

THOMSON MEDICAL GROUP LIMITED
(Company Registration No. 199908381D)
(Incorporated in the Republic of Singapore)

PROPOSED ACQUISITION OF FAR EAST MEDICAL VIETNAM LIMITED

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Thomson Medical Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements dated 3 March 2023 and 8 June 2023 (“**Previous Announcements**”).

The Board wishes to announce that the Company and FVH Singapore Pte. Ltd. (the “**Purchaser**”), a wholly-owned subsidiary of Sasteria (VN) Pte. Ltd., which is in turn a wholly-owned subsidiary of the Company, have today entered into a sale and purchase agreement (“**SPA**”) with Far East Medical HK Limited (“**FEMHK**” or “**Seller**”), pursuant to which the Seller has agreed to sell, and the Purchaser has agreed to purchase, 100% of the issued charter capital (“**Sale Shares**”) of Far East Medical Vietnam Limited (the “**Target**”, and together with its subsidiaries, the “**Target Group**”), pursuant to the terms and subject to the conditions in the SPA (the “**Proposed Acquisition**”).

2. INFORMATION ON THE PROPOSED ACQUISITION

2.1. Information on the Target Group

The Target is a single-member limited liability company incorporated in Vietnam on 19 January 2001. As at the date of this announcement, the Target has an issued charter capital of VND520,360,179,747 (equivalent to approximately S\$29.7 million¹). The entire issued charter capital of the Target is held by the Seller.

The Target Group operates a range of healthcare facilities in Vietnam, including a multi-disciplinary hospital and a chain of clinics, as follows:

- (a) Far East Medical Vietnam Limited (being the Target), which owns the “FV Hospital” and “FV Saigon Clinic” facilities;
- (b) American Chiropractic Clinic Ltd (“**ACC**”), a wholly-owned subsidiary of the Target, which owns the “ACC Ho Chi Minh (District 1) Branch Clinic”, “ACC Ho Chi Minh (District 5) Branch Clinic”, “ACC Hanoi Branch Clinic” and “ACC Da Nang Branch Clinic” facilities;
- (c) Vibrant Clinic Company Limited, a wholly-owned subsidiary of ACC, which owns the “Vibrant Clinic” facility; and
- (d) Vibrant Trading Company Limited, a wholly-owned subsidiary of Vibrant Clinic Company Limited, which owns the planned pharmacy facility at FV Hospital.

FV Hospital was founded by Dr Jean-Marcel Guillon in 2003 with a group of French doctors who shared the vision of bringing world class healthcare into Vietnam. Located in the

¹ Based on the exchange rate of SGD1.00 : VND17,532 as at 31 December 2022.

burgeoning District 7 of Ho Chi Minh City, FV Hospital has evolved into a full-service, one stop provider of quality health care. In addition to catering for the local Vietnamese population, FV Hospital also receives patients from Cambodia.

FV Hospital was the first Joint Commission International (“**JCI**”) accredited hospital in South Vietnam, and has been accredited twice over, a testament to its commitment to clinical quality and patient centric service across its decades-long history.

FV Hospital provides care across more than 30 medical specialties, including oncology, cardiology, ophthalmology, orthopaedics, maternity, and gastroenterology. FV Hospital has close to 200 operating beds as at 31 December 2022 and is currently undertaking an expansion which will entail a 7-floor structure appended to the existing FV Hospital building (“**H Building**”). The H Building will house the extension of the cancer centre with the addition of advanced capabilities like PET scan, a CyberKnife and a bone marrow transplant unit. It will also be home to new activities like IVF and dialysis, and the extension of outpatient services in cardiology, urology, maxillo-facial and gastroenterology.

The Target Group currently has over 1,600 service staff, including more than 200 Vietnamese and expatriate doctors. The Target Group also operates, since 2013, an outpatient clinic known as FV Saigon Clinic at the heart of District 1, Ho Chi Minh City’s traditional business district. The ACC business consists of a network of four (4) clinics across Vietnam, which was acquired in 2022 to allow the Target Group to expand into chiropractic services and the development of sports medicine.

2.2. Financial Information on the Target Group

Based on the audited consolidated financial statements of the Target Group for the financial year ended 31 December 2022, as provided by the Seller:

- (a) the net revenue of the Target Group is VND1,930.6 billion (equivalent to approximately S\$110.1 million²);
- (b) the earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) attributable to the Target Group is VND463.7 billion (equivalent to approximately S\$26.4 million²);
- (c) the net profit after tax of the Target Group is VND271.4 billion (equivalent to approximately S\$15.5 million²);
- (d) the net book value of the Target Group is VND1,237.7 billion (equivalent to approximately S\$70.6 million²); and
- (e) the net tangible assets of the Target Group is VND937.6 billion respectively (equivalent to approximately S\$53.5 million²).

No independent valuation was conducted on the Target Group for the purposes of the Proposed Acquisition.

2.3. Information on the Seller

The Seller is Far East Medical HK Limited. The Seller is a private company limited by shares incorporated in Hong Kong with registered address at 5705, 57th Floor, the Center, 99 Queen’s Road Central, Hong Kong. The principal business of the Seller is to act as the holding company

² Based on the exchange rate of SGD1.00 : VND17,532 as at 31 December 2022.

for the Target Group. The Seller is beneficially owned by the founders of the Target Group and an affiliate of Quadria Capital Investment Management Pte Ltd, an Asia healthcare-focused private equity firm.

The Seller is not related to any of the Directors, controlling shareholders of the Company and/or their respective associates. As at the date of this announcement, the Seller does not hold shares, directly or indirectly, in the Company.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Group's objective to grow its Pan-Asian footprint. As set out in the Previous Announcements, the Company has been actively seeking investment opportunities and is currently evaluating and pursuing proposals which may involve acquisitions or collaborations relating to healthcare businesses in the Southeast Asia region (in particular, in Indonesia and Vietnam).

The Board is of the view that the Proposed Acquisition, if proceeded with, will bring the following benefits to the Group:

(a) Expansion into Vietnam's healthcare sector through acquisition of an anchor asset

The Proposed Acquisition will enable the Group to enter into Vietnam's growing private healthcare market driven by favourable macroeconomic tailwinds with a significant growth potential in healthcare expenditure. Vietnam is one of the fastest growing economies in Southeast Asia fuelled by strong inflow of foreign direct investment given its geographical and competitive advantages which underpins the strong growth in healthcare expenditure. Vietnam has recorded strong historical gross domestic product growth at around 8.6%³ compounded annual growth rate ("CAGR") for 2017A – 2022A and healthcare expenditure growth at around 9.2%³ CAGR for 2017A – 2022A.

(b) Transformational M&A that provides financial scale and geographical diversification for the Group

The Proposed Acquisition will help the Group increase its *pro forma*⁴ revenue by 33% and EBITDA by 24% (for the year ended 30 June 2022). The Proposed Acquisition will allow the Group to diversify its presence across markets and on a *pro forma*⁴ basis, the revenue contribution from Singapore, Malaysia and Vietnam for the year ended 30 June 2022 will be 57%, 18% and 25% respectively.

(c) Premier platform with a comprehensive suite of tertiary offerings

The Target Group began its operations in 2003 and owns and operates a well-established JCI accredited hospital and outpatient centres in Vietnam. FV Hospital is a top-tier private hospital and utilizes modern equipment to provide best in class quality of care across over 30 specialties. The strong heritage and brand equity of FV Hospital complements the Group's premium branding as a regional healthcare specialist.

³ Source: Euromonitor International Macro Model

⁴ The *pro forma* numbers are purely for illustrative purposes only and do not reflect the future actual financial position and performance of the Company or the Group after the completion of the Proposed Acquisition.

(d) Highly visible expansion plan with significant growth potential

The Target Group has a highly visible expansion plan to meet the growing demand for medical services in FV Hospital's catchment area in Ho Chi Minh City and Mekong Delta region as well as domestic and international medical tourists. The development of the H Building near the existing FV Hospital building will provide the ability to expand existing services by adding additional beds, outpatient consultation rooms and medical equipment to cater to high growth specialties.

(e) Strong and qualified bench of doctors with deep expertise in advanced specialties

The Target Group has a strong history of attracting and retaining top doctors across specialties with a clear development plan to build out advanced specialties. Currently, the Target Group has established centres of excellence in Oncology, Cardiology, Ophthalmology, Orthopaedics, Maternity and Gastroenterology. The Proposed Acquisition will enable the Group to gain from the additional qualified and experienced medical professional team with global best-in-class medical expertise. The Target Group has more than 200 doctors deployed across FV Hospital, FV Saigon Clinic and ACC, with 52% of full-time and part-time doctors working in the Target Group for more than five (5) years.

(f) Investment in a highly experienced senior management team in Vietnam

The Target Group is led by a highly experienced senior leadership management team that has grown the Target Group through its various cycles of development. They share the Target Group's commitment to ensure the highest medical ethics and governance standards while demonstrating strong financial performance as evidenced by its historical revenue growth and profitability.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1. Consideration

Under the terms of the SPA, the Purchaser will acquire 100% of the Sale Shares for an estimated aggregate purchase consideration of up to approximately US\$381.4 million (or approximately S\$517.1 million⁵) ("**Total Consideration**").

In accordance with the terms of the SPA, the Total Consideration comprises the following:

- (a) an estimated amount of up to approximately US\$359.6 million (or approximately S\$487.5 million⁵, and subject to certain adjustments as prescribed under the SPA) ("**Initial Consideration**") is to be paid in cash for the Sale Shares by the Purchaser to the Seller on the date of the completion ("**Completion**") of the Proposed Acquisition ("**Completion Date**"); and
- (b) an amount of up to US\$21.8 million (or approximately S\$29.6 million⁵) ("**Earnout Consideration**") is payable by the Purchaser to the Seller, subject to and in the manner provided in paragraph 4.2 below.

The Total Consideration was arrived at on a willing-buyer and willing-seller basis, as part of a competitive bid process, and after taking into account, amongst other things, (a) the Target

⁵ Based on the exchange rate of USD1.00 : SGD1.3557 as at 30 June 2023.

Group's background, track record and operating history, (b) the historical financial performance and financial position of the Target Group, and (c) the enterprise value of the key assets of the Target Group, (d) the net asset value of the Target Group, and (e) the potential synergistic benefits to the Group arising from the Proposed Acquisition.

Based on the Initial Consideration of US\$359.6 million (or approximately S\$487.5 million⁶) and after certain price adjustments as set out in the SPA, this translates into an enterprise value ("EV") of US\$328.5 million (or approximately S\$445.3 million⁶). Based on the EBITDA of US\$19.5 million (or approximately S\$26.4 million⁶) from the Target Group's audited consolidated financial statements for the financial year ended 31 December 2022, this translates into an EV/ EBITDA multiple of 16.8x.

4.2. Earnout Consideration

For the purposes of this paragraph:

- (a) **"FY2023 Adjusted EBITDA"** means the Target Group's earnings before interest, tax, depreciation and amortisation, based on the FY2023 Target Group Accounts and adjusted in accordance with the terms of the SPA;
- (b) **"FY2023 Target Group Accounts"** means the audited consolidated accounts of the Target Group for the financial year ending on 31 December 2023; and
- (c) **"Written Statement"** means the written statement of the amount of the FY2023 Adjusted EBITDA.

In the event the Target Group achieves a FY2023 Adjusted EBITDA of more than US\$24.5 million, the Purchaser will make an earn-out payment of up to US\$21.8 million to the Seller, as set out below.

The Earnout Consideration will be computed by applying a multiple of 14.5 to the amount (if any) by which the FY2023 Adjusted EBITDA exceeds US\$24.5 million, provided that the Earnout Consideration shall not exceed US\$21.8 million and shall not be less than zero. The calculation for the Earnout Consideration shall be as follows:

$$\text{Earn-out Consideration} = 14.5 \times (\text{FY2023 Adjusted EBITDA} - \text{US\$24.5 million})$$

The maximum Earn-out Consideration of US\$21.8 million will be paid in the event the Target Group achieves a FY2023 Adjusted EBITDA of US\$26.0 million. For avoidance of doubt, if the Target Group achieves a FY2023 Adjusted EBITDA of more than US\$26.0 million, the Earn-out Consideration will remain capped at US\$21.8 million.

For illustrative purposes, assuming a Total Consideration of US\$381.4 million (comprising the Initial Consideration and the maximum Earn-out Consideration) is paid, this translates into an EV of US\$350.3 million. Based on a FY2023 Adjusted EBITDA of US\$26.0 million, this translates into an EV/EBITDA multiple of 13.5x.

The above figures are prepared purely for illustrative purposes only and do not amount to projections of the future financial performance of the Target Group and do not reflect the future financial position of the Target Group.

⁶ Based on the exchange rate of USD1.00 : SGD1.3557 as at 30 June 2023.

The Earnout Consideration shall be paid by the Purchaser to the Seller within five (5) business days following the delivery of the Written Statement by the Purchaser to the Seller, such Written Statement to be delivered by the Purchaser to the Seller within five (5) business days of the receipt by the Target Group of the FY2023 Target Group Accounts.

4.3. Conditions Precedent

The Proposed Acquisition is subject to and conditional upon, amongst other things, the following conditions ("**Conditions Precedent**"):

- (a) the approval of the shareholders of the Company ("**Shareholders**") of the Proposed Acquisition in general meeting;
- (b) the receipt of a copy of the merger clearance notification in respect of the Proposed Acquisition issued by the Ministry of Industry and Trade of Vietnam; and
- (c) the receipt of a copy of the relevant merger and acquisitions approval notice in respect of the Proposed Acquisition issued by the Department of Planning and Investment of Vietnam.

If any of the Conditions Precedent are not fulfilled on or before the date falling six (6) months following the date of the SPA, or such other date as the parties may agree in writing, the Seller or the Purchaser (as the case may be) may terminate the SPA by giving written notice to the other party, and upon such termination no party shall have any claim under the SPA of any nature against the other party (except in respect of rights and liabilities which have accrued before termination).

4.4. Completion

Subject to and the terms and conditions of the SPA, including the fulfilment of the Conditions Precedent, Completion shall take place on the twelfth business day after the Unconditional Date. For the purposes of this paragraph, "**Unconditional Date**" means the next business day following the date on which the last of the Conditions Precedent has been fulfilled.

4.5. Capital Gains Tax

Pursuant to the terms of the SPA, the capital assignment profits tax or capital gains tax on the gains generated in connection with the sale of the Sale Shares arising in Vietnam arising from the Proposed Acquisition will be borne by the Seller.

5. **SOURCE OF FUNDS**

The Total Consideration for the Sale Shares shall be wholly satisfied by cash, funded from the Group's internal resources and external borrowings from financial institutions and debt capital markets.

6. **FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

- 6.1. The *pro forma* financial effects of the Proposed Acquisition in this section have been prepared based on: (a) the Group's audited consolidated financial statements for the financial year ended 30 June 2022 ("**FY2022**") (being the latest announced audited consolidated full-year financial statements of the Group); (b) the Target Group's audited financial statements for the financial year ended 31 December 2022; and (c) under the following assumptions:

- (i) the Proposed Acquisition had been completed on 1 July 2021 for the purposes of illustrating the financial effects on the Group's EBITDA and earnings per share ("**EPS**"); and
- (ii) the Proposed Acquisition had been completed on 30 June 2022 for the purposes of illustrating the financial effects on the Group's net asset value ("**NAV**") and net tangible assets ("**NTA**") per share.

The *pro forma* financial effects presented below are purely for illustrative purposes only and do not reflect the future actual financial position and performance of the Company or the Group after the completion of the Proposed Acquisition.

6.2. NAV

	Before the Proposed Acquisition	After the Proposed Acquisition
NAV (S\$'000)	608,341	608,341
Number of shares ('000)	26,441,067	26,441,067
NAV per share (Singapore cents)	2.30	2.30

6.3. NTA

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	124,280	(339,341) ⁽¹⁾
Number of shares ('000)	26,441,067	26,441,067
NTA per share (Singapore cents)	0.47	(1.28)

6.4. EBITDA

	Before the Proposed Acquisition	After the Proposed Acquisition
EBITDA (S\$'000)	109,737	132,585 ⁽²⁾

6.5. EPS

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to Shareholders (S\$'000)	53,762	34,429 ⁽³⁾
Number of shares ('000)	26,441,067	26,441,067
EPS (Singapore cents)	0.20	0.13

Notes:

- (1) Primarily due to goodwill arising from the Proposed Acquisition.
- (2) The computations of this figure include transaction expenses amounting to approximately S\$3.6 million.
- (3) The computations of this figure include financing cost and transaction expenses amounting to approximately S\$34.8 million.

7. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”) in respect of the Proposed Acquisition and based on the audited consolidated financial statements of the Group for FY2022 are as follows:

Rule	Bases of Calculation	Relative Figures (%)
1006(a)	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)	Net profits attributable to the assets acquired, compared with the Group’s net profits	25.0% ⁽²⁾
1006(c)	Aggregate value of the consideration given, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	32.1% ⁽³⁾
1006(d)	Number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities of the Company previously in issue	Not applicable
1006(e)	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 (only applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company)	Not applicable

Notes:

- (1) Net profits are defined as profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (2) Based on the Target Group’s net profit for the financial year ended 31 December 2022 of approximately VND303.9 billion (equivalent to approximately S\$17.3 million⁷) and the Group’s audited consolidated net profit for FY2022 of approximately S\$69.3 million.
- (3) Based on the Total Consideration of approximately US\$381.4 million (equivalent to approximately S\$517.1 million⁸) and the Company’s market capitalisation of approximately S\$1.6 billion. The market capitalisation is based on 26,441,066,807 shares of the Company (“**Shares**”) in issue and the volume weighted average price of the Shares of S\$0.061 on 11 July 2023, which is the last full market day on which the Shares were traded prior to the date of the SPA.

As the relative figures in respect of Rules 1006(b) and 1006(c) of the Listing Manual exceed 20%, the Proposed Acquisition constitutes a major transaction under Rule 1014(1) of the Listing Manual. Accordingly, the Proposed Acquisition is subject to the approval of shareholders at an extraordinary general meeting (“**EGM**”) to be convened pursuant to Rule 1014(2) of the Listing Manual.

⁷ Based on the exchange rate of SGD1.00 : VND17,532 as at 31 December 2022.

⁸ Based on the exchange rate of USD1.00 : SGD1.3557 as at 30 June 2023.

8. EXTRAORDINARY GENERAL MEETING

The Company will convene an EGM to seek the approval of the Shareholders for the Proposed Acquisition pursuant to Rule 1014(2) of the Listing Manual. A circular to Shareholders setting out the information on the Proposed Acquisition, together with the notice of EGM to be convened, will also be dispatched to the Shareholders in due course.

9. DIRECTORS' SERVICE CONTRACTS

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

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

11. DOCUMENTS FOR INSPECTION

Copies of the SPA are available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the Company's registered office at 101 Thomson Road, #20-04/05 United Square, Singapore 307591 for three (3) months from the date of this announcement.

Shareholders who wish to inspect the SPA may email ir@thomsonmedical.com to make an appointment in advance so as to limit the number of people who are present at the Company's registered office at any one time. Such arrangements are subject to the prevailing regulations, orders, advisories and guidelines in relation to safe distancing measures implemented by the relevant authorities from time to time.

12. SOLE FINANCIAL ADVISER

Maybank Securities Pte. Ltd. is the sole financial adviser to the Company in respect of the Proposed Acquisition.

13. FURTHER ANNOUNCEMENTS

The Company will make the necessary announcements when there are further developments on the Proposed Acquisition and other matters contemplated by this announcement.

14. CAUTIONARY STATEMENTS

Shareholders and potential investors should note that 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. Shareholders and potential investors are accordingly advised to read this announcement and any further announcements by the Company carefully. Shareholders are also advised to refrain from taking any action in respect of their securities in

the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

**BY ORDER OF THE BOARD
THOMSON MEDICAL GROUP LIMITED**

Dr Heng Jun Li Melvin
Executive Director and Group Chief Executive Officer
12 July 2023