

# CHINA MEDICAL (INTERNATIONAL) GROUP LIMITED

(Company Registration No. 200505118M)

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## ENTRY INTO FRAMEWORK AGREEMENT RELATING TO THE PROPOSED ACQUISITION OF THE BEVERLY WILSHIRE MEDICAL CENTRES

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### 1. INTRODUCTION

- 1.1 The board of directors (the “**Board**” of the “**Directors**”) of China Medical (International) Group Limited (the “**Company**” or “**Purchaser**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 5 June 2017 entered into a framework agreement (the “**Framework Agreement**”) with each of Firstwide Supreme Sdn Bhd (“**Firstwide**”), Dato’ Ng Tian Sang @ Ng Kek Chuan (“**Dato’ Francis**”), Dato’ Dr Abdul Jalil Bin Jidon, Dato’ Dr Liow Tiong Sin, Dr Mohamad Nasir Bin Zahari @ Johari, Dr Suzanna Binti Abdul Malik, Dato’ Dr David Cheah Sin Hing, Dr Wong Chee Hin, Dr Chin Sze Piau (collectively referred to as the “**Sellers**” and each a “**Seller**”) to acquire the entire issued share capital (collectively the “**Sale Shares**”) of each of the companies (the “**Target Companies**” or collectively the “**Target Group**”) as listed in **Appendix A** from the Sellers (the “**Proposed Acquisition**”).
- 1.2 The Framework Agreement sets out the key agreed terms in connection with the Proposed Acquisition and is legally binding on the Purchaser and the Sellers (collectively referred to as the “**Parties**” and each a “**Party**”) and shall form the basis of a more formal and detailed (i) share purchase agreement(s) to be entered into between the Sellers and the Purchaser (the “**Share Purchase Agreement**”); (ii) a service agreement (“**Service Agreement**”) to be entered into between Dato’ Francis and the Purchaser, and (iii) deed of profit guarantee (“**Deed of Profit Guarantee**”) to be entered into by each of the Sellers and the Purchaser, or such other legally binding contract to be entered into between the Parties, without any material deviation therefrom.
- 1.3 Pursuant to the Framework Agreement, the aggregate consideration payable by the Purchaser to the Sellers for the Sale Shares shall be S\$7,000,000 (Singapore Dollars Seven Million) (the “**Consideration**”). The Consideration shall be fully satisfied on completion of the Proposed Acquisition (the “**Completion**”) by the following:
- 1.3.1 the sum of S\$1,000,000 (Singapore Dollars One Million only) to be paid to Firstwide only by way of cash (“**Cash Consideration**”); and
- 1.3.2 the balance of S\$6,000,000 (Singapore Dollars Six Million only) to be satisfied by the issue and allotment of 1,034,482,759 new shares (rounded up to the nearest number) in the capital of the Purchaser to the Sellers at S\$0.0058 per share being the volume weighted average price of the Company’s shares for all trades done on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the full market day before the date of the Framework Agreement (“**Issue Price**”) (the “**Consideration Shares**”) on the Completion Date (as defined below), in the proportion as set out in **Appendix B**.
- 1.4 **The number of Consideration Shares may be subject to changes as described in paragraph 5.9.4.**

- 1.5 The Parties have under the Framework Agreement agreed:
- 1.5.1 to an exclusivity clause and have agreed that until the earlier of : (a) termination of this Framework Agreement in accordance with the provisions therein; or (b) completion of the Proposed Acquisition, the Purchaser and each of the Sellers agree and undertake that it will not (directly or indirectly) solicit, initiate, encourage, assist, negotiate, continue or hold any discussions (including the provision of information regarding the Target Companies) or negotiate or enter into any letter of intent, term sheet, understanding or agreement with any party other than the Purchaser or the Sellers (as the case maybe), in each case with respect to a transaction whereby any entity or person other than the Purchaser or the Sellers (as the case maybe) would enter into a transaction similar to the Proposed Acquisition; and
- 1.5.2 that each Party will bear its own costs and expenses in relation to the negotiation, entry into and completion of this Framework Agreement and any binding definitive transaction documents in relation to the Proposed Acquisition.
- 1.6 The Board has concluded that the Proposed Acquisition will change the risk profile of the issuer and given that the relative figure under Rule 1006(b) of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of the Catalist (“**Catalist Rules**”) is computed based on negative figures, the Company will seek prior approval of its shareholders for the Proposed Acquisition. Further information on, *inter alia*, the Proposed Acquisition will be provided in a circular to the shareholders to be issued by the Company in due course. Accordingly, an extraordinary general meeting (“EGM”) to seek the approval of the shareholders for, *inter alia*, the Proposed Acquisition will be convened in due course.

## 2. **INFORMATION ON THE SELLERS**

- 2.1 Each of Dato’ Francis, Dato’ Dr Abdul Jalil Bin Jidon, Dato’ Dr Liow Tiong Sin, Dr Mohamad Nasir Bin Zahari @ Johari, Dr Suzanna Binti Abdul Malik, Dato’ Dr David Cheah Sin Hing, Dr Wong Chee Hin, Dr Chin Sze Piau are Malaysian citizens who hold equity interests in one or more of the Target Companies (after the capital reorganisation of the Target Companies) as provided in **Appendix A**.
- 2.2 Firstwide Supreme Sdn Bhd is a company limited by shares incorporated in Malaysia on 19 June 2013. The main business of Firstwide Supreme Sdn Bhd is investment holding. The shareholders of Firstwide Supreme Sdn Bhd are Ung Lay Ting, Melvin Tan Eng Chong, and Tia Eng Kian each respectively holding 40%, 30% and 30% of the issued and paid-up share capital of Firstwide. The directors of Firstwide are Loh Yoon Kong, Tan Sai Lee and Tia Eng Kian.
- 2.3 Dato’ Francis has had many years of technical, professional and corporate expertise and experience and is a seasoned entrepreneur who has been involved in various businesses such as real estate development, insurance, mining and most recently, medical centres specialising in cosmetic and aesthetic medicine, dental aesthetic and healthy aging medicine. Dato’ Francis has sat on the board of various listed Australian and Malaysian companies such as Midwest Corporation Ltd, PanGlobal Bhd, and RB Land Bhd. Dato’ Francis started his career as a senior accountant with IBM World Trade Corporation.
- 2.4 None of the Sellers are related to the Company, the Company’s directors, the controlling shareholders of the Company or their respective associates.

### 3. **INFORMATION ON THE TARGET COMPANIES**

- 3.1 The Target Companies collectively own and operate medical centres under the “Beverly Wilshire” trade mark in Malaysia (“**Beverly Wilshire Centres**”). As one of the leading aesthetic clinics in Malaysia, the Beverly Wilshire Centres is a chain of medical aesthetic centres principally involved in cosmetic and plastic surgery, aesthetic treatments (non-surgical and laser treatments), and related services.
- 3.2 The Beverly Wilshire Centres have won numerous awards including the BrandLaureate SMEs Best Brands Award 2015 for Specialist Beauty Medical Centre, the 2016 Medical Travel Awards for International Cosmetic Surgery Clinic of the Year and the 2016 Frost & Sullivan Malaysia Excellence Award for Aesthetics Centre of the Year. The Beverly Wilshire Centres are currently headed by Dato’ Francis who is the Chairman of the Target Group.
- 3.3 As at 31 December 2016:
- 3.3.1 the proforma net tangible liability value based on the unaudited consolidated financial results of the Target Companies is RM 29,070,107.
- 3.3.2 the consolidated adjusted net tangible asset of the Target Companies is RM7,230,991, on the basis that the liabilities of the Target Companies will be discharged as detailed in paragraph 5.3.1 of this Announcement and not taking into account the Bank Facility (as defined in paragraph 5.3.1).
- 3.3.3 the proforma net loss attributable to the assets being acquired prepared based on unaudited consolidated financial results of the Target Companies is RM 5,603,005.
- 3.4 Further particulars of the Target Companies and shareholding of each of the Target Companies (after the capital reorganisation of the Target Companies) are set out in **Appendix A** of this Announcement.

### 4. **RATIONALE FOR THE PROPOSED ACQUISITION**

- 4.1 The Board believes that the Proposed Acquisition is in the best interests of the Company as:
- 4.1.1 under the leadership of Dato’ Francis, the Beverly Wilshire Centres have won many awards in cosmetic surgery, aesthetic medicine and healthy aging, in Malaysia such as the BrandLaureate SMEs BestBrands Award, Medical Travel Awards International Cosmetic Surgery Clinic of the Year and Frost & Sullivan Excellence Award Aesthetics Centre of the Year;
- 4.1.2 the Target Companies will help to expand the Group’s medical aesthetics line into Malaysia markets to which it currently does not have a presence in and also provide the Group with new revenue streams for the Group to strengthen its financial performance and improve its profitability;
- 4.1.3 the Target Companies will be able to tap on its loyal following of urban patients of the Beverly Wilshire Centres in the main cities like Kuala Lumpur and Johor Bahru to expand into other cities and will put the Company on a new growth trajectory. There

are plans to scale up the operations in Malaysia to create greater branding awareness and profile; and

4.1.4 the Group will continue to source for accretive mergers and acquisitions in the space of cosmetic surgery, aesthetic medicine and healthy aging and this maiden acquisition will provide the Group with a listed platform to entice doctors into its platform of integrated beauty medical centres. As the demand for high end medical services is expected to grow with the growing middle to upper class in Malaysia, the Group hopes to capitalize on buying private clinics to capitalize on the spending power of these classes.

4.2 The Board is hence of the view that the Proposed Acquisition is in the best interests of the Company and is likely to enhance the long term interests of shareholders.

## 5. **PRINCIPAL TERMS OF THE PROPOSED ACQUISITION**

### 5.1 Consideration

5.1.1 The Consideration was arrived at on a willing-buyer and willing-seller basis, after negotiations which were conducted on an arm's length basis amongst the Parties, after taking into account, *inter alia*, the business prospects of the Beverly Wilshire Centres and the Deed of Profit Guarantee to be entered into between each of the Sellers and the Purchaser, which is the unconditional and irrevocable guarantee that the cumulative NPAT (as defined below) of the Target Companies for the Profit Target Periods (as defined below) and as certified by the Purchaser's auditors shall not be less than RM6,300,000 (Malaysian Ringgit Six Million and Three Hundred Thousand).

5.1.2 On the issue and allotment of the Consideration Shares, the Consideration Shares shall be credited as fully paid-up and ranking *pari passu* in all respects with all the other then existing shares in the share capital of the Purchaser on Completion Date.

5.1.3 "NPAT" means the audited net profits of the Target Companies after taxation, for any one financial year, based on the audited consolidated accounts of the Target Companies and their subsidiaries if any, as determined in accordance with accounting principles, standards and practices generally accepted in Malaysia, taking into account substantially the same basis and accounting principles as that of the accounts of the Purchaser.

5.1.4 The Company will be making an application to the SGX-ST via its continuing sponsor as soon as reasonably practicable after the execution of the Share Purchase Agreement for the listing of, and quotation for, the Consideration Shares on the SGX-ST Catalist Board and will make the relevant announcements upon receipt of the listing and quotation notice from the SGX-ST.

### 5.2 Profit Guarantee

5.2.1 For the purposes of the Announcement:

- (a) **“Profit Target Period 1”** means the period commencing on the Completion Date and ending on 31 December 2018;
- (b) **“Profit Target Period 2”** means the continuous period of twelve (12) months commencing on 1 January 2019 and ending on 31 December 2019;
- (c) **“Profit Target Period 3”** means the period commencing on 1 January 2020 and ending on the third anniversary of the Completion Date;
- (d) **“Profit Target Periods”** means the continuous period of thirty-six (36) months commencing on the Completion Date and ending on the third anniversary of the Completion Date and shall collectively refer to Profit Target Period 1, Profit Target Period 2, and Profit Target Period 3 and **“Profit Target Period”** means any one of them;

5.2.2 Each of the Sellers unconditionally and irrevocably guarantee that the NPAT for each Profit Target Period, as certified by the auditors in Malaysia (to be jointly appointed by the Parties) shall not be less than RM2,100,000.00 (Malaysian Ringgit Two Million and One Hundred Thousand) (**“Profit Target”**) provided that:

- (a) the Profit Target for Profit Target Period 1 shall be pro-rated to reflect that Profit Target Period 1 shall commence on the Completion Date and end on 31 December 2018; and
- (b) the Profit Target for Profit Target Period 3 shall be pro-rated to reflect that Profit Target Period 3 shall end on the date falling on the third anniversary of the Completion Date.

5.2.3 In the event that the actual cumulative NPAT for the Profit Target Periods is less than the cumulative Profit Targets for the Profit Target Periods (being the expiry of 36 months as defined in 5.2.1(d)), the Sellers shall pay to the Purchaser an amount equivalent a multiple of 1.4 of the difference between the cumulative Profit Targets for the Profit Target Periods and the actual NPAT (**“Profit Target Shortfall”**). The Sellers shall make good the Profit Target Shortfall, by paying to the Purchaser cash in the amount equal to the Profit Target Shortfall, within ninety (90) days of demand by the Purchaser. The Purchaser will receive compensations (if any) from the Sellers no later than one hundred and twenty (120) days of the end of the expiry of the Profit Target Periods, on a dollar for dollar basis.

5.2.4 The terms as set out in paragraphs 5.2.1 to 5.2.3 will be set out in the Deed of Profit Guarantee to be entered into between the Purchaser and each of the Sellers.

### 5.3 **Working Capital**

5.3.1 The Parties agree that each of the Target Companies shall be sold on a zero debt zero cash basis, save for a bank facility granted or to be granted to the Target Companies (**“Bank Facility”**) which shall not exceed the amount of RM3,000,000 (Malaysian Ringgit Three Million) to ensure that each of the Target Companies maintains sufficient working capital to cover operational expense (which will include, but is not limited to, costs of rent, employment of staff and purchase of products (on

the basis that there will be no injection of funds by the Purchaser after Completion)) for the purposes of:

- (a) continuing to carry on its business in its present form and at its present level of turnover; and
- (b) executing, carrying out and fulfilling in accordance with their respective terms all orders, projects and contractual obligations which have been placed with or undertaken by the Target Companies.

5.3.2 Any drawdown of the Bank Facility will require the joint approval of a director of the Purchaser and the Chief Executive Officer of the Group.

#### 5.4 Repayment of loans of the Purchaser

5.4.1 The Purchaser shall ensure the total repayment and/or discharge of any and all loans extended by, and to, the Group as at 30 June 2016, as set out in paragraph 5.8.5 by no later than Completion.

#### 5.5 Proposed Disposal of the Existing Business of the Purchaser

5.5.1 The Parties agree that within six (6) months after the Completion Date, or as extended by a three (3) month period upon the request of the Purchaser, or such other date as shall be mutually agreed between the Parties, the Purchaser shall dispose of its existing business on an "as is and where is basis" ("**Proposed Disposal**"), which shall be subject to the approval of the shareholders of the Purchaser. Further information on the Proposed Disposal will be provided to the shareholders of the Purchaser in due course.

#### 5.6 Service Agreement

5.6.1 Dato' Francis shall enter into the Service Agreement, the terms of which to be mutually agreed upon by Dato' Francis and the Purchaser, pursuant to which Dato' Francis shall be appointed as the Chief Executive Officer of the Group and an Executive Director of the Purchaser to manage the existing business of the Group, including but not limited to the existing medical centres and Beverly Wilshire Centres, and to develop the plastic and aesthetic medical centres or clinics of the Group.

5.6.2 Upon Completion, the appointment of Dato' Francis as the Chief Executive Officer of the Group and an Executive Director of the Purchaser shall be for an initial period of three (3) years ("**Initial Term**") unless otherwise terminated. Upon the expiry of the Initial Term, the term of the appointment of Dato' Francis shall automatically extend thereafter by recurring periods of two (2) years.

5.6.3 Dato' Francis shall resign from all other executive appointments to commit his skills and resources exclusively to the Group, unless otherwise directed by the Company.

5.6.4 During the term of the employment of Dato' Francis, Dato' Francis shall substantially assist the Group to open or acquire new medical centres ("**New Medical Centre**").

Subject to any amounts which the Target Companies and/or a New Medical Centre may owe to the Group being repaid in full to the Group (and in the case of the opening of a New Medical Centre, the aggregate capital expenditure being recovered by the Group), once a New Medical Centre becomes profitable (in the reasonable opinion of the Purchaser), the Purchaser shall pay Dato' Francis, an aggregate bonus amount equivalent to 20% of the net profit after taxation generated by any such New Medical Centre ("**New Centre Incentive**") per financial year provided that Dato' Francis remains employed on a full-time basis by the Purchaser.

- 5.6.5 Once the details of the Service Agreement are finalised, the Company will make the appropriate announcement accordingly.

## 5.7 **Moratorium**

- 5.7.1 The Consideration Shares shall be subject to a three (3) year moratorium period ("**Moratorium Period**") commencing on the Completion Date.

- 5.7.2 During the respective Moratorium Period, each of the Sellers jointly and severally covenants and undertakes not to (directly or indirectly), inter alia, offer, pledge, sell, contract to sell, grant any option, right or warrant to purchase, lend, hypothecate or encumber or otherwise transfer or dispose of, all or any part of the Consideration Shares (the "**Moratorium**").

- 5.7.3 Notwithstanding the Moratorium, the Parties agree that the Sellers may dispose of the Consideration Shares amongst them.

- 5.7.4 However, during the Moratorium Period, the Moratorium on such number of Consideration Shares may be lifted at the end of Profit Target Period 1 and Profit Target Period 2 where at least 70% of the relevant Profit Target is met ("**70% Threshold**"). If the 70% Threshold is not met, the Moratorium will not be lifted. By way of illustration only:

- (a) if the Completion Date is 1 September 2017 and the number of Consideration Shares issued is 100,000, where the actual cumulative NPAT at the end of Profit Target Period 1 meets the relevant Profit Target, the Moratorium shall continue to apply only to 55,556 Consideration Shares, representing approximately 56% of the Consideration Shares (equivalent to 56% of the Profit Target being met), for the period commencing from the first day of Profit Target Period 2 up to the last day of Profit Target Period 2;
- (b) if the Completion Date is 1 September 2017 and the number of Consideration Shares issued is 100,000, where the actual cumulative NPAT at the end of Profit Target Period 1 is equal to 70% of the relevant Profit Target, the Moratorium shall continue to apply to 68,889 Consideration Shares, representing approximately 70% of the Consideration Shares for the period commencing from the first day of Profit Target Period 2 up to the last day of Profit Target Period 2; and

- (c) if the Completion Date is 1 September 2017 and the number of Consideration Shares issued is 100,000, where the actual cumulative NPAT at the end of Profit Target Period 1 is less than 70% of the relevant Profit Target, the Moratorium shall continue to apply to all of the Consideration Shares for the period commencing from the first day of Profit Target Period 2 up to the last day of Profit Target Period 2.

5.7.5 In addition, upon payment of the Profit Target Shortfall pursuant to paragraph 5.2.3, the Moratorium shall cease entirely.

## 5.8 Conditions Precedent in relation to the Proposed Acquisition

The Completion is conditional upon, *inter alia*:

### Conditions to be satisfied by the Sellers

- 5.8.1 the results of a due diligence exercise over the Target Group being satisfactory to the Purchaser in its sole and absolute discretion and reveals no material adverse effect, provided always that if there are any unsatisfactory results from the due diligence exercise, the Purchaser shall submit written notice containing the details of the unsatisfactory results to the Sellers and grant the relevant Sellers up to the signing of the Share Purchase Agreement to remedy such unsatisfactory results;
- 5.8.2 all approvals, waivers or consents as may be required by each of the Sellers to enable the Company or (as the case may be) any acquiring entity to be registered as holder of any and all of the Sale Shares, and to give effect to the transactions contemplated under the Framework Agreement being obtained and where any waiver, consent or approval is subject to conditions, such conditions being satisfactory to the Company in its sole and absolute discretion and if required to be fulfilled by a particular date, being so fulfilled, and such approvals, waivers or consents remaining valid and in full force and effect;
- 5.8.3 the Target Group not having received notice of any claim, action, injunction, order, directive or notice restraining or prohibiting the entering into or the consummation of the transactions contemplated by the Framework Agreement or (as the case may be) the Share Purchase Agreement or seeking damages or other recourse in respect thereof, or notice that any of the foregoing is pending or threatened;
- 5.8.4 there being no event having occurred which has or could reasonably be expected to have a material adverse effect on the business, operations, assets, financial condition or prospects of the Target Group;
- 5.8.5 the total repayment and/or discharge of any and all loans extended to any of Target Companies save for the Bank Facility referred to in paragraph 5.3;

### Conditions to be satisfied by Dato' Francis

- 5.8.6 Dato' Francis having delivered to the Purchaser the duly executed Service Agreement;

#### Conditions to be satisfied by the Company

- 5.8.7 the Purchaser obtaining such necessary approval(s) in connection with the Proposed Acquisition and not having been withdrawn, suspended, amended or revoked as at the Completion Date, including but not limited to approval of the board of the Purchaser and approval of the shareholders of the Purchaser in general meeting for, amongst others the Proposed Acquisition, the allotment and issuance of the Consideration Shares to the Sellers, and the corporate exercises in paragraph 5.9;
- 5.8.8 the Company obtaining such approval(s) in connection with the Proposed Acquisition from its shareholders in general meeting, and such approval not having been withdrawn or revoked as at the Completion Date; and (ii) the Company having procured written undertakings from Dato' Dr Choo Yeow Ming, a substantial shareholder of the Company, in respect of the Company's shares held by him, to vote in favour of the Proposed Acquisition at the general meeting of shareholders to be convened and not to dispose his shareholdings in the Company from the date of the undertaking until the conclusion of the EGM of the Company;
- 5.8.9 approval in-principle for the listing of, and quotation for, the Consideration Shares on the Official List of the SGX-ST Catalist Board having been obtained and not having been withdrawn, suspended, amended or revoked as at Completion Date and, where such approval is subject to any conditions, to the extent that any such conditions are required to be fulfilled on or before Completion Date, they are so fulfilled;
- 5.8.10 the allotment, issue and subscription of the Consideration Shares not being prohibited by any statute, order, rule, regulation, directive or request promulgated or issued after the date of this Framework Agreement by any legislative, executive or regulatory body or authority of Singapore or elsewhere, which is applicable to the Target Group and/or the Company;
- 5.8.11 the Company not having received notice of any claim, action, injunction, order, directive or notice restraining or prohibiting the entering into or the consummation of the transactions contemplated by this Framework Agreement and/or the Share Purchase Agreement or seeking damages or other recourse in respect thereof, or notice that any of the foregoing is pending or threatened;
- 5.8.12 the results of a due diligence exercise over the Group being satisfactory to the Sellers in their sole and absolute discretion and reveals no material adverse effect, provided always that if there are any unsatisfactory results from the due diligence exercise, the Sellers shall submit written notice containing the details of the unsatisfactory results to the Purchaser and grant the Purchaser up to the signing of the Share Purchase Agreement to remedy such unsatisfactory results; and

#### Other Conditions

- 5.8.13 there being no applicable laws having been enacted, amended or proposed which would prohibit, materially restrict or materially delay the implementation of the transactions contemplated in this Framework Agreement, the Share Purchase Agreement or the operations of any of the Target Companies.

If any of the conditions set out in paragraph 5.8 has not been satisfied (or, where capable of waiver, waived by the Purchaser (if not satisfied by any of the Sellers) or all of the Sellers (if not satisfied by the Purchaser)) on or before the Completion Date, the Framework Agreement or (as the case may be) the Share Purchase Agreements shall automatically terminate with immediate effect.

## 5.9 Corporate Exercises

- 5.9.1 As previously announced by the Company on 31 March 2017, the Company shall carry out a renounceable non-underwritten rights issue of up to 10,109,888,721 new shares at an issue price of \$0.001 on the basis of three rights shares for every one existing share ("**Proposed Rights Issue**").
- 5.9.2 The Company will, in connection with the Proposed Acquisition, propose the consolidation of such number of shares of the Company into one (1) consolidated share (the "**Consolidated Share**"), to take effect on or before Completion (the "**Proposed Share Consolidation**"), subject to the approval of the shareholders of the Company and may be effected prior to the issue and allotment of the Consideration Shares.
- 5.9.3 In addition, the Company will, in connection with the Proposed Acquisition, propose a capital reorganisation to reduce the share capital of the Company pursuant to section 78C of the Companies Act (Chapter 50) on or before Completion ("**Proposed Capital Reduction**").
- 5.9.4 In the event of any alteration of the share capital of the Company by reason of the Proposed Rights Issue, Proposed Share Consolidation, Proposed Capital Reduction, or otherwise, the aggregate number of Consideration Shares and the issue price may be adjusted in consultation between the Parties such that the Consideration Shares shall represent 24.43% of the enlarged issued and paid-up share capital of the Purchaser (after taking into account the shares to be issued following the completion of the said corporate exercises), with each of Firstwide and Dato' Francis respectively holding approximately 11.968% and 8.910% of the enlarged issued and paid-up share capital of the Purchaser and the balance of 3.552% to be held by the remaining Sellers. The actual number of Consideration Shares to be issued will be determined once the details of the said corporate exercises are finalised and the shareholders will be updated accordingly.
- 5.9.5 As at the date of this Announcement, the Company has not determined the details of the Proposed Share Consolidation and Proposed Share Capital Reduction. Once these details are finalised, the Company will make the relevant announcement accordingly.

## 5.10 Completion

Subject to the conditions precedent of the Proposed Acquisition being satisfied or waived, the Proposed Acquisition is expected to be completed on 15 November 2017 after the satisfaction of the conditions precedent set out in the Framework Agreement or such other date as the Parties may agree in writing (the "**Completion Date**").

## 6. **BOARD'S VIEW ON THE PROFIT GUARANTEE**

### 6.1 **The Views of the Board**

The Board is of the view that the Profit Guarantee from each of the Sellers is acceptable to the Company and its shareholders, taking into account the following factors:

- 6.1.1 the Target Companies comprise medical centres offering a comprehensive range of medical aesthetic centres focusing on aspects of cosmetic procedures, aesthetic treatments (non-surgical and laser treatments), and health services in Malaysia.;
- 6.1.2 the medical centres of the Target Companies are located in major cities in Malaysia, such as Kuala Lumpur and Johor Bahru, which have high population densities and thus a large pool of potential clients;
- 6.1.3 the doctors employed by the Beverly Wilshire Centres have a wealth of experience and are reputable doctors in the field of cosmetic procedures and aesthetic treatments;
- 6.1.4 under the leadership of Dato' Francis, the Beverly Wilshire Centres have won many awards in cosmetic surgery, aesthetic medicine and healthy aging, in Malaysia such as the BrandLaureate SMEs BestBrands Award, Medical Travel Awards International Cosmetic Surgery Clinic of the Year and Frost & Sullivan Excellence Award Aesthetics Centre of the Year; and
- 6.1.5 in the event that the actual cumulative NPAT for the Profit Target Periods is less than the cumulative Profit Targets for the Profit Target Periods, the Sellers shall pay to the Purchaser an amount equivalent a multiple of 1.4 of the difference between the cumulative Profit Targets for the Profit Target Periods and the actual NPAT ("**Profit Target Shortfall**"). The Sellers shall make good the Profit Target Shortfall, by paying to the Purchaser cash in the amount equal to the Profit Target Shortfall, within ninety (90) days of demand by the Purchaser.

### 6.2 **Principal Assumptions and Commercial Bases and Assumptions**

The quantum of the Profit Guarantee was derived by Dato' Francis and the Company taking into consideration the future plans of the Target Companies for the next three financial years after the acquisition. Under the leadership of Dato' Francis, the Group intends to acquire accretive clinics with a view to expand and develop its business of medical clinics to other parts of Asia.

### 6.3 **Manner and Amount of Compensation to be Paid by The Sellers**

In the event that the Profit Target is not met by the date falling on the third anniversary of the Completion Date, each of the Sellers shall, within ninety (90) days of demand by the Company, make good the Profit Target Shortfall, by paying to the Purchaser cash in the amount equal to the Profit Target Shortfall, within ninety (90) days of demand by the Purchaser.

#### 6.4 **Safeguards Put In Place To Ensure The Company's Right Of Recourse**

6.4.1 The Company is currently contemplating various forms of safeguards, the Profit Target Shortfall is to be put in place as a form of safeguard.

6.4.2 Subject to the Company's and the Sellers' mutual agreement, the final decision on any other additional forms of safeguards will be made upon the entry into the Share Purchase Agreement, the details of which would be announced through the SGXnet.

#### 6.5 **Confirmation by Auditors and Statement by Financial Adviser**

6.5.1 The Company will include, pursuant to Rule 1013(2) of the Catalist Rules, in the shareholders' circular to be despatched in due course the following:

- (a) a confirmation from the auditors of the Target Companies that they have reviewed the bases and assumptions, accounting policies and calculations for the Profit Target, and their opinion on the bases, assumptions, policies and calculations; and
- (b) a statement by the financial advisor to the Company as to whether or not they are of the view that the transaction is on normal commercial terms and is not prejudicial to the interest of the Company and its shareholders.

### 7. **RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES**

#### 7.1 **Relative Figures under Rule 1006 of the Catalist Rules**

7.1.1 Based on the latest announced unaudited consolidated financial statements of the Group for the period ended 31 March 2017, the relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules are as follows:

<b>Rule</b>	<b>Basis of Calculation</b>	<b>Relative Figure</b>
Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not Applicable
Rule 1006 (b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits. <sup>(1)</sup>	21.74% <sup>(1)</sup>
Rule 1006 (c)	The aggregate value of the consideration given or received, compared with the Group's market capitalisation based on the total number of issued shares excluding treasury shares. <sup>(2)</sup>	37.73%
Rule 1006 (d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue. <sup>(3)</sup>	25.65%
Rule 1006 (e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. 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) Under Rule 1002(3)(b) of the Catalist Rules, “net profits” is defined as profit or loss before income tax, minority interests and extraordinary items. The net loss of the Target Companies of the latest unaudited period ended 31 March 2017 and the net loss of the Group for the financial period ended 31 March 2017 being S\$273,209 and S\$1,257,000 respectively.
  - (2) Based on the Consideration of S\$7,000,000 and market capitalisation of S\$18,554,973, which is determined by multiplying the issued share capital of the Company of 3,199,133,315 ordinary shares in issue (as at the date of 2 June 2017) with the volume weighted average price of S\$ 0.0058 (being the last market day for which the Shares were traded prior to the day the Framework Agreement was entered into).
  - (3) The number of equity securities to be issued by the Company as consideration for the Proposed Acquisition is 1,034,482,759 new ordinary shares.
- 7.1.2 Notwithstanding that the relative figure under Rule 1006(b) of the Catalist Rules is computed based on negative figures, as the Company will be seeking shareholders’ approval for reasons mentioned in paragraph 1.6 of this Announcement, the Company will not be consulting with the SGX-ST on the applicability of Chapter 10 of the Catalist Rules as referred to in Rule 1007(1) of the Catalist Rules.
- 7.1.3 Save as disclosed in paragraph 5.6, no other service contract and person will be appointed to the Board in connection with the Proposed Acquisition.

## 8. **FINANCIAL EFFECTS**

### 8.1 **Bases and Assumptions**

- 8.1.1 **Shareholders are advised to read this section carefully and to note that the financial effects of the Proposed Acquisition set out below are strictly for illustrative purposes only and have not been reviewed by the auditors of the Company and do not purport to be indicative or a projection of the results and financial position of the Company and the Group after the Proposed Acquisition. The illustrative financial results should not be construed to mean that the actual financial effects will be expected, expressed or implied.**
- 8.1.2 The pro forma financial effect of the Proposed Acquisition is based on, *inter alia*:
- (a) the financial effects of the Proposed Acquisition on the share capital (“**Share Capital**”), Net Tangible Assets (“**NTA**”) and Earnings Per Share (“**EPS**”) of the Group based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 (“**FY2016**”) and the unaudited financial statements of the Target Companies for FY2016;
  - (b) the financial effects of the Proposed Acquisition on the EPS of the Company are computed assuming that the Proposed Acquisition is completed on 1

January 2016;

- (c) the financial effects of the Proposed Acquisition on the NTA and gearing of the Company are computed assuming that the Proposed Acquisition is completed on 31 December 2016;
- (d) costs and expenses in connection with the Proposed Acquisition are disregarded for the purposes of calculating the financial effects;
- (e) the fair value adjustments on the net assets of the Company and positive or negative goodwill arising from the Proposed Acquisition, if any, have not been considered for the purpose of computing the financial effects of the Proposed Acquisition and will be determined on the Completion Date. As the goodwill will have to be determined at Completion of the Proposed Acquisition, the goodwill could be materially different from the aforementioned assumption. Any goodwill arising thereon from the Proposed Acquisition will be accounted for in accordance with the accounting policies of the Company; and
- (f) the following assumptions were made in computing the pro forma financial effects:
  - (i) the Issue Price is S\$0.0058; and
  - (ii) the number of Consideration Shares to be issued is 1,034,482,759 shares.

**8.1.3 Shareholders should note that the pro-forma financial effects of the Proposed Acquisition as prepared by management have not been reviewed by the auditors of the Company and are purely for illustrative purposes only. The illustrative financial effects should not be construed to mean that the Group's actual results, performance or achievements will be as expected, expressed or implied in such financial effects.**

## 8.2 Share Capital

	Before the Proposed Acquisition	After the Proposed Acquisition
Number of issued Shares	2,999,133,315	4,033,616,074
Amount of share capital (\$)	50,110,000	56,110,000

## 8.3 NTA

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA as of 31 December 2016	(4,680,000)	(15,297,261)
Weighted average number of Shares	2,999,133,315	4,033,616,074
NTA per Share (Singapore cents)	(0.16)	(0.38)

#### 8.4 EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Loss for the year	(18,647,000)	(20,702,456)
Number of Shares	2,903,299,982	3,937,782,740
Loss per Share (Singapore cents)	(0.64)	(0.53)

#### 9. **INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors, nor, to the best of the knowledge of the Directors, the substantial 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).

#### 10. **SOURCE OF FUNDS**

The Proposed Acquisition will be funded by internal resources as well as proceeds from fund raising exercises to be undertaken by the Company. The Company will update shareholders on any material developments and will make such necessary announcements as and when appropriate. The Proposed Acquisition is not expected to have any material impact on the earnings per share or net tangible assets per share of the Group for the current financial year ending 31 December 2017.

#### 11. **DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the Framework Agreement is available for inspection during normal business hours at the Company's registered office for a period of three (3) months from the date of this Announcement.

#### 12. **EGM AND CIRCULAR TO SHAREHOLDERS**

The Company will convene an EGM to seek the approval of the Shareholders for the Proposed Acquisition and a circular containing, *inter alia*, details thereof, together with the opinions and recommendations of the Directors in relation thereto and enclosing the notice of EGM in connection therewith, will be dispatched to the Shareholders in due course.

#### 13. **RESPONSIBILITY STATEMENT**

- 13.1 The Directors collectively and individually accept full responsibility (save in respect of the Sellers, the Target Companies, and the Target Companies' Shareholders) for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition and the Group and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in the Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this

Announcement in its proper form and context.

- 13.2 The Sellers accept full responsibility for the accuracy of the information given in this Announcement in respect of the Sellers and the Target Companies, and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts in respect of the Sellers and the Target Companies, and the Sellers are not aware of any facts the omission of which would make any statement in this Announcement in respect of the Sellers, and the Target Companies misleading.

14. **CAUTIONARY STATEMENT**

The Board would like to advise shareholders that, although the Framework Agreement has been entered into, completion of the Proposed Acquisition is subject to conditions precedent being fulfilled and there is no certainty or assurance as at the date of this Announcement that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof. Accordingly, shareholders are advised to exercise caution in dealings with the Shares. Shareholders are advised to read this Announcement and any further update announcement(s) released by the Company in connection with the Proposed Acquisition carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

**BY ORDER OF THE BOARD**

**6 June 2017**

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.*

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

*The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.*

## APPENDIX A

### DETAILS OF TARGET COMPANIES

#### 1. Beverly Wilshire Medical Centre Sdn Bhd

Name of Target Company : Beverly Wilshire Medical Centre Sdn Bhd

Registered shareholder :

Shareholders	Shareholding Percentage
1. Dato' Dr Liow Tiong Sin	1.04%
2. Dr Mohamad Nasir Bin Zahari @ Johari	5.26%
3. Dato' Dr Abdul Jalil Bin Jidon	6.17%
4. Dr Suzanna Binti Abdul Malik	1.43%
5. Dr Chin Sze Piaw	0.07%
6. Dato' Francis	33.17%
7. Firstwide	52.86%

#### 2. Beverly Wilshire Medical Centre (JB) Sdn Bhd

Name of Target Company : Beverly Wilshire Medical Centre (JB) Sdn Bhd

Registered shareholder :

Shareholders	Shareholding Percentage
1. Dato' Francis	30%
2. Firstwide	55%
3. Dato' Dr David Cheah Sin Hing	15%

#### 3. Beverly Wilshire Tropicana City Mall Sdn Bhd

Name of Target Company : Beverly Wilshire Tropicana City Mall Sdn Bhd

Registered shareholder :

Shareholders	Shareholding Percentage
1. Dato' Francis	26.91%
2. Firstwide	60.09%
3. Dr Wong Chee Hin	13%

#### 4. Beverly Wilshire Aesthetic Dental Centre Sdn Bhd

Name of Target Company : Beverly Wilshire Aesthetic Dental Centre Sdn Bhd

Registered shareholder :

Shareholders	Shareholding Percentage
1. Dato' Francis	30%
2. Firstwide	70%

**APPENDIX B**

**CONSIDERATION SHARES TO BE ISSUED AND ALLOTTED TO THE SELLERS**

<b>Name of Sellers</b>	<b>No. of Consideration Shares</b>	<b>Percentage of Consideration Shares</b>	<b>Percentage of the enlarged share capital of the Purchaser</b>
1. Firstwide	506,723,276	48.98%	11.968%
2. Dato' Francis	377,644,310	36.51%	8.910%
3. Dato' Dr Abdul Jalil Bin Jidon	38,978,966	3.77%	0.924%
4. Dato' Dr Liow Tiong Sin	6,561,207	0.63%	0.153%
5. Dr Mohamad Nasir Bin Zahari @ Johari	33,278,793	3.22%	0.793%
6. Dr Suzanna Binti Abdul Malik	9,042,069	0.87%	0.216%
7. Dato' Dr David Cheah Sin Hing	43,103,448	4.17%	1.016%
8. Dr Wong Chee Hin	18,685,000	1.80%	0.440%
9. Dr Chin Sze Piaw	465,690	0.05%	0.010%
<b>Total</b>	<b>1,034,482,759</b>	<b>100.00%</b>	<b>24.43%</b>