is approximately S\$0.14 per Share. The Issue Price of S\$0.25 represents a P/NAV ratio of 1.8 times.

(c) The Issue Price versus cash and bank deposits per Share

As the Company is a cash company, the premium represents by the Issue Price to the cash per Share of the Company will be the same as the P/NAV ratio.

(d) The Issue Price is the same as the exercise price of the Bonus Issue Warrants

We note that each Bonus Issue Warrant carries the right to subscribe for one new Share at an exercise price of S\$0.25 and has an expiry date of 30 June 2020. The exercise price is the same as the Issue Price. This may provide support for the market price of the Shares until 30 June 2020.

4.5 THE DEFERRED CONSIDERATION SHARES

As discussed in paragraph 3.3 of this IFA Letter, the issue price for the Deferred Consideration Shares is not fixed and shall be based on the 10-day VWAP of the Shares prior to the 30-month anniversary of the Completion Date.

The table below illustrates the Deferred Consideration Shares which may be issued based on the highest transacted price, lowest transacted price and the lowest VWAP of the Shares for the period set out in paragraph 4.4 of this IFA Letter:

	Issue price for the Deferred Consideration Shares (S\$)	Number of Deferred Consideration Shares to be issued ⁽¹⁾	As a percentage of the enlarged share capital of the Company ⁽²⁾
Highest transacted price	0.260	2,146,154	1.6
Lowest transacted price	0.142	3,929,577	2.8
Lowest VWAP	0.199	2,804,020	2.0

Notes:

(1) Assuming no adjustment to the Retention Sum and S\$558,000 of the Retention Sum will be satisfied by the allotment and issue of the Deferred Consideration Shares.

(2) Exclude the Arranger Shares and any new shares from the exercise of the Warrants.

As set out above, in the event that the market price of the Shares falls to S\$0.142, the number of Deferred Consideration Shares represents only 2.8% of the enlarged share capital of the Company after the allotment and issue of the Consideration Shares and the Deferred Consideration Shares.

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4.6 COMPARISON OF THE VALUATION RATIOS IMPLIED BY THE CONSIDERATION WITH SELECTED COMPARABLE COMPANIES

The Target will undertake a Restructuring pursuant to which the Target will hold the Veterinary Assets and Business of the Animal Ark Group, to carry out the operations currently performed by the Animal Ark Group.

The Animal Ark Group is based in Singapore and operates in the small animal veterinary services sector. This sector targets veterinary services for small animals such as dogs, cats, rabbits and hamsters. The Animal Ark Group's primary operations revolve around the prevention, diagnosis and treatment of diseases and injuries in small animals. It also makes available prescription of pet foods and nutraceuticals for on-site purchase by customers of its clinics.

Selected Veterinarian Companies

Hence, although the Animal Ark Group is not publicly-traded, reference can be made to companies which are listed and traded on SGX-ST and other exchanges, whose business activities and industries are largely comparable to that of the Animal Ark Group ("**Selected Veterinarian Companies**").

The list of Selected Veterinarian Companies are as follows:

Selected Veterinarian Companies	Listing exchange	Brief business description	Market capitalisation as at the Latest Practicable Date^{(1),(2)} (S\$ million)
CVS Group Plc (" CVS Group ")	London Stock Exchange	CVS Group provides animal veterinary and related services. The company sells animal medicines and a range of pet products directly to consumers in the United Kingdom	1,331.9
Greencross Limited (" Greencross ")	Australian Securities Exchange	Greencross owns and operates veterinary clinics in Queensland, Victoria and South Australia	538.1
National Veterinary Care Ltd (" Nat Vet ")	Australian Securities Exchange	Nat Vet operates a network of veterinary clinics. The company provides acupuncture, blood tests, chemotherapy, dental radiography, desexing, digital radiography, electrocardiograph, heart worm injections, health exams, health nutrition programs and in-house pathology services in Australia	152.0

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Selected Veterinarian Companies	Listing exchange	Brief business description	Market capitalisation as at the Latest Practicable Date^{(1),(2)} (S\$ million)
Japan Animal Referral Medical Center Co., Ltd (“Japan Animal”)	Tokyo Stock Exchange	Japan Animal provides high degree of secondary veterinary medical services. The center has advanced medical facilities such as radiotherapy equipment, MRI and CT scan for animals	98.2
Apiam Animal Health Limited (“Apiam”)	Australian Securities Exchange	Apiam operates as a veterinary practice and products supplier. The company practices across pig, dairy, feedlot, sheep, equine and companion animal sectors in Australia	75.2

Source: Bloomberg Finance L.P./annual reports of the Selected Veterinarian Companies.

Notes:

- (1) Market capitalisation of the Selected Veterinarian Companies are based on their respective closing prices as at the Latest Practicable Date.
- (2) Based on Bloomberg closing exchange rate as at the Latest Practicable Date.

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When comparing the Target with the Selected Veterinarian Companies, we have considered the following widely used ratios:

Valuation Ratio	General Description
EV/EBITDA	<p>“EV” or “Enterprise Value” is defined as the sum of a company’s market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents.</p> <p>The “EV/EBITDA” multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.</p>
P/E	<p>The P/E ratio illustrates the ratio of the market price of a company’s share relative to its historical consolidated earnings per share. The P/E ratio is affected by, <i>inter alia</i>, the capital structure of a company, its tax position as well as its accounting policies relating to among others, depreciation and amortisation.</p>
P/NAV	<p>P/NAV ratio illustrates the ratio of the market price of a company’s share relative to its asset backing as measured in terms of its historical consolidated NAV per share as stated in its financial statements. The NAV figure provides an estimate of the value of a company assuming the sale of all its tangible and intangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their book NAVs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies.</p>
P/EBIT	<p>Price-to-EBIT ratio is applied as the Company will determine the Retention Sum payable to the Vendor and its nominee(s) based on the annualised average 30M EBIT of the Target.</p>

Shareholders should note that these Selected Veterinarian Companies are not directly comparable to the Animal Ark Group in terms of geographical locations, principal business activities, scale of operations, geographical markets, track record, future prospects, asset base, risk profile, customer base and other relevant criteria. Comparisons between the Animal Ark Group and the Selected Veterinarian Companies may be affected, *inter alia*, by differences in their accounting policies. Our analysis has not attempted to adjust for such differences. In view of the above, it should be noted that any comparison made with respect to the Selected Veterinarian Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of the Target as at the Latest Practicable Date.

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We set out in the table below the financial ratios of the Selected Veterinarian Companies which are computed based on their closing market prices and their latest publicly available twelve-months financial results as at the Latest Practicable Date:

Selected Veterinarian Companies	Net profit ⁽¹⁾ (S\$'million)	EV/ EBITDA (times)	P/E (times)	P/NAV (times)	P/EBIT (times)
CVS Group	18.0	21.3	73.7	8.1	42.8
Greencross	45.8	7.8	12.3	1.0	6.7
Nat Vet	5.4	16.5	29.6	2.2	14.9
Japan Animal	2.5	24.7	38.6	5.3	28.2
Apiam	3.9	12.4	20.3	1.3	11.9
Maximum		24.7	73.7	8.1	42.8
Minimum		7.8	12.3	1.0	6.7
Mean		17.9	41.4	4.3	24.6
Median		16.5	29.6	2.2	14.9
The Target	0.7	9.7 ⁽²⁾	12.9	12.5 ⁽³⁾	9.3 ⁽⁴⁾
The Target (based on the Valuation Letter)				0.8-1.0	

Source: Bloomberg Finance L.P., annual reports and/or announcements of the respective companies.

Notes:

- (1) Converted to Singapore dollars based on Bloomberg's average exchange rates for the financial reporting periods.
- (2) The EV is the Consideration of S\$9.3 million less cash and cash equivalents and deposits aggregating S\$100,000.
- (3) Based on the identified NAV as set out in paragraph 4.1(b) of this IFA Letter.
- (4) Based on the minimum Consideration of S\$7.44 million and the EBIT of S\$802,587 for FY2017.

Based on the above ratio analysis, we noted that:

- (a) the EV/EBITDA ratio, P/E ratio and P/EBIT ratio of the Target, as implied by the Consideration are within the range and below the mean and the median of the Selected Veterinarian Companies; and
- (b) the P/NAV ratio of the Target, as implied by the Consideration and the identified NAV of the Target, is above the range of the Selected Veterinarian Companies. However, the P/NAV ratio of the Target, if based on the fair market value range indicated in the Valuation Letter, will be below the range of the Selected Veterinarian Companies.

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Selected SGX-ST-listed Medical Companies

Given that none of the Selected Veterinarian Companies are listed on the SGX-ST, and that the Animal Ark Group's businesses are based in Singapore, we have also considered medical companies listed on the SGX-ST ("**Selected SGX-ST-listed Medical Companies**"), as set out in the table below:

Selected SGX-ST-listed Medical Companies	Brief business description	Market capitalisation as at the Latest Practicable Date⁽¹⁾ (\$ million)
Singapore Medical Group Ltd (" SMG ")	SMG operates medical clinics throughout Singapore. The company's principal activities lie in the provision of multi-disciplinary specialist healthcare services across the fields of ophthalmology, sports medicine, aesthetic medicine and oncology	211.5
Singapore O&G Limited (" Singapore O&G ")	Singapore O&G operates specialist health care facilities catered toward woman in Singapore. The company provides services in obstetric, gynecology, gyne-oncology, breast and surgical care	166.9
ISEC Healthcare Limited (" ISEC ")	ISEC provides eyecare (ophthalmology) services in Malaysia and Singapore. The company provides clinical care, research and educational services. ISEC operates across Malaysia and Singapore	150.0
HC Surgical Specialists Limited (" HC Surgical ")	HC Surgical operates as a medical services group. The company focuses on the provision of endoscopic procedures, including gastroscopies and colonoscopies, and general surgery services with a focus on colorectal procedures. HC Surgical serves customers in Singapore	100.7

Note:

(1) Market capitalisation of the Selected SGX-ST-listed Medical Companies are based on their respective closing prices as at the Latest Practicable Date.

Similarly, Shareholders should note that any comparison made with respect to the Selected SGX-ST-listed Medical Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of the Target as at the Latest Practicable Date.

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We set out in the table below the financial ratios of the Selected SGX-ST-listed Medical Companies which are computed based on their closing market prices and their latest publicly available last twelve months financial results as at the Latest Practicable Date:

Selected SGX-ST-listed Medical Companies	Net profit (S\$'million)	EV/ EBITDA (times)	P/E (times)	P/NAV (times)	P/EBIT (times)
SMG	2.1	15.5	100.7	2.0	18.5
Singapore O&G	9.1	14.5	19.6	3.8	16.9
ISEC	8.3	11.1	19.0	2.3	15.4
HC Surgical	4.2	17.0	23.9	6.5	18.2
Maximum		17.0	100.7	6.5	18.5
Minimum		11.1	19.0	2.0	15.4
Mean		14.5	40.8	3.7	17.3
Median		15.0	21.8	3.1	17.6
The Target ⁽¹⁾	0.7	9.7	12.9	12.5	9.3
The Target (based on the Valuation Letter)				0.8-1.0	

Note:

- (1) The basis of the ratios of the Target are the same as those set out in the previous table for Selected Veterinary Companies.

Based on the above ratio analysis, we noted that:

- (a) the EV/EBITDA ratio, P/E ratio and P/EBIT ratio of the Target are below the range of the Selected SGX-ST-listed Medical Companies; and
- (b) the P/NAV ratio of the Target is above the range of the Selected SGX-ST-listed Medical Companies and the P/NAV ratio of the Target, if based on the range of fair market value range indicated in the Valuation Letter, will be below the range of the Selected SGX-ST-listed Medical Companies.

4.7 COMPARISON WITH RECENT VERY SUBSTANTIAL ACQUISITION TRANSACTIONS

For the purpose of our evaluation, we have also compared the valuation parameters implied by the Issue Price vis-à-vis selected recent very substantial acquisition transactions completed by companies listed on the SGX-ST which had issued new shares as full or part settlement of the purchase consideration (the “**Recent Transactions**”).

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We wish to highlight that the list of companies involved in the Recent Transactions as set out in the analysis below may not be directly comparable to the Company in terms of size, market capitalisation, business activities, asset base, geographical spread, track record, accounting policy, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits. In addition, the list of Recent Transactions is by no means exhaustive and information relating to the Recent Transactions was compiled from publicly available information. Therefore, any comparison with the Recent Transactions is for illustrative purpose only and merely serves as a guide to illustrate the relative *premia* or discounts for the transactions.

Company	Date of circular	Premium/(Discount) of issue price over/(to) last transacted price or VWAP prior to announcement (%)	Issue price over NTA per share (times)
EMS Energy Limited	30 September 2015	4.5	1.3
3Cnergy Limited	28 June 2016	(23.9)	n.m. ⁽¹⁾
Anchor Resources Limited	30 June 2017	34.3	4.9
Compact Metal Industries Ltd	29 September 2017	81.8	0.7
Rowsley Ltd.	28 February 2018	2.7	1.2
Maximum		81.8	4.9
Minimum		(23.9)	0.7
Mean		19.9	2.0 ⁽²⁾
Median		4.5	1.2 ⁽²⁾
The Company	29 June 2018	13.6	1.8

Source: Circulars of the respective companies.

Notes:

(1) “n.m.” means not meaningful as the companies had net tangible liabilities position.

(2) Excluding companies with net tangible liabilities position.

We note that in respect of Recent Transactions:

- (a) the premium of the Issue Price to the last transacted price of the Shares prior to the Announcement Date of 13.6% is within the range, lower than the mean but higher than the median of the corresponding *premia*/discounts of Recent Transactions; and
- (b) the ratio of the Issue Price over NTA per Share as at 31 December 2017 of 1.8 times is within the range, lower than the mean but higher than the median of the issue price over NTA per share ratios of Recent Transactions.

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4.8 RATIONALE FOR THE PROPOSED ACQUISITION

The rationale for the Proposed Acquisition is set out in Section 2.1 of the Circular and we recommend that the Directors advise the Shareholders to read the section carefully. We set out certain extracts in *italic* as follows:

- *The Proposed Acquisition is an opportunity that the Board believes will maximise value for Shareholders and is in line with the Company's long-term growth strategy to expand its business through additional mergers and acquisitions in the veterinary industry in Singapore and beyond.*
- *The Board believes that the Proposed Acquisition will provide an opportunity for the Company to venture into a new business area with a proven profitable track record and as a solid foundation to drive growth both organically and through further acquisitions within the veterinary industry. This will enable the Company to enhance shareholder value and generate renewed investor interest in the shares of the Company. Hence, the Board is of the view that the Proposed Acquisition is likely to enhance the long-term interests of the Company and its Shareholders.*

We also note that the Company ceased to have any operating subsidiaries or businesses and became a cash company as defined under Rule 1017 of the Catalist Rules, with effect from 20 July 2016. Pursuant to Rule 1017(2) of the Catalist Rules, the SGX-ST will proceed to remove the Company from the Official List if the Company is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company.

As at the Latest Practicable Date, the Company applied and has been granted extensions by the SGX-ST till 19 July 2018 to meet the requirements for a new listing on the SGX-ST. Accordingly, if the Company is unable to complete the Proposed Acquisition by 19 July 2018, the Company may be required to delist and a cash exit offer in accordance with Rule 1308 of the Catalist Rules be made to shareholders of the Company within six months from the date of delisting.

4.9 PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The Company has set out the pro forma financial effects of the Proposed Acquisition with assumptions in Section 7 of the Circular.

We note that amongst the assumptions are that the financial effects of the Proposed Acquisition on the loss per Share and NTA of the Company have been prepared based on the latest announced audited financial statements of the Company for FY2017 and the pro forma financial information of the Target for FY2017 (which is based on the audited financial statements of the Animal Ark Group entities for FY2017 and the unaudited management accounts of the Target for FY2017).

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In summary, the pro forma financial effects of the Proposed Acquisition (including payment of the Retention Sum, assuming no change to the Retention Sum and the Deferred Consideration Shares were allotted and issued at an issue price of S\$0.22) are as follows:

- (a) the loss per Share would increase from 0.73 cent to 1.66 cents after the Proposed Acquisition (after the allotment and issue of the Consideration Shares). We understand that this was due mainly to the transaction costs relating to the Proposed Acquisition. The loss per Share would then decrease slightly to 1.57 cents after the allotment and issue of the Deferred Consideration Shares and the exercise of the Bonus Issue Warrants; and
- (b) the NTA per Share would decrease from 14.15 cents to 7.69 cents after the Proposed Acquisition (after the allotment and issue of the Consideration Shares). The NTA per Share would further decrease to 7.28 cents after the allotment and issue of the Deferred Consideration Shares and the exercise of the Bonus Issue Warrants.

4.10 OTHER CONSIDERATIONS

In our assessment of the Proposed Acquisition we have also considered the following:

- (a) **The premium on the Consideration paid by the Company as compared to the purchase consideration paid by the Target for the Veterinary Assets and Business**

As set out on paragraph 3.1(c) of this IFA Letter, the Target will be acquiring the Veterinary Assets and Business at an aggregate consideration of S\$8.37 million, and the mode of settlement of the consideration is largely similar to the mode of settlement of the Consideration by the Company.

Based on the consideration of S\$8.37 million for the Veterinary Assets and Business and the Consideration of S\$9.3 million payable by the Company, the Company will be paying the Vendor a premium of S\$930,000 (representing 10% of the Consideration) for the Proposed Acquisition.

We understand that the premium was mainly attributed to the efforts invested by the Vendor in relation to the Restructuring and that the sole director of the Vendor is acting as the Warrantor for the Proposed Acquisition.

- (b) **Dilution impact of the Consideration Shares and the Deferred Consideration Shares**

As set out in paragraph 4.4 of this IFA Letter, we calculated the free float (being Shares other than those directly and indirectly held by the Directors and the Substantial Shareholders of the Company) to be 52,780,199 Shares as at the Latest Practicable Date. Based on the existing share capital of 126,440,002 Shares, the percentage shareholding of the 52,780,199 Shares held by the existing public Shareholders as at the Latest Practicable Date was 41.74%.

Based on the enlarged share capital of 138,928,002 Shares after the allotment and issue of the Consideration Shares, the Arranger Shares and the Financial Adviser Shares, the percentage shareholding of the 52,780,199 Shares held by the existing public Shareholders will be diluted to 37.99%, representing a decrease of 9.0%.

APPENDIX E – IFA LETTER

The shareholding interest of the existing public Shareholders will be diluted further upon issuance of the Deferred Consideration Share, the dilution impact of which cannot be ascertained at this juncture as the issue price of the Deferred Consideration Shares cannot be determined now. However, given that the Deferred Consideration Shares only accounted for 30% of the Retention Sum (which only accounted for 20% of the Consideration), the dilutive impact of the Deferred Consideration Shares to the percentage shareholding of the existing public Shareholders is likely to be less than 10%.

(c) Moratorium undertakings

As set out in Section 2.7 of the Circular, the following parties have undertaken to observe a moratorium on their shareholding in the Company upon Completion:

Name	Shares held after Completion	% of enlarged share capital after Completion	Moratorium period
The Vendor	1,116,000	0.8	100% for the 12 months from the date of Completion
Dr Eugene Lin	3,906,000	2.8	100% for the 12 months from the date of Completion
Elaine Poh	3,906,000	2.8	100% for the 12 months from the date of Completion
Tan Tong Guan	565,001	0.4	100% for the six months from the date of Completion and 50% for the subsequent six months
Tan Gee Beng Private Limited	57,139,331	41.1	100% for the six months from the date of Completion and 50% for the subsequent six months

The above Shares excludes the Deferred Consideration Shares which may be allotted and issued to the Vendor and its nominees after the 30M EBIT period.

(d) Inter-conditionality

Shareholders should note that Resolution 1 (the Proposed Acquisition); Resolution 2 (the Proposed Allotment of Consideration Shares); Resolution 3 (the Proposed Allotment of Arranger Shares); Resolution 4 (the Proposed Allotment of Financial Adviser Shares); Resolution 5 (the Proposed Issue of Bonus Issue Warrants and the Proposed Issue of Bonus Issue Warrant Shares); and Resolution 6 (the Proposed Change of Name), are inter-conditional upon each other. Accordingly, none of these resolutions will be proceeded with in the event any such resolution is not passed.

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(e) Risk factors

The Company has set out the risk factor associated with the Proposed Acquisition as well as risk factors associated with the Animal Ark Group.

Upon completion of the Proposed Acquisition, the risk factors relating to the Animal Ark Group will be relevant to the Enlarged Group. Shareholders are advised to read the information in the Section 4.2 entitled “Risk Factors relating to the New Business and the Enlarged Group” of the Circular carefully.

(f) Abstention from voting

We note that Mr Tan Tong Guan, Tan Gee Beng Private Limited and their Associates have volunteered to abstain from voting on the resolutions in respect of the Proposed Acquisition although they are not interested in the Proposed Acquisition.

The abstention is to give minority Shareholders the opportunity to have their say on the Proposed Acquisition.

5. OPINION

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Acquisition, as summarised below:

- (a) the Target registered stable revenue of between S\$4.0 million and S\$4.2 million for the Period Under Review although its revenue for FY2017 was 5.2% lower than FY2016;
- (b) based on the Valuation Letter, the fair market value range of 100% of the share capital of the Target is estimated to be between S\$9.7 million and S\$12.1 million. Accordingly, the Consideration of S\$9.3 million is at a discount of between 4.1% and 23.1% to the fair market value range of the Target;
- (c) part of the Consideration relating to the Retention Sum will be determined based on the annualised average 30M EBIT of the Target in the future. Based on the Retention Sum of S\$1.86 million, the annualised average 30M EBIT to be achieved by the Target should not fall below the Agreed EBIT. The Target achieved an annual EBIT higher than the Agreed EBIT in FY2016. In the event that the Target annualised average 30M EBIT is higher than the Agreed EBIT, the P/EBIT ratio for the Proposed Acquisition will improve;
- (d) the Issue Price represents premiums to the VWAP of the Shares for the periods prior to the Announcement Date and premium to the NAV per Share as at 31 May 2018;
- (e) based on the lowest transacted price of S\$0.142 for the period between 1 January 2016 and the Latest Practicable Date, the number of Deferred Consideration Shares to be allotted and issued to the Vendor and its nominee(s) will represent only 2.8% of the enlarged share capital of the Company after the allotment and issue of the Consideration Shares, the Deferred Consideration Shares, the Arranger Shares and the Financial Adviser Shares;

APPENDIX E – IFA LETTER

- (f) the EV/EBITDA ratio, P/E ratio and P/EBIT ratio of the Target are within the range and below the mean and median of the Selected Veterinarian Companies;
- (g) the EV/EBITDA ratio, P/E ratio and P/EBIT ratio of the Target are below the range of the Selected SGX-ST-listed Medical Companies;
- (h) the P/NAV ratio of the Target is above the range of both Selected Veterinarian Companies and the Selected SGX-ST-listed Medical Companies. However, the P/NAV ratio of the Target, if based on the fair market value range indicated in the Valuation Letter, will be below the range of the Selected Veterinarian Companies and the Selected SGX-ST-listed Medical Companies;
- (i) the premium of the Issue Price to the last transacted price of the Shares prior to the Announcement Date as well as the P/NTA of the Shares is within the range of the Recent Transactions;
- (j) the Company is a cash company and may be removed from the Official List if the Company is unable to meet the requirements for a new listing by 19 July 2018;
- (k) based on the pro forma financial effects, the loss per Share will increase due mainly to the transaction costs relating to the Proposed Acquisition while the NTA per Share will decrease upon completion of the Proposed Acquisition; and
- (l) other considerations as set out in paragraph 4.10 of this IFA Letter.

Accordingly, after taking into account the above factors, we are of the opinion as of the date hereof that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its Shareholders.

This IFA Letter is addressed to the Directors for their benefit, in connection with and for the purpose of their consideration of the terms of the Proposed Acquisition. Any decision made by the Directors in relation to the Proposed Acquisition shall remain the responsibility of the Directors. Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose other than the Proposed Acquisition, at any time and in any manner without the prior written consent of Xandar Capital in each specific case.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly
For and on behalf of
XANDAR CAPITAL PTE. LTD.

LOO CHIN KEONG
EXECUTIVE DIRECTOR

PAULINE SIM POI LIN
HEAD OF CORPORATE FINANCE

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APPENDIX F – PRINCIPAL REGULATIONS IN THE NEW CONSTITUTION WHICH ARE SIGNIFICANTLY DIFFERENT FROM THE EQUIVALENT ARTICLES IN THE EXISTING CONSTITUTION

The following are principal regulations in the New Constitution which are significantly different from the equivalent articles of the Existing Constitution, or which have been included in the New Constitution as new regulations, with the main differences blacklined (all additions are underlined and deletions are marked with strikethroughs):

(A) Regulation 6 (existing Article 2)

In ~~these Articles~~ this Constitution, (if not inconsistent with the subject or context) the words interpretation and expressions set out in the first column below shall bear the meanings set opposite to them respectively.

<u>26. WORDS</u>	MEANINGS	Interpretation
“the Act”	The Companies Act, Cap. 50 and any statutory modification, amendment or re-enactment thereof for the time being in force.	
“these Articles”	These Articles of Association as originally framed or as altered from time to time by Special Resolution.	
<u>“Auditors”</u>	<u>The auditors for the time being of the Company, being such auditor who is appointed in accordance with Section 10 of the Act.</u>	
<u>“CEO”</u>	<u>Has the meaning ascribed to “chief executive officer” in the Act.</u>	
“the Company”	SMARTFLEX HOLDINGS LTD. and by whatever name from time to time called.	
<u>“Constitution”</u>	<u>This constitution or other regulations of the Company for the time being in force.</u>	
“the Directors” or “the Board”	The directors for the time being of the Company or such number of them as have authority to act for the Company.	
<u>“electronic communication”</u>	<u>Has the meaning ascribed to it in the Act.</u>	
<u>“Exchange”</u>	<u>The Singapore Exchange Securities Trading Limited, and, where applicable, its successors in title.</u>	
<u>“Market Day”</u>	A day on which the Singapore Exchange Securities Trading Limited Exchange <u>is open for trading securities.</u>	

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“Member”	A person who is registered as the holder of shares in the capital of the Company.
“Month”	Calendar month.
“ the Office”	The Registered Office for the time being of the Company.
<u>“relevant intermediary”</u>	<u>Has the meaning ascribed to it in the Act.</u>
<u>“registered address” or “address”</u>	<u>In relation to any member, his physical address for the service or delivery of notices or documents personally or by post, except where otherwise expressly provided in this Constitution.</u>
“Seal”	The Common Seal of the Company.
“ the Secretary”	Any person or persons appointed under this Constitution to perform the duties of the Secretary of the Company including any person appointed temporarily.
“ the Statutes”	The Act and every other legislation for the time being in force concerning companies and affecting the Company.
“ in writing ”	Written or produced by any substitute for writing or partly one and partly another
<u>“treasury shares”</u>	<u>Has the meaning ascribed to it in the Act.</u>
“Year”	Calendar Year.

The expressions “book-entry securities”, “Depositor”, “Depository”, “Depository Agent”, and “Depository Register” shall have the meaning ascribed to them respectively in the ~~Act~~ Section 81SF of the Securities and Futures Act (Cap. 289).

References in ~~these Articles~~ this Constitution to “holders” of shares or a class of shares shall:

- (a) exclude the Depository or its nominee (as the case may be) except where otherwise expressly provided in this Constitution or where the term “registered holders” or “registered holder” is used in ~~these Articles~~ this Constitution;

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- (b) where the context so requires, be deemed to include references to Depositors whose names are entered in the Depository Register in respect of those shares; and
- (c) except where otherwise expressly provided in ~~these Articles~~ this Constitution, exclude the Company in relation to shares held by it as treasury shares,

and “holding” and “held” shall be construed accordingly.

“Writing” and “written” shall include (except where otherwise expressly specified in this Constitution or the context otherwise requires, and subject to any limitations, conditions or restrictions contained in the Act) any representation or reproduction of words, symbols or other information which may be displayed in a visible form, whether in a physical document or in an electronic communication or form or otherwise howsoever.

References in ~~these Articles~~ this Constitution to “member” shall, where the Act requires, exclude the Company where it is a member by reason of its holding of its shares as treasury shares.

The expression “Secretary” shall include any person appointed by the Directors to perform any of the duties of the Secretary and where two or more persons are appointed to act as Joint Secretaries shall include any one of those persons.

All such of the provisions of ~~these Articles~~ this Constitution as are applicable to paid-up shares shall apply to stock, and the words “share” and “shareholder” shall be construed accordingly.

Words denoting the singular shall include the plural and vice versa. Words denoting the masculine gender and shall include the feminine and neuter genders. Words denoting persons shall include corporations.

Any reference in ~~these Articles~~ this Constitution to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Subject as aforesaid any words or expression defined in the Act shall (if not inconsistent with the subject or context) bear the same meanings in this Constitution.

A special resolution shall be effective for any purpose for which an ordinary resolution is expressed to be required under any provision of ~~these Articles~~ this Constitution.

The headnotes and marginal notes are inserted for convenience only and shall not affect the construction of ~~these Articles~~ this Constitution.

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(B) Regulation 13 (Existing Article 9)

913. The Company may by ordinary resolution:

- (a) consolidate and divide all or any of its shares;
- (b) sub-divide its shares, or any of them (subject, nevertheless, to the provisions of the Statutes), and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to new shares; and
- (c) subject to the provisions of the Statutes, convert any class of shares into any other class of shares subject to the provisions of this Constitution and the Act, convert its share capital or any class of shares from one currency to another currency.

Power to consolidate, sub-divide shares and convert shares from one currency to another

(C) Regulation 13A

13A. The Company may by special resolution, subject to and in accordance with the Statutes, convert one class of shares into another class of shares.

Power to convert shares

(D) Regulation 18 (Existing Article 14)

1418. The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The payment out of proceeds of the issue or the Company's share capital shall not be taken as reducing the amount of share capital of the Company.

Power to pay commission and brokerage

(E) Regulation 20 (Existing Article 16)

1620. Every share certificate shall be issued under the Seal or by the signatures of authorised persons in the manner set out under the Act (as an alternative to sealing), and shall specify the number and class of shares to which it relates and ~~the amount paid and the amount (if any) unpaid thereon~~ and shall bear the autographic or facsimile signatures of one Director and the Secretary or a second Director or some other person appointed by the Directors. The facsimile signatures may be reproduced by mechanical, electronic or other method approved by the Directors. No certificate shall be issued representing shares of more than one class.

Share certificates

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(F) Regulation 53 (Existing Article 49)

4953. (A) An annual general meeting shall be held once in every year, at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting) and place as may be determined by the Directors. All other general meetings shall be called extraordinary general meetings. Annual general meeting and extraordinary general meeting
- (B) If required by the listing rules of the Exchange, all general meetings shall be held in Singapore, unless prohibited by the relevant laws and regulations in the jurisdiction of incorporation.

(G) Regulation 65 (Existing Article 61)

6165. If required by the listing rules of the Exchange upon which the shares of the Company may be listed, all resolutions at the general meeting shall be voted by poll (unless such requirement is waived by such stock exchange). Method of voting

Subject to the above, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (a) the chairman of the meeting; or
- (b) not less than two members present in person or by proxy and entitled to vote at the meeting; or
- (c) a member present in person or by proxy and representing not less than ~~one-tenth~~ 5 per cent of the total voting rights of all the members having the right to vote at the meeting; or
- (d) a member present in person or by proxy and holding not less than ~~10~~ 5 per cent of the total number of paid-up shares of the Company (excluding treasury shares) conferring a right to vote at the meeting,

Provided always that no poll shall be demanded on the choice of a chairman or on a question of adjournment.

(H) Regulation 66 (Existing Article 62)

6266. A demand for a poll may be withdrawn only with the approval of the meeting. Unless a poll is required a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for Taking a poll

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or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so required by the listing rules of the Exchange or if so directed by the meeting) ~~shall} appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result at~~ least one (1) scrutineer who shall be independent of the poll persons undertaking the polling process.

(I) Regulation 69 (Existing Article 65)

~~65~~69. A holder of a share shall be entitled to be present and to vote at any general meeting in respect of any share or shares upon which all calls due to the Company have been paid. Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to ~~Article 5~~Regulation 9, each member entitled to vote may vote in person or by proxy. On a show of hands, every member who is present in person or by proxy shall have one vote provided that:

How members
may vote

- (a) in the case of a member who is not a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by that member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands and ~~on~~;
- (b) in the case of a poll, every member who is present in person a relevant intermediary and who is represented by two or more proxies, each proxy shall have one be entitled to vote for every share which he holds or represents on a show of hands.

For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any general meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at ~~48~~72 hours before the time of the relevant General Meeting as certified by the Depository to the Company.

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(J) Regulation 75 (Existing Article 71)

~~71~~75. (A) ~~A member~~ Save as otherwise provided in the Act:–

Appointment
of proxies

- (a) a Member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the same general meeting, Provided that if and shall specify the proportion of his shareholding to be represented by each proxy; and
- (b) a Member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member (which number and class shall be specified in the form of the proxy).

(B) If the member is a Depositor, the Company shall be entitled and bound:

- (a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at 48–72 hours before the time of the relevant general meeting as certified by the Depository to the Company; and
- (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at 48–72 hours before the time of the relevant general meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

(B) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

Notes and
instructions

(G) In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(D) A proxy need not be a member of the Company.
E)

Proportion of
shareholdings
to be
represented
by proxies
Proxy need
not be a
member

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(K) Regulation 76 (Existing Article 72)

7276. (A) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and: Execution of proxies

(a) in the case of an individual, shall be ~~signed by the appointor or his attorney; and:-~~

- (i) signed by the appointor or his attorney if the instrument is delivered personally or sent by post; or
- (ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and

(b) in the case of a corporation, shall be:-

- (i) either given under its common seal (or by the signatures of authorised persons in the manner set out under the Act as an alternative to sealing) or signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument is delivered personally or sent by post; or
- (ii) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

The Directors may, for the purposes of these Regulations 76(A)(a)(ii) and 76(A)(b)(ii), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

(B) The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following ~~Article~~Regulation, failing which the instrument may be treated as invalid. Witness and authority

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(L) Regulation 77 (Existing Article 73)

7377. An instrument appointing a proxy:

Deposit ~~of~~
proxies

- (a) if sent personally or by post, must be left at such other place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the general meeting (or, if no place is so specified, at the Office); or
- (b) if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the general meeting,

and in either case, not less than 48–72 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates; Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.

(M) Regulation 87 (Existing Article 83)

8387. (A) A Director may be party to or in any way interested in any contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of Auditor of the Company or any subsidiary thereof) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company or any such other company and be remunerated therefore and in any such case as aforesaid (save as otherwise agreed) he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.

Directors may
contract with
Company

(B) Every Director and CEO shall observe the provisions of Section 156 of the Act relating to the disclosure of the interests of the Directors and CEO in contracts or proposed contracts with the Company or of any office or property held by a Director or CEO which might create duties or interests in conflict with his duties or interests as a Director or CEO and any contract or arrangement to be entered into by or on behalf of the Company in which any Director shall be in any way interested shall be subject to any requirements that may be imposed by the Exchange.

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(N) Regulation 94 (Existing Article 90)

9094. The office of a Director shall be vacated in any of the following events, namely:
- When office of
Director to be
vacated
- (a) if he shall become prohibited by law from acting as a Director;
or
 - (b) if (not being a Director holding any executive office for a fixed term) he shall resign by writing under his hand left at the Office or if he shall in writing offer to resign and the Directors shall resolve to accept such offer;² or
 - (c) if he shall have a bankruptcy order made against him or shall compound with his creditors generally; or
 - (d) if he becomes ~~of unsound mind~~ incapable of managing himself or his affairs or if in Singapore or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs; or
 - (e) if he is removed by the Company in general meeting pursuant to ~~these Articles~~ this Constitution; or
 - (f) if he becomes disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds.

(O) Regulation 97 (Existing Article 93)

9397. The Company at the meeting at which a Director retired under any provision of ~~these Articles~~ this Constitution may by ordinary resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. In default the retiring Director shall be deemed to have been re-elected except in any of the following cases:
- Filling vacated
office
- (a) where at such meeting it is expressly resolved not to fill such office or a resolution for the re-election of such Director is put to the meeting and lost; or
 - (b) where such Director is disqualified under the Act from holding office as a Director or has given notice in writing to the Company that he is unwilling to be re-elected; or
 - (c) where such Director is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds; or

APPENDIX F – PRINCIPAL REGULATIONS IN THE NEW CONSTITUTION WHICH ARE SIGNIFICANTLY DIFFERENT FROM THE EQUIVALENT ARTICLES IN THE EXISTING CONSTITUTION

- (d) ~~where such Director has attained any retiring age applicable to him as Director where the default is due to the moving of a resolution in contravention of the next following Article; or~~ Regulation.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

(P) Regulation 123 (Existing Article 119)

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| <p>119
<u>123.</u></p> | <p>Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Company and any resolutions passed by the Company or the Directors or any committee, and any books, records, documents and accounts <u>financial statements</u> relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and where any books, records, documents or accounts <u>financial statements</u> are elsewhere than at the Office the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid. A document purporting to be a copy of a resolution, or an extract from the minutes of a meeting, of the Company or of the Directors or any committee which is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed, of as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting. Any authentication or certification made pursuant to this Article <u>Regulation</u> may be made by any electronic means approved by the Directors for such purpose from time to time incorporating, if the Directors deem necessary, the use of security and/or identification procedures and devices approved by the Directors.</p> | <p>Power to
authenticate
documents</p> |
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(Q) Regulation 140

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| <p>140.</p> | <p>(A) <u>The Directors shall cause minutes to be made in books to be provided for the purpose of recording:</u></p> <p>(a) <u>all appointments of officers made by the Directors;</u></p> <p>(b) <u>the names of the Directors present at each meeting of Directors and of any committee of Directors;</u></p> <p>(c) <u>all orders made by the Director and committees of the Directors; and</u></p> | <p><u>Minutes</u></p> |
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(d) all Resolutions and proceedings at all Meetings of the Company and of any class of Members, of the Directors and of committees of Directors.

(B) Any such minutes of any meeting, if purporting to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting, shall be conclusive evidence without any further proof of the facts stated therein.

(R) Regulation 141

<p><u>141.</u> The Directors shall duly comply with the provisions of the Act and in particular the provisions with regard to the registration of charges created by or affecting property of the Company, keeping (or, where relevant, making the necessary lodgments in relation to) a Register of Directors, CEOs and Secretaries, a Register of Members, a Register of Mortgages and Charges and a Register of Directors' and CEOs' Share and Debenture Holdings and the production and furnishing of copies of such Registers and of any Register of Holders of Debentures of the Company (where applicable).</p>	<p>Keeping of Registers, etc.</p>
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(S) Regulation 142

<p><u>142.</u> Any register, index, minute book, book of accounts or other book required by this Constitution or by the Act to be kept by or on behalf of the Company may, subject to and in accordance with the Act, be kept in hard copy form or in electronic form, and arranged in the manner that the Directors think fit. If such records are kept in electronic form, the Directors shall ensure that they are capable of being reproduced in hard copy form, and shall provide for the manner in which the records are to be authenticated and verified. In any case in which bound books are not used, the Directors shall take reasonable precautions for ensuring the proper maintenance and authenticity of such records, guarding against falsification and facilitating the discovery of any falsifications.</p>	<p>Form of Registers, etc</p>
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(T) Regulation 144 (Existing Article 137)

<p>137 <u>144.</u> In accordance with the provisions of the Act, the Directors shall cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, balance sheets financial statements, group accounts (if any) and reports as may be necessary. The interval between the close of a financial year of the Company and the date of the Company' annual general meeting shall not exceed four months (or such other period as may be permitted by the Act).</p>	<p>Presentation of accounts financial statements</p>
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(U) Regulation 145 (Existing Article 138)

- ~~138~~
145. A copy of every ~~balance sheet and profit and loss account~~financial statement which is to be laid before a general meeting of the Company (including every document required by law to be comprised therein or attached or annexed thereto) together with a copy of every report of the Auditors relating thereto and of the Directors' statement shall not less than 14 days before the date of the meeting be sent to every member of, and every holder of debentures of, the Company and to every other person who is entitled to receive notices of meetings from the Company under the provisions of the Statutes or of ~~these Articles~~this Constitution; Provided that:-
- (a) ~~this Article~~Regulation shall not require a copy of these documents to be sent to more than one or any joint holders or to any person of whose address the Company is not aware, but any member or holder of debentures to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office-; and
- (b) these documents may, subject to the listing rules of the Exchange, be sent less than 14 days before the date of the general meeting if all persons entitled to receive notices of general meetings from the Company so agree.

Copies of
~~accounts~~
financial
statements

(V) Regulation 148 (Existing Article 141)

- ~~141~~
148. (A) Any notice or document (including a share certificate) may be served on or delivered to any member by the Company either personally or by sending it through the post in a prepaid cover addressed to such member at his registered address appearing in the Register of Members or (as the case may be) the Depository Register, or (if he has no registered address within Singapore) to the address, if any, within Singapore supplied by him to the Company or (as the case may be) supplied by him to the Depository as his address for the service of notices, or by delivering it to such address as aforesaid. Where a notice or other document is served or sent by post, service or delivery shall be deemed to be effected at the time when the cover containing the same is posted and in proving such service or delivery it shall be sufficient to prove that such cover was properly addressed, stamped and posted.
- (B) Without prejudice to the provisions of ~~Article 141(A)~~Regulation 148(A), but subject otherwise to any applicable laws relating to electronic communications and the listing rules of the Exchange relating to electronic communications, any notice or document (including, without limitations, any ~~accounts, balance sheet, financial statements~~or report) which is required

Service of
notices

Electronic
communications

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or permitted to be given, sent or served under the Act or under ~~these Articles~~this Constitution by the Company, or by the Directors, to a member or an officer or Auditor of the Company may be given, sent or served using electronic communications to the current address of that person, or by making it available on a website prescribed by the Company from time to time, in accordance with the provisions of, or as otherwise provided by, the Statutes and/or any other applicable regulations or procedures, as well as the listing rules of the Exchange. Such notice or document shall be deemed to have been duly given, sent or served upon transmission of the electronic communication to the current address of such person or as otherwise provided under the Statutes and/or any other applicable regulations or procedures.

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| <p>(C) <u>For the purposes of Regulation 148(B), a member shall be implied to have agreed to receive such notice or document by way of such electronic communications and shall not have a right to elect to receive a physical copy of such notice or document, unless otherwise provided under applicable laws and the listing rules of the Exchange relating to electronic communications.</u></p> | <p><u>Implied
Consent</u></p> |
| <p>(D) <u>Notwithstanding Regulation 148(C) above, the Directors may, at their discretion, at any time give a member an opportunity to elect within a specified period of time whether to receive such notice or document by way of electronic communications or as a physical copy, and a member shall be deemed to have consented to receive such notice or document by way of electronic communications if he was given such an opportunity and he failed to make an election within the specified time, and he shall not in such an event have a right to receive a physical copy of such notice or document, unless otherwise provided under applicable laws.</u></p> | <p><u>Deemed
Consent</u></p> |

(W) Regulation 148A

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| <p><u>148A. (A) Where a notice or document is given, sent or served by electronic communications:</u></p> <p>(a) <u>to the current address of a person pursuant to Regulation 148(B), it shall be deemed to have been duly given, sent or served at the time of transmission of the electronic communication by the email server or facility operated by the Company or its service provider to the current address of such person (notwithstanding any delayed receipt, non-delivery or “returned mail” reply message or any other error message indicating that the electronic communication was delayed or not successfully sent), unless otherwise provided under the applicable laws and the listing rules of the Exchange relating to electronic communications;</u></p> | <p><u>When service
by electronic
means is
effected</u></p> |
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(b) by making it available on a website pursuant to Regulation 148(B), it shall be deemed to have been duly given, sent or served on the date on which the notice or document is first made available on the website, or unless otherwise provided under applicable laws and the listing rules of the Exchange relating to electronic communications.

(B) Subject to applicable laws and the listing rules of the Exchange, where a notice or document is given, sent or served to a member by making it available on a website pursuant to Regulation 148(B), the Company shall give separate notice to the member of the publication of the notice or document on that website and the manner in which the notice or document may be accessed by any one or more of the following means:

(a) by sending such separate notice to the member personally or through the post pursuant to Regulation 148(A);

(b) by sending such separate notice to the member using electronic communications to his current address pursuant to Regulation 148(B);

(c) by way of advertisement in the daily press; and/or

(d) by way of announcement on the Exchange.

(X) Regulation 155 (Existing Article 148)

<p>148 Subject to the provisions of and so far as may be permitted by the</p> <p>155. <u>Statutes, and such exclusions as the Directors may from time to time determine:</u></p>	<p>Indemnity</p>
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(a) every Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in or out of the execution and discharge of his duties or in relation thereto including any liability by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee assets of the Company and in which judgment is given in his favour (or against any liability incurred by the proceedings otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which is is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the court. Without prejudice to the generality of the foregoing, no Director, Manager, Secretary or other officer of the Company in or about the execution of the duties of his office or otherwise in

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relation thereto, and no such Directors or other officer shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatsoever which shall may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto unless the same shall happen through his;

- (b) the Company may provide any such Director or other officer with funds to meet expenditure incurred or to be incurred by him in connection with any proceedings or application in relation to any liabilities mentioned in paragraph (a) and otherwise may take any action to enable him to avoid incurring such expenditure; and
- (c) the Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any Director or other officer of the Company and its subsidiaries (if any) in respect of any liabilities mentioned in paragraph (a) above.

This Regulation does not authorise any indemnity which would be prohibited or rendered void by any provision of the Act or by any other provision of law. This Regulation also does not authorise any indemnity if the liability arises from the Director's or officer's own negligence, wilful default, breach of duty or breach of trust.

(Y) Regulation 157

157. (A) A member who is a natural person is deemed to have consented to the collection, use and disclosure of his personal data (whether such personal data is provided by that Member or is collected through a third party) by the Company (or its agents or service providers) from time to time for any of the following purposes:–

Personal Data

- (a) implementation and administration of any corporate action by the Company (or its agents or service providers);
- (b) internal analysis and/or market research by the Company (or its agents or service providers);

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- (c) investor relations communications by the Company (or its agents or service providers);
- (d) administration by the Company (or its agents or service providers) of that Member's holding of shares in the Company;
- (e) implementation and administration of any service provided by the Company (or its agents or service providers) to its Members to receive notices of meetings, annual reports and other Member communications and/or for proxy appointment, whether by electronic means or otherwise;
- (f) processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for any General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to any General Meeting (including any adjournment thereof);
- (g) implementation and administration of, and compliance with, any regulation of this Constitution;
- (h) compliance with any applicable laws, listing rules of the Exchange, take-over rules, regulations and/or guidelines; and

purposes which are reasonably related to any of the above purposes.

- (B) Any Member who appoints a proxy and/or representative for any General Meeting and/or any adjournment thereof is deemed to have warranted that where such Member discloses the personal data of such proxy and/or representative to the Company (or its agents or service providers), that Member has obtained the prior consent of such proxy and/or representative for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy and/or representative for the purposes specified in Regulations 157(A)(f) and 157(A)(g), and is deemed to have agreed to indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of such Member's breach of warranty.

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APPENDIX G – DESCRIPTION OF SINGAPORE LAW RELATING TO TAXATION

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. The discussion is based on laws, regulations and interpretations now in effect and available as of the date of this Circular. These laws and regulations are subject to changes, which may be retrospective to the date of issuance of our Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out below.

The discussion is limited to a general description of certain Singapore income tax, stamp duty, estate duty and GST consequences with respect to the subscription for, ownership and disposal of our Shares, and does not purport to be a comprehensive nor exhaustive description of all tax considerations that may be relevant to a decision to subscribe for, hold or dispose of our Shares.

Prospective investors should consult their own tax advisers concerning the tax consequences of subscribing for and/or purchasing, owning and disposing our Shares. The discussion below is based on the assumption that our Company is not a tax resident in Singapore for Singapore income tax purposes. Neither our Company, our Directors nor any other persons involved in the Proposed Transactions accepts responsibility for any tax effects or liabilities resulting from the subscription for, holding or disposal of our Shares.

Singapore Income Tax

Corporate income tax

A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore. Generally, control and management of a company is vested in its board of directors and its tax residency is generally where its board of directors meet to make strategic business decisions of the company.

Corporate taxpayers (both resident and non-resident) are subject to Singapore income tax on income accrued in or derived from Singapore (i.e. Singapore-sourced) and income received in Singapore from outside Singapore (i.e. foreign-sourced income received or deemed received in Singapore) unless specifically exempt from income tax.

Foreign-sourced income is deemed to be received in Singapore when it is:

- (a) remitted to, transmitted or brought into Singapore;
- (b) used to pay off any debt incurred in respect of a trade or business carried on in Singapore;
or
- (c) used to purchase any movable property which is brought into Singapore.

APPENDIX G – DESCRIPTION OF SINGAPORE LAW RELATING TO TAXATION

Foreign-sourced income in the form of branch profits, dividends and service fee income (“**specified foreign income**”) received or deemed received in Singapore by a Singapore tax resident company are exempted from Singapore tax provided that the following qualifying conditions are met:

- (a) such income is subject to tax of a similar character to income tax under the law of the territory from which such income is received;
- (b) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received is at least 15.0%; and
- (c) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the recipient of the specified foreign income.

The prevailing corporate income tax rate in Singapore is 17.0% with the first S\$300,000 of chargeable income of a company being partially exempt from tax as follows:

- (a) 75.0% of the first S\$10,000 of chargeable income; and
- (b) 50.0% of the next S\$290,000 of chargeable income.

In the 2018 Budget, the Minister of Finance had announced that both resident and non-resident companies will enjoy a corporate income tax rebate from year of assessment 2018 to year of assessment 2019. The tax rebate for year of assessment 2018 will be based on 40% of the tax payable up to a maximum tax rebate of S\$20,000. The tax rebate for year of assessment 2019 will be based on 20% of tax payable up to a maximum tax rebate of S\$10,000. The tax rebate will not apply to income derived by a non-resident company that is subject to final withholding tax.

Individual income tax

An individual taxpayer (both resident and non-resident) is subject to Singapore income tax on income accrued in or derived from Singapore, subject to certain exemptions. Foreign-sourced income received or deemed received by a Singapore tax resident individual is generally exempt from income tax in Singapore except for such income received through a partnership in Singapore.

An individual is regarded as a tax resident in Singapore if in the calendar year preceding the year of assessment, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

Currently, a Singapore tax resident individual is subject to tax at the progressive resident rates, ranging from 0% to 22.0%, after deductions of qualifying personal reliefs where applicable. A non-Singapore tax resident individual is taxed at the tax rate of 22.0% except that Singapore employment income is taxed at a flat rate of 15.0% or at progressive resident rates, whichever yields a higher tax.

APPENDIX G – DESCRIPTION OF SINGAPORE LAW RELATING TO TAXATION

Dividend Distributions

Singapore adopts the one-tier corporate tax system from 1 January 2003. Under the one-tier corporate tax system, the tax paid by a Singapore resident company on its corporate profits is a final tax. Dividends payable by the Singapore resident company to its shareholders are exempt from Singapore income tax in the hands of the shareholders.

Singapore does not currently impose withholding tax on the dividend payments to both resident and non-resident shareholders.

Foreign shareholders receiving tax exempt (one-tier) dividends are advised to consult their tax advisors to take into account the tax laws of their respective countries of residence and the applicability of any double taxation agreement which their country of residence may have with Singapore.

Capital Gains Tax

Singapore currently does not impose tax on capital gains. However, gains arising from the disposal of our Shares which are considered gains derived from any trade, business, vocation or profession carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature. Gains derived from the sale of our Shares may also be taxable if they constitute any gains or profits of any income nature under Section 10(1)(g) of the Income Tax Act (Chapter 134) of Singapore.

Any gains from the disposal of our Shares, if regarded as capital gains, are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature in Singapore, in which case, the disposal gains would be taxable.

Section 13Z of the Income Tax Act (Chapter 134) of Singapore provides a safe harbour in the form of an exemption of gains or profits arising from the disposal of ordinary shares. To qualify for the tax exemption, the divesting company must be both the legal and beneficial owner of the ordinary shares which are disposed of and must have legally and beneficially held at least 20.0% of the ordinary shares in the investee company for a continuous period of at least 24 months ending on the date immediately prior to the date of disposal of such shares. Such tax exemption is applicable for disposals between 1 June 2012 to 31 May 2022 (both dates inclusive).

The rule is not applicable to the disposal of shares held in an unlisted investee company that is in the business of trading or holding Singapore immovable properties (other than the business of property development), or generally to a divesting company in the insurance business industry, or to the disposal of shares by a partnership, limited partnership or limited liability partnership where one (1) or more of the partners of which is a company or are companies.

Shareholders who have adopted or are required to adopt Singapore Financial Reporting Standard 39 – Financial Instruments: Recognition and Measurement (“FRS 39”) or Singapore Financial Reporting Standard 109 – Financial Instruments (“FRS 109”) may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on our Shares, irrespective of disposal, in accordance with FRS 39 or FRS 109.

Shareholders are advised to consult their tax advisers on the Singapore tax consequences on their subscription, purchase, holding and disposal of our Shares.

APPENDIX G – DESCRIPTION OF SINGAPORE LAW RELATING TO TAXATION

Bonus Shares

Any bonus shares received by our Shareholders are not taxable in Singapore.

Stamp Duty

There is no stamp duty payable on the subscription, allotment or holding of our Shares.

Stamp duty is payable on the contract or agreement entered into for the transfer of our Shares at 0.2% on the consideration paid for, or market value of our Shares, whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary.

No stamp duty is payable if no dutiable document relating to the share transfer is executed or if the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the dutiable document which is executed outside Singapore is subsequently received in Singapore.

Stamp duty is not applicable to electronic transfer of our Shares through the scripless trading system operated by CDP.

Goods and Services Tax (“GST”)

The sale of our Shares by a GST-registered investor belonging in Singapore through an SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST. Any GST incurred by the investor (for example, GST on brokerage) in making this exempt supply will generally not be recoverable from the Comptroller of GST and would become an additional cost to the investor unless the investor satisfies certain conditions prescribed under the GST legislation or by the Comptroller of GST.

Where our Shares are sold by a GST-registered investor to a person belonging outside Singapore (and who is outside Singapore at the time of supply), the sale is a taxable supply subject to GST at zero-rate. Consequently, any GST (for example, GST on brokerage) incurred by him in the making of this zero-rated supply for the purpose of his business will, subject to the provisions of the GST legislation, be recoverable as an input tax credit in his GST returns.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with purchase and sale of our Shares.

Services such as brokerage, handling and clearing charges rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor’s purchase, sale or holding of our Shares will be subject to GST at the prevailing standard rate (currently at 7.0%). Similar services rendered contractually to an investor belonging outside Singapore may be subject to GST at zero-rate if certain conditions are met.

Estate Duty

Singapore estate duty has been abolished with effect from 15 February 2008.

APPENDIX H – SUMMARY OF THE CONSTITUTION OF OUR COMPANY

The discussion below provides a summary of the provisions of our Constitution. This discussion is only a summary and is qualified by reference to Singapore law and our Constitution.

SUMMARY OF OUR CONSTITUTION

1. Directors

(a) Ability of interested directors to vote

A Director shall not vote in respect of any contract, proposed contract or arrangement or any other proposal in which he has any personal material interest, and he shall not be counted in the quorum present at the meeting.

(b) Remuneration

Fees payable to non-executive Directors shall be a fixed sum (not being a commission on or a percentage of profits or turnover of our Company) as shall from time to time be determined by our Company in general meeting. Fees payable to Directors shall not be increased except at a general meeting convened by a notice specifying the intention to propose such increase.

Any Director who holds any executive office, or who serves on any committee of our Directors, or who performs services outside the ordinary duties of a Director, may be paid extra remuneration by way of salary, commission or otherwise, as our Directors may determine.

The remuneration of a Managing Director shall be fixed by our Directors and may be by way of salary or commission or participation in profits or by any or all of these modes but shall not be by a commission on or a percentage of turnover.

(c) Borrowing

Our Directors may exercise all the powers of our Company to raise or borrow money, to mortgage or charge its undertaking, property and uncalled capital, and to secure any debt, liability or obligation of our Company.

(d) Retirement Age Limit

There is no retirement age limit for Directors under our Constitution.

(e) Shareholding Qualification

There is no shareholding qualification for Directors in our Constitution.

APPENDIX H – SUMMARY OF THE CONSTITUTION OF OUR COMPANY

2. Share rights and restrictions

Our Company currently has one (1) class of Shares, namely, ordinary shares. Only persons who are registered on our register of members and in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the Shares, are recognised as our Shareholders.

(a) Dividends and distribution

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board. We must pay all dividends out of our profits. All dividends are paid pro rata amongst our Shareholders in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any ordinary share provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

The payment by our Directors of any unclaimed dividends or other moneys payable on or in respect of a Share into a separate account shall not constitute our Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by our Directors for the benefit of our Company. Any dividend unclaimed after a period of six (6) years after having been declared may be forfeited and shall revert to our Company but our Directors may thereafter at their discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

Our Directors may retain any dividends or other moneys payable on or in respect of a share on which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(b) Voting rights

A holder of our ordinary shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. A proxy need not be a Shareholder. A person who holds ordinary shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a Shareholder if his name appears on the Depository Register maintained by CDP not less than 72 hours before the general meeting. Except as otherwise provided in our Constitution, five (5) or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Constitution, on a show of hands, every Shareholder present in person and by proxy shall have one (1) vote, and on a poll, every Shareholder present in person or by proxy shall have one (1) vote for each Share which he holds or represents. A Shareholder who is not a relevant intermediary (as defined in Section 181(6) of the Companies Act) may appoint not more than two (2) proxies to attend and vote at the same general meeting. A Shareholder who is a relevant intermediary may appoint more than two (2) proxies to attend and vote at the same general meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by it. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder or Shareholders present in person or by proxy and representing not less than 5.0% of the total voting rights of all Shareholders having the right to attend and vote at the meeting or by not less than five (5) Shareholders present in person or by proxy and entitled to vote. In the case of an equality of vote, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

APPENDIX H – SUMMARY OF THE CONSTITUTION OF OUR COMPANY

3. Change in capital

Changes in the capital structure of our Company (for example, an increase, consolidation, cancellation, sub-division or conversion of our share capital) require Shareholders to pass an ordinary resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to each of our Shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting. However, we are required to obtain our Shareholders' approval by way of a special resolution for any reduction of our share capital, subject to the conditions prescribed by law.

4. Variation of rights of existing shares or classes of shares

Subject to the Companies Act, whenever the share capital of our Company is divided into different classes of shares, the special rights attached to any class unless otherwise provided by the terms of issue of the shares of that class may be varied or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class and to every such special resolution the provisions of the Companies Act shall with such adaptations as necessary apply. The provisions of our Constitution relating to general meetings of our Company and to the proceedings thereat shall apply to every such general meeting, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one (1) vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the total voting rights of the issued shares of the class concerned within two (2) months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting.

5. Limitations on foreign or non-resident shareholders

There are no limitations imposed by Singapore law or by our Constitution on the rights of our Shareholders who are regarded as non-residents of Singapore, to hold or vote their Shares.

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NOTICE OF EXTRAORDINARY GENERAL MEETING

SMARTFLEX HOLDINGS LTD.

(Company Registration No. 201003501R)
(Incorporated in the Republic of Singapore)
("Company")

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at Maxwell Chambers, 32 Maxwell Road, #03-01, Singapore 069115 on 26 July 2018 at 10:00 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

All capitalised terms used in this Notice which are not defined herein shall, unless the context otherwise requires, have the same meaning ascribed to them in the Circular to Shareholders dated 29 June 2018.

Shareholders should note that the Resolutions 1 to 6 are inter-conditional on each other. In the event that any of these Resolutions is not approved, the other Resolutions will not be duly passed.

ORDINARY RESOLUTIONS

RESOLUTION 1 – THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF AVH ANIMAL ARK PTE. LTD., BEING A VERY SUBSTANTIAL ACQUISITION UNDER THE CATALIST RULES

That, subject to and contingent upon the passing of Resolutions 2 to 6 set out herein:–

- (a) approval be and is hereby given for the acquisition by the Company of all the shares in the capital of AVH Animal Ark Pte. Ltd. (formerly known as Asia Vets Holdings Pte. Ltd.) ("**Target**") from Hu Zhi Investments Limited ("**Vendor**"), upon the terms and conditions of the sale and purchase agreement dated 8 September 2017 entered into by the Company, the Vendor and the Warrantor, as the same may be amended from time to time ("**Sale and Purchase Agreement**") ("**Proposed Acquisition**"); and
- (b) the directors of the Company ("**Directors**") and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary, desirable or expedient for the purposes of or in connection with and to give effect to this Resolution (including any amendment to the Sale and Purchase Agreement, execution of any other agreements or documents and procurement of third party consents).

RESOLUTION 2 – THE PROPOSED ALLOTMENT AND ISSUE OF THE CONSIDERATION SHARES TO THE VENDOR AND/OR ITS NOMINEE(S) UPON COMPLETION AT THE ISSUE PRICE OF S\$0.25 PER CONSIDERATION SHARE PURSUANT TO THE PROPOSED ACQUISITION

That, subject to and contingent upon the passing of Resolutions 1 and 3 to 6 set out herein and pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore):–

- (a) approval be and is hereby given for the proposed allotment and issue of 8,928,000 new ordinary shares in the capital of the Company ("**Shares**") at the issue price of S\$0.25 per share, being partial settlement of the Consideration, upon the terms and conditions of the Sale and Purchase Agreement ("**Consideration Shares**"); and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the Directors and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to this Resolution (including any execution of any agreements or documents and procurement of third party consents for the Shares).

RESOLUTION 3 – THE PROPOSED ISSUE AND ALLOTMENT OF THE ARRANGER SHARES TO TIGER EQUITIES PTE. LTD. AND ZICO CAPITAL PTE. LTD.

That, subject to and contingent upon the passing of Resolutions 1 to 2, and 4 to 6 set out herein and pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore) and Rule 805 of the Catalist Rules:–

- (a) approval be and is hereby given for the proposed allotment and issue of 1,973,334 and 986,666 Arranger Shares at the issue price of S\$0.25 per Arranger Share to Tiger Equities Pte. Ltd. and ZICO Capital Pte. Ltd., respectively, upon the terms and conditions of the Finders' Fee and Consultancy Agreement and ZICO Capital Pte. Ltd.'s mandate with the Company (as the case may be); and
- (b) the Directors and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to this Resolution (including any execution of any agreements or documents and procurement of third party consents for the Shares).

RESOLUTION 4 – THE PROPOSED ISSUE AND ALLOTMENT OF THE FINANCIAL ADVISER SHARES TO ZICO CAPITAL PTE. LTD.

That, subject to and contingent upon the passing of Resolutions 1 to 3, and 5 and 6 set out herein and pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore) and Rule 805 of the Catalist Rules:–

- (a) approval be and is hereby given for the proposed allotment and issue of 600,000 Financial Adviser Shares at the issue price of S\$0.25 per Financial Adviser Share to ZICO Capital Pte. Ltd. upon the terms and conditions of ZICO Capital Pte. Ltd.'s mandate with the Company; and
- (b) the Directors and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to this Resolution (including any execution of any agreements or documents and procurement of third party consents for the Shares).

NOTICE OF EXTRAORDINARY GENERAL MEETING

RESOLUTION 5 – THE PROPOSED ISSUE OF 5,300,000 BONUS ISSUE WARRANTS TO TIGER EQUITIES PTE. LTD. AND/OR ITS NOMINEE(S) AT AN ISSUE PRICE OF S\$0.0001 PER BONUS ISSUE WARRANT, EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW SHARE OF THE COMPANY AT AN EXERCISE PRICE OF S\$0.25 AND THE PROPOSED ISSUE OF 5,300,000 BONUS ISSUE WARRANT SHARES UPON THE EXERCISE OF THE BONUS ISSUE WARRANTS

That, subject to and contingent upon the passing of Resolutions 1 to 4, and 6 set out herein and pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore) and Rule 805 of the Catalist Rules:–

- (a) approval be and is hereby given for the proposed issue of 5,300,000 Bonus Issue Warrants to Tiger Equities Pte. Ltd. and/or its nominee(s) at an issue price of S\$0.0001 per Bonus Issue Warrant, each warrant carrying the right to subscribe for one (1) new share of the Company at an exercise price of S\$0.25;
- (b) approval be and is hereby given for the proposed allotment and issue of 5,300,000 Bonus Issue Warrant Shares upon the exercise of the Bonus Issue Warrants; and
- (c) the Directors and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to this Resolution (including any execution of any agreements or documents and procurement of third party consents for the Shares).

SPECIAL RESOLUTIONS:

RESOLUTION 6 – THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM “SMARTFLEX HOLDINGS LTD.” TO “ASIA VETS HOLDINGS LTD.”

That, subject to and contingent upon the passing of Resolutions 1 to 5 set out herein:–

- (a) the name of the Company be changed from “Smartflex Holdings Ltd.” to “Asia Vets Holdings Ltd.” and that the name “Asia Vets Holdings Ltd.” be substituted for “Smartflex Holdings Ltd.” whenever the latter name appears in the Constitution of the Company; and
- (b) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to this Special Resolution.

NOTICE OF EXTRAORDINARY GENERAL MEETING

RESOLUTION 7 – THE PROPOSED ADOPTION OF A NEW CONSTITUTION

That:–

- (a) the regulations contained in the New Constitution submitted to this meeting and, for the purpose of identification, subscribed to by the Company Secretary, be approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution; and
- (b) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to this Special Resolution.

BY ORDER OF THE BOARD

Tan Tong Guan
Executive Chairman & CEO
29 June 2018

Notes:

1. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the extraordinary general meeting (the “**Meeting**”). Where such member’s form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member’s form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“**Relevant intermediary**” has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50 of Singapore).
2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at office of the Company’s Share Registrar, RHT Corporate Advisory Pte. Ltd. at least 48 hours before the time for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the “**Purposes**”);
- (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

PROXY FORM

SMARTFLEX HOLDINGS LTD.

(Company Registration No. 201003501R)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please read notes overleaf before completing this Form)

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Extraordinary General Meeting and vote (please see note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____ (Name)

of _____ (Address)

being a *member/members of **Smartflex Holdings Ltd.** (the "**Company**") hereby appoint:

Name	Address	*NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	(%)

*and/or

Name	Address	*NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	(%)

or failing *him/her/them, the Chairman of the Extraordinary General Meeting ("**Meeting**") of the Company as *my/our *proxy/proxies to vote for *me/us on *my/our behalf, and if necessary, to demand a poll at the Meeting of the Company to be held at Maxwell Chambers, 32 Maxwell Road, #03-01, Singapore 069115 on 26 July 2018 at 10:00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder with an "X" in the spaces provided hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.

Please indicate your vote "For" or "Against" with an "X" within the box provided if you wish to exercise all your votes. Alternatively, please indicate the number of votes as appropriate.

No.	As Ordinary Resolutions	For	Against
1	The Proposed Acquisition of all the issued and fully-paid shares in the capital of AVH Animal Ark Pte. Ltd. , being a Very Substantial Acquisition under the Catalist Rules		
2	The proposed allotment and issue of the Consideration Shares to the Vendor (and/or its nominee(s)) upon Completion at the issue price of S\$0.25 per Consideration Share, pursuant to the Proposed Acquisition		
3	The proposed allotment and issue of the Arranger Shares to Tiger Equities Pte. Ltd. and ZICO Capital Pte. Ltd.		
4	The proposed allotment and issue of the Financial Adviser Shares to ZICO Capital Pte. Ltd.		
5	The proposed issue of 5,300,000 Bonus Issue Warrants to Tiger Equities Pte. Ltd. and/or its nominee(s) at an issue price of S\$0.0001 per Bonus Issue Warrant, each warrant carrying the right to subscribe for one (1) new share of the Company at an exercise price of S\$0.25, and the proposed issue of 5,300,000 Bonus Issue Warrant Shares upon the exercise of the Bonus Issue Warrants		
As Special Resolutions			
6	The proposed change of name of the Company from "Smartflex Holdings Ltd." to "Asia Vets Holdings Ltd."		
7	The Proposed Adoption of a New Constitution		

Dated this _____ day of _____ 2018.

Total No. of Shares	No. of Shares
CDP Register	
Register of Members	

Signature of Shareholder(s) or,
Common Seal of Corporate Shareholder

* Please delete as appropriate.

PROXY FORM

All capitalised terms used in this Proxy Form which are not defined herein shall, unless the context otherwise requires, have the same meanings ascribed to them in the Company's Circular to Shareholders dated 29 June 2018.

Notes:

1. **Tan Tong Guan, Tan Gee Beng Private Limited and their Associates have volunteered to abstain from voting on Resolution 1. If you wish to nominate any of them to act as proxy at the Meeting, please indicate your vote "For" or "Against" with an "X" for Resolution 1 within the box provided, or indicate the number of votes as appropriate. Otherwise, none of Tan Tong Guan, Tan Gee Beng Private Limited and their Associates will accept such nomination to act as your proxy in voting on Resolution 1.**
 2. Please insert the total number of ordinary shares ("**Ordinary Shares**") held by you. If you have Ordinary Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of Ordinary Shares. If you have Ordinary Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of Ordinary Shares. If you have Ordinary Shares entered against your name in the Depository Register and Ordinary Shares registered in your name in the Register of Members, you should insert the aggregate number of Ordinary Shares.
 3.
 - (a) A member of the Company ("**Member**") who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at a Meeting of the Company. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
 - (b) A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at a Meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Shareholder. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
- "Relevant intermediary"**, as defined in Section 181 of the Companies Act (Chapter 50 of Singapore), means
- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets service licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. The Instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01 Republic Plaza Tower 1 Singapore 048619 at least 48 hours before the time for holding the Meeting.
 5. The Instrument appointing the proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the Instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
 6. A corporation which is a Member may, in accordance with Section 179 of the Companies Act (Chapter 50 of Singapore), authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting.
 7. The Company shall be entitled to reject the Instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the Instrument appointing a proxy or proxies. In addition, in the case of Members whose Ordinary Shares are entered against their names in the Depository Register, the Company may reject any Instrument appointing a proxy or proxies lodged if such Members are not shown to have Ordinary Shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 29 June 2018.

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