

MEDINEX LIMITED

Incorporated in the Republic of Singapore

Registration No. 200900689W

ENTRY INTO A SALE AND PURCHASE AGREEMENT TO ACQUIRE THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF CARLIN MANAGEMENT SERVICES PTE. LTD. (“CMS”)

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Medinex Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement dated 2 March 2022 (“**Previous Announcement**”) in respect of the entry into a binding term sheet in relation to the proposed transaction in CMS.

Unless otherwise defined, all capitalised terms used herein shall bear the same meanings as ascribed to them in the Previous Announcement.

Following the signing of the Term Sheet on 2 March 2022, the Board wishes to announce that the Company has, today, entered into a sale and purchase agreement (“**SPA**”) with Lee Lay Lian (the “**Seller**”) to acquire the entire issued and paid-up share capital of CMS (the “**Sale Shares**”) from the Seller (the “**Proposed Acquisition**”).

2. INFORMATION ON THE PROPOSED ACQUISITION

CMS was incorporated in Singapore on 1 January 2013 and has a total and paid-up share capital consisting of 1,000 ordinary shares of S\$1 each. CMS is in the business of provision of accounting, tax and corporate secretarial services.

The Seller is the sole shareholder of CMS and is not related to the Group, the Directors, the Company’s substantial shareholders or controlling shareholders, and/or their respective associates. To the best of the Company’s knowledge, as at the date of this announcement, the Seller does not have any interests, directly or indirectly, in the Company.

The Company shall acquire the entire issued and paid-up share capital of CMS, and as a condition precedent, all the existing business in Carlin Mgt Consultants Pte. Ltd. (“**CMC**”) and Carlin Corporate Services Pte. Ltd. (“**CCS**”) is to be transferred to CMS (the “**Transfers**”). For the avoidance of doubt, all references to CMS in this announcement shall include CMC and CCS.

Based on the average of the last three financial years ended 31 December (“**FY**”) 2019, FY2020 and FY2021, the normalised profit after tax of CMS (after adjusting for the Transfers) is approximately S\$602,671 (“**Normalised PAT**”) and both the net tangible asset value and net asset value of CMS as at 31 December 2021 were S\$97,181.

Upon completion of the Proposed Acquisition, CMS will become a wholly-owned subsidiary of the Company. The completion date of the Proposed Acquisition refers to 1 April 2022 unless the Conditions (as defined below at section 4.1) are not duly satisfied or waived in which case, completion shall take place on the date which is the fifth business day following the date on

which the Conditions are duly satisfied or waived, or such other date as may be agreed by the Seller and the Company in writing (the “**Completion Date**”). The Company will make an announcement upon completion of the Proposed Acquisition.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Board is of the view that the Proposed Acquisition would provide the following commercial benefits to the Group:

(i) Expansion of client base

CMS, like the Group, provides business support services such as accounting, tax and corporate secretarial services. The clients of CMS are mainly owners of small and medium enterprises in Singapore from, including but not limited to, self-storage services, machinery rental, food and beverages, and healthcare industries. This Proposed Acquisition will allow the Group to expand its customer base by gaining access into new customer segments and markets.

(ii) To increase the revenue of the business support services segment

The Proposed Acquisition allows the Group to increase its business support services revenue by gaining access into new customer segments and markets, enhancing its business support services to clients in other industries outside of its current clientele.

4. PRINCIPAL TERMS OF THE SPA

4.1 Conditions Precedent

Completion of the Proposed Acquisition is subject to, *inter alia*, the following conditions (“**Conditions**”):

- (a) the Seller shall undertake to complete the Transfers in a manner that is fully satisfied and/or acceptable in the Company’s sole opinion. Upon completion of the Transfers, CMS shall hold all the assets and will be the legal and beneficial owner of the businesses of CMC and CCS;
- (b) the satisfactory results of the due diligence (whether legal, financial, technical, business, contractual, tax or otherwise) to be carried out by the Company and/or its advisers on CMS, including without limitation, the title to and the status and condition of any properties (whether movable or immovable), assets (whether tangible or intangible), liabilities, businesses, operations, records, financial position, accounts, results, legal and corporate structure, and any other information disclosed to the Company;
- (c) the representations, warranties and undertakings given by the Seller contained in the SPA remaining true and accurate and having been fulfilled or performed in all respects on each date from the date of the SPA until the Completion Date as if repeated on each such day;
- (d) such approvals or consent (if any) as may be required under any applicable laws and regulations or from any relevant competent authority wherever located having jurisdiction over the transactions described in the SPA being obtained on terms (if any) acceptable to the Company, and not withdrawn or amended, on or before the Completion Date;
- (e) all necessary requirements, authorisations, consents, approvals, orders and waivers (including waivers of any pre-emptive rights, tag-along rights, put or call options and other rights or options (if any) being granted by third parties or governmental or regulatory bodies

or competent authorities having jurisdiction over the acquisition of the Sale Shares, the transactions contemplated under the SPA and/or the Transfers that are necessary or required to be obtained by the Seller, having been obtained and not being revoked or repealed on or before the Completion Date;

- (f) there having not been at any time after the execution of the SPA any material adverse change, or events, acts or omissions likely to lead to such a change, in the business, assets, financial position or results of operations of CMS from that set forth in the management accounts of CMS for the period from 31 March 2022 to the last day prior to the Completion Date; and
- (g) the execution of service or employment contracts between the key employees of CMS and such entity to be determined by the Company at its sole discretion, on such terms and conditions acceptable to the Company.

4.2 Conditions subsequent to Completion Date

The Seller shall continue to manage CMS after the Completion Date pursuant to the terms of her employment with CMS and the Seller shall manage CMS in a sound and prudent manner which include but not limited to ensuring that there will be sufficient working capital in CMS to ensure smooth operation of CMS and/or in a manner that is acceptable by the Company.

4.3 Sale and purchase of the Sale Shares

On and subject to the terms of the SPA, the Seller shall sell with full title the Sale Shares and the Company shall purchase all the Sale Shares on and with effect from the Completion Date, free from all encumbrances and together with all rights, benefits, entitlements, and advantages attaching to them as at the date of the SPA (including the right to receive all dividends or distributions declared, made, or paid on or after the date of the SPA).

5. PURCHASE CONSIDERATION

The consideration for the purchase of the Sale Shares shall be S\$3,000,000 (the “**Consideration**”), which is based on a five times multiple of the Normalised PAT. The Consideration was arrived at based on a willing-buyer willing-seller basis, having taken into account, among others, the expected contribution from CMS, the Profit Guarantee (as defined herein) and the synergies from the integration. No independent valuation on CMS was performed for the purpose of the Proposed Acquisition.

The Consideration shall be satisfied in the following manner: -

- (a) S\$300,000 in cash, upon signing of the SPA, less the Deposit of S\$30,000 which was paid by the Company to the Seller upon the signing of the Term Sheet on 2 March 2022;
- (b) S\$2,100,000 in cash upon the legal completion of the SPA (together with the aforementioned payment in paragraph 5(a) above and the Deposit, the “**Cash Portion**”); and
- (c) subject to paragraph 6 below, a deferred payment of S\$600,000 to be satisfied by the issuance of 2,666,667 new shares (“**Consideration Shares**”) in the Company to the Seller and/or her nominee as she may direct, at an issue price of S\$0.225 per Consideration Share, which is equivalent to the volume weighted average price of the Company’s shares on the last trading day of the Company’s shares on the SGX-ST prior

to the signing of the SPA, upon the Seller fully complying with the Profit Guarantee (as defined herein).

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

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

6. Profit Guarantee

It is a fundamental term of the SPA that the Seller shall guarantee that CMS shall have a cumulative net profit after tax (“NPAT”) of at least S\$1,800,000 (“Profit Guarantee”) over a three-year period with effect from the Completion Date (“Profit Guarantee Period”).

The quantum of the Profit Guarantee was based on the assumption that CMS’s net profit after tax remains similar to the Normalised PAT of CMS.

In the event that the Seller is unable and/or unwilling to comply with the Profit Guarantee during the Profit Guarantee Period, the Seller shall forthwith and without delay, upon receipt of a written notice from the Company, pay the Company a sum (“Shortfall Payment”) within 14 days from the date of the written notice (“Notice Period”).

The Shortfall Payment shall be calculated as follows: -

$$\frac{\text{Profit Guarantee less actual NPAT}}{3} \times 3.3$$

The actual NPAT shall be determined by the auditors of the Company from the audited accounts of CMS. 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 CMS.

In the event that there is a Shortfall Payment, the Company shall be entitled to: -

- (a) deduct such number of Consideration Shares with the total value equivalent to the amount of the Shortfall Payment from the 2,666,667 Consideration Shares, computed based on the issue price of S\$0.225 per Consideration Share, and
- (b) issue such remaining Consideration Shares to the Seller and/or the Seller’s nominee within ten (10) Business Days from the end of the Notice Period, if any.

The Company and the Seller agree that if the Shortfall Payment exceeds the value of the Consideration Shares of S\$600,000, the Company shall not issue the Consideration Shares to the Seller and the Seller shall remain liable to pay the balance of the Shortfall Payment to the Company.

The Seller's liability under the Profit Guarantee shall not be limited in any way and shall constitute principal obligations and shall not be treated as ancillary or collateral to any other right or obligation however created or arising.

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

- (a) the safeguarding of the interests of the Company and the shareholders as the Company in view that the Company will receive a guaranteed return from the Proposed Acquisition, which was a factor considered in negotiating the terms of the Proposed Acquisition;
- (b) the track record of CMS and the Seller;
- (c) the potential growth of CMS based on its expansion plans; and
- (d) the prospects based on the Seller's existing network and clientele base as an established businesswoman, having been in business for decades.

7. COMPLETION

7.1 Subject to the due satisfaction or to the waiver by the Company of the Conditions and the Company not having elected to rescind the SPA, completion shall take place on the Completion Date ("**Completion**").

7.2 The Seller shall, unless waived by the Company, cause, among others, the following documents to be delivered to the Company on Completion:

- (a) written evidence that the Transfers have been completed (and to the satisfaction of the Company);
- (b) such other documents (including any waivers or consents) as the Company may require enabling the Company to be registered as the legal and beneficial holders of the Sale Shares;
- (c) written resignation (with effect from the Completion Date) of Lee Thiam Chye as a director of CMS, resigning from his respective offices with CMS, with acknowledgements signed by him in a form satisfactory to the Company to the effect that he has no claims against CMS; and
- (d) written confirmation from the Seller that all Conditions have been met and evidence satisfactory to the Company of due fulfilment of such Conditions.

8. FINANCING

The Company intends to use its internal resources to finance the Cash Portion of the Consideration.

9. RELATIVE FIGURES

Based on the Group's latest announced unaudited consolidated financial statements for the six-month period ended 30 September 2021 ("**HY2022**"), the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") are as follows:

Catalist Rules	Relative Figures
1006(a)	
The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable.
1006(b)	
The net profits ⁽¹⁾ attributable to the assets acquired, compared with the Group's net profits.	14.72% ⁽²⁾
1006(c)	
The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	10.16% ⁽³⁾
1006(d)	
The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	2.03% ⁽⁴⁾
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) "Net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (2) Computed based on (a) the unaudited net profit before income tax of CMS for the six-month period ended 31 December 2021 of approximately S\$336,897; and (b) the unaudited net profit before income tax of the Group for HY2022 of S\$2,288,000.
- (3) Computed based on the Consideration of S\$3,000,000 and the market capitalisation of the Company of approximately S\$29,521,696.5 which is determined by multiplying the number of ordinary shares in the issued share capital of the Company ("Shares") (excluding treasury shares) of 131,207,540 shares by the volume weighted average price of S\$0.225 per Share on 18 March 2022, being the last market day immediately preceding the date of the SPA on which the Shares were traded.
- (4) Computed based on 2,666,667 Consideration Shares to be issued and allotted by the Company.

10. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The pro forma financial effects of the Proposed Acquisition on the Company are set out below and are purely for illustrative purposes. The pro forma financial effects of the Proposed Acquisition on the Group's net tangible assets ("NTA") per share and earnings per share ("EPS") are based on the Group's audited financial statements for the financial year ended 31 March 2021.

(a) NTA per share

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Proposed Acquisition on the NTA per share of the Group as at 31 March 2021, as if the Proposed Acquisition and the issuance of the Consideration Shares were completed on 31 March 2021, are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition and Issuance of Consideration Shares
NTA attributable to equity holders of the Company (S\$)	9,559,396	9,656,577
Number of ordinary shares in issue	131,207,540	133,874,207
NTA per share (Singapore cents)	7.29	7.21

(b) EPS

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Proposed Acquisition on the EPS of the Group as at 31 March 2021, as if the Proposed Acquisition and the issuance of the Consideration Shares were completed on 1 April 2020, are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition and Issuance of Consideration Shares
Profit attributable to equity holders of the Company (S\$)	3,493,490	4,167,284
Number of ordinary shares in issue	131,207,540	133,874,207
EPS (Singapore cents)	2.66	3.11

11. SERVICE CONTRACTS

No person is proposed to be appointed to the Board in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

12. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

13. DOCUMENT FOR INSPECTION

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

By Order of the Board

Jessie Low Mui Choo
Executive Director and Chief Executive Officer
25 March 2022

This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "**Sponsor**"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.

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

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