

CIRCULAR DATED 15 APRIL 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

If you have sold or transferred all your ordinary shares in the capital of Medinex Limited (the “**Company**”) held through The Central Depository (Pte) Ltd (“**CDP**”), you need not forward this Circular to the purchaser or the transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or the transferee. If you have sold or transferred all your shares 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 to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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 Circular 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 Circular.

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

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 049619, telephone (65) 6950 2188.



(Incorporated in the Republic of Singapore)
(Company Registration No.: 200900689W)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE
ISSUED AND PAID-UP SHARE CAPITAL OF ARK LEADERSHIP & LEARNING PTE. LTD. AS AN
INTERESTED PERSON TRANSACTION**

**Independent Financial Adviser to the Independent Directors in relation to
the Proposed Acquisition (as defined herein)**



RHT CAPITAL PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No.: 201109968H)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	27 April 2019 at 3.00 p.m.
Date and time of Extraordinary General Meeting	:	30 April 2019 at 3.00 p.m. or immediately after the Annual General Meeting
Place of Extraordinary General Meeting	:	Carlton Hotel Singapore 76 Bras Basah Road Singapore 189558

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DEFINITIONS

For the purpose of this Circular, the following definitions apply throughout unless otherwise stated:

- “Act”** : The Companies Act (Chapter 50) of Singapore, as amended or modified from time to time
- “Actual NPAT”** : The actual aggregate net profit after tax of Ark Leadership for the Profit Guarantee Period
- “AGM”** : Annual General Meeting of the Company to be held on 30 April 2019 at 2.00 p.m., notice of which is given in the annual report issued by the Company for FY2018
- “Agreement”** : The sale and purchase agreement dated 26 March 2019 between the Company and the Vendor in respect of the Proposed Acquisition
- “Ark Leadership”** : Ark Leadership & Learning Pte. Ltd.
- “Associate”** : (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:–
- (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 together (directly or indirectly) have an interest of 30% or more;
- (b) in relation to a substantial shareholder or a 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 a interest of 30% or more
- “associated company”** : A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group
- “Auditors”** : The auditors of the Company for the time being
- “Board”** : The Board of Directors of the Company for the time being

DEFINITIONS

“Business Days”	:	A day (other than a Saturday, a Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore
“Cash Portion”	:	Has the meaning ascribed to it in paragraph 2.2.1 of this Circular
“Catalist”	:	The sponsor-supervised listing platform of the SGX-ST
“Catalist Listing Manual”	:	The SGX-ST Listing Manual Section B: Rules of Catalist, as amended or modified from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular dated 15 April 2019
“Company” or “Medinex”	:	Medinex Limited
“Completion”	:	Completion of the Proposed Acquisition pursuant to the terms of the Agreement
“Completion Date”	:	The date of Completion pursuant to the terms of the Agreement
“Consideration”	:	The purchase consideration of S\$1,008,000 payable by the Company to the Vendor for the acquisition of the Sale Shares in the manner as detailed in Section 2 of this Circular
“Consideration Shares”	:	Up to 1,483,636 new Shares to be allotted and issued by the Company at an issue price of S\$0.275 for each new Share
“Constitution”	:	The Constitution of the Company, as amended from time to time
“Controlling Shareholder”	:	A person who:– (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company; or (b) in fact exercises control over the Company
“Director(s)”	:	Director(s) of the Company for the time being
“EGM”	:	Extraordinary General Meeting to be held on 30 April 2019 at 3.00 p.m. or immediately after the AGM, notice of which is given on page N-1 of this Circular

DEFINITIONS

“EPS”	:	Earnings per Share
“FY”	:	Financial year ended or, as the case may be, ending 31 December
“Group”	:	The Company and its subsidiaries, collectively
“Guaranteed Profit”	:	The profit guarantee granted to the Company by the Vendor whereby the aggregate net profit after tax of Ark Leadership for the Profit Guarantee Period shall be no less than S\$576,000
“IFA” or “RHT Capital”	:	RHT Capital Pte. Ltd., appointed as the independent financial adviser to the Independent Directors in relation to the Proposed Acquisition
“IFA Letter”	:	The letter of the IFA dated 15 April 2019 as set out in Appendix A of this Circular
“Independent Directors”	:	The Directors who are deemed to be independent for the purposes of making recommendations on the Proposed Acquisitions, being Tan Lee Meng, Lim Tai Toon and Wee Yiap Fook San
“IPO”	:	Initial public offering of the Company
“Issue Price”	:	The issue price of S\$0.275 per Consideration Share
“Jessie Low”	:	Jessie Low Mui Choo
“Latest Practicable Date”	:	2 April 2019, being the latest practicable date prior to the printing of this Circular
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“MNC”	:	Multi-national corporation
“NAV”	:	Net asset value
“NCF” or “Sponsor”	:	Novus Corporate Finance Pte. Ltd.
“NTA”	:	Net tangible assets
“Notice of EGM”	:	The notice of EGM which is on page N-1 of this Circular
“NPAT”	:	Net profit after tax

DEFINITIONS

“Offer Document”	:	The offer document dated 30 November 2018 registered by the SGX-ST, acting as agent on behalf of the Monetary Authority of Singapore, in connection with the Company’s IPO and listing on Catalist
“Ordinary Resolution”	:	A resolution proposed and passed as such by a majority being greater than 50.0% or more than the total number of votes cast for and against such resolution at a meeting of shareholders convened in accordance with the provisions of the constitution
“Parties”	:	The Company and the Vendor
“Profit Guarantee Period”	:	The three-year period commencing from 1 April 2019
“Proposed Acquisition”	:	The proposed acquisition by the Company of the entire issued and paid-up share capital of Ark Leadership from the Vendor
“Proxy Form”	:	The proxy form in respect of the EGM
“Relevant Period”	:	Has the meaning ascribed to it in paragraph 2.2.4 of this Circular
“Resolution(s)”	:	Resolution(s) as set out in the Notice of EGM which is on page N-1 of this Circular
“Sale Shares”	:	Two (2) issued and fully-paid ordinary shares in the share capital of Ark Leadership, representing the entire issued and paid-up share capital of Ark Leadership and which the Company agreed to purchase from the Vendor under the terms of the Agreement
“Securities and Futures Act” or “SFA”	:	Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time
“SFR”	:	The Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulation 2018 of Singapore, as amended, supplemented or modified from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share(s)”	:	Ordinary share(s) in the capital of the Company
“Shareholders”	:	The registered holders of the Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares

DEFINITIONS

“Shortfall Payment”	:	Has the meaning ascribed to it in paragraph 2.2.4 of this Circular
“SME”	:	Small and medium-sized enterprise
“Substantial Shareholder”	:	Person(s) (including a corporation) who holds not less than 5% (directly or indirectly) of the total votes attached to all the voting Shares of the Company
“Vendor” or “Valerie Low”	:	Low Mui Keow, Valerie (Lu Mei Jiao, Valerie)
“S\$” and “cents”	:	Singapore dollars and cents respectively
“%” or per cent.	:	Per centum or percentage

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the SFR.

The term **“subsidiary”** shall have the meaning ascribed to it under Section 5 of the Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa.

References to persons shall, where applicable, include corporations.

Any reference to a time of day and dates in this Circular shall be a reference to Singapore time and dates unless otherwise stated.

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Act, the SFA, the SFR, the Catalist Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Act, the SFA, the SFR, the Catalist Listing Manual or any statutory modification thereof, as the case may be.

Any discrepancies in figures included in this Circular between the sum of listed amounts and the totals thereof shown are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures which precede them.

LETTER TO SHAREHOLDERS

MEDINEX LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200900689W)

Directors

Tan Lee Meng (Non-executive Chairman)
Jessie Low Mui Choo (Executive Director and Chief Executive Officer)
Lim Tai Toon (Lead Independent Non-executive Director)
Wee Yiap Fook San (Independent Non-executive Director)

Registered Office

111 North Bridge Road
#23-04 Peninsula Plaza
Singapore 179098

15 April 2019

To: The Shareholders of Medinex Limited

Dear Sir/Madam,

1. INTRODUCTION

- 1.1 As disclosed in the Offer Document, the Company had on 12 November 2018 entered into a right of first refusal agreement with the Vendor pursuant to which the Company obtained a right of first refusal in respect of the Sale Shares.
- 1.2 On 26 March 2019, the Company announced that it had entered into the Agreement with the Vendor pursuant to which the Company agreed to acquire the Sale Shares representing the entire issued and paid-up share capital of Ark Leadership from the Vendor.
- 1.3 The consideration for the Proposed Acquisition is S\$1,008,000, which will be satisfied partially in cash and partially by the issue and allotment of up to 1,483,636 Consideration Shares to the Vendor and/or her nominees (as she may direct). Please refer to paragraphs 2.2.1, 2.2.2 and 2.2.5 of this Circular for more details.
- 1.4 The Vendor is an “interested person” within the meaning of Chapter 9 of the Catalist Listing Manual, as detailed in Section 3 of this Circular. Accordingly, the Proposed Acquisition is deemed as an Interested Person Transaction (as defined herein) pursuant to Chapter 9 of the Catalist Listing Manual. In addition, the Proposed Acquisition is a discloseable transaction pursuant to Chapter 10 of the Catalist Listing Manual, further details of which are set out in Section 4 of this Circular.
- 1.5 The IFA has been appointed to advise the Independent Directors in relation to the Proposed Acquisition. The IFA Letter is set out in Appendix A of this Circular and a summary of the opinion and advice of the IFA is set out in Section 7 of this Circular.
- 1.6 The purpose of this Circular is to provide Shareholders with information relating to the Proposed Acquisition and in connection therewith, the proposed issuance and allotment of the Consideration Shares, and to seek Shareholders’ approval for Resolution as set out in the Notice of EGM. Approval by way of Ordinary Resolution are required from Shareholders.
- 1.7 The Sponsor and the SGX-ST assume no responsibility for the contents of this circular, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Circular.

LETTER TO SHAREHOLDERS

2. THE PROPOSED ACQUISITION

2.1 Information on Ark Leadership

Ark Leadership was incorporated in the Republic of Singapore on 27 February 2014. As at the date of this Circular, Ark Leadership has a total issued and paid-up share capital consisting of two (2) ordinary shares of S\$1 each and the Vendor holds 100% of the total issued shares in Ark Leadership. The Vendor is the founder and the sole director of Ark Leadership. Ark Leadership does not have any subsidiaries or associated companies.

Ark Leadership is principally involved in providing:

- (a) human resource consultancy services (“**HR Consultancy Services**”) which include (i) providing advisory on human resource related policies and manpower planning, (ii) developing talent attraction and retention strategies, (iii) setting of performance management and rewards system, and (iv) establishing employee value proposition and organisation values; and
- (b) learning and development services (“**L&D Services**”) which include (i) designing and facilitating customised and off-the-shelves training solutions, (ii) setting up of training and competency frameworks for organisations, and (iii) coaching of executives.

The clientele base of Ark Leadership comprises of SMEs, MNCs and financial institutions such as banks.

2.1.1 Key Financial Information of Ark Leadership

The following table sets out the key financial information of Ark Leadership based on its unaudited management accounts for FY2016, FY2017 and FY2018:

Summary statement of comprehensive income

(S\$)	FY2016	FY2017	FY2018
Revenue	137,022	147,550	280,605
Gross profit	120,546	134,769	266,709
Net profit before tax	41,836	62,493	205,569
Net profit after tax	41,235	59,611	191,340

Summary statement of financial position

(S\$)	As at 31 December 2018
Total assets	275,161
Total liabilities	271,032
Total equity	4,129 ⁽¹⁾

Note:

(1) Ark Leadership had declared and paid dividends of S\$270,000 to its sole shareholder, Valerie Low.

Based on the unaudited management accounts of Ark Leadership for the financial period from 1 January 2019 to 31 March 2019 (“**1Q2019**”), the net profit before tax of Ark Leadership was S\$73,019 and the NTA and NAV of Ark Leadership as at 31 March 2019 was S\$37,149. Ark Leadership had declared and paid interim dividends of S\$40,000 to its sole shareholder, Valerie Low for 1Q2019.

LETTER TO SHAREHOLDERS

2.2 Principal Terms of the Agreement

Pursuant to the terms of the Agreement, the Vendor will sell, and the Company will purchase, the Sale Shares, free from all encumbrances and together with all rights and benefits now and hereafter attaching thereto.

2.2.1 Consideration

The Consideration for the Proposed Acquisition of S\$1,008,000 was determined based on arm's length negotiations and 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 Consideration shall be satisfied in the following manner:

- (a) S\$600,000 shall be paid in cash by the Company to the Vendor by means of wire transfer to such a bank account designated by the Vendor ("**Cash Portion**") on the Completion Date; and
- (b) S\$408,000 shall be deferred and satisfied by the allotment and issuance of 1,483,636 Consideration Shares to the Vendor and/or her nominee as she may direct, at the Issue Price. Subject to the safeguard mechanism detailed in paragraph 2.2.5 of this Circular, the Consideration Shares will be issued (i) within 10 Business Days following the fulfilment of the Shortfall Payment by the Vendor; or (ii) in the event that Ark Leadership achieves the Guaranteed Profit, within 10 Business Days of the date on which the Actual NPAT of Ark Leadership for the Profit Guarantee Period is determined.

The deferred payment of the Consideration Shares serves as a means of safeguard to ensure the Company's right of recourse in respect of the Shortfall Payment, details of which are set out in paragraphs 2.2.4 and 2.2.5 of this Circular.

2.2.2 Consideration Shares

Subject to the safeguard mechanism detailed in paragraph 2.2.5 of this Circular, the Consideration Shares will be issued and allotted to the Vendor and/or her nominee (as she may direct) at the Issue Price, (i) within 10 Business Days following the fulfilment of the Shortfall Payment by the Vendor; or (ii) in the event that Ark Leadership achieves the Guaranteed Profit, within 10 Business Days of the date on which the Actual NPAT of Ark Leadership for the Profit Guarantee Period is determined. The Consideration Shares will represent approximately 1.12% of the total enlarged issued and paid-up share capital of the Company.

The Issue Price of S\$0.275 per Consideration Share was determined based on the volume weighted average price of the Shares on the last trading day of the Shares on the SGX-ST prior to the signing of the Agreement, being 18 March 2019. The Issue Price is equivalent to the closing price of the Shares of S\$0.275 on 18 March 2019 and the date of the Agreement, 26 March 2019.

The Consideration Shares will be credited as fully paid-up and will rank *pari passu* in all respects with the existing Shares, 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.

LETTER TO SHAREHOLDERS

2.2.3 Conditions Precedent

Completion is conditional upon the fulfilment of the following conditions on or before the Completion Date:

- (a) each of the Vendor's warranties contained in the Agreement remaining true and not misleading in any respect at Completion, as if repeated at Completion and at all times between the date of the Agreement and Completion;
- (b) each of the Company's warranties contained in the Agreement remaining true and not misleading in any respect at Completion, as if repeated at Completion and at all times between the date of the Agreement and Completion;
- (c) 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 it under the Agreement on or before the Completion Date;
- (d) Ark Leadership providing to the Company its actual consolidated balance sheet of Ark Leadership and its subsidiaries (if any) as at the 31 December 2018 including the assets and liabilities agreed between the Company and the Vendor;
- (e) conducting of satisfactory legal and financial due diligence on Ark Leadership;
- (f) the appointment of Low Siam Kiang and/or such other persons as the Company may nominate as director(s) of Ark Leadership;
- (g) the approval of the Shareholders for the Proposed Acquisition (including the allotment and issuance of the Consideration Shares) being obtained in a general meeting to be convened by the Company;
- (h) receipt of the 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;
- (i) 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 Completion Date; and
- (j) no new laws, regulations or rules having been promulgated, published or issued and/or having taken effect on or prior to the Completion Date, nor any of the Parties having received on or prior to the Completion Date notice of any directive, injunction or other order, which restrains or prohibits the consummation of the transactions contemplated by the Agreement or there being no action on or prior to the Completion Date seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such directive, injunction or other order or action which is threatened.

LETTER TO SHAREHOLDERS

2.2.4 Profit guarantee

The Vendor shall continue to manage Ark Leadership after the Completion. Pursuant to the Agreement, the Vendor guarantees to the Company that Ark Leadership's aggregate NPAT for the Profit Guarantee Period shall be no less than S\$576,000.

The quantum of the Guaranteed Profit was based on the assumption that Ark Leadership's expected NPAT remains similar to Ark Leadership's NPAT of approximately S\$192,000 for FY2018.

In the event the 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 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.

The Company will update Shareholders in its annual report or in a separate announcement to be made by the Company on whether the Guaranteed Profit has been met.

2.2.5 Safeguard mechanism

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, computed based on the Issue Price, from the 1,483,636 Consideration Shares to be issued 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, 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.

LETTER TO SHAREHOLDERS

2.3 Use of Proceeds

On 26 March 2019, the Company announced that it intends to utilise the net proceeds from the placement of Shares pursuant to the Company's IPO in December 2018 to fund the Cash Portion. 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	4,000.00	2,332.50 ⁽¹⁾	1,667.50
Working capital	1,316.00	36.00 ⁽²⁾	1,280.00
Total	5,316.50	2,368.50	2,947.50

Notes:

(1) Utilised S\$1,732,500 for the acquisition of Sen Med Holdings Pte. Ltd.

(2) Utilised for the payment of listing expenses

2.4 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 Listing Manual in due course.

No Director is proposed to be appointed to the Board in connection with the Proposed Acquisition.

2.5 Rationale for and Benefit of the Proposed Acquisition

The Directors are 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 (i) payroll administrative services to its clients as part of its financial accounting services, and (ii) 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*, designing and conducting training programmes, developing talent attraction and retention strategies and human resource consultancy and advisory services. The increased range of services to be provided will strengthen the Group's position as a one-stop medical support services provider.

LETTER TO SHAREHOLDERS

(b) Increase customer base

The Group's customer base comprises mainly SMEs, while Ark Leadership provides its HR Consultancy Services and L&D 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 value of such services provided by Ark Leadership to the Group amounted to S\$54,400 for FY2018 and S\$18,000 from 1 January 2019 up to the Latest Practicable Date.

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.

2.6 Application for Listing and Quotation Notice

An application has been made to the SGX-ST by the Sponsor on behalf of the Company for the listing and quotation for the Consideration Shares on Catalist.

The Company will make the necessary announcement once the listing and quotation notice in respect of the Consideration Shares has been obtained from the SGX-ST.

3. INTERESTED PERSON TRANSACTION

Pursuant to Chapter 9 of the Catalist Listing Manual, Shareholders' approval is required in respect of a transaction between an entity at risk and its interested persons if the value of that transaction exceeds five per cent (5%) of the group's latest audited NTA or when aggregated with other interest person transactions entered into during the same financial year, the value is equal to or more than five per cent (5%) of the Group's latest audited NTA.

3.1 Interested Person and Interested Person Transaction

The Vendor is the sister of Jessie Low, the Executive Director and Chief Executive Officer, and Controlling Shareholder of the Company. As at the Latest Practicable Date, Jessie Low holds directly 27,089,140 Shares, representing 20.65% of the issued and paid-up share capital of the Company, and is deemed interested in 130,000 Shares, representing 0.10% of the issued and paid-up share capital of the Company, held by her spouse, Karunanithi s/o Letchumanan.

Accordingly, the Vendor is regarded as an "interested person" under Chapter 9 of the Catalist Listing Manual and the Proposed Acquisition will constitute an "interested person transaction" under Chapter 9 of the Catalist Listing Manual.

LETTER TO SHAREHOLDERS

The Consideration is S\$1,008,000 and the Group's latest audited NTA as at 31 December 2018 was S\$9,747,125. As the Consideration against the Group's latest audited NTA as at 31 December 2018 is approximately 10.34%, which is greater than five per cent (5%) of the Group's latest audited NTA, the Company is seeking Shareholders' approval for the Proposed Acquisition pursuant to Chapter 9 of the Catalist Listing Manual at the EGM to be convened.

There were no other existing interested person transactions entered into between the Company and the Vendor or her associates in the current financial year ending 31 December 2019 and up to the Latest Practicable Date, which are above S\$100,000 and which are the subject of aggregation pursuant to Rule 906 of the Catalist Listing Manual.

3.2 Abstention from Voting

Pursuant to Rule 919 of the Catalist Listing Manual, the interested person and any associate of the interested person must not vote on the resolutions approving the interested person transactions, nor accept appointments as proxies unless specific instructions as to voting are given.

As Jessie Low is an interested person for the purposes of Rule 919 of the Catalist Listing Manual, Jessie Low will abstain, and has undertaken to ensure that her associates (including her spouse, Karunanithi s/o Letchumanan) will abstain, from voting in respect of their shareholdings in the Company on the Resolution relating to the Proposed Acquisition. The Company will disregard any votes cast on the Resolution by the persons required to abstain from voting pursuant to Rule 919 of the Catalist Listing Manual. The Company will not accept nominations for Jessie Low and/or her associates to act as proxy, unless that Shareholder appointing them indicates clearly how his/her votes are to be cast in respect of such Resolution.

4. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST LISTING MANUAL

For the purposes of Chapter 10 of the Catalist Listing Manual, the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Catalist Listing Manual based on the latest announced audited financial statements of the Group for FY2018 are as follows:

Rule 1006	Bases of calculation	Relative Figures
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of compared with the Group's net profits.	9.63% ⁽¹⁾
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	2.79% ⁽²⁾
(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⁾

LETTER TO SHAREHOLDERS

Rule 1006	Bases of calculation	Relative Figures
(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 ("NPBT") of Ark Leadership for FY2018 of S\$205,570; and (b) the NPBT of the Group attributable to owners of the Company (excluding the Company's IPO expenses of S\$1,062,000) for FY2018 of S\$2,134,000. 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 approximately 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 Agreement of S\$0.275 per Share.
- (3) Computed based on 1,483,636 Consideration Shares to be issued and allotted by the Company.

Having regard to the above, the Proposed Acquisition constitutes a discloseable transaction within the meaning of Chapter 10 of the Catalist Listing Manual pursuant to Rule 1010 of the Catalist Listing Manual read together with Rule 1006 of the Catalist Listing Manual.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition on the Group set out below are for illustrative purposes only and are therefore, not indicative of the actual financial performance or position of the Group immediately after the Completion. The financial effects set out below have been prepared based on the audited consolidated financial statements of the Group for FY2018 and on the following key assumptions:

- (a) the effect of the transaction on the EPS of the Group shown below is based on the assumption that the Proposed Acquisition (including the issuance of the Consideration Shares) had been effected at the beginning of FY2018;
- (b) the effect of the transaction on the NTA per share of the Group shown below is based on the assumption that the Proposed Acquisition (including the issuance of the Consideration Shares) had been effected at the end of FY2018.

5.1 Share Capital

The effects of the Proposed Acquisition (including the issuance of the Consideration Shares) on the issued and paid-up share capital of the Group for FY2018 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Total number of Shares ('000)	131,207	132,691
Issued and paid-up share capital (S\$'000)	14,163	14,571

LETTER TO SHAREHOLDERS

5.2 EPS

The effects of the Proposed Acquisition (including the issuance of the Consideration Shares) on the EPS of the Group for FY2018 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to equity holders of the Company (S\$'000)	817	1,009
Weighted average number of shares ('000)	98,460	99,944
EPS (Singapore cents)	0.83	1.01

5.3 NTA

The effects of the Proposed Acquisition (including the issuance of the Consideration Shares) on the NTA per share of the Group for FY2018 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	9,747	9,151
Number of Shares ('000)	131,207	132,691
NTA per Share (Singapore cents)	7.43	6.90

6. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND VENDOR

6.1 Interests of Directors and Controlling Shareholders in the Proposed Acquisition

Save as disclosed in paragraph 3.1 of this Circular, none of the Directors 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).

6.2 Vendor's Shareholding Interests

As at the Latest Practicable Date, the Vendor does not have any shareholdings interests in the Company.

Upon the issue and allotment of the Consideration Shares to the Vendor, the Vendor shall be interested in up to 1,483,636 Shares of the Company, representing 1.12% of the total enlarged issued and paid-up share capital of the Company.

LETTER TO SHAREHOLDERS

6.3 Interests of Directors and Substantial Shareholders

The interests of the Directors and Substantial Shareholders in the Shares as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholdings maintained pursuant to Section 164 and Section 88 of the Act, as at the Latest Practicable Date and immediately after Completion, are as follows:

	As at the Latest Practicable Date				Upon Completion			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares (^{'000})	%	Number of Shares (^{'000})	%	Number of Shares (^{'000})	%	Number of Shares (^{'000})	%
Directors								
Tan Lee Meng ⁽¹⁾	11,649 ⁽⁵⁾	8.88	–	–	11,649 ⁽⁵⁾	8.78	–	–
Jessie Low	27,089	20.65	130	0.10	27,089	20.42	130	0.10
Substantial Shareholders								
HC Surgical Specialists Limited ⁽²⁾⁽³⁾	30,071	22.92	12,460	9.50	30,071	22.66	12,460	9.39
Shinex Capital Pte. Ltd. ⁽²⁾⁽⁴⁾	8,674	6.61	12,460	9.50	8,674	6.54	12,460	9.39
HSN Healthcare Pte. Ltd. ⁽²⁾	12,460	9.50	–	–	12,460	9.39	–	–
Dr. Heah Sieu Min ⁽³⁾	–	–	30,071	22.92	–	–	30,071	22.66
Dr. Chia Kok Hoong ⁽³⁾	–	–	30,071	22.92	–	–	30,071	22.66
JILB International Pte. Ltd. ⁽²⁾	–	–	12,460	9.50	–	–	12,460	9.39
Shine Medi-Capital Pte. Ltd. ⁽⁴⁾	–	–	8,674	6.61	–	–	8,674	6.54
Sia Ling Sing ⁽⁴⁾	–	–	8,674	6.61	–	–	8,674	6.54
Lim Ewe Ghee ⁽⁴⁾	–	–	8,674	6.61	–	–	8,674	6.54
Tan Tin Nam ⁽¹⁾	2.40	0.18	8,674	6.61	–	–	8,674	6.54

Notes:

- (1) Tan Tin Nam, the father of Tan Lee Meng (the Non-executive Chairman of the Company), holds 66.67% of the total issued and paid-up share capital of Shine Medi-Capital Pte. Ltd. which in turn hold 37.50% of the total issued and paid-up share capital of Shinex Capital Pte. Ltd., and accordingly pursuant to Section 4 of the SFA, would be treated as having an interest in the Shares held by Shinex Capital Pte. Ltd.
- (2) HC Surgical Specialists Limited, JILB International Pte. Ltd. and Shinex Capital Pte. Ltd. hold 40.0%, 20.0% and 40.0% respectively of the total issued and paid-up share capital of HSN Healthcare Pte. Ltd., and accordingly pursuant to Section 4 of the SFA, would each be treated as having an interest in the Shares held by HSN Healthcare Pte. Ltd.
- (3) Dr. Heah Sieu Min and Dr. Chia Kok Hoong hold approximately 42.76% and 23.23% respectively of the total issued and paid-up share capital of HC Surgical Specialists Limited, and accordingly pursuant to Section 4 of the SFA, would each be treated as having an interest in the Shares held by HC Surgical Specialists Limited.
- (4) Shine Medi-Capital Pte. Ltd., Sia Ling Sing and Lim Ewe Ghee hold 37.50%, 25.00% and 37.50% respectively of the total issued and paid-up share capital of Shinex Capital Pte. Ltd., and accordingly pursuant to Section 4 of the SFA, would each be treated as having an interest in the Shares held by Shinex Capital Pte. Ltd.
- (5) Tan Lee Meng holds 11,649,440 Shares, of which 380,000 Shares are held in the name of BNP Paribas Nominee Singapore Pte. Ltd.

LETTER TO SHAREHOLDERS

7. INDEPENDENT FINANCIAL ADVISER

- 7.1 The Company has appointed RHT Capital as the IFA in accordance with Rule 921(4) of the Catalist Listing Manual to advise the Independent Directors on whether the Proposed Acquisition is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders. A copy of the IFA Letter is set out in Appendix A of this Circular and Shareholders are advised to read such letter carefully and consider it in the context of this Circular.
- 7.2 The advice of the IFA to the Independent Directors has been extracted and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meaning as those defined in the IFA Letter. Shareholders should read the following extract in conjunction with, and in the context of the full text of the IFA Letter.

“7. OUR OPINION

In arriving at our recommendation in respect of the Proposed Acquisition, we have taken into consideration, inter alia, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (i) the rationale for the Proposed Acquisition;*
- (ii) assessment of the Purchase Consideration of the Proposed Acquisition:*

Assessment of the Guaranteed Profit

The Guaranteed Profit effectively allows the Company to acquire the Target at a forward PE ratio of 5.25 for the next three financial years. Should the Target not achieve the Guaranteed Profit, the Purchase Consideration would be automatically lowered pursuant to the adjustment mechanism, thus the Company would still continue to acquire the Target at the same valuation of a forward PE ratio of 5.25 times.

Based on the market capitalisation of the Company of S\$36.7 million as at the Latest Practicable Date and the audited profit for the year attributable to owners of the Company of approximately S\$0.8 million for FY2018, the Company trades at an implied PE ratio of 45.9 times. Accordingly, the Proposed Acquisition would be earnings accretive to the Group.

Financial assessment of the Purchase Consideration of the Proposed Acquisition

Based on the historical FY2018 earnings;

- (a) The PE ratio of the Target Group of 5.3 times is below the range of the PE ratios of the Comparable Companies;*
- (b) The P/NAV ratio of the Target as at 31 December 2018 of 244.1 times is above the range of the P/NAV ratios of the Comparable Companies; and*
- (c) The EV/EBITDA ratio of the Target of 4.9 times is below the range of the EV/EBITDA ratios of the Comparable Companies,*

LETTER TO SHAREHOLDERS

Based on the adjusted FY2018 earnings;

- (a) The adjusted PE ratio of the Target of 6.8 times is below the range of the PE ratios of the Comparable Companies;*
 - (b) The adjusted EV/EBITDA ratio of the Target of 6.4 times is within the range of the EV/EBITDA ratios of the Comparable Companies and is below the mean and median EV/EBITDA ratios of the Comparable Companies of 9.9 and 8.5 respectively,*
- (iii) financial assessment of the Issue Price of the Consideration Shares:*

Market statistics

- (a) the Issue Price of S\$0.275 is the VWAP 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 of S\$0.275;*
- (b) the Issue Price represents a discount of 1.1%, 2.1% and 1.8% to the VWAP of the Shares for the 1-month, 3-month, and from IPO periods prior to the Announcement Date respectively;*
- (c) the Issue Price represents a discount of 1.8% to the VWAP of the Shares for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date;*
- (d) as at the Latest Practicable Date, the Issue Price represents a discount of 1.8% to the last traded price of the Shares of S\$0.280;*
- (e) during the period from 7 December 2018 up to the Announcement Date, the Shares were traded on 40 market days or 51.9% of the total market days. The total number of Shares traded during this period was approximately 14.0 million Shares with an average daily trading volume of 0.35 million Shares, representing 0.86% of the free float; and*
- (f) during the period after the Announcement Date and up to the Latest Practicable Date, the Shares were traded on one (1) market day or 20.0% of the total market days. The total number of Shares traded during this period was 8,000 Shares with trading volume of 8,000 Shares, representing 0.02% of the free float,*

NTA per Share of the Company

The Issue Price of S\$0.275 represents a substantial premium of approximately 271.6% over the Company's NTA per Share of S\$0.074 as at 31 December 2018.

- (iv) the financial effects of the Proposed Acquisition; and*
- (v) other relevant considerations as set out in Paragraph 6.5 of this Letter, namely: right of first refusal; FY2018 results announcement; continuity of the Target's management; and no change in the two largest shareholders."*

LETTER TO SHAREHOLDERS

Having regards to the considerations as set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Acquisition, as an Interested Person Transaction, is on normal commercial terms and is not prejudicial to the interest of the Company and its Independent Shareholders.”

8. AUDIT COMMITTEE’S STATEMENT

The audit committee of the Company comprises the Independent Directors, Lim Tai Toon, Tan Lee Meng and Wee Yiap Fook San (the “**Audit Committee**”), having reviewed and considered, *inter alia*, the terms and conditions, financial effects and rationale and benefits of the Proposed Acquisition as well as the IFA Letter and after discussions with the management of the Company, 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.

9. DIRECTORS’ RECOMMENDATION

Having regard to the terms and conditions, financial effects and rationale and benefits of the Proposed Acquisition as well as the IFA Letter, the Independent Directors, being Tan Lee Meng (deemed to be independent for the purposes of making recommendations on the Proposed Acquisition), Lim Tai Toon and Wee Yiap Fook San are of the opinion that the Proposed Acquisition is in the best interest of the Company and accordingly recommend that Shareholders vote in favour of the Resolution at the EGM to be convened as set out in the Notice of EGM.

10. EXTRAORDINARY GENERAL MEETING

The EGM will be held at Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on 30 April 2019 at 3.00 p.m. or immediately after the AGM, for the purpose of considering and, if thought fit, passing, with or without modification the Resolution set out in the Notice of EGM, which is set out on page N-1 of this Circular.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy or proxies to attend and vote on their behalf should complete, sign and return the Proxy Form attached to the Notice of EGM in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the office of the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623, not later than 72 hours before the time fixed for the holding of the EGM. The appointment of a proxy by a Shareholder does not preclude him/her from attending and voting in person at the EGM if he/she so wishes in place of the proxy.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his/her name appears on the Depository Register maintained by CDP at least 72 hours before the EGM.

LETTER TO SHAREHOLDERS

12. CONSENT

RHT Capital Pte. Ltd., as the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter as set out in Appendix A of this Circular, and all references thereto in the form and context in which they are included in this Circular.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this 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.

14. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at the registered office of the Company at 111 North Bridge Road, #23-04 Peninsula Plaza, Singapore 179098 for a period of three (3) months from the date of this Circular:

- (a) the Constitution;
- (b) the Agreement;
- (c) the IFA Letter;
- (d) the consent letter of the IFA; and
- (e) the unaudited management accounts of Ark Leadership for FY2016, FY2017, FY2018 and the financial period ended 31 March 2019.

Yours faithfully

For and on behalf of the Board of Directors of
MEDINEX LIMITED

Jessie Low Mui Choo
Executive Director and Chief Executive Officer

**APPENDIX A –
LETTER FROM RHT CAPITAL PTE. LTD. TO THE INDEPENDENT
DIRECTORS OF MEDINEX LIMITED**

RHT CAPITAL PTE. LTD.

(Company Registration Number: 201109968H)
(Incorporated in the Republic of Singapore)
9 Raffles Place, #29-01
Republic Plaza Tower 1
Singapore 048619

15 April 2019

To: The Independent Directors of Medinex Limited
(deemed to be independent in respect of the Proposed Acquisition)

Mr Tan Lee Meng	(Non-Executive Chairman)
Mr Lim Tai Toon	(Lead Independent Non-Executive Director)
Mr Wee Yiap Fook San	(Independent Non-Executive Director)

Dear Sirs,

**INDEPENDENT FINANCIAL ADVICE IN RELATION TO THE PROPOSED ACQUISITION OF THE
ISSUED SHARE CAPITAL OF ARK LEADERSHIP & LEARNING PTE. LTD. AS AN INTERESTED
PERSON TRANSACTION**

Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 15 April 2019 issued by Medinex Limited to its shareholders shall have the same meaning herein.

1. INTRODUCTION

On 26 March 2019 (“**Announcement Date**”), the board of directors (“**Directors**”) of Medinex Limited (“**Company**”, together with its subsidiaries, “**Group**”) announced (“**Announcement**”) *inter alia*, that the Company had, on the same day, entered into a sale and purchase agreement (“**SPA**”) with Ms Low Mui Keow, Valerie (Lu Mei Jiao, Valerie) (“**Vendor**”) in respect of the acquisition of the entire issued share capital (“**Sale Shares**”) of Ark Leadership & Learning Pte. Ltd. (“**Target**”) from the Vendor for a purchase consideration of S\$1,008,000 (“**Purchase Consideration**”), upon the terms of and subject to the conditions of the SPA (“**Proposed Acquisition**”). Upon the completion of the Proposed Acquisition (“**Completion**”), the Target will be a wholly-owned subsidiary of the Company.

Prior to the Announcement, the Company had disclosed in its offer document dated 30 November 2018 (“**Offer Document**”), that it had on 12 November 2018, entered into a right of first refusal agreement with the Vendor, pursuant to which the Company obtained a right of first refusal in respect of the acquisition of the Sale Shares.

The Target is a Singapore incorporated company and is in the principal business of providing human resource consultancy services as well as learning and development services. The Target has no subsidiaries or associated companies, and the Vendor is the sole shareholder and director of the Target.

The Purchase Consideration of S\$1,008,000 is to be fully satisfied in the following manner:

- (i) S\$600,000 in cash on Completion; and
- (ii) S\$408,000 shall be deferred and satisfied by the issuance and allotment of 1,483,636 shares in the capital of the Company (“**Shares**”) in favour of the Vendor and/or her nominee (“**Consideration Shares**”) as she may direct, details of which is set out in Paragraph 5.4 of this Letter.

**APPENDIX A –
LETTER FROM RHT CAPITAL PTE. LTD. TO THE INDEPENDENT
DIRECTORS OF MEDINEX LIMITED**

With respect to (ii) above and pursuant to the SPA, the issue price for each Consideration Share is S\$0.275 per Consideration Share (“**Issue Price**”). The Issue Price was determined based on the volume weighted average price (“**VWAP**”) of the Shares on the last trading day of the Shares on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) prior to the signing of the SPA, being 18 March 2019.

The Vendor is the sister of Ms Jessie Low Mui Choo (“**Ms Jessie Low**”), the Executive Director and Chief Executive Officer, and controlling shareholder of the Company. As at the Latest Practicable Date, Ms Jessie Low holds directly 27,089,140 Shares, representing approximately 20.65% of the total issued Shares, and is deemed interested in 130,000 Shares, representing approximately 0.10% of the total issued Shares, held by her spouse, Mr Karunanithi s/o Letchumanan.

Following from the above, pursuant to Chapter 9 of Section B of the Listing Manual of the SGX-ST (“**Catalist Rules**”), the Vendor is an associate of Ms Jessie Low and is deemed an interested person with respect to the Proposed Acquisition (“**Interested Person**”) and the Proposed Acquisition is deemed an interested person transaction (“**Interested Person Transaction**”).

In accordance with Chapter 9 of the Catalist Rules, the Company’s shareholders’ (“**Shareholders**”) approval must be obtained for any interested person transaction of a value which is equal to or greater than 5.0% of the Group’s latest audited net tangible assets (“**NTA**”) or when aggregated with other Interested Person Transactions during the same financial period, the value is equal to or more than 5.0% of the Group’s latest audited NTA. In obtaining such approval, pursuant to Rule 919 of the Catalist Rules, the interested persons and their associates are required to abstain from voting on the resolution approving the interested person transaction.

Based on the Group’s latest audited financial statements for the financial year ended 31 December (“**FY**”) 2018, the Group’s audited NTA is approximately S\$9.7 million. The Purchase Consideration of S\$1,008,000 represents approximately 10.34% of the Group’s latest audited NTA.

Pursuant to the Catalist Rules, the Proposed Acquisition is subject to the approval of the Company’s shareholders who are independent of the Proposed Acquisition (“**Independent Shareholders**”) at an extraordinary general meeting (“**EGM**”) to be convened. The Proposed Acquisition is also subject to, *inter alia*, the approval of the Independent Shareholders at the EGM in accordance with Rules 804 of the Catalist Rules. In addition, pursuant to Rule 919 of the Catalist Rules, Ms Jessie Low will abstain, and will procure her associates (including her spouse, Mr Karunanithi s/o Letchumanan) to abstain, from voting on the resolution to approve the Proposed Acquisition at the EGM in respect of their entire shareholdings in the Company.

Pursuant to Rule 921(4)(a) of the Catalist Rules, the Company is required to appoint an independent financial adviser (“**IFA**”) to advise the Directors who are deemed to be independent with respect to the Proposed Acquisition (“**Independent Directors**”) as to whether the Proposed Acquisition is on normal commercial terms and is prejudicial to the interests of the Company and its Independent Shareholders.

Accordingly, RHT Capital Pte. Ltd. (“**RHTC**”) has been appointed by the Company as the IFA to the Independent Directors to render an opinion on whether the Proposed Acquisition, as an Interested Person Transaction, is on normal commercial terms and is prejudicial to the interests of the Company and its Independent Shareholders.

Ms Jessie Low, the Executive Director and Chief Executive Officer, and controlling shareholder of the Company, who is deemed interested in the Proposed Acquisition, will abstain from making any recommendations on the Proposed Acquisition as a Director. The remaining Directors, namely, Mr Tan Lee Meng, Mr Lim Tai Toon and Mr Wee Yiap Fook San are deemed to be the Independent Directors with respect to the Proposed Acquisition and will be making a recommendation on the resolution in relation to the Proposed Acquisition.

**APPENDIX A –
LETTER FROM RHT CAPITAL PTE. LTD. TO THE INDEPENDENT
DIRECTORS OF MEDINEX LIMITED**

This letter (“**Letter**”) is addressed to the Independent Directors and sets out, *inter alia*, our evaluation and recommendation on the Proposed Acquisition as an Interested Person Transaction. This Letter forms part of the circular to Shareholders (“**Circular**”) which provides, *inter alia*, the details of the Proposed Acquisition and the recommendation of the Independent Directors thereon.

2. TERMS OF REFERENCE

We have been appointed to advise the Independent Directors in respect of the Proposed Acquisition as an Interested Person Transaction. The purpose of this Letter is to provide an independent opinion, for the purpose of Chapter 9 of the Catalist Rules, on whether the Proposed Acquisition, as an Interested Person Transaction, is on normal commercial terms and is prejudicial to the interests of the Company and its Independent Shareholders.

We were neither a party to the negotiations entered into by the Company in relation to the Proposed Acquisition, nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the Proposed Acquisition. We do not, by this Letter, warrant the merits of the Proposed Acquisition other than to form an opinion on the Proposed Acquisition as an Interested Person Transaction for the purposes of Chapter 9 of the Catalist Rules.

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Proposed Acquisition or to compare its relative merits *vis-à-vis* alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the sole responsibility of the Directors and/or the management of the Company (“**Management**”) although we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Company, the Group and/or the Target. We have also relied on information provided and representations made by the Directors, Management and the Company’s advisers, including but not limited to its solicitors and/or auditors. We have not independently verified such information or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not make any representation or warranty, expressed or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have nevertheless made such reasonable enquiries and exercised our judgement on the reasonable use of such information as we deemed necessary and have found no reason to doubt the accuracy and reliability of the information.

We have relied upon the assurance of the Directors (including those who may have delegated detailed supervision of the Circular) that, upon making all reasonable inquiries and to the best of their respective knowledge and belief, all facts stated and opinions expressed in the Circular which relate to the Proposed Acquisition, the Company, the Group and the Target are fair and accurate and that there are no material facts or omissions of which would make any statement in the Circular misleading in any material respect. The Directors collectively and individually accept responsibility accordingly.

For the purposes of assessing the terms of the Proposed Acquisition and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company, the Group and/or the Target. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company, the Group and/or the Target in connection with our opinion in this Letter.

**APPENDIX A –
LETTER FROM RHT CAPITAL PTE. LTD. TO THE INDEPENDENT
DIRECTORS OF MEDINEX LIMITED**

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company, the Group and/or the Target (including without limitation, property, plant and equipment).

We will be relying on the disclosures and representations made by the Company on the value of the assets, liabilities and profitability of the Company, the Group and/or the Target. We have not relied on any financial projections or forecasts in respect of the Company, the Group and/or the Target for the purpose of our evaluation of the Proposed Acquisition.

Our opinion as set out in this Letter is based upon the market, economic, industry, monetary and other conditions in effect on, and the information provided to us as of the Latest Practicable Date, being 2 April 2019. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Independent 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 rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter set out in the Circular). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this Letter set out in the Circular).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any purposes other than for the purposes of the Shareholders' resolution in relation to the Proposed Acquisition as an Interested Person Transaction at any time and in any manner without the prior written consent of RHTC in each specific case.

This Letter sets out, *inter alia*, our opinion on whether the Proposed Acquisition, as an Interested Person Transaction, is on normal commercial terms and is prejudicial to the interests of the Company and its Independent Shareholders, and should be considered in the context of the entirety of this Letter and the Circular.

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3. INFORMATION ON THE COMPANY AND THE GROUP

3.1 Overview

The Company, through its subsidiaries, is a Singapore-based medical support services provider, specialising in providing professional support services to medical clinics. Its scope of medical support services includes overseeing the setting up of clinics, facilitating applications for relevant clinic licences and providing business support services such as accounting and tax agent services, human resource management services and corporate secretarial services. The Company also focuses on providing pharmaceutical services to its clients, assisting them in procuring medical and pharmaceutical products.

As an ancillary service, the Company provides business support services such as accounting and tax agent services, and corporate services to companies outside of the healthcare industry.

The Company was listed on the Catalist Board of the SGX-ST on 7 December 2018.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital comprising 131,207,540 Shares. Based on the last transacted Share price of S\$0.280 and the outstanding Shares as at the Latest Practicable Date, the market capitalisation of the Company was approximately S\$36.7 million.

3.2 Key financial information of the Group

The summary of the audited financial performance of the Group for the last two financial years ended 31 December 2016 (“FY2016”) and 2017 (“FY2017”) and the audited financial statements of the Group for the financial year ended 2018 (“FY2018”) is set out below. The following summary of financial information should be read in conjunction with the full text of the Company’s Offer Document and audited FY2018 financial statements in respect of the relevant financial periods including the notes thereto.

Financial performance of the Group

(\$’000)	Audited	Audited	Audited
	FY2016	FY2017 ⁽¹⁾	FY2018
Revenue	1,762	3,034	9,008
Profit before tax	774	993	1,169
Profit for the year attributable to owners of the Company	745	938	817

Sources: Company’s Offer Document and audited financial statements for FY2018

Note:

(1) The financial results for FY2017 have been restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) on 1 January 2018.

Review of operating results

FY2016 vs FY2017

Revenue generated by the Group increased by approximately S\$1.3 million or 72.2%, from S\$1.8 million in FY2016 to S\$3.0 million in FY2017, mainly due to: (a) the acquisition of a subsidiary of the Company, Nex Healthcare Pte. Ltd. (“Nex”) in October 2017, which contributed to its total revenue; (b) the transfer of the corporate secretarial business from JK Bizsec Pte. Ltd. in June 2017 which also contributed to its total revenue; and (c) organic growth from the Group’s Medical Support Services and Business Support Services segments.

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Profit for the year attributable to owners of the Company increased by approximately S\$0.2 million or 26.0%, from S\$0.7 million in FY2016 to S\$0.9 million in FY2017, mainly due to an increase in revenue which is offset by a decrease in other income and an increase in total expenses.

FY2017 vs FY2018

Revenue generated by the Group increased by approximately S\$6.0 million or 196.9%, from S\$3.0 million in FY2017 to S\$9.0 million in FY2018, mainly due to the full year revenue contribution from Nex and contributions from the Group's newly acquired subsidiaries in FY2018, namely Acctax Management Consultancy Private Limited ("**Acctax**"), Patceljon Professional Services Pte Ltd ("**Patceljon**") and Jo-L Consultus Pte. Ltd. ("**Jo-L**").

Despite the increase in revenue from FY2017 to FY2018, profit for the year attributable to owners of the Company decreased by approximately S\$0.1 million or 12.9%, from S\$0.9 million in FY2017 to S\$0.8 million in FY2018, mainly due to: (i) increase in staff costs due to additional headcounts following the acquisition of Nex, Acctax, Patceljon and Jo-L; (ii) increase in other expenses due to the one-off initial public offering ("**IPO**") expenses incurred in FY2018; and (iii) a substantial increase in income tax expense as a result of higher taxable profits recorded in FY2018 compared to FY2017, and non-deductible items such as the IPO expenses incurred in FY2018, which was added back for tax computation.

Financial position of the Group

(S\$'000)	Audited As at 31 December 2018
Non-current assets	3,878
Current assets	10,952
Current liabilities	1,246
Non-current liabilities	57
Equity attributable to owners of the Company	13,527

Source: Audited financial statements for FY2018

Review of financial position

As at 31 December 2018

The assets of the Group as at 31 December 2018 comprised mainly: (i) cash and bank balances and fixed deposits of approximately S\$9.1 million; (ii) intangible assets of approximately S\$3.8 million; and (iii) trade receivables of approximately S\$1.3 million, representing 61.6%, 25.5% and 8.5% of the Group's total assets respectively.

Intangible assets relates to goodwill and customer listing following the acquisitions of Acctax, Patceljon and Jo-L.

The liabilities of the Group as at 31 December 2018 comprised mainly: (i) trade and other payables of approximately S\$1.0 million; and (ii) income tax payable of approximately S\$0.3 million, representing 73.2% and 21.9% of the Group's total liabilities respectively.

As at 31 December 2018, the NTA of the Company amounted to approximately S\$9.7 million. Based on the number of issued and paid-up Shares of the Company as at the Latest Practicable Date of 131,207,540 Shares, the NTA of the Company amounted to 7.43 cents per Share.

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4. INFORMATION ON THE TARGET

4.1 Information on the Target

Details on the Target are set out in Section 2.1 of the Circular, which we have extracted and reproduced below for your reference.

“2.1 Information on Ark Leadership

Ark Leadership was incorporated in the Republic of Singapore on 27 February 2014. As at the date of this Circular, Ark Leadership has a total issued and paid-up share capital consisting of two (2) ordinary shares of S\$1 each and the Vendor holds 100% of the total issued shares in Ark Leadership. The Vendor is the founder and the sole director of Ark Leadership. Ark Leadership does not have any subsidiaries or associated companies.

Ark Leadership is principally involved in providing:

- (a) human resource consultancy services (“**HR Consultancy Services**”) which include (i) providing advisory on human resource related policies and manpower planning, (ii) developing talent attraction and retention strategies, (iii) setting of performance management and rewards system, and (iv) establishing employee value proposition and organisation values; and*
- (b) learning and development services (“**L&D Services**”) which include (i) designing and facilitating customised and off-the-shelves training solutions, (ii) setting up of training and competency frameworks for organisations, and (iii) coaching of executives.*

The clientele base of Ark Leadership comprises of SMEs, MNCs and financial institutions such as banks.”

4.2 Financial performance and position of the Target

From our discussions with the Target’s management, we understand that in FY2018, a certain portion of “other income”, comprising government grants and incentives, was attributable to a one-off project which the Target is currently undertaking. We understand that these government grants and incentives were one-off and non-recurring. As such, we have adjusted the “other income” line item to reflect the one-off nature of these items (“**One-off Adjustments**”).

Save as disclosed, we understand from the Target’s management that there were no other one-off and non-recurring items encapsulated in the FY2018 results.

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The financial performance of the Target and the relevant adjustments for FY2016, FY2017, FY2018 and adjusted FY2018 are presented in the table below.

Financial performance of the Target

	Unaudited	Unaudited	Unaudited	Adjustments	Adjusted
(S\$)	FY2016	FY2017	FY2018	One-off Adjustments	FY2018
Revenue	137,022	147,550	230,571		230,571
Cost of Sales	(16,476)	(12,781)	(13,897)		(13,897)
Gross Profit	120,546	134,769	216,674		216,674
Other Income	-	7	50,034	(50,000)	34
Operating Expenses	(78,710)	(72,283)	(61,139)		(61,139)
Profit before taxation	41,836	62,493	205,569		155,569
Taxation	(601)	(2,882)	(14,229)		(7,679) ⁽¹⁾
Profit after taxation for the year	41,235	59,611	191,340		147,890

Sources: Management accounts of Target for FY2016, FY2017 and FY2018, and RHTC calculations

Note:

- (1) As calculated using the Inland Revenue Authority of Singapore tax calculator found at <https://www.iras.gov.sg/irashome/Quick-Links/Calculators/>.

Review of operating results

FY2016 vs FY2017

Revenue generated by the Target increased by S\$10,528 or 7.7%, from S\$137,022 in FY2016 to S\$147,550 in FY2017, mainly due to increased fee for human resource consultancy services in FY2017.

Cost of sales, which comprises costs incurred by the Target to conduct the trainings and consultancy services, decreased by S\$3,695 or 22.4%, from S\$16,476 in FY2016 to S\$12,781 in FY2017, mainly due to higher costs for training programmes conducted in FY2016 which were non-recurring in FY2017.

Operating expenses decreased by S\$6,427 or 8.2%, from S\$78,710 in FY2016 to S\$72,283 in FY2017 due to non-recurring expenses of referral fee, purchase of IT equipment and accessories and travelling expenses incurred in FY2016.

As a result of the above, the Target's profit for the year increased by \$18,376 or 44.6%, from S\$41,235 in FY2016 to S\$59,611 in FY2017.

FY2017 vs FY2018

Revenue generated by the Target increased by S\$83,021 or 56.3%, from S\$147,550 in FY2017 to S\$230,571 in FY2018, mainly due to increase in training programmes conducted for overseas clients.

Cost of sales increased by S\$1,116 or 8.7%, from S\$12,781 in FY2017 to S\$13,897 in FY2018, in tandem with the increase in revenue.

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Other income of S\$50,034 in FY2018 was mainly due to a one-off SPRING Singapore grant received for several assignments.

Operating expenses decreased by S\$11,144 or 15.4%, from S\$72,283 in FY2017 to S\$61,139 in FY2018 due to reduction in training fee, medical expenses, entertainment and professional fees.

As a result of the above, the Target's profit for the year increased by S\$131,730 or 221.0%, from S\$59,611 in FY2017 to S\$191,340 in FY2018.

Financial position of the Target

We note from the management accounts of the Target that there is a dividend payable of S\$0.23 million as at 31 December 2018. We understand from the Target's management that the dividend had been paid out in full in January 2019. Hence, to reflect a more current financial position of the Target, we have accordingly adjusted the dividend payable and the corresponding cash and cash balances ("**Dividend Adjustments**").

(S\$)	Unaudited As at 31 December 2018	Adjustments Dividend Adjustments	Adjusted As at 31 December 2018
<u>Current assets</u>			
Trade receivables	13,510		13,510
Cash and bank balances	261,651	(230,000)	31,651
Total current assets	275,161		45,161
Total assets	275,161		45,161
<u>Current liabilities</u>			
Accruals	2,965		2,965
Amount due to director	24,472		24,472
Dividend payable	230,000	(230,000)	–
Provision for taxation	13,595		13,595
Total current liabilities	271,032		41,032
Total liabilities	271,032		41,032
<u>Equity</u>			
Share capital	2		2
Retained earnings	4,127		4,127
Total equity	4,129		4,129
Total liabilities and equity	275,161		45,161

Source: Management accounts of Target

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Review of financial position

As at 31 December 2018

The adjusted assets of the Target as at 31 December 2018 comprised: (i) cash and bank balances of S\$31,651; and (ii) trade receivables of S\$13,510, representing 70.1% and 29.9% of the Target's total adjusted assets respectively.

The adjusted liabilities of the Target as at 31 December 2018 comprised mainly: (i) amount due to director of S\$24,472; and (ii) provision for taxation of S\$13,595, representing 59.6% and 33.1% of the Target's total adjusted liabilities respectively.

Amount due to director relates to a loan extended to the Target and is non-interest bearing.

As at 31 December 2018, the NAV attributable to owners of the Target amounted to S\$4,129.

Notwithstanding the above, we further note that, as at the Latest Practicable Date, dividends amounting to S\$40,000 were declared and paid out of the profits earned for the period from 1 January 2019 to 31 March 2019, which amounted to S\$73,020.

We wish to highlight to the Independent Directors that the above analysis is only for illustrative purposes and is not meant to be an indication of, or to comment on the Target's future profitability, growth prospects, financial positions and working capital sufficiency.

5. SALIENT TERMS OF THE PROPOSED ACQUISITION

The details of the Proposed Acquisition are set out in Section 2 of the Circular. A summary of the key terms of the Proposed Acquisition is set out below for your reference.

5.1 Purchase Consideration

The Purchase Consideration for the Proposed Acquisition is S\$1,008,000.

The Purchase Consideration was determined based on arm's length negotiations and arrived at based on a 5.25 multiple of the net profits of the Target for its latest completed financial year ended 31 December 2018.

Accordingly, the Purchase Consideration values the 100.0% equity value of the Target at S\$1,008,000. There was no independent valuation conducted on the Target.

5.2 Settlement of the Purchase Consideration

As mentioned in Paragraph 1 of this Letter, the Purchase Consideration of S\$1,008,000 is to be fully satisfied in the following manner:

- (i) S\$600,000 in cash on Completion; and
- (ii) S\$408,000 shall be deferred and satisfied by the issuance and allotment of 1,483,636 Consideration Shares to the Vendor and/or her nominee as she may direct, details of which is set out in Paragraph 5.4 of this Letter.

The Consideration Shares when issued and allotted will be credited as fully-paid and shall rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights allotments or other distribution (if any) the record date of in respect of which falls on or before the date of issue of the Consideration Shares, as the case may be.

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Issue Price of the Consideration Shares

Pursuant to the SPA, the Issue Price for each Consideration Share is S\$0.275 per Consideration Share. The Issue Price was determined based on the VWAP of the Shares on the last trading day of the Shares on the SGX-ST prior to the signing of the SPA, being 18 March 2019.

As at the Latest Practicable Date, the Company had an issued and paid-up share capital comprising 131,207,540 Shares. Based on the total number of issued Shares, the 1,483,636 Consideration Shares represent approximately 1.13% of the existing issued Shares and 1.12% of the enlarged issued Shares after Completion.

Source of funds

The cash portion of the Proposed Acquisition will be funded by the net proceeds from the placement of Shares pursuant to the Company's IPO in December 2018, in line with the disclosures set out in the Offer Document.

The remaining Purchase Consideration will be satisfied by the allotment and issuance of the Consideration Shares.

5.3 Guaranteed Profit

Pursuant to the terms of the SPA, the Vendor granted a profit guarantee to the Company for a three-year period commencing from 1 April 2019 and ending on 31 March 2022 ("**Profit Guarantee Period**"), details of which are set out in Section 2.2.4 of the Circular and reproduced in italics below for your reference.

2.2.4 Profit guarantee

The Vendor shall continue to manage Ark Leadership after the Completion. Pursuant to the Agreement, the Vendor guarantees to the Company that Ark Leadership's aggregate NPAT for the Profit Guarantee Period shall be no less than S\$576,000.

The quantum of the Guaranteed Profit was based on the assumption that Ark Leadership's expected NPAT remains similar to Ark Leadership's NPAT of approximately S\$192,000 for FY2018.

*In the event the 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 Guaranteed 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 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.

The Company will update Shareholders in its annual report or in a separate announcement to be made by the Company on whether the Guaranteed Profit has been met."

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5.4 Deferred payment of the Consideration Shares and safeguard mechanism

The satisfaction of the Purchase Consideration by way of issuance and allotment of the Consideration Shares to the Vendor shall be deferred as follows:

- (i) within 10 Business Days following the fulfilment of the Shortfall Payment by the Vendor;
or
- (ii) in the event that the Target achieves the Guaranteed Profit, within 10 Business Days of the date on which the Actual NPAT of Ark Leadership for the Profit Guarantee Period is determined.

Pursuant to the terms of the SPA, in the event that the Vendor fails to pay the Shortfall Payment within the Relevant Period, the Company shall be entitled to deduct such number of Consideration Shares with the total value equivalent to the amount of the Shortfall Payment.

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 repay the balance of the Shortfall Payment to the Company.

Based on the above, we note that the Consideration Shares would only be issued after 31 March 2022, being the end of the Profit Guarantee Period, once the Actual NPAT of the Target is determined by the auditors of the Company from the audited accounts of Ark Leadership and the Guaranteed Profit amount or Shortfall Payment is crystallised.

We further note that the number of Consideration Shares is fixed and no adjustments to the Consideration Shares will be made should the Company undertakes future corporate actions within the Profit Guarantee Period that would result in changes in the share capital of the Company.

5.5 Conditions Precedent and Additional Listing Application

The Completion is subject to certain conditions precedent, which have been set out in Section 2.2.3 of the Circular.

Details of the additional listing application have been set out in Section 2.6 of the Circular. Shareholders should take note of further announcements to be made by the Group on the listing and quotation of the Consideration Shares.

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6. EVALUATION OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition, we have given due consideration to, *inter alia*, the following key factors:

- (a) Rationale for the Proposed Acquisition;
- (b) Assessment of the Purchase Consideration of the Proposed Acquisition;
- (c) Financial assessment of the Issue Price of the Consideration Shares;
- (d) Financial effects of the Proposed Acquisition; and
- (e) Other relevant considerations in relation to the Proposed Acquisition.

6.1 Rationale for the Proposed Acquisition

The rationale for the Proposed Acquisition which has been set out in Section 2.5 of the Circular is extracted and reproduced in italics below:

“2.5 Rationale for and Benefit of the Proposed Acquisition

The Directors are 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 (i) payroll administrative services to its clients as part of its financial accounting services, and (ii) 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, designing and conducting training programmes, developing talent attraction and retention strategies and human resource consultancy and advisory services. The increased range of services to be 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 and L&D 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 value of such services provided by Ark Leadership to the Group amounted to S\$54,400 for FY2018 and S\$18,000 from 1 January 2019 up to the Latest Practicable Date.

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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.”

6.2 Assessment of the Purchase Consideration of the Proposed Acquisition

In assessing the Purchase Consideration of the Proposed Acquisition, we have considered the following:

- (i) Assessment of the Guaranteed Profit; and
- (ii) Financial assessment of the Purchase Consideration of the Proposed Acquisition

6.2.1 Assessment of the Guaranteed Profit

As set out in Paragraph 5 of this Letter, the Purchase Consideration of the Proposed Acquisition is capped, and the Vendor had granted a profit guarantee to the Company from 1 April 2019 to 31 March 2022. Based on the formula set out in Section 2.2.4 of the Circular, assuming that the Actual NPAT is zero or the Target incurs an aggregate loss during the Profit Guarantee Period, apart from not receiving the Consideration Shares, the Vendor has to repay to the Company an amount equivalent to at least the cash portion of the Purchase Consideration of S\$600,000. Collectively, these terms provide a downside protection for the Company and at the same time signifies the Vendor’s confidence in the financial performance of the Target.

We noted that the Guaranteed Profit effectively allows the Company to acquire the Target at a forward PE ratio of 5.25 for the next three financial years. Should the Target not achieve the Guaranteed Profit, the Purchase Consideration would be automatically lowered pursuant to the adjustment mechanism, thus the Company would still continue to acquire the Target at the same valuation of a forward PE ratio of 5.25 times.

We noted that based on the market capitalisation of the Company of S\$36.7 million as at the Latest Practicable Date and the audited profit for the year attributable to owners of the Company of approximately S\$0.8 million for FY2018, the Company trades at an implied PE ratio of 45.9 times. Accordingly, the Proposed Acquisition would be earnings accretive to the Group.

6.2.2 Financial assessment of the Purchase Consideration of the Proposed Acquisition

The Purchase Consideration for the Proposed Acquisition is determined to be S\$1,008,000. As mentioned in Paragraph 5.1 of this Letter, the Purchase Consideration was arrived at after arm’s length negotiations and based on a 5.25 multiple of the net profit of the Target for the latest completed financial year ended 31 December 2018.

In assessing the Purchase Consideration for the Proposed Acquisition, we have considered the Purchase Consideration *vis-à-vis* comparable companies of the Target. We have attempted to compare various valuations of the Target implied by the Purchase Consideration with those of selected public listed companies globally which are broadly comparable to the Target and are engaged in, *inter alia*, the provision of human resources, workforce and/or learning and development services (“**Comparable Companies**”).

We wish to highlight that the Comparable Companies are not exhaustive and we recognise that there are no companies listed on the SGX-ST or other stock exchanges which we may consider to be identical to the Target in terms of, *inter alia*, market capitalisation, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, accounting policies, track record, future prospects, market / industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria. Therefore, the comparison made with respect to the Comparable Companies merely serves as an illustrative market valuation of the Target as at the Latest Practicable Date.

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In our evaluation, we have considered the following widely used valuation measures:

Valuation Ratio	Description
Price-to-Earnings (“PE”)	<p>PE ratio or earnings multiple is the ratio of a company’s market capitalisation divided by the historical consolidated net profit attributable to shareholders.</p> <p>The PE ratio is an earnings-based valuation methodology and is calculated based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses.</p> <p>The PE ratio illustrates the ratio of the market capitalisation of an entity in relation to the historical net profit attributable to its shareholders.</p> <p>As such, it is affected by the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and amortisation charges.</p>
P/NAV	<p>NAV refers to consolidated net assets, which is the total assets of a company less total liabilities.</p> <p>P/NAV refers to the ratio of a company’s share price divided by NAV per share. The P/NAV ratio represents an asset-based relative valuation which takes into consideration the book value or NAV backing of a company.</p> <p>The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.</p>
Enterprise Value-to-Earnings before Interests, Taxes, Depreciation and Amortisation (“EV/EBITDA”)	<p>EV refers to enterprise value which is the sum of a company’s market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents.</p> <p>EBITDA refers to the historical consolidated earnings before interest, taxes, depreciation and amortisation.</p> <p>The EV/EBITDA ratio illustrates the ratio of the market value of an entity’s business in relation to its historical pre-tax operating cash flow performance. The EV/EBITDA multiple is an earnings-based valuation methodology. The difference between EV/EBITDA and the PE ratio (described above) is that it does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges.</p>

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A brief description of the Comparable Companies is set out as follows:

Comparable Companies	Stock Exchange	Business Activity Description	Financial Year End
Persol Holdings Co., Ltd. ("Persol")	Tokyo Stock Exchange	Persol provides human resource solutions. The company provides temporary staffing, human resource contracting, employment, and other services. Persol also provides offers services to job seekers.	31 March 2018
Hays PLC ("Hays")	London Stock Exchange	Hays provides specialist recruitment and human resource services for clients and candidates requiring permanent and temporary, professional and technical staff.	30 June 2018
TechnoPro Holdings Inc ("TechnoPro")	Tokyo Stock Exchange	TechnoPro offers services and solutions in mechanical and electronic design, IT and software development, and wide range of technological fields through outsourcing. The company also has presence in biological, chemical and construction management businesses.	30 June 2018
PageGroup PLC ("PageGroup")	London Stock Exchange	PageGroup operates as a recruitment consultancy. The company provides permanent, contract, and temporary recruitment services for executives, qualified professionals, and clerical professionals across a broad range of industries. PageGroup offers its services worldwide.	31 December 2018
Meitec Corporation ("Meitec")	Tokyo Stock Exchange	Meitec provides high-end engineering outsourcing services targeting the R&D sector in various industries such as automobile, telecommunication, semiconductors, consumer electronics, and industrial machinery.	31 March 2018
JAC Recruitment Co., Ltd. ("JAC")	Tokyo Stock Exchange	JAC provides recruiting agency services. The Company focuses on international business area that includes job offers from foreign companies and overseas subsidiaries of Japanese companies. JAC serves customers overseas.	31 December 2018
Heidrick & Struggles International Inc ("Heidrick & Struggles")	NASDAQ	Heidrick & Struggles International, Inc. operates as an executive search firm with worldwide operations. The Company identifies, evaluates, and recommends qualified candidates for senior level executive positions. Heidrick & Struggles provides its services to clients such as middle market and emerging growth companies and governmental organizations.	31 December 2018
Robert Walters PLC ("Robert Walters")	London Stock Exchange	Robert Walters PLC is an international recruitment company that provides human resources outsourcing services. The Group, which operates offices in multiple countries, places professional, IT and call center candidates within permanent and contract specific positions in the financial and commercial sectors of the United Kingdom, United States, Continental Europe and Australia.	31 December 2018

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Comparable Companies	Stock Exchange	Business Activity Description	Financial Year End
HRnetgroup Ltd ("HRnetgroup")	SGX-ST	HRnetgroup Limited provides consultancy services. The Company offers talent acquisition, performance consultancy, soft skills development, and graduate training services. HRnetgroup serves automotive, retail, industrial, technology, finance, and construction sectors worldwide.	31 December 2018
Advancer Global Ltd ("Advancer")	SGX-ST	Advancer Global Limited provides workforce solutions. The Company specializes in employment, facilities management, and security services. Advancer Global serves residential, commercial, hospitals, and hotels in Singapore.	31 December 2018

Source: Bloomberg L.P.

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Comparable Companies

The valuation ratios of the Comparable Companies based on their respective last traded share prices as at the Latest Practicable Date are set out below:

Comparable Companies	Market Capitalisation (S\$ million)	PE ⁽¹⁾ (times)	P/NAV ⁽²⁾ (times)	EV/EBITDA ⁽³⁾ (times)
Persol	5,203.1	54.7	2.9	9.2
Hays	3,867.3	12.9	3.1	8.1
TechnoPro	2,917.9	28.2	5.7	19.8
PageGroup	2,757.9	14.8	5.0	8.8
Meitec	1,805.5	18.1	3.6	9.0
JAC	1,213.4	25.4	7.0	15.3
Heidrick & Struggles	1,021.7	15.4	2.8	5.8
Robert Walters	816.8	12.8	3.1	6.9
HRnetgroup	789.6	16.4	2.4	7.4
Advancer	46.5	34.8	1.1	8.1
High		54.7	7.0	19.8
Low		12.8	1.1	5.8
Mean		23.3	3.7	9.9
Median		17.3	3.1	8.5
Target	1.01	5.3 (Historical FY2018) 6.8 (Adjusted FY2018)	244.1 (as at 31 December 2018)	4.9 (Historical FY2018) 6.4 (Adjusted FY2018)

Sources: Bloomberg L.P. and RHTC calculations

Notes:

- (1) As some of the Comparable Companies' financial information are not available in English, the PE ratios of the Comparable Companies, based on their respective latest full year earnings or trailing twelve (12) months ("T12M") earnings, where applicable, are extracted from Bloomberg L.P. as at the Latest Practicable Date. In respect of the Target, its PE ratios are calculated based on the Purchase Consideration of S\$1.01 million and the Target's historical FY2018 earnings of S\$0.19 million, adjusted FY2018 earnings of S\$0.15 million.
- (2) As some of the Comparable Companies' financial information are not available in English, the P/NAV ratios of the Comparable Companies, based on their respective latest available NAV values, are extracted from Bloomberg L.P. as at the Latest Practicable Date. In respect of the Target, its P/NAV ratio is calculated based on its NAV of S\$4,129.
- (3) As some of the Comparable Companies' financial information are not available in English, the EV/EBITDA ratios of the Comparable Companies, based on their respective latest available full year EBITDA and balance sheet items or their T12M EBITDA and interim balance sheet items, where applicable, are extracted from Bloomberg L.P. as at the Latest Practicable Date. In respect of the Target, its EV/EBITDA ratios are calculated based on its historical FY2018 EBITDA of S\$0.21 million and adjusted FY2018 EBITDA of S\$0.16 million. The Target's EV of S\$1.0 million, corresponding to periods as at historical FY2018 and adjusted FY2018 respectively, is calculated based on the Purchase Consideration of S\$1.01 million, add borrowings and/or amount due to director (where applicable) and less cash and bank balances as at the respective period ends.

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Based on the above, we observe that:

Based on the historical FY2018 earnings;

- (a) The PE ratio of the Target of 5.3 times is below the range of the PE ratios of the Comparable Companies;
- (b) The P/NAV ratio of the Target as at 31 December 2018 of 244.1 times is above the range of the P/NAV ratios of the Comparable Companies; and
- (c) The EV/EBITDA ratio of the Target of 4.9 times is below the range of the EV/EBITDA ratios of the Comparable Companies.

Based on the adjusted FY2018 earnings;

- (a) The adjusted PE ratio of the Target of 6.8 times is below the range of the PE ratios of the Comparable Companies;
- (b) The adjusted EV/EBITDA ratio of the Target of 6.4 times is within the range of the EV/EBITDA ratios of the Comparable Companies and is below the mean and median EV/EBITDA ratios of the Comparable Companies of 9.9 and 8.5 respectively.

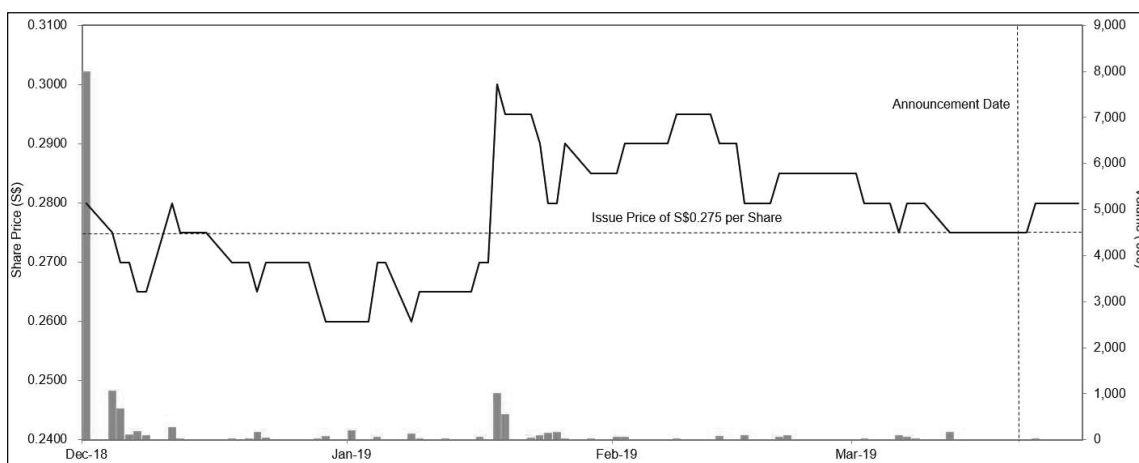
6.3 Financial assessment of the Issue Price of the Consideration Shares

As per Paragraph 5.1 above, the Purchase Consideration is partly satisfied by the issuance and allotment of 1,483,636 Consideration Shares to the Vendor at the Issue Price of S\$0.275 per Consideration Share. In assessing the Issue Price, we have considered the market quotation and trading activity of the Company.

6.3.1 Market statistics

We set out below a historical chart on the prices and trading volume of the Shares for the period commencing from 7 December 2018 (being the first day of trading following the listing of the Company on the SGX-ST) and ending on the Latest Practicable Date (“**Period Under Review**”).

Price and traded volume of the Shares for the Period Under Review



Sources: Bloomberg L.P. and the Company's announcements

We note that the Share price had traded within a range of S\$0.260 to S\$0.300 during the Period Under Review.

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The Issue Price per Consideration Share is equivalent to the VWAP 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 of S\$0.275.

We note that following the release of the Announcement, the Share price traded within a range of S\$0.275 to S\$0.280. The Issue Price represents a discount of 1.8% to the Share price of S\$0.280 as at the Latest Practicable Date.

In addition to the share price chart above, we have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares for the Period Under Review:

Reference period	VWAP ⁽¹⁾	Premium / (discount) of the Issue Price over / (to) VWAP	Lowest transacted price	Highest transacted price	Average daily trading volume ⁽²⁾	Average daily trading volume as a percentage of free float ⁽³⁾
	(S\$)	(%)	(S\$)	(S\$)	('000)	(%)
Prior to the Announcement						
1 month	0.278	(1.1)	0.275	0.285	77.0	0.19
3 month	0.281	(2.1)	0.260	0.305	120.6	0.30
From IPO	0.280	(1.8)	0.260	0.305	351.0	0.86
18 March 2019, being the last trading date of the Shares prior to the Announcement	0.275	–	0.275	0.275	160.0	0.39
After the Announcement and up to the Latest Practicable Date						
After the Announcement and up to the Latest Practicable Date	0.280	(1.8)	0.280	0.280	8.0	0.02
28 March 2019, being the last market day the Shares were last traded as at the Latest Practicable Date	0.280	(1.8)	0.280	0.280	8.0	0.02

Source: Bloomberg L.P.

Notes:

- (1) The VWAP is calculated based on the turnover divided by volume of the Shares as extracted from Bloomberg L.P.
- (2) The average daily trading volume of the Shares was computed based on the total volume of Shares traded during the relevant periods, divided by the number of days that were open for trading (excluding public holidays and days with full day trading halts on the Shares) during that period.
- (3) Free float refers to the Shares other than those held by the Directors, and substantial Shareholders of the Company and amounts to approximately 40.6 million Shares as at the Latest Practicable Date.

Based on the above, we observe that:

- (a) the Issue Price of S\$0.275 is the VWAP 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 of S\$0.275;
- (b) the Issue Price represents a discount of 1.1%, 2.1% and 1.8% to the VWAP of the Shares for the 1-month, 3-month, and from IPO periods prior to the Announcement Date respectively;
- (c) the Issue Price represents a discount of 1.8% to the VWAP of the Shares for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date;
- (d) as at the Latest Practicable Date, the Issue Price represents a discount of 1.8% to the last traded price of the Shares of S\$0.280;

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- (e) during the period from 7 December 2018 up to the Announcement Date, the Shares were traded on 40 market days or 51.9% of the total market days. The total number of Shares traded during this period was approximately 14.0 million Shares with an average daily trading volume of 0.35 million Shares, representing 0.86% of the free float; and
- (f) during the period after the Announcement Date and up to the Latest Practicable Date, the Shares were traded on one (1) market day or 20.0% of the total market days. The total number of Shares traded during this period was 8,000 Shares with trading volume of 8,000 Shares, representing 0.02% of the free float.

We recommend the Independent Directors to advise the Independent Shareholders to note that the market price performance of the Shares may be due to various market factors, the individual factors of which may not be easily isolated and identified with certainty. As such, Independent Shareholders should note that the past trading performance of the Shares should not be relied upon as a promise of its future trading performance.

6.3.2 NTA per Share of the Company

As set out in Paragraph 3.2 above, we note that the NTA of the Company comprise mainly cash and bank balances, fixed deposits and trade receivables. Based on the NTA of the Company of S\$9.7 million as at 31 December 2018 and based on 131,207,540 outstanding Shares as at the Latest Practicable Date, the NTA per Share of the Company as at 31 December 2018 was approximately S\$0.074.

Accordingly, we note that the Issue Price of S\$0.275 represents a substantial premium of approximately 271.6% over the Company's NTA per Share of S\$0.074 as at 31 December 2018.

The above computation and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Company is as stated above. It also does not imply that the assets or properties of the Company can be disposed of at the estimated value indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated by the NTA and is realisable or distributable to the Shareholders.

6.4 Financial effects of the Proposed Acquisition

We recommend the Independent Directors to advise the Shareholders to read Section 5 of the Circular carefully, in particular the assumptions relating to the preparation of the financial effects. The financial effects are for illustrative purposes only and do not purport to be an indication or a projection of the results and financial position of the Company and the Group after the completion of the Proposed Acquisition.

Share capital – subject to the Target meeting the Guaranteed Profit as set out in Paragraph 5.3 of this Letter, the number of issued Shares and the issued share capital of the Company will increase from 131,207,540 Shares to 132,691,176 Shares due to the issuance of 1,483,636 Consideration Shares;

Earnings per Share – the results of the Group will improve from a net profit attributable to equity holders of the Company of approximately S\$0.8 million to S\$1.0 million for FY2018, arising from the positive contributions to the Group's earnings by the Target, as the Target's results would be consolidated into the Group's results by virtue of it being a subsidiary. Accordingly, earnings per Share will increase from 0.83 cents per Share to 1.01 cents per Share; and

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NTA per Share – the NTA of the Group will decrease from approximately S\$9.7 million to S\$9.2 million due to the settlement of the cash portion of the Purchase Consideration, offset by the inclusion of the proportionate NTA of the Target following the Completion. Accordingly, NTA per Share of the Group will decrease from approximately 7.43 cents per Share to 6.90 cents per Share following the Completion.

6.5 Other relevant considerations in relation to the Proposed Acquisition

6.5.1 Right of first refusal

The right of first refusal agreement dated 12 November 2018 was entered into between the Vendor and the Company prior to the Company's IPO, pursuant to which the Company obtained a right of first refusal in respect of the acquisition of the Sale Shares of the Target.

We noted that the intention to acquire the Target had been set out in the Offer Document in connection with the Company's IPO. This Proposed Acquisition therefore signifies the Group's commitment to execute its business strategies and future plans, and in line with the stated use of proceeds as set out in the Offer Document. Shareholders are advised to refer to the Offer Document for further details.

6.5.2 FY2018 results announcement

We wish to highlight the following commentary on the Group's business environment made by the Company in its announcement of the financial results for FY2018:

"The slow momentum of the economy in Singapore and the region may continue to have a dampening effect on the healthcare industry in general, the industry in which the Group's clients operate in.

*While the acquisition of Acctax, Patceljon and Jo-L which provides services to clients outside of the healthcare industry helped buffer the general dampening effect on the healthcare industry, the Group continues to focus on providing Medical Support Services. On 23 January 2019, the Company entered into a sale and purchase agreement to acquire 55.0% of the total equity interest in Sen Med Holdings Pte. Ltd. ("**Sen Med**") ("**Proposed Acquisition**"), which primarily provides x-ray and health screening services. The services provided by Sen Med will expand the Group's range of Medical Support Services offerings.*

The Company will continuously explore acquisition, joint ventures and/or strategic partnerships with prudence and will consider opportunities which will complement our existing operations and which are also beneficial to our strategic long-term objectives. As stated in the Offer Document, the Company may, depending on factors such as prevailing market conditions and the Group's financial performance, decide to acquire Ark Leadership and Learning Pte. Ltd. We believe that the acquisition will provide the Group with an additional competitive advantage and allow the Group to expand its existing service offerings.

Based on the current economic outlook and barring unforeseen circumstances, the Directors expect the Group to continue growing and remain profitable in the financial year 2019."

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6.5.3 Continuity of the Target's management

We note that the Vendor is presently the sole director and shareholder of the Target. The Vendor has been responsible for the overall management, strategic planning and business development of the Target. Upon completion of the Proposed Acquisition, the Vendor will continue to fulfil her responsibilities in the Target.

Pursuant to the terms of the Guaranteed Profit and the deferred payment, the Vendor will not be receiving any shares immediately upon Completion. However, upon meeting the Guaranteed Profit targeted to occur after 31 March 2022, the Vendor will receive 1,483,636 Consideration Shares, representing 40.5% of the Purchase Consideration. Accordingly, the Vendor will hold 1.12% of the enlarged share capital of the Company and thus there would be an alignment of interests between the Vendor and Shareholders going forward.

We note that with the Guaranteed Profit, coupled with the deferred payment of Consideration Shares, the Vendor is vested in the continued performance of the Target and in the Group as a whole and there would be an alignment of interests between the Vendor and Shareholders going forward.

6.5.4 No change in the two largest shareholders

HC Surgical Specialists Limited (“**HCSS**”) and Ms Jessie Low are the two largest Shareholders as at the Latest Practicable Date.

HCSS holds 30,071,050 Shares, representing approximately 22.92% of the total number of issued Shares. HCSS is also deemed interested in 12,460,110 Shares held by HSN Healthcare Pte. Ltd., representing approximately 9.50% of the total issued Shares.

As set out in Paragraph 1 of this Letter, Ms Jessie Low currently holds 27,089,140 Shares, representing approximately 20.65% of the total number of issued Shares. Ms Jessie Low is also deemed interested in 130,000 Shares held by her spouse, Mr Karunanithi s/o Letchumanan, representing approximately 0.10% of the total issued Shares.

Immediately after Completion, HCSS will have in aggregate, a direct and deemed interest in 42,531,160 Shares, representing a shareholding interest of approximately 32.42% of the total issued Shares post Completion. Ms Jessie Low will have in aggregate, a direct and deemed interest in 27,219,140 Shares, representing a shareholding interest of approximately 20.75% of the total issued Shares post Completion.

Accordingly, there will be no change in the two largest shareholders of the Company after Completion.

Should the Target meet the Guaranteed Profit, the total issued Shares of the Company would increase to 132,691,176 Shares, following the issuance and allotment of 1,483,636 Consideration Shares. Assuming there are no other changes in the capital of the Company between Completion and issuance and allotment of the Consideration Shares, the aggregate shareholding interests (direct and deemed) of HCSS and Ms Jessie Low and will decrease to 32.05% and 20.51% respectively, based on the enlarged share capital of the Company.

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7. OUR OPINION

In arriving at our recommendation in respect of the Proposed Acquisition, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (i) the rationale for the Proposed Acquisition;
- (ii) assessment of the Purchase Consideration of the Proposed Acquisition:

Assessment of the Guaranteed Profit

The Guaranteed Profit effectively allows the Company to acquire the Target at a forward PE ratio of 5.25 for the next three financial years. Should the Target not achieve the Guaranteed Profit, the Purchase Consideration would be automatically lowered pursuant to the adjustment mechanism, thus the Company would still continue to acquire the Target at the same valuation of a forward PE ratio of 5.25 times.

Based on the market capitalisation of the Company of S\$36.7 million as at the Latest Practicable Date and the audited profit for the year attributable to owners of the Company of approximately S\$0.8 million for FY2018, the Company trades at an implied PE ratio of 45.9 times. Accordingly, the Proposed Acquisition would be earnings accretive to the Group.

Financial assessment of the Purchase Consideration of the Proposed Acquisition

Based on the historical FY2018 earnings;

- (a) The PE ratio of the Target Group of 5.3 times is below the range of the PE ratios of the Comparable Companies;
- (b) The P/NAV ratio of the Target as at 31 December 2018 of 244.1 times is above the range of the P/NAV ratios of the Comparable Companies; and
- (c) The EV/EBITDA ratio of the Target of 4.9 times is below the range of the EV/EBITDA ratios of the Comparable Companies,

Based on the adjusted FY2018 earnings;

- (a) The adjusted PE ratio of the Target of 6.8 times is below the range of the PE ratios of the Comparable Companies;
- (b) The adjusted EV/EBITDA ratio of the Target of 6.4 times is within the range of the EV/EBITDA ratios of the Comparable Companies and is below the mean and median EV/EBITDA ratios of the Comparable Companies of 9.9 and 8.5 respectively,

- (iii) financial assessment of the Issue Price of the Consideration Shares:

Market statistics

- (a) the Issue Price of S\$0.275 is the VWAP 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 of S\$0.275;
- (b) the Issue Price represents a discount of 1.1%, 2.1% and 1.8% to the VWAP of the Shares for the 1-month, 3-month, and from IPO periods prior to the Announcement Date respectively;

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DIRECTORS OF MEDINEX LIMITED**

- (c) the Issue Price represents a discount of 1.8% to the VWAP of the Shares for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date;
- (d) as at the Latest Practicable Date, the Issue Price represents a discount of 1.8% to the last traded price of the Shares of S\$0.280;
- (e) during the period from 7 December 2018 up to the Announcement Date, the Shares were traded on 40 market days or 51.9% of the total market days. The total number of Shares traded during this period was approximately 14.0 million Shares with an average daily trading volume of 0.35 million Shares, representing 0.86% of the free float; and
- (f) during the period after the Announcement Date and up to the Latest Practicable Date, the Shares were traded on one (1) market day or 20.0% of the total market days. The total number of Shares traded during this period was 8,000 Shares with trading volume of 8,000 Shares, representing 0.02% of the free float,

NTA per Share of the Company

The Issue Price of S\$0.275 represents a substantial premium of approximately 271.6% over the Company's NTA per Share of S\$0.074 as at 31 December 2018.

- (iv) the financial effects of the Proposed Acquisition; and
- (v) other relevant considerations as set out in Paragraph 6.5 of this Letter, namely: right of first refusal; FY2018 results announcement; continuity of the Target's management; and no change in the two largest shareholders.

Having regards to the considerations as set out above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Acquisition, as an Interested Person Transaction, is on normal commercial terms and is not prejudicial to the interest of the Company and its Independent Shareholders.

We wish to highlight that we were neither a party to the negotiations entered into by the Company in relation to the Proposed Acquisition, nor were we involved in the deliberations leading up to the decision on the part of the Directors to enter into the SPA, and we do not warrant the merits of the Proposed Acquisition. Furthermore, we were not involved in the legal and financial due diligence that were conducted by the Company and its advisers on the Target Group.

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We have prepared this Letter for the use of the Independent Directors in connection with and for the purposes of their consideration of the Proposed Acquisition. The recommendation made by them to the Independent Shareholders in relation to the Proposed Acquisition shall remain the sole responsibility of the Independent Directors. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the EGM at any time and in any manner without prior written consent of RHTC in each specific case.

This Letter 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 sincerely
For and on behalf of
RHT CAPITAL PTE. LTD.

Khong Choun Mun
Chief Executive Officer

Mah How Soon
Managing Director

MEDINEX LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200900689W)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of Medinex Limited (the “**Company**”) will be held at Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on Tuesday, 30 April 2019 at 3.00 p.m. or immediately after the Annual General Meeting of the Company, for the purpose of considering and, if thought fit, passing (with or without any modifications) the following Ordinary Resolution:

ORDINARY RESOLUTION – THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF ARK LEADERSHIP & LEARNING PTE. LTD. AS AN INTERESTED PERSON TRANSACTION

That:

- (i) approval be and is hereby granted for the proposed acquisition of the entire issued and paid-up share capital of Ark Leadership & Learning Pte. Ltd. (“**Proposed Acquisition**”) from Low Mui Keow, Valerie (Lu Mei Jiao, Valerie) (the “**Vendor**”), in accordance with the terms and conditions of the sale and purchase agreement entered into between the Vendor and the Company dated 26 March 2019 (the “**Agreement**”), which constitutes an interested person transaction pursuant to Chapter 9 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited;
- (ii) approval be and is hereby given to the Directors of the Company and/or any of them to, as part of the consideration for the Proposed Acquisition, issue and allot up to 1,483,636 new shares (“**Consideration Shares**”), at an issue price of S\$0.275 per Consideration Share, to the Vendor and/or her nominees (as she may direct), credited as fully paid-up, on terms and conditions set out in the Agreement;
- (iii) the Consideration Shares when issued and fully paid up will rank *pari passu* in all respects with the then existing shares of the Company, save for any dividends, rights, allotments or other distribution that may be declared or paid, the record date for which falls before the date of issue of the Consideration Shares; and
- (iv) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Ordinary Resolution.

BY ORDER OF THE BOARD

Lin Moi Heyang
Company Secretary

15 April 2019

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act (Chapter 50) of Singapore (the “**Act**”), a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the EGM. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.
2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 72 hours before the time set for the holding of the EGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM 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) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing 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), 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) 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.

MEDINEX LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200900689W)

PROXY FORM EXTRAORDINARY GENERAL MEETING

IMPORTANT

1. For investors who have used their Central Provident Fund ("CPF")/ Supplementary Retirement Scheme ("SRS") monies to buy shares in the capital of Medinex Limited, this Circular is forwarded to them at the request of their CPF/SRS Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS investors who wish to attend the EGM as an observer must submit their request through their CPF/SRS Approved Nominee within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF/SRS Approved Nominee within the time frame specified to enable them to vote on their behalf.

I/We _____ (Name) _____ (NRIC/Passport Number)
of _____ (Address)
being a member/members of **Medinex Limited** (the "Company") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the EGM as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Extraordinary General Meeting (the "EGM") of the Company to be held at Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on 30 April 2019 at 3.00 p.m. or as soon as practicable immediately after the Annual General Meeting of the Company and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her discretion as he/they may on any other matter arising of the EGM.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolution	No. of Votes For*	No. of Votes Against*
1.	Ordinary Resolution The proposed acquisition of the entire issued and paid-up share capital of Ark Leadership & Learning Pte. Ltd. as an interested person transaction		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [✓] within the relevant box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant resolution, please indicate the number of shares in the relevant boxes provides.

Dated this _____ day of _____ 2019.

Total number of Shares held:	No. of Shares
CDP Register	
Register of Members	

Signature/Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act (Chapter 50) of Singapore (the “**Act**”), a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the EGM. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.
2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or 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 common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with its Constitution and Section 179 of the Act.
5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 72 hours before the time set for the EGM.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
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 appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose 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 shares entered against their names in the Depository Register at 72 hours before the time appointed for holding the EGM as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the holding of the EGM.
9. An investor who buys shares using CPF monies (“**CPF Investor**”) and/or SRS monies (“**SRS Investor**”) (as may be applicable) may attend and cast his vote(s) at the EGM in person. CPF and SRS Investors who are unable to attend the EGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the EGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the EGM.

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 EGM dated 15 April 2019.