

MEDINEX LIMITED

Incorporated in the Republic of Singapore

Registration No. 200900689W

PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN ARK LEADERSHIP & LEARNING PTE. LTD.

1. INTRODUCTION

The Board of Directors (the "**Board**") of Medinex Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's offer document dated 30 November 2018 ("**Offer Document**") registered by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), acting as agent on behalf of the Monetary Authority of Singapore. It was disclosed in the Offer Document that the Company had on 12 November 2018 entered into the right of first refusal agreement with Low Mui Keow, Valerie (Lu Meijiao, Valerie) (the "**Vendor**") pursuant to which the Company obtained a right of first refusal in respect of the shares of Ark Leadership.

The Board is pleased to inform shareholders that the Company has today, entered into a sale and purchase agreement ("**SPA**") with the Vendor to acquire two (2) ordinary shares of Ark Leadership & Learning Pte. Ltd. ("**Ark Leadership**") (the "**Sale Shares**") from the Vendor, equivalent to 100.0% of the total equity interest in Ark Leadership (the "**Proposed Acquisition**").

Upon completion of the Proposed Acquisition, Ark Leadership will become a subsidiary of the Company.

2. INFORMATION ON ARK LEADERSHIP

Ark Leadership was incorporated on 27 February 2014 in the Republic of Singapore. As at the date of this announcement, Ark Leadership has a total issued and paid-up share capital consisting of 2 ordinary shares of S\$1 each and the Vendor holds 100% of the total issued shares in Ark Leadership.

Ark Leadership is principally involved in providing human resources consultancy services ("**HR Consultancy Services**") and learning and development services ("**L&D Services**") for small and medium-sized enterprises ("**SMEs**") and multi-national corporations ("**MNCs**"). The HR Consultancy Services include (a) providing advisory on human resource related policies and manpower planning, (b) developing talent attraction and retention strategies, (c) setting of performance management and rewards system, and (d) establishing employee value proposition and organisation values. The L&D Services include (a) designing and facilitating customised and off-the-shelves training solutions, (b) setting up of training and competency frameworks for organizations, and (c) coaching of executives.

Based on the unaudited management accounts of Ark Leadership for the twelve months ended 31 December 2018, the net profit before tax of Ark Leadership was S\$205,569 and the net tangible asset and net asset value of Ark Leadership as at 31 December 2018 was S\$4,129.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Board is of the view that the Proposed Acquisition is in line with the Group's plan for growth, and will enhance value for its shareholders in the following areas:

(a) Increase the range of service offerings to existing and new clients

The Group currently provides (a) payroll administrative services to its clients as part of its financial accounting services, and (b) human resource management services as part of the Medical Support Services provided to clients in the primary healthcare sector and the scope of work is limited to recruitment services.

The inclusion of Ark Leadership's services to the Group will provide synergies and allow the Group to expand its range of human resource services to include, *inter alia*, providing advisory on human resource related policies and manpower planning, developing talent attraction and retention strategies, and designing and facilitating training solutions. The increased range of services provided will strengthen the Group's position as a one-stop medical support services provider.

(b) Increase customer base

The Group's customer base comprises mainly SMEs, while Ark Leadership provides its HR Consultancy Services to, *inter alia*, larger institutions such as banks and/or MNCs in Singapore.

The Proposed Acquisition will allow the Group to expand its customer base and benefit from cross-selling opportunities across the various business support services provided by the Group.

(c) Cost savings for the Group

As disclosed in the Offer Document, the Group engages Ark Leadership to provide HR Consultancy Services and payroll administration services to the Group.

The Proposed Acquisition of Ark Leadership will provide cost savings to the Group as the Group will no longer have to engage external parties for HR Consultancy Services and payroll administration services.

4. THE PROPOSED ACQUISITION WILL CONSTITUTE AN INTERESTED PERSON TRANSACTION

4.1 Details of Interested Person

The Vendor is the sister of Jessie Low Mui Choo ("**Jessie Low**"), the Executive Director and Chief Executive Officer, and controlling shareholder of the Company. Accordingly, the Vendor, being an associate of Jessie Low, is regarded as an interested person under Chapter 9 of the Catalist Rules and the Proposed Acquisition of Ark Leadership from the Vendor will constitute an interested person transaction under Chapter 9 of the Catalist Rules.

4.2 Materiality Thresholds under Chapter 9 of the Catalist Rules

Under Rule 906 of the Catalist Rules, shareholders' approval is required for any interested person transaction of a value equal to, or more than 5.0% of the Group's latest audited net tangible assets ("**NTA**") or when aggregated with other interest person transactions entered into during the same financial year, the value is equal to or more than 5.0% of the Group's latest audited NTA.

In obtaining such approval, the interested person and its associates are required to abstain from voting on the resolution approving the interested person transaction pursuant to Rule 919 of the Catalist Rules.

The consideration for the Proposed Acquisition is S\$1,008,000 and the Group's latest audited NTA as at 31 December 2017 is S\$3,669,926. As the consideration payable to the Vendor against the Group's latest audited NTA is approximately 27.47%, which exceeds 5.0% of the Group's latest audited NTA, the Proposed Acquisition is an interested person transaction which is subject to the approval of the shareholders of the Company ("**Shareholders**"). Accordingly, the Company is seeking Shareholders' approval for the Proposed Acquisition at an extraordinary general meeting to be convened ("**EGM**"), and Jessie Low and her associates will abstain from voting on the resolution.

4.3 Total Value of Interested Person Transactions

There were no other existing interested person transactions entered into between the Company and the Vendor or her associates in the current financial year, which are above S\$100,000 and which are the subject of aggregation pursuant to Rule 906 of the Catalist Rules.

4.4 Independent Financial Adviser

The Company has appointed RHT Capital Pte. Ltd. as the independent financial adviser ("**IFA**") to provide an opinion on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders (the "**IFA Opinion**").

4.5 Audit Committee's Statement

The Audit Committee of the Company ("**Audit Committee**"), comprising Lim Tai Toon, Wee Yiap Fook San and Tan Lee Meng, 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 will form its view as to whether the Proposed Acquisition is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, after considering the IFA's opinion. A copy of the IFA Opinion will be included in the circular to be despatched to Shareholders in due course.

5. PRINCIPAL TERMS OF THE SPA

Completion of the Proposed Acquisition is subject to, *inter alia*, the following conditions:

- (a) each of the Company and the Vendor having performed all of the covenants and agreements required to be performed or caused to be performed by them under the SPA on or before the date of completion of the Proposed Acquisition;
- (b) conducting of satisfactory legal and financial due diligence on Ark Leadership;
- (c) the appointment of Low Siam Kiang and/or such other persons as the Company may nominate as director(s) of Ark Leadership;
- (d) the approval of the Shareholders for the Proposed Acquisition (including the allotment and issuance of the Consideration Shares (as defined below)) being obtained in a general meeting to be convened by the Company;
- (e) receipt of listing and quotation notice from the SGX-ST for the listing of and quotation

of the Consideration Shares on the Official List of the SGX-ST being obtained and not having been revoked or withdrawn by the SGX-ST, and where such listing and quotation notice is subject to conditions, (i) to the extent they are required to be fulfilled on or before the Completion Date, they are so fulfilled and (ii) such conditions, if applicable to the Company, being acceptable to the Company in its sole and absolute discretion, and if applicable to the Vendor, being acceptable to the Vendor in her sole and absolute discretion; and

- (f) all necessary or desirable actions, notifications, filings and registrations, approvals, permits and consents having been taken, given to, made with and obtained from the relevant governmental, regulatory and administrative departments, authorities and bodies in Singapore or elsewhere in respect of the sale and purchase of the Sale Shares and the compliance in full to the satisfaction of the relevant governmental, regulatory and administrative departments, authorities and bodies in Singapore or elsewhere of all conditions (if any) attaching or in relation thereto, where such conditions are required to be complied with by the date of completion of the Proposed Acquisition.

6. PURCHASE CONSIDERATION

The total purchase consideration for the Proposed Acquisition is S\$1,008,000 (“**Purchase Consideration**”), arrived at based on a 5.25 multiple of the net profits of Ark Leadership for its latest completed financial year ended 31 December 2018.

The Purchase Consideration will be satisfied in the following manner:

- (a) S\$600,000 shall be payable in cash to the Vendor (“**Cash Portion**”) on the date of completion of the Proposed Acquisition; and
- (b) S\$408,000 shall be deferred and satisfied by the issuance of 1,483,636 new shares (“**Consideration Shares**”) in the Company to the Vendor and/or her nominee as she may direct, at an issue price of S\$0.275 per Consideration Share, equivalent to the volume weighted average price of the Company’s shares on the last trading day of the Company’s shares on the SGX-ST prior to the signing of the SPA. The Consideration Shares will be issued (i) within 10 business days following the fulfilment of the Shortfall Payment (as defined below) by the Vendor; or (ii) in the event that Ark Leadership achieves the Guaranteed Profit (as defined below), within 10 business days of the date on which the Actual NPAT (as defined below) of Ark Leadership for the Profit Guarantee Period is determined.

The Consideration Shares will be credited as fully paid-up and rank pari passu in all respects with the existing shares of the Company (save for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which falls before the date of issue of the Consideration Shares).

The Company will be submitting an application to the SGX-ST for the listing and quotation of the Consideration Shares on the SGX-ST in due course. The Company will make the relevant announcement upon receipt of the listing and quotation notice from the SGX-ST.

7. USE OF PROCEEDS

The Cash Portion will be funded through the net proceeds from the placement of shares pursuant to the Company's initial public offering ("**IPO**") in December 2018. Subsequent to the completion of the Proposed Acquisition, the status on the use of the IPO net proceeds is as follows:

	Amount allocated (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
Expand our Group's business operations via acquisitions, joint ventures and/or strategic partnerships	2,267.50	600.00	1,667.50
Working capital	1,280.00	-	1,280.00
Total	3,547.50	600.00	2,947.50

The use of IPO proceeds is in accordance with the intended use as stated in the Company's offer document dated 30 November 2018, which was issued in connection with the IPO.

8. GUARANTEED PROFITS

The Vendor shall continue to manage Ark Leadership after the date of completion of the Proposed Acquisition and the Vendor guarantees to the Company that Ark Leadership's aggregate net profit after tax for a three-year period commencing from 1 April 2019 ("**Profit Guarantee Period**"), shall be no less than S\$576,000 ("**Guaranteed Profit**").

The quantum of the Guaranteed Profit was based on the assumption that Ark Leadership's expected net profit after tax ("**NPAT**") remains similar to Ark Leadership's NPAT of S\$192,000 for the financial year ended 31 December 2018.

In the event the actual aggregate net profit after tax ("**Actual NPAT**") for the Profit Guarantee Period is less than the Guaranteed Profit, the Vendor recognises that the Company is acquiring the Sale Shares at a 5.25 multiple of Ark Leadership's Guarantee Profit per year, and undertakes to pay in cash to the Company within 14 days of the Company's written notice (the "**Relevant Period**"), a sum based on the following formula ("**Shortfall Payment**"):

$$\frac{\text{Guaranteed Profit} - \text{Actual NPAT}}{3} \times 5.25$$

The Actual NPAT shall be determined by the auditors of the Company from the audited accounts of Ark Leadership. The auditors shall be deemed to act as experts and not as arbitrators and their determination shall be final and binding on all persons concerned and in the absence of fraud or manifest error, the auditors shall be under no liability to any such person by reason of their determination or by anything done or omitted to be done by them for the purposes thereof or in connection therewith. The costs of the auditors in making such determination shall be borne by Ark Leadership.

In the event that the Vendor fails to pay the Shortfall Payment within the Relevant Period, in satisfaction of the Shortfall Payment, the Company shall be entitled to deduct such number of Consideration Shares with the total value equivalent to the amount of the Shortfall Payment from the 1,483,636 Consideration Shares to be issued, computed based on the issue price of S\$0.275 per Consideration Share, and issue such remaining Consideration Shares to the Vendor and/or her nominee as she may direct within 10 business days from the end of the Relevant Period.

If the Shortfall Payment exceeds the value of the Consideration Shares of S\$408,000, the Company shall not issue the Consideration Shares to the Vendor and/or her nominee and the Vendor shall remain liable to pay the balance of the Shortfall Payment to the Company.

The Board is of the view that the Guaranteed Profit from the Vendor would be beneficial to the Company and in accepting the Guaranteed Profit, the Board took into consideration the following factors:

- (a) the safeguarding of the interests of the Company and the shareholders of the Company, including the delayed payment of the Consideration Shares;
- (b) the track record and management records of Ark Leadership; and
- (c) the potential synergy of Ark Leadership's business with the Group and the widening of the Group's customer base as a result of such synergy.

9. RELATIVE FIGURES

Based on the Group's latest announced unaudited financial statements for the financial year ended 31 December 2018 (“FY2018”), the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual Section B: Rules of Catalist (“Catalist Rules”) are as follows:

Catalist Rules	Relative Figures
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.
1006(b)	
The net profits attributable to the assets acquired, compared with the Group's net profits.	9.64% ⁽¹⁾
1006(c)	
The aggregate value of the consideration given, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	2.79% ⁽²⁾
1006(d)	
The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	1.13% ⁽³⁾
1006(e)	
The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. 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) Computed based on (a) the unaudited net profit before income tax, minority interest and extraordinary items ("**Net Profit**") of Ark Leadership for the financial year ended 31 December 2018 of S\$205,570; and (b) the Net Profit of the Group attributable to owners of the Company (excluding the Company's IPO expenses of S\$1,062,000) for FY2018 of S\$2,132,000. The Company is of the view that the relative figure under Catalist Rule 1006(b), adjusted for the Company's IPO expenses, is more meaningful given that the IPO expenses are non-recurring.
- (2) Computed based on the Purchase Consideration of S\$1,008,000 and the market capitalisation of the Company of S\$36,082,074 which is determined by multiplying the issued share capital of the Company of 131,207,540 shares with the volume weighted average price of such shares transacted on the date preceding the date of the SPA of S\$0.275 per share.
- (3) Computed based on 1,483,636 Consideration Shares to be issued and allotted by the Company.

As the relative figure under Rule 1006(b) of the Catalist Rules exceeds 5% but does not exceed 75%, the Proposed Acquisition constitutes a "discloseable transaction" under Chapter 10 of the Catalist Rules.

10. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The pro forma financial effects of the Proposed Acquisition on the Company are set out below and are purely for illustrative purposes. The pro forma financial effects of the Proposed Acquisition on the Group's net tangible assets ("**NTA**") per share and earnings per share ("**EPS**") are based on the Group's unaudited financial statements for the financial year ended 31 December 2018.

- (a) NTA per share

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Proposed Acquisition on the NTA per share of the Group as at 31 December 2018, as if the Proposed Acquisition and the issuance of the Consideration Shares were completed on 31 December 2018, are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA attributable to equity holders of the Company (S\$'000)	9,751	9,155
Number of ordinary shares in issue ('000)	131,207	132,691
NTA per share (Singapore cents)	7.43	6.90

(b) EPS

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Proposed Acquisition on the EPS of the Group as at 31 December 2018, as if the Proposed Acquisition and the issuance of the Consideration Shares were completed on 1 January 2018, is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to equity holders of the Company (S\$'000)	798	989
Number of ordinary shares in issue ('000)	131,207	132,691
EPS (Singapore cents)	0.61	0.75

11. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for Jessie Low, none of the directors of the Company or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition, other than through their respective shareholdings in the Company (if any).

12. SERVICE CONTRACTS

The Company intends to appoint the Vendor as a key executive officer of the Company following the completion of the Proposed Acquisition. Further details on the Vendor's appointment will be made by the Company in a separate announcement pursuant to Rule 704(6)(a) of the Catalist Rules in due course.

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

13. EXTRAORDINARY GENERAL MEETING

A Shareholders' circular setting out, *inter alia*, the details of the Proposed Acquisition, the opinion and recommendation of the IFA, together with the notice of EGM will be despatched to the Shareholders in due course.

14. DOCUMENT FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the Company's registered office for three months from the date of this announcement.

By Order of the Board

Jessie Low Mui Choo
Executive Director and Chief Executive Officer

26 March 2019

Medinex Limited (the "**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 7 December 2018. The initial public offering of the Company was sponsored by Novus Corporate Finance Pte. Ltd. (the "**Sponsor**").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, at 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.